

## CHEMICALS MANAGEMENT POLICY

Over the years, consumer expectations in Quality, Chemical Challenges & Environmental Sustainability Challenges are increasing. This document is to address the need to use 'safer' chemicals, produce safer finished articles and comply with environmental standards of discharge. At Gruppo Teddy we are working towards increasingly integrate the sound principles of sustainability in our business philosophy.

Gruppo Teddy's approach to Chemical Managements is holistic in nature, covering guidelines and standards for Inputs, Process, and Outputs across the supply chain (including licensee supply chain). Our Chemical Management Strategy covers timelines and key implementation plans in further detail.

### Industry Collaboration

#### 1) ZDHC Group

Gruppo Teddy joined the ZDHC Group in the year 2021. Zero Discharge of Hazardous Chemicals (or ZDHC) is a multi-stakeholder organisation comprising of 150+ contributors including brands, manufacturers, and chemical suppliers who collaboratively work towards creating industry aligned guidelines and eco tools for implementing responsible chemical management across the global apparel, footwear and textile industry. As a signatory brand of the Zero Discharge of Hazardous Chemicals foundation we are committed to the use of safer chemical inputs.

ZDHC's Roadmap to Zero Programme is an industry wide agreed chemical management system to eliminate the use of hazardous chemicals across the value chain.

Gruppo Teddy aims to incorporate ZDHC tools and guidelines across our supply chain for Inputs, Processes, and Outputs. It adopts the ZDHC Chemical management framework and all its supply chain partners should be implementing the CMS framework principles.

#### 2) Sustainable Apparel Coalition

Gruppo Teddy became a member of the Sustainable Apparel Coalition in 2022. The Sustainable Apparel Coalition or SAC is a leading membership-based alliance of more than 250 leading apparel, footwear and textile brands, retailers, suppliers, affiliates (service providers), trade associations, non-profit organizations or NGO's and academic institutions, working to reduce the environmental and social impacts of products around the world. SAC was formed by competitors from across the apparel industry coming together to begin collaborative work on such a tool, known as the Higg Index.

The Higg Index is a suite of tools that enables brands, retailers, and facilities of all sizes — at every stage in their sustainability journey — to accurately measure and score sustainability performance of a company or a product.

Gruppo Teddy is working towards the ‘Foundational’ member level by 2024 through the Higg BRM, Higg FEM, and Higg FSLM tools and adopts and requires its entire supply chain to adopt the Higg index tools.

We expect that suppliers will carry out appropriate, risk based Due Diligence Testing to ensure compliance with the Restricted Substances List, and to request evidence that their upstream suppliers also carry out Due Diligence Testing and checks as appropriate.

### **Input Management**

Purchasing Clean Input Chemicals is the most important step in your journey towards implementing a Chemical Management System.

#### Adoption of MRSL

ZDHC developed an industry MRSL, which stands for Manufacturing Restricted Substances List. It is a list of chemical substances that are banned from intentional use in Textile and Leather INPUT CHEMICALS.

- These requirements should be communicated to all relevant subcontractors and vendors.
- The supplier’s purchasing policy should include ZDHC MRSL requirements to promote compliance.
- A test report meeting the MRSL conformation guidance or certificate from any ZDHC MRSL approved laboratory can be used as evidence to show MRSL Compliance of a chemical in case, if the chemical is not in the ZDHC Gateway.

Gruppo Teddy has adopted the ZDHC MRSL and communicates this requirement to the supply chain, through the Chemical Management Guidebook.

#### ZDHC Gateway: Chemical Module & InCheck Report

The ZDHC Gateway - Chemical Module is the world’s First Database of safer Chemistry and can be used by various stakeholders such as brands, suppliers and chemical formulators.

Suppliers can register their company on the Gateway and upload their Chemical Inventory. Suppliers can then invite stakeholders from their value chain to the platform and search for chemical products uploaded by Chemical Formulators.

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Suppliers can use the ZDHC Gateway to measure the ZDHC MRSL Conformance of their Inventory via an InCheck report. The ZDHC InCheck solution helps a Supplier demonstrate that it purchases and uses chemical products that minimise risk to human health, improve worker safety, and limit the impact on the environment.

Gruppo Teddy has committed to using ZDHC's Input Management tools: Gateway and InCheck reports. The guidelines and requirements have been communicated to all suppliers through the Chemical Management Guidebook.

### Chemical Inventory

It is important for suppliers to maintain a Chemical Inventory List (CIL) of all the chemicals used in their facility for production and operations. A Chemical Inventory is a written inventory of all different chemicals that are used in the facility, which is necessary for monitoring hazard communication. ZDHC provides templates for a comprehensive CIL.

This CIL should be uploaded on the ZDHC Gateway using one of ZDHC's approved third-party service providers for Chemical Inventory Management. Through this, suppliers can generate their InCheck reports.

#### Gruppo Teddy Requirement from Suppliers

- Suppliers should ensure that chemicals used for Teddy products should meet ZDHC MRSL Criteria.
- All chemicals within each supplier facility should be MRSL conformant Level 1
- Suppliers are required to upload their chemical inventories on ZDHC gateway.
- Suppliers should complete In-check verification from ZDHC approved In-check Verifiers and generate In-Check reports and connect with Gruppo Teddy.
- MRSL requirements should be communicated to relevant subcontractors.

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## Process Management

Process is a crucial link between and Input and Output of chemicals. To work towards safer outputs, facilities should establish Chemical Management Systems (CMS).

The system of managing chemicals for consumer, worker and environmental protection is called a Chemical Management System. A good chemical management system includes purchasing practices, chemical inventorying and maintaining safety data sheets, safe storage and handling procedures, and continuous improvement systems.

The ZDHC has developed the 'Chemical Management System Framework' and the 'Chemical Management System – Technical Industry Guide' that outlines the best practices and requirements while setting up a CMS.

Gruppo Teddy developed a Chemical Management Guidebook in 2020, based on best practices for setting up a Chemical Management System, and elements of ZDHC's CMS Framework document. This also outlined Gruppo Teddy's requirements and expectations from suppliers for Chemical Management. The guidebook is provided to all suppliers.

In 2023, the revised version based on ZDHC CMS Technical Industry Guide (TIG) and new Gruppo Teddy requirements will be released.

ZDHC's 'Supplier to Zero' platform consists of a self-assessment that benchmarks the supplier's practices against the ZDHC Chemical Management Guidelines and industry best practices. It helps Suppliers identify areas of Improvement in chemicals Management and reduce risks and costs associated with outdated practices.

Gruppo Teddy requires their supply chain to complete the Supplier to Zero self-assessment and achieve Foundational Level.

Capacity building and continuous improvement is an important aspect of Process Management. The ZDHC Academy is a platform to create awareness, learn and develop skills on sustainable chemical management and the ZDHC guidelines, solutions and platforms. All courses are provided by ZDHC Accredited Trainers, who are selected and assessed by the ZDHC Academy team.

Gruppo Teddy encourages capacity building and provides training opportunities to suppliers on ZDHC Academy courses such as CMS Technical Industry Guide and Wastewater Guidelines

The Higg Facility Environmental Module (Higg FEM) is a sustainability self-assessment tool that standardizes how facilities measure and evaluate their environmental performance, year-over-year. It measures 7 environmental impact areas, including Chemical Management. The Chemical

Management section of this module is aligned with ZDHC Requirements of a Chemical Management System Framework.

Suppliers are required to register on the Higg FEM portal, connect with Gruppo Teddy and complete their self-assessment.

#### Gruppo Teddy Requirement from Suppliers

- Understand and implement practices from the CMS Technical Industry Guide (TIG)
- Complete the self-assessment on the Supplier to Zero platform and aim to be at least Foundational Level
- Participate in Capacity building programs through the ZDHC Academy to understand relevant ZDHC Tools and Guidelines
- Complete the Higg FEM every year and share results with Gruppo Teddy

#### Output Management

Output management includes the management of wastewater, sludge, air emissions, and the final product. It is important that the outputs generated at a facility are safe to the environment and to human health.

#### Wastewater and Sludge

The ZDHC Group has developed various guidelines for facilities on the testing, sampling, and industry guidelines and requirements such as the Wastewater Guidelines, Sludge Reference Document and the Sampling and Analysis Plan.

Gruppo Teddy has committed to using ZDHC's Output Management Guidelines and communicate these requirements to the supply chain through the Chemical Management Guidebook.

#### ZDHC Gateway: Wastewater Module & ClearStream Reports

The ZDHC Gateway - Wastewater Module is the global online platform to register and share verified data on wastewater tests conducted against the ZDHC Wastewater Guidelines.

Once the wastewater has been tested, the Approved Laboratories will upload the results on the ZDHC Gateway - Wastewater Module. The Wastewater Module generates the ClearStream Report. ClearStream helps Vendors understand their wastewater reports and demonstrate performance.

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Gruppo Teddy requires suppliers to test Wastewater twice a year and upload test reports on the ZDHC Gateway. A ClearStream report should be generated. Non-conforming facilities should conduct a Root Cause Analysis and develop a Corrective Action Plan.

#### ZDHC Air Emissions

ZDHC released a position paper on Air Emissions in 2021. Facilities should begin understanding the requirements for air emissions and develop systems that align with the guidelines.

#### Final Garment

The final article of clothing should be checked for the presence of hazardous or restricted substances. This can be done through a Restricted Substance List (RSL). Restricted Substances List (RSLs) are documents that list out chemicals and substances that are restricted or banned from usage in finished apparel, home textiles or footwear articles.

Gruppo Teddy has developed their Restricted Substance List or Product Specification guide. Suppliers should test their products according to Gruppo Teddy's RSL and should inform all relevant subcontractors about the requirements.

It remains the Supplier's direct responsibility to disclose, inform and train any factory (including approved subcontractors) and individuals involved in the production of the products ordered by Gruppo Teddy in order to guarantee that the finished PRODUCTS fully conform to all quality and safety standards.

#### Gruppo Teddy Requirement from Suppliers

- Test Wastewater and Sludge according to ZDHC WWG (twice a year)
- Upload test results on the ZDHC Gateway and generate a ClearStream report
- For non-conformances – Conduct RCA and develop a CAP
- Test final products according to Gruppo Teddy's RSL

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