



# ORTOVOX

## SUPPLY CHAIN MONITORING

### CONCEPT

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SCOPE: ORTOVOX supplier

DATE: May 23, 2024

VERSION: 01.2024

# ABSTRACT / INTRO

Welcome to our supply chain monitoring concept! We're pleased to introduce an open-source solution, since we believe in the power of transparency, trust, and cooperation.

We encourage you to use all parts of the concept and adopt it the way that is most suitable for you. Together, we can tackle the big challenges of our time!

We invested a great portion of time and effort for the development of the concept and would therefore appreciate a reference to ORTOVOX when used externally. This way, shared suppliers will, for example directly be aware of the concept, and it might help reduce the effort on their side. Please be aware that this is a living concept. Due to changing external requirements and changing internal needs we continuously develop and improve the concept further.

## DEVELOPING FURTHER TOGETHER

We would love to hear from you and your experiences, thoughts, and input on the supply chain monitoring system!

Leave us your feedback [here](#).



# INTRODUCTION

The German Supply Chain Due Diligence Act is in force since 01.01.2023. The law obliges companies of a certain size to identify their direct and indirect suppliers and fulfill their social and environmental due diligence in the supply chain. This translates into a lot of extra work for many companies and the implementation of the requirements is not easy. In response to the Supply Chain Due Diligence Act, we have developed the ORTOVOX supply chain monitoring concept, which, while fulfilling the legal requirements, also aims to be as resource-saving, understandable and simple as possible for our suppliers and for us.

The concept aims to simplify supply chain monitoring, focusing on ecological and social factors. Through leveraging existing certifications, audits, and partnerships, we seek to verify compliance efficiently. **OUR OVERARCHING GOAL IS TO FACILITATE ACCESSIBLE AND MANAGEABLE SUPPLY CHAIN MANAGEMENT, EVEN FOR COMPANIES WITH LIMITED RESOURCES.**

Our aim is to foster transparency, accountability, and sustainability within our industry. By sharing our approach openly, we hope to inspire others to join us in advancing ethical and responsible business practices.

Let's create a new together!

# THE DEVELOPEMENT

We created the concept with two goals in mind:

To monitor our Tier 2 (material) suppliers to help them achieve the minimum standards, which are international requirements and anchored in legislation to fulfill our due diligence. Provide guidance to any other stakeholder, who needs to ensure a certain level of social and environmental compliance in their deeper supply chain.

We started with a blank space only using the openly formulated requirements which came along with the German Supply Chain Act. In a next step we formulated minimum requirements, which are guided by the ILO labor standards and a cross-section of environmental focus topics reaching from indicators in the fields of pollution and energy to chemical handling and climate strategy. All minimum requirements are presented in more detail in the case study. (Annex 2)

For each minimum requirement, we've established survey measures and identified key issues. This allows us to construct a scalable assessment framework. Given the impracticality of individually verifying each indicator to ensure adherence to minimum requirements, we depend on audits, certificates, and partnerships. These elements are integrated into our assessment framework, which classifies suppliers based on their social and environmental performance.

In essence, we've established **FUNDAMENTAL REQUIREMENTS** that are prerequisites for any collaboration. For suppliers who meet these requirements and align with our standards, we assess their social and environmental compliance through audits, certificates, verifications, or partnerships. Based on this assessment, suppliers are then classified into one of three possible compliance levels: Basic, Medium, or Progressive.

For **NEW SUPPLIERS**, we verify these fundamental requirements prior to onboarding. We need to ensure that the supplier has a designated individual for sustainability topics, agrees to comply to our supplier code of conduct, and is open to share data with us as a brand. Additionally, new suppliers must meet at least the Basic level requirements in the social and environmental categories of the monitoring concept. We can only establish a business relationship with the supplier if these conditions are met. For our **EXISTING SUPPLIERS**, we have set a transition period during which they must prove compliance with at least the Basic level.

**BASIC LEVEL** describes bare minimum all ORTOVOX suppliers must meet. **MEDIUM LEVEL** attests a good level of data provision and compliance with social or environmental requirements without meeting the highest standards for the respective category. **PROGRESSIVE LEVEL** encompasses the most ambitious suppliers who meet the highest social or environmental standards, including a comprehensive evaluation and rating of their entire chemical inventory. To ensure accuracy of data, it is verified by audits, certificates, verifications, or partnerships. that confirm compliance with the relevant requirements.

For the social side, we place our trust in audits, certificates and verifications. These ensure at minimum the presence of a designated individual responsible for social compliance and occupational health and safety at the factory level, an (internal) grievance mechanism, legally enforceable employment contracts, the documentation of working hours, and the issuance of pay slips. For the environmental side, our focus is on certificates and respective score thresholds for level classification, implying that a score exceeding a certain threshold results in a higher classification. Suppliers at all levels must affirm their compliance with the chemical compliance guideline.

# THE CONCEPT

The concept will help you to categorize your suppliers and corresponding factories according to their social and environmental performance within the defined level structure.

		LEVELS OF MONITORING OF FACTORY	
		SOCIAL	ENVIRONMENTAL
SUPPORTING TOOLS	PROGRESSIVE LEVEL	Supplier participates in a continuous improvement program with ownership at factory	Climate strategy incl. reduction targets adopted after SBTi + Third party assesment based on minimum requirements of the brand – top level* + Chemical inventory information via bluesign System Partner Assessment or bluesign Impact Assessment
	MEDIUM LEVEL	Supplier provides third party Valid audit / certificate / verification and corrective action plan initiated by customers and has a management system to ensure social compliance	Third party assesment based on minimum requirements of the brand - next level*
	BASIC LEVEL	Supplier provides proof of compliance with minimum requirements	Third party assesment based on minimum requirements of the brand*

BASIS FOR COLLABORATION BETWEEN BRAND AND SUPPLIER	
Signed (ORTOVOX) supplier code of conduct	Data provision
Responsible Person for sustainability topics on supplier management level	
Signed Chemical Compliance Guideline	

Ultimately, this allows you to determine whether a certain factory of your supplier meets the defined basic (so to speak minimum) requirements, or if they have already achieved a medium or progressive level in terms of environmental and social efforts.

## HOW TO IMPLEMENT THE CONCEPT

**THE PROCESS** is straightforward: Distribute the MS Forms questionnaire (e.g. via Email) to all your suppliers, requesting them to complete it for each factory involved in the production of your products separately, whether owned or subcontracted. You can use the following link to duplicate our MS Forms questionnaire - [LINK](#).

### **PLEASE BE AWARE TO CHANGE THE COMPANY NAME AND THE RESPONSIBLE PERSON WITHIN YOUR COMPANY FOR THE FOLLOW-UP.**

The more frequently brands distribute and utilize this questionnaire, the less workload is imposed on the supplier and its factories!

Upon completing the questionnaire, the supplier can provide documented evidence of their social and environmental efforts through specific certifications, audits, or partnerships that the factory may already have in place. Alternatively, the factory itself can provide this information and complete the questionnaire. Regardless, this documentation process should not exceed about 15 minutes, provided the supplier or factory has the necessary information readily available. Evidence of a particular certification, partnership, or audit must then be emailed to the brand.

If the supplier can provide one of the specified certifications, audits, or partnerships (including proof) for the relevant factories, they will automatically satisfy the minimum requirements. If no third-party certifications, audits, or partnerships are yet available, the response should be "no".

## STAYING ON TOP OF SUPPLY CHAIN MONITORING

Within the Forms format, you'll receive a notification each time new factory data is submitted via the questionnaire. In addition, you'll be provided with an MS Excel summary that outlines all factories for which data sets were provided, including detailed responses to each questionnaire item. This will enhance your understanding of all factories within your supply chain. Moreover, you can leverage the questionnaire results to promptly assess the social and environmental efforts of suppliers and their corresponding factories. This might be helpful if you're considering onboarding a new supplier need to verify their social and environmental standards. Alternatively, it can assist you in evaluating your existing suppliers and benchmarking their environmental and social performance against each other. At ORTOVOX, we also utilize the questionnaire results and supplier classification as a foundation for our TIER 2 level risk assessment.

Besides using the questionnaire, we recommend setting up the needed infrastructure within your IT system to manage the collected supplier data.

# ANNEX 1 | SOCIAL

## MONITORING FRAMEWORK OVERVIEW

LEVELS OF MONITORING OF FACTORY	
SUPPORTING TOOLS	<p><b>PROGRESSIVE LEVEL</b></p> <ul style="list-style-type: none"> <li>» 3<sup>rd</sup> party program</li> <li>» Initiated and owned by the factory</li> <li>» All labor standards according to ILO covered</li> <li>» CAP with remediation timelines and surveillance monitoring as part of the program</li> <li>» Valid program certificate</li> <li>» Possible improvement programs: SA8000, Better Work, or similar</li> </ul>
	<p><b>MEDIUM LEVEL</b></p> <ul style="list-style-type: none"> <li>» Management System for Social Compliance (including adequate worker representation)</li> <li>» Following Criteria:                             <ul style="list-style-type: none"> <li>/ 3<sup>rd</sup> party audit report / certificate / verification</li> <li>/ All labor standards according to ILO covered</li> <li>/ CAP shared with facility</li> <li>/ Valid audit / certificate / verification</li> </ul> </li> <li>Possible 3<sup>rd</sup> parties: Fair Wear, Amfori BSCI, HIGG FSLM (VRF), or similar</li> </ul>
	<p><b>BASIC LEVEL</b></p> <ul style="list-style-type: none"> <li>» Person responsible for compliance with social, health and safety regulations on site</li> <li>» Internal complaint mechanism</li> <li>» Legally binding employment contracts</li> <li>» Recording of working hours</li> <li>» Comprehensive pay slips</li> </ul> <p>Possible verification measures: 3<sup>rd</sup> party audit report / certificate / verification, HIGG FSLM, professional brand audit, or similar</p>

BASIS FOR COLLABORATION BETWEEN BRAND AND SUPPLIER	
Signed (ORTOVOX) supplier code of conduct	Data provision
Responsible Person for sustainability topics on supplier management level	
Signed Chemical Compliance Guideline	

# ANNEX 1 | ENVIRONMENTAL

## MONITORING FRAMEWORK OVERVIEW

LEVELS OF MONITORING OF FACTORY				
SUPPORTING TOOLS	PROGRESSIVE LEVEL	<ul style="list-style-type: none"> <li>» Climate strategy incl. reduction targets adopted after SBTi +</li> <li>» bluesign System Partner Assessment (If score is not shared by supplier/factory, then only Medium category can be reached)</li> <li>/ 2nd Level - 1,5 to 2,5 Developing</li> <li>/ 3rd Level - 2,5 to 3,5 Progressive</li> <li>/ 4th Level - 3,5 to 4 Aspirational</li> <li>» bluesign Approved Material</li> </ul>	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» Climate strategy incl. reduction targets adopted after SBTi +</li> <li>» HIGG FEM Assessment – Verified</li> <li>/ 2<sup>nd</sup> Level up to 75%</li> <li>» ISO 14001 Certificate or EMAS</li> <li>» If no bluesign SYSTEM PARTNER: bluesign Impact Assessment with Compliance Report Score 100% and documentation for rating of chemicals via Chemical Inventory List (CIL)</li> </ul>	
	MEDIUM LEVEL	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» Climate strategy incl. reduction targets adopted after SBTi +</li> <li>» OEKO-TEX® STeP</li> <li>/ Criteria: Certificate + Level 3</li> </ul> <p>If no bluesign SYSTEM PARTNER: bluesign Impact Assessment with Compliance Report Score 100% and documentation for rating of chemicals via Chemical Inventory List (CIL)</p>	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» Climate strategy incl. reduction targets adopted after SBTi +</li> <li>» HIGG FEM Assessment – Verified</li> <li>/ 3<sup>rd</sup> Level up to 100%</li> </ul> <p>If no bluesign SYSTEM PARTNER: bluesign Impact Assessment with Compliance Report Score 100% and documentation for rating of chemicals via Chemical Inventory List (CIL)</p>	
	BASIC LEVEL	<ul style="list-style-type: none"> <li>» OEKO-TEX® STeP</li> <li>/ Criteria: Certificate + Level 2</li> </ul>	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» EMAS-VO</li> <li>/ Verification only possible by certified environmental auditors</li> <li>/ Criteria: Certificate available? Yes/No</li> </ul>	
	BASIC LEVEL	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» Bluesign Partner Assessment</li> <li>/ 1<sup>st</sup> Level 0 to 1,5 Foundational</li> <li>/ + Bluesign Approved Material</li> </ul>	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» HIGG FEM Assessment – Verified</li> <li>/ 2<sup>nd</sup> Level up to 75%</li> </ul>	
	BASIC LEVEL	<ul style="list-style-type: none"> <li>» HIGG FEM Assessment - Verified</li> <li>/ 1st Level up to 25%</li> </ul>	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» bluesign System Partner Assessment</li> <li>/ 1st Level 0 to 1,5 Foundational</li> </ul>	
	BASIC LEVEL	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» OEKO-TEX® STeP</li> <li>/ Criteria: Certificate + Level 1</li> </ul>	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» bluesign Impact Assessment</li> <li>/ if no bluesign SYSTEM PARTNER</li> <li>/ Compliance Report Score 100% (no critical NCs)</li> </ul>	<p><b>OR</b></p> <ul style="list-style-type: none"> <li>» ISO 14001 Certification issued by a trustworthy party</li> <li>/ No Categories</li> <li>/ Criteria: Certificate available? Yes/No</li> </ul>

## BASIS FOR COLLABORATION BETWEEN BRAND AND SUPPLIER



# ANNEX 2 | SOCIAL

## CASE STUDY: ORTOVOX TIER 2 MONITORING - OUR BASIC MINIMUM REQUIREMENTS

### EMPLOYMENT IS FREELY CHOSEN

#### MINIMUM REQUIREMENTS

- » No forced or compulsory labor in any form

#### MINIMUM REQUIREMENT VERIFICATION

- » Workers state that overtime is voluntary or collectively bargained
- » Workers can leave premises at any time
- » Workers do not receive penalties for contract termination

#### CRITICAL ISSUES

- » Forced overtime
- » Movement of workers is restricted
- » Management retains ID-documents of workers

### NO EXPLOITATION OF CHILD LABOR

#### MINIMUM REQUIREMENTS

- » No child labor in any form (below 15 years)
- » Protection of young workers (between 15 years and 18 years)

#### MINIMUM REQUIREMENT VERIFICATION

- » Age verification process in place
- » Records with age indication available
- » Protection policies for young workers in place

#### CRITICAL ISSUES

- » Child labor in any form
- » Young workers are treated like adult workers

### DIVERSITY, EQUITY AND INCLUSION

#### MINIMUM REQUIREMENTS

- » No discrimination of any form

#### MINIMUM REQUIREMENT VERIFICATION

- » Policy on discrimination in place
- » Internal or external complaint mechanisms in place
- » Heightened regularities for vulnerable groups in place

#### CRITICAL ISSUES

- » No preventive measures against discrimination
- » No complaint mechanism
- » No protection of vulnerable groups

### SAFE & HEALTHY WORKING CONDITIONS (+ CHEMICAL OHS-EP)

#### MINIMUM REQUIREMENTS

- » Safe, Healthy and Non-hazardous working environment

#### MINIMUM REQUIREMENT VERIFICATION

- » Occupation health and safety (OHS) checks
- » Responsible person for OHS compliance on factory level

#### CRITICAL ISSUES

- » Critical finding in OHS checks
- » No qualified OHS compliance person on factory level

## NO EXCESSIVE WORKING HOURS

### MINIMUM REQUIREMENTS

- » Compliance with national legislation and ILO convention on maximum working hours

### MINIMUM REQUIREMENT VERIFICATION

- » Reliable time recording system in place
- » Working hour records records for each worker available

### CRITICAL ISSUES

- » No Working hour records

## LEGALLY BINDING EMPLOYMENT CONTRACTS

### MINIMUM REQUIREMENTS

- » Employment contracts are issued for all workers
- » Employment contracts contain specific regulations for vulnerable groups

### MINIMUM REQUIREMENT VERIFICATION

- » Employment contracts in place
- » Specific employment contract regulations for vulnerable groups are applied

### CRITICAL ISSUES

- » No filed employment contracts available
- » No protection regulations for vulnerable groups

## REMUNERATION

### MINIMUM REQUIREMENTS

- » Compliance with national legislation and ILO convention on adequate wage levels and overtime compensation

### MINIMUM REQUIREMENT VERIFICATION

- » Transparent wage system in place
- » Comprehensive pay slips in place
- » Compliance with legal Minimum Wage
- » Payment of overtime premiums

### CRITICAL ISSUES

- » Violation of legal regulations or ILO convention
- » No transparent wage system

## FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

### MINIMUM REQUIREMENTS

- » Compliance with national legislation and ILO convention on open, respectful and transparent communication and the right to collective bargaining

### MINIMUM REQUIREMENT VERIFICATION

- » Democratically elected worker representatives
- » Complaints mechanism in place

### CRITICAL ISSUES

- » No Complaint Mechanism
- » No democratically elected worker representative

# ANNEX 2 | ENVIRONMENTAL

## CASE STUDY: ORTOVOX TIER 2 MONITORING - OUR BASIC MINIMUM REQUIREMENTS

### WASTE MANAGEMENT

#### MINIMUM REQUIREMENTS

- » Waste Management available (Details in CoC)

#### MINIMUM REQUIREMENT VERIFICATION

- » Waste Balance Sheet / SOP for waste management
- » Spotcheck of hazardous waste storage and disposal method (documentation or picture)

#### CRITICAL ISSUES

- » Incorrect storage and disposal of hazardous waste
- » No waste management (no waste management SOP, no waste balance sheet)
- » Uncontrolled on-site incineration waste is carried out without permit

### WATER- & WASTEWATER MANAGEMENT

#### MINIMUM REQUIREMENTS

- » Water management available
- » Wastewater management available

#### MINIMUM REQUIREMENT VERIFICATION

- » Fresh water consumption per year in m<sup>3</sup> for facility (documentation of measuring [e.g. invoice, metering system])
- » Documentation of legal compliance of wastewater discharge for facility (wastewater permit & test report)

#### CRITICAL ISSUES

- » Wastewater - no legal compliance (e.g. expired permit or exceedance of local limits in monitoring test report)
- » Wastewater - direct discharge of wastewater streams without wastewater treatment
- » Fresh water - consumption not available

### INVENTORY AND STORAGE OF CHEMICALS

#### MINIMUM REQUIREMENTS

- » Basic chemical management in place

#### MINIMUM REQUIREMENT VERIFICATION

- » Spot check hazardous chemicals storage (pictures or basic storage concept depending on amount of hazardous chemicals)
- » Spot check handling of hazardous chemicals (pictures or SOP for handling of chemicals)
- » Basic chemical inventory list available
- » Spot check up-to-date SDS available at the storage places for hazardous chemicals

#### CRITICAL ISSUES

- » Incorrect storage or unsafe handling of hazardous chemicals
- » No SDS (safety data sheets) for chemicals are available
- » No chemical inventory information for used chemicals available onsite

### EXIT FOSSILFUELS

#### MINIMUM REQUIREMENTS

- » On-site used fossil fuel monitoring

#### MINIMUM REQUIREMENT VERIFICATION

- » Fossil fuel consumption per fuel category per year in (m<sup>3</sup>/kWh/kg/liter/MJ) for facility (documentation of measuring [e.g. invoice, metering system])

#### CRITICAL ISSUES

- » No energy consumption data available

## AIR EMISSION MANAGEMENT

### MINIMUM REQUIREMENTS

- » Air emission management available

### MINIMUM REQUIREMENT VERIFICATION

- » Documentation of legal compliance of air emissions for facility (air emission permit & test report)

### CRITICAL ISSUES

- » Legal compliance not given e (e.g. expired permit or exceedance of local limits in monitoring test report)
- » Air emissions are created but no adequate off-gas treatment system available

## ENERGY EFFICIENCY

### MINIMUM REQUIREMENTS

- » Basic energy management

### MINIMUM REQUIREMENT VERIFICATION

- » Electric energy consumption per year in kWh/MJ for facility incl. energy source (documentation of measuring [e.g. invoice, metering system])
- » Thermal energy consumption per year in kWh/MJ for facility
- » Conventional vs. Eco-Electricity Mix > Info

### CRITICAL ISSUES

- » No energy consumption data available

## CLIMATE STRATEGY AND IMPLEMENTATION

NO MINIMUM REQUIREMENT