



# Human Rights Due Diligence (HRDD) Policy

It shows Picture's commitments and evolving journey towards transparency, traceability and human rights across its entire value chain. This policy is a guidance on progress, not perfection. This document is a living policy.

## 1. Policy statement and commitment

Picture is committed to respecting and promoting human rights throughout its operations and value chain. The goal is to run its business responsibly and transparently, following international standards like the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. These standards help understand what “doing the right thing” looks like in practice.

The company upholds UNGPs and recognizes its responsibility to identify, prevent, mitigate, and account for human rights impacts associated with its business activities. This is the responsibility of the company, not only its partners, suppliers, retailers, etc. This commitment starts with the executive leadership and is carried out by each team at Picture.

As seen in the Code of Conduct, Picture is committed to stringent labor, environmental and business standards. The company is explicitly committed to ensuring freedom of association, prohibition of forced labor, and prohibition of child labor. It holds itself and its partners to fair business practices such as anti-corruption and no tolerance for bribery. Moreover, Picture is committed to preventing and providing remedies for any found issues.

## 2. Definition and principles of human rights due diligence

In line with UNGP Principle 17, human rights due diligence is a process that:

- Identifies actual and potential human rights impacts
- Prevents and mitigates these impacts through corrective and preventive actions
- Tracks the effectiveness of actions
- Communicates findings and outcomes transparently.

This process applies to impacts caused by or contributed to by Picture, its operations, products, or services through business relationships. Simply, it means watching out for direct and indirect connections to human right risks and issues throughout the value chain.

### Important terminology

**Rightsholders:** refers to individuals whose rights may be violated from business activity. Basically, employees.

**Stakeholders:** the individuals who have a role or are associated with operating the business. Without this group, the business may encounter obstacles or disruption.

**Salient human rights risks:** those human rights that are most at risk of being negatively impacted by a company's activities or business relationships.

**Remediation:** the process or effort of providing a remedy for a harm and or risk.

**Grievance mechanism:** a formal process that allows individuals or groups to raise concerns or complaints about the business's operations and conditions. It is a structured way to report issues.

**Potential risk:** the chance that something harmful will occur.

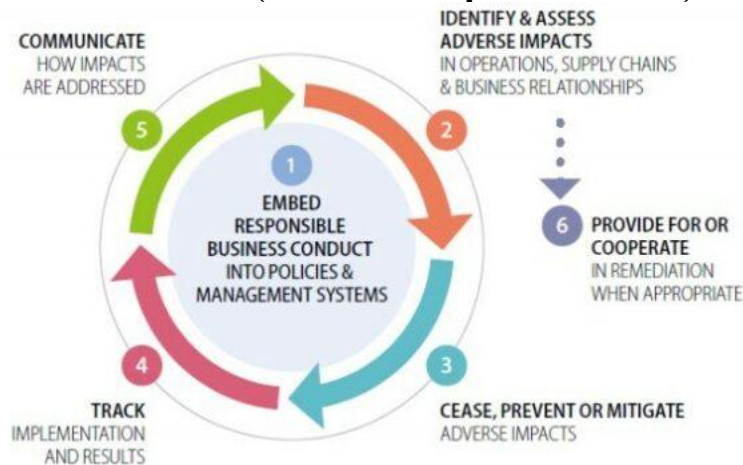
**Actual risk:** the risk that occurred. This is primarily something for remediation; however, it can be an indicator of other potential risks.

### **3. Governance and accountability**

HRDD implementation is the responsibility of the entire Picture team with specific roles outlined below:

- **Sustainability Team:** oversees all HRDD steps, maintains risk assessments, coordinates corrective actions, training, and liaises with suppliers, partners, and internal teams including communication of risks and issues to the senior management committee of the company (see below).
- **Product, Development, Supply & Logistics Teams:** creates and manages Picture's products in a manner that prevents human rights violations (i.e. implementing responsible purchasing practices).
- **Sourcing Agents:** Serve as key liaisons with suppliers and contribute to each stage of the HRDD process.
- **External partners:** advise Picture on how to best implement this policy, support audits and corrective actions and integrate it into its daily operations and long-term strategy.
- **Senior management committee:** monitor and discuss key high-risk topics related to HRDD. HRDD Policy and Human Rights Risk Assessment are reviewed each year.

## 4. HRDD Process (OECD 6-Step Framework)



Source: OECD Guidelines.

The following section explains how Picture implements each step of the HRDD process.

### 4.1 Embedding responsible business conduct

- Rooting the concept of HRDD in the Supplier Code of Conduct and this document
- Building long-term, collaborative supplier relationships
- Training Picture staff on responsible business practices and HRDD

### 4.2 Identifying and assessing impacts

- Identifying potential or actual risks through our **due diligence process**. New suppliers undergo comprehensive due diligence, including social and environmental criteria. One can see the steps of this due diligence process below. It is a structured process to prevent and lower human rights risks.
- Evaluating risks throughout the value chain. **Picture Human rights risk assessment** investigates country and supplier risks on the following criteria: severity, likelihood, scale, and irremediability. This assessment evaluates potential and actual risks as well as lays out the preventative and remediation actions. Preventative actions are possible actions that Picture could do to lower the risk. These are actions based on known risks at a country's level. Remediation actions are the actions identified based on an audit that identified a risk that Picture has caused or contributed to. The new score considers both if preventative actions and remediation actions were implemented. From this data, the salient risks are prioritized.
- Running an annual **supplier survey** to receive up-to-date information on manufacturing capacity, workers, labor rights, and environmental certifications.
- Doing **physical visits** like in-person meetings and product feedback discussions. The Picture team visits suppliers each year.
- Doing **audits** through a 3<sup>rd</sup> party auditor like Fair Working Conditions (FWC), BSCI, or SMETA. Audits are a crucial way to identify and assess potential and actual impacts. We

work with FWC to ensure high-quality audits. Their audits also include a worker survey and interviews.

- Seeking input from workers, unions, and civil society organizations on the severity, likelihood and scale of risks.
- Receiving **on-the-ground insight** from the local FWC teams which contextualize a risk.
- Understanding **risk from a country perspective** through research and information from independent organizations (NGOs, company scoring the products in terms of 4 categories: environment, animal, human, and health).

### Our due diligence process

New potential suppliers are evaluated in the frame of the due diligence process. They are asked about the following topics:

- Basic information: number of workers, permanent workers, facility space, etc.
- Labor rights: policies on forced labor, wage levels, trade union, etc.
- Environmental aspects: fabric certifications, energy usage, etc.
- Business practices: corruption and anti-bribery policies.

The relevant Picture teams analyze and discuss the supplier's response before entering a business relationship. This due diligence is used as a foundation for a good relationship. This exchange happens through email, online meetings, and if allowed, a physical meeting, too. For documentation, the FWC's supplier profile form is used and all relevant information is stored in the appropriate folder.

All information is stored and managed by the sustainability team, but access is available to other relevant teams when necessary. Sensitive data from the supplier is not publicly shared and is kept strictly confidential.

### Our most salient risks

1. Freedom of association and collective bargaining
2. Wage violations and living wage gaps
3. Healthy and safe working conditions
4. Excessive overtime
5. Employment is freely chosen

These are the most salient risks in Picture production countries and these risks are specific to working in the apparel industry. Additionally, after a thorough risk assessment, Picture concluded that it does not work in conflict-affected areas. The due diligence process will also prevent from working in conflict-affected areas.

### ***4.3 Ceasing, preventing, or mitigating impacts***

- Using the human rights risk assessment and due diligence as a preventative measure to target the most salient risks.

- Ensuring that the purchasing practices support suppliers in meeting labor standards. This includes reviews of how each production season went and if the brand caused any delays or inflexibilities that would lead to increased potential or actual risks.
- Co-creating and carrying out Corrective Action Plans (CAPs) with suppliers and FWC.
- Working collaboratively with other brands to address risks at shared suppliers.

#### ***4.4 Tracking effectiveness***

Effectiveness is defined by key indicators laid out by Picture own HRDD goals and it is aligned with the standards set by another 3<sup>rd</sup> party verification (B Corp). Picture sets the following indicators:

1. Having a public statement on human rights
2. Identifying the most salient human rights risks
3. Having a process to collect and prioritize actual and potential negative human rights impacts
4. Making decisions that consider these actual and potential negative human rights impacts.

Here is how Picture monitors the effectiveness:

- Updating an excel with the actions and improvements that have occurred with each supplier. This is a regular update by the sustainability team with FWC. The relevant Picture teams as well as the senior management committee of the company are updated when necessary.
- Monthly meetings with the 3<sup>rd</sup> party consultancy focused on labor rights and social compliance (Fair Working Conditions). These meetings are to plan and discuss the value chain, the identified potential and actual human rights risks, documents such as this one, and general progress. Additional communication occurs regularly over email.
- Evaluating Corrective Action Plans (CAPs) with conversations, photos, documents from suppliers and third-party verification.

#### ***4.5 Communicating on human rights due diligence***

- Internally: sharing regular updates with the relevant teams.
- Externally: sharing through our online communication channels.

#### ***4.6 Enabling access to remedy***

- Maintaining and monitoring grievance mechanisms through the supplier's own program. These grievance systems have to be legitimate, accessible, and transparent. FWC thoroughly checks this when they are performing an audit. Other audit services like BSCI and SMETA verify these systems, too. Picture is committed to supporting the remediation process for any issues that Picture has caused or contributed to. See below for more details on the grievance mechanism.

## Grievance mechanism

A grievance mechanism is a formal process that allows individuals or groups to raise concerns or complaints about the business operations and conditions. It is a structured way to report issues. This process must be accessible to all workers, yet all issues raised must be kept confidential. Furthermore, a grievance mechanism must be designed to address risks for the workers, not simply for the brand.

Additionally, the mechanism should be monitored on a predictable timeline. Each issue raised in the grievance mechanism is evaluated and addressed in a prompt manner as described in the grievance mechanism document.

Currently, for Picture employees, there is the CSE, an employee committee that functions as a voice of employees to management. Through this committee, anonymous feedback can be sent, reviewed, and answered.

Currently, for the customers, they can contact Picture through a [form](#) on the website. All messages are registered and sent to the appropriate team to handle.

Currently, for the value chain, each Tier 1 supplier must have a functional grievance mechanism. During the due diligence, it is checked that the supplier has a grievance mechanism, how it is used, and how it is monitored.

Workers of the Picture value chain may contact Picture directly with concerns and complaints.

## **5. Value chain coverage**

This HRDD process primarily focuses on Tier 1 suppliers. We decided to keep this focus because we want to continue to build strong relationships with our Tier 1 suppliers before expanding to Tier 2, 3, 4, and subcontractors. It is easier to reach the full upstream value chain if one has a healthy relationship with their Tier 1.

As laid out in the Supplier Code of Conduct, the Tier 1 suppliers are encouraged to apply the same standards and expectations to their connected business partners.

## **6. Review and continuous improvement**

The HRDD policy is reviewed annually, with updates informed by:

- New risk data
- Grievance outcomes
- Audit and CAP outcomes
- Evolving regulatory or certification standards
- New sourcing locations
- New product lines

On an annual basis, the sustainability team with the assistance of external parties will review the HRDD policy against status with partners, remediation efforts, regulations, and the HRDD goals below. Progress and gaps will be identified and further plans may be developed to address them. Additionally, the review will include an update on salient risks. Once the HRDD is updated, it will be finalized and signed off by the senior management committee.

## 7. Picture HRDD goals

### Short-term:

- To have high-risk Tier 1 suppliers audited with valid 3<sup>rd</sup> party auditor and to follow an improvement plan for critical issues
- To consolidate the value chain until Tier 3
- To regularly update the risk analysis
- To re-enforce cross-team reporting on HRDD
- To continuously work with the suppliers on responsible purchasing practices and environmental standards

### Long-term:

- To develop and run an effective grievance mechanism that allows workers to contact Picture directly about their concerns
- To continuously upgrade this HRDD policy
- To audit further up the supply chain (Tier 2 and 3)
- To map out until raw materials

## Signature

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