

Dear Sir or Madam,

Bindlach, Germany, 13th October 2023

we are writing to you in response to your e-mail inquiry sent to NKD Group dated 04th October 2023. Unfortunately, the correspondence was not received until 13th October 2023. Hence, we sincerely regret responding late to your inquiry but would like to take the opportunity to respond to your correspondence and hope at the same time, that this delay will not cause a negative impact for us as a result. On 12th May 2023 we were approached by our Finance Investor due to a request sent to them by the Myanmar Centre for Responsible Business (MCRB) concerning a news report published in the Myanmar Labour News focusing on labour violations at Princess Power. Our Finance Investor established connection to NKD, and we took up correspondence with MCRB on this matter immediately.

Our initial investigations did not provide a positive result of an active business connection to Princess Power. After concluding our initial investigations on 11th May 2023, it became evident, that we were dealing with illegal sub-contracting, this means orders were outsourced to the factory Princess Power without the knowledge of NKD. As a result, we immediately initiated an internal audit at the factory through our own CSR staff and received the audit report with critical result on 22nd May 2023. Despite the audit not confirming the allegations which had been made in previous news reports, the critical result derived from a multitude of non-compliances identified in the areas of Health and Safety, Working Hours and Remuneration, such as policies and documentation. NKD issued a corrective action plan and found the factory to be very willing and cooperative to implement sustainable remediation.

As supporting activities, we provided training to factory workers and mid-level-management in local language. In one of the trainings titled "Access to and effective use of grievance mechanisms", a representative of MCRB participated as an observer. Further trainings against the topics Wages and Benefits, Health and Safety, Fire Safety, and Electric Safety were also held.

Since our first call with MCRB further follow-up calls were held on 14th June 2023, 28th July 2023 and 08th September 2023, always keeping MCRB updated about significant progress we were making at the factory.

Until now, the factory also has never been exposed to a standard audit. As we are a member of Amfori BSCI/BEPI, we also took up Princess Power in the monitoring process and arranged an initial BSCI Audit to be conducted at the factory until end October 2023. We informed MCRB that we will of course follow-up on any non-conformities that may be identified during the BSCI audit – equally to the follow up we are conducting for our own internal audit.

To date we have made positive experiences with Princess Power, whereby appreciation of our engagement has clearly been expressed on several occasions by MCRB. We would highly welcome, if you also get in contact with MCRB who can surely confirm this and speak on their own behalf of the experiences they have made with NKD's engagement over the past months. Additionally, I would like to mention, that we have not heard of any further allegations concerning this factory so far and are in constant exchange with MCRB to be immediately informed in case the scenario should change.

We hope that we were able to provide some insight into our current activities and welcome any further questions you may have.

Yours sincerely,

NKD Group