



1085 Homer St,  
Vancouver, BC V6B 2X5  
Canada

## **Introduction from the Board of Directors**

At Vessi, we are dedicated to cultivating a robust and resilient supply chain that prioritizes international human rights and labor standards, as outlined in our Vendor Code of Ethics. We understand the pivotal role we play and the responsibility we bear in ensuring the welfare of the individuals behind our products, as well as actively combating modern slavery, encompassing forced labor and human trafficking, throughout our supply chain.

Our strategy hinges on a comprehensive responsible supply chain initiative and close collaboration with suppliers and partners who share our ethos and assist us in fostering positive impacts and well-being. As we continue to expand our operations, we remain committed to leveraging collective efforts to enhance our practices and propel advancements within the industry.

This unified statement delineates our sourcing practices, policies, and operational procedures aimed at identifying and mitigating risks associated with modern slavery across our operations and product supply chain.

## **Organizational Structure and Operations**

Vessi is a Canadian footwear, apparel, and accessory company based in Vancouver known for creating the world's first 100% waterproof knit shoes, made with patented Dyma-tex technology. Originally selling online only, it opened its first retail store in 2022 at Metropolis at Metrotown in Burnaby, British Columbia, and its second retail store in Mississauga, Ontario in 2023. Vessi employs a total of 150 people.

## **Our Supply Chain**

We do not manufacture our products; instead, we partner with a select network of suppliers to fulfill our production needs. In 2023, we collaborated with 3 Tier 1 suppliers in Taiwan, 6 in China, 1 in Cambodia, and 1 in Vietnam. The distribution of units across all categories by country was predominantly in China, accounting for just under 79% of our total production. Taiwan contributed 11%, while Cambodia and Vietnam accounted for 8% and 1.9% respectively.

As a company at the forefront of addressing modern slavery within our supply chain, we acknowledge that we are early in our journey to ensure comprehensive third-party social compliance audits for our Tier 1 and Tier 2 suppliers. Currently, we are in the process of



establishing formal affiliations with leading social compliance organizations. We have initiated discussions with both SEDEX (Supplier Ethical Data Exchange) and BSCI (Business Social Compliance Initiative) and aim to select a strategic partner in 2024. This decision underscores our commitment to enhancing the integrity and transparency of our supply chain.

At the time of placing orders, several of our factories were already compliant with internationally recognized audit standards, including SMETA (Sedex Members Ethical Trade Audit), BSCI, and WRAP (Worldwide Responsible Accredited Production). Currently, half of our suppliers across all operational countries maintain valid audits, while the remaining half are in the process of reapplying.

This proactive approach not only reflects our commitment to ethical practices but also aligns with our strategic goals to fortify supplier relationships and ensure adherence to global compliance standards. We remain dedicated to advancing these efforts and will continue to provide updates on our progress in alignment with our corporate responsibility and the expectations of our stakeholders.

### **Supplier Assessments (Audits)**

We are in the process of establishing a robust, on-premise audit process by our sourcing leadership that is designed to ensure compliance with our stringent Compliance Benchmarks across all production facilities. Currently, our policy requires our tier-one facilities to be assessed by a third party at least every 12 months, with additional, self-funded audits triggered by specific risks or grievance investigations. Reassessment frequency for subcontractors is adjusted based on factors including geography, production processes, and the risk of severe issues such as forced labor or the use of foreign migrant workers.

While our Vietnam office is still in the process of being fully operational, we anticipate significantly increasing our monitoring activities in 2024. The forthcoming recruitment of a specialized Quality Control (QC) team and a Social Compliance Auditor in Vietnam will enable us to enhance our presence and oversight at manufacturing sites, ensuring more rigorous and frequent evaluations.

This approach reflects our commitment to continuous improvement and ethical responsibility in our supply chain management. We are dedicated to advancing these initiatives and will provide ongoing updates on our progress and enhancements to our audit and compliance protocols.

### **Addressing Risk, Training, and Capacity Building**

As we continue to expand our supplier base, which currently includes facilities in Taiwan, China, Cambodia, and Vietnam, we recognize the importance of a proactive approach to compliance and education. We plan to:



**Initiate Training for New Suppliers:** Upon the official launch of our operations in Vietnam, all new Tier 1 and Tier 2 suppliers will undergo thorough training as part of our onboarding process. This will encompass our Responsible Sourcing program and Ethical Conduct expectations, introducing management systems and measures necessary to remediate issues, and outlining expectations for Corrective Action Plan (CAP) commitment delivery.

**Update Training for Existing Suppliers:** We will ensure all suppliers sign our code of conduct and participate in an auditing and monitoring program with our chosen third party.

## **Vessi Code of Conduct**

### **A. Zero Tolerance**

Vessi strictly prohibits human trafficking, slavery, forced labor, and child labor in all aspects of its operations.

### **B. Transparency**

Vessi values transparency and expects suppliers to maintain accurate records, provide full access during assessments, and ensure workers are interviewed without coaching.

### **C. Management Systems**

Effective management systems are essential for compliance, with an emphasis on proactive identification of noncompliance issues and continual improvement.

### **D. Labor**

Vessi commits to upholding human rights, especially for vulnerable workers, and requires adherence to labor standards.

### **E. Employment is Freely Chosen**

Workers at Vessi are not subjected to forced labor and have control over their identity documents and freedom of movement.

### **F. Health and Safety**

Electrical equipment and wiring are properly maintained, marked, and insulated to prevent exposure, with clean and hygienic living conditions in dormitories. Child labor is strictly prohibited, with policies in place for transition to education for any found to be performing child labor.

### **G. Wages and Benefits**

Adherence to all local and national laws governing wages, overtime, and time off, with transparency and continuous improvement as guiding principles.

### **H. Working Hours**

Compliance with local laws regarding working hours, with provisions for overtime, rest days, and peak season conditions, ensuring voluntary participation and proper documentation.



### **I. No Discrimination**

Prohibition of discrimination in employment based on personal characteristics, with equal opportunities and support for trade union activities.

### **J. Regular Employment**

Establishment of legitimate employment relationships in compliance with national legislation and international labor standards, with fair treatment of probationary workers and adherence to minimum wage requirements.

### **K. No Harsh or Inhumane Treatment**

Prohibition of physical, verbal, sexual, or mental abuse, with clear policies, procedures, and confidentiality protections for reporting and addressing such issues.

### **L. Environment**

Minimization of adverse effects on the environment, compliance with relevant environmental protection laws, and efforts towards the elimination of hazardous chemicals in the supply chain.

### **M. Business Integrity**

Conducting business with ethics, honesty, and fair dealings, with strict prohibition of bribery, corruption, and unethical practices.

### **N. Compliance with the Law**

Full compliance with local laws and regulations, with procedures in place to stay informed about legal changes and ensure timely adjustments.

### **O. Compliance with the Vessi Code of Conduct**

Cooperation with inspections and corrective actions to address any violations, with severe consequences for egregious violations.

### **P. Subcontracting**

Prior consent is required for subcontracting, with subcontractors expected to comply with the Vessi Code of Conduct and undergo assessments for compliance.

### **Note:**

- 1) *In addition, we also provide our factories and suppliers with the FDRA Code of Conduct as a guideline to ensure compliance with industry standards and social norms. This comprehensive framework serves as a reference point for upholding ethical practices and driving continual improvement across our supply chain. By adhering to these standards, we prioritize transparency, worker rights, and sustainable manufacturing practices. It can be accessed at:*

<http://fdra.org/wp-content/uploads/2014/06/Code-of-Conduct-FDRA.pdf>



- 2) Through signing our Vendor Agreement, the vendor agrees to follow all sections of the Vessi Code of Conduct.

### **Ownership approval**

Vessi will never knowingly enter into a business relationship with any organization involved with slavery, servitude, or human trafficking. The senior management of the Company accepts responsibility for the implementation of any policy in relation to this matter and for the provision of adequate resources to ensure that slavery, servitude, or human trafficking is not taking place in the Company or its supply chain. This statement has been approved by Vessi's ownership and is signed by the Chief Executive of Vessi, Andy Wang.

**Signed:**  \_\_\_\_\_

**Date: May 25, 2024**

**Title: Co-Founder & Chief Executive Officer**