

Subject: Partnership and Compliance in Sourcing – A New Approach

Dear Trading Partners,

As we navigate an increasingly complex regulatory environment, it's more important than ever to work closely with you, our valued first-tier trading agents, from the earliest stages of sourcing. Our goal is to strengthen our partnership, ensuring product compliance and supply chain due diligence to enhance market readiness and efficiency.

1. Changes in Sourcing Procedures

Traditionally, we have operated on purchase quotes issued in your name. Moving forward, we're shifting this practice to require quotes directly from the factories producing our products. This change is pivotal in addressing the growing intricacies of laws and regulations, as well as meeting the heightened product compliance demands from our customers.

2. Submission and Order Procedures

When submitting a quote sheet for a factory, please include the complete set of filled onboarding documents for new factories. Our purchase orders will reflect the same factory name as on the quote. Any deviations must be pre-approved by our purchasing department at purchase@bestsellersbv.nl.

3. Factory Standards and Compliance

Factories must meet our minimum requirements, ensuring that both the products and their raw materials adhere to European standards and regulations. By aligning these standards with factories beforehand, we can prevent issues and disputes during order placement.

4. Onboarding Process for New Factories

For any new factory onboarded, we request the completion and lawful signing of our onboarding documents by an authorized manager. As our trading partner, you will forward these documents to us at quotations@bestsellersbv.nl for evaluation.

We expect our supply chain to be ESG/CSR compliant as well. We understand that this is an ongoing process however a clear commitment must be given. It would be best if potential suppliers already have a sufficient ESG/CSR level confirmed by an up-to-date audit. Preferable Amfori/BSCI status A, B or C, or equivalent positive status under a program such as SA-8000 or Sedex. Factories that are not yet under any such program will have to confirm to initiate this process through audits by Amfori. There will be an intake audit. Factories unwilling to comply will not be included in our network. Factories also need to realise that their suppliers will become part of this ongoing process very soon as well.

Factories that supply products that are covered by the EU deforestation-free products regulation - (previously EU timber regulation) - must supply evidence that their products or relevant parts of products are covered under programs such as FSC or PEFC.

https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

For factories that produce Food Contact Materials we expect their quality systems to meet Good Manufacturing Practice as required by European law since 2006. If they don't have that this moment they need to confirm to start this process and need to inform us of the certification partner in that process within 3 months after placing the first order. We expect the certification to be positively closed within 12 months after shipment of the first order.

Read more;

COMMISSION REGULATION (EC) No 2023/2006 of 22 December 2006

<https://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:384:0075:0078:EN:PDF>

5. Supply Chain Information, Technical Documentation and Inspections

Factories must be informed that upon order placement, a technical dossier will be created online with our partner ProductIP (<https://www.productip.com>). Assistance in document compilation may be provided by their offices in Hong Kong & Shenzhen. For an overview of potential requirements, we've included attachments for various product groups.

For further information, please visit <https://bestsellersbv.com/buying/>

All production will undergo inspection by our partner V-trust (<https://www.v-trust.com/en/>). Depending on the case we will decide for During Production (DUPRO) or Pre-Shipment (PS) type of inspection. We will share initial inspection costs; however, any required re-inspections will be billed against the purchase invoice and carried out against an increased AQL level.

We expect product as well as production related information to be delivered promptly and accurate. We will start mapping our first as well as second tier suppliers. We will focus on second tier suppliers for key components such as additional items not produced by the 1st tier that are part of the shipment.

Focus here will also include 2nd tier suppliers involved in packaging. The compliance rules around packaging are becoming more and more strict. It is important not only to understand what materials are used, but also who supplies these, and if these are from a sustainable source (FSC, PEFC, etc) and even if part of the material is certified recycled material.

6. Chemical substances used during production of parts, raw materials as well as final products

For any raw material and or substance used for the production we expect SDS to be available. To have SDSs available for substances used during production of parts, raw materials and final production is nothing special. It is a requirement as part of the social compliance audit. It is a global legislation. And even a local legislation for example in China it is arranged by decree 591 of May 1, 2011; Mep Order 7 and HazChem registration under SAWS Order 53
read more: https://www.chemsafetypro.com/Topics/China/GHS_in_China_SDS_label.html.

We expect that factories themselves pro-actively evaluate the substances used during production as well as, if any, supplied with the product. We do not want that substances are used during production as well as in the product that have so-called CMR properties. [CMR: Carcinogenic, Mutagenic, or toxic for Reproduction]. This to protect all people involved in the supply chain as well as the end-user of the product. #CAS-number verification can easily be done via the ECHA website. <https://echa.europa.eu/>

Factories should proactively start a transition into substances that are less harmful for the workers involved as well as the environment around the factory and Best Sellers would like to receive notifications of such positive transformation as this is important information in the modern retail environment.

7. Carbon Footprint

In order to start to map CO2 footprint of production we will start to ask for information such as:

- weight and or volume of certain parts
- 2nd tier supplier detail including GPS coordinates or otherwise estimated distance to the factory
- means of transport

As well as factory information related to energy consumption, water consumption, waste levels produced during production.

8. Pre-Shipment Requirements

Prior to shipping any order, all requested information must be provided by the factory, including packaging details and technical dossier approvals by ProductIP or Best Sellers. Specific attention need to be placed on the importance of detail information on parts as well as a substances used. We expect clear information enabling the building of a proper Bill of Material. We expect SDS or other Bill of Substances information on parts and substances used during mass production. We need to start monitoring what substances are used. Note that this is on the level of so-called CAS number, not recipes.

9. Contact and Queries

For scenarios not covered above, please contact the Best Sellers team at quotations@bestsellersbv.nl.

The future demands innovative approaches, and we believe in solving them with both longstanding and new partners who share our vision. Together, we will navigate compliance, efficiency, and effectiveness, preparing for future opportunities and challenges.

Sincerely,
Best Sellers B.V.



Louis T. van Dijk
(Buying \$ sales Director and co-owner)