

2020



BRANDS

SUSTAINABILITY

SUMMARY REPORT



Ceremony German Sustainability Award

Dear Readers,

In 2020, we continued to drive our sustainability efforts forward, and despite the challenges of the coronavirus pandemic, we managed to successfully make progress in this regard. In the first quarter, the initial economic impact of the pandemic was felt in both Germany and in our suppliers' countries in the Far East. In an act of solidarity with our suppliers, we followed through on our commitments to purchase and pay for the items we had ordered as arranged. We are proud to have fully respected our commitment by acting as reliable partners for our production partners.

As the pandemic's wrath continued to affect the world, we faced new challenges with an open and solution-oriented mindset. In close cooperation with our manufacturers, we were able to find compromises that were acceptable to all sides.

As a result, despite the specific challenges 2020 presented us with, it was a very successful year for BRANDS Fashion. To begin with, Gerd Müller, the German Minister for Economic Cooperation and Development, visited our factories in Bangladesh in February. We were able to show him the tangible opportunities and impact of due diligence legislation which was only being contemplated at the time, and now, we are particularly delighted to see that the Due Diligence Act has been drafted.

In addition, in 2020, we were awarded the German Sustainability Award 2021 with our partner Ganesh from Tiruppur, India, in the "Global Partnerships" category. Together, we converted an existing facility into a LEED-certified Green Factory, which exclusively manufactures our products. In our opinion, this transformation is an option for many factories in the Global South. CO₂ emissions can be significantly reduced by means of solar power and resources can be saved thanks to rainwater.

As Cicero once said, "The beginnings of all things are small." True to this saying, we have devoted ourselves to implementing circular production specifications. In light of the growing climate change crisis, we believe that the usage of raw materials after their first phase of life is an increasingly important and urgent matter. In the near future, we wish to transform our business model from an assembly-line economy to a circular one. Motivated by past successes, we will now pursue this goal with even greater determination.

The present report aims to inform you about some of the sustainable actions that strengthen our company's *raison d'être*, so that we may make the world a better place together, step by step and day by day.



Still a wish in April 2020, the passage of a national mandatory due diligence law is now certain.
Silke Rosebrock (Management Board) & Mathias Diestelmann (Management Board & shareholder)

This short report lists the most relevant data used as indicators for our efforts towards sustainability. Comparisons with the previous years highlight the progress made in the fields of Materials, Initiatives, Supply Chains and Company Site, which had all been defined as core priorities.

Our top goals for 2021 are listed in the last section of the report. We wish to pursue them in collaboration with all members of staff, customers and BRANDS Fashion business partners. Finally, this document provides you with information about the state of play regarding the targets set in the previous report.



Cotton yarn

MATERIALS

Breakdown of fibre types

Cotton

In 2020, we purchased over 8,000 tonnes of raw cotton (compared to over 7,000 tonnes in 2019) for our textile products. Approximately 63% of the purchased cotton originated from organic farms, representing over 5,000 tonnes (compared to 70% and 5,200 tonnes in 2019).

Polyester

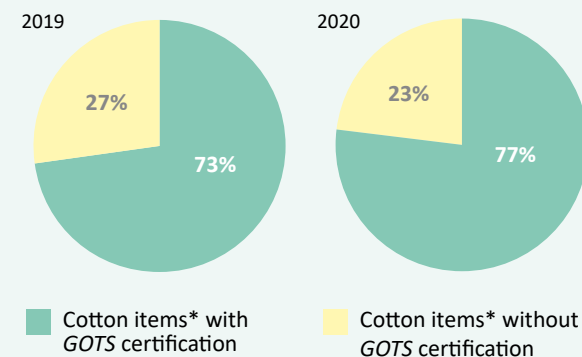
In 2020, we integrated over 1,200 tonnes of polyester into our articles (compared to 600 tonnes in 2019). About 2% of this fibre was recycled (compared to 2% in 2019).

GOTS- and Fairtrade: certified articles

Global Organic Textile Standard

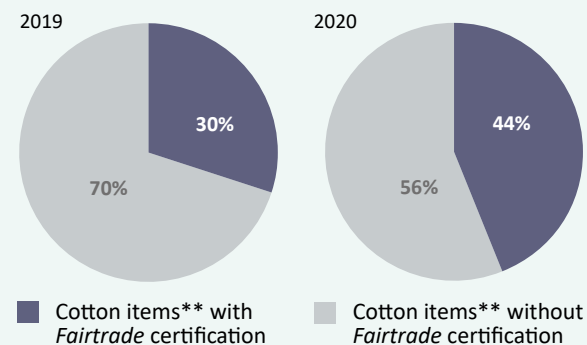
In 2020, we raised the proportion of purchased *Global Organic Textile Standard* (GOTS) articles containing at least 70% cotton to 77% in 2020 (compared to 73% in 2019). At the end of the reporting period, BRANDS Fashion had a total of 65 GOTS clients (compared to 58 in 2019).

Comparison between cotton items* with/without GOTS certification



*Cotton items with a minimum cotton content of 70%

Comparison between cotton items** with/without Fairtrade certification



**Cotton items with a minimum cotton content of 50%

Fairtrade

The proportion of *Fairtrade** cotton was 19% in 2019, representing 1,400 tonnes in total. In 2020, we were able to increase this amount to 3,700 tonnes, representing a total volume of approximately 50% of the cotton purchased. This significant raise was possible thanks to a larger *Fairtrade* cotton collection on offer.

We were able to increase the amount of our *Fairtrade*-certified cotton articles containing at least 50% cotton to 44% (compared to 30% in 2019). At the end of the reporting period, BRANDS Fashion had a total of 47 *Fairtrade* customers (compared to 41 in 2019).

Over the past four years, BRANDS Fashion purchased over 7 million *Fairtrade*-certified articles, processed over 11,500 tonnes of raw cotton, thus generating practically €580,000 in *Fairtrade* premiums. In 2020 alone, we purchased 2.5 million *Fairtrade*-certified articles, thus generating €185,000 in *Fairtrade* premiums. Thanks to these funds, we were able to co-finance a large proportion of the costs of the Rapar and Dhrangadhra Farmers Company (RDFC), among other things. 800 farmers belong to the RDFC, 80% of which are small-scale producers. This organic and *Fairtrade*-certified cooperative is located in Gujarat, in Northern India, one of the largest cotton farming regions in the country.

*All products that are manufactured with *Fairtrade*-certified cotton are physically traceable and marked with the *Fairtrade* Cotton label.

**All products that are *Cradle to Cradle Certified*™ on Gold level are labelled as such. *Cradle to Cradle Certified*™ is a licensed product standard issued by the Cradle to Cradle Products Innovation Institute.

Proportion of sustainable articles

Out of around 13 million textile articles purchased in 2020, 3,877,026 were certified by means of sustainable labels (especially *GOTS*, *Organic Content Standard*, *Global Recycled Standard*, *Fairtrade*, *Made in Green*,

Repreve, *FSC*, *Grüner Knopf* and *Cradle to Cradle Certified***). This represents 30% of our total textile range (compared to 34% in 2019).



The Sustainability Team (left to right): Annetrin Mohr, Maret König, Kalina Magdzinska, Rabaea Schafrick

INITIATIVES

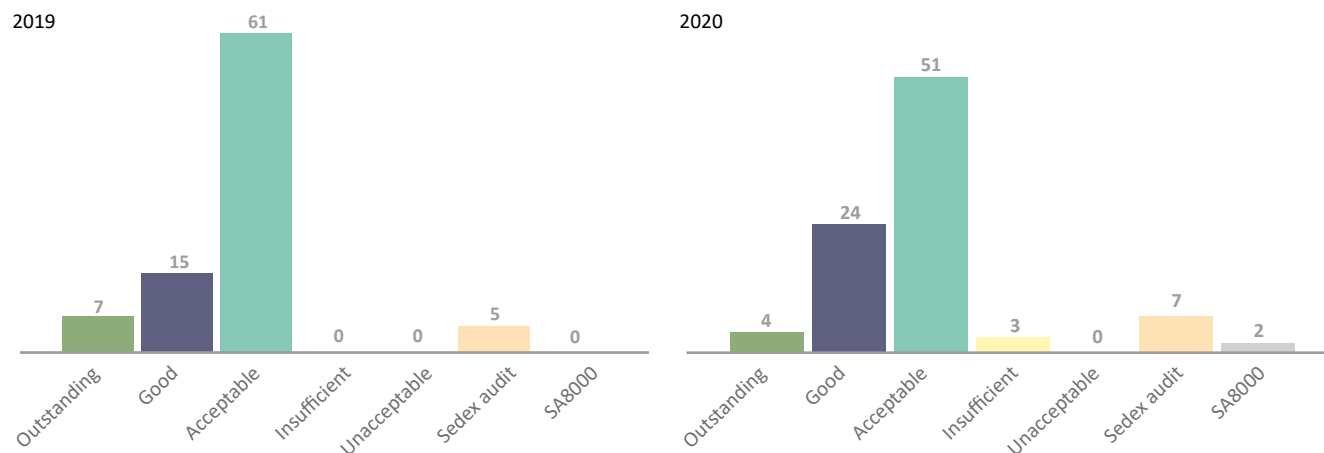
Outcome of the social audits

In 2020, a total of 91 social audits were given to our Tier-1 suppliers, our garment manufacturers (compared to 87 in 2019). Most audits were based on the *amfori Business Social Compliance Initiative (BSCI)* code. For a

small number thereof, though, the *Sedex Members Ethical Trade* or *SA8000 Audit* methods are applied. In most cases, the facilities were classed as “Acceptable”.

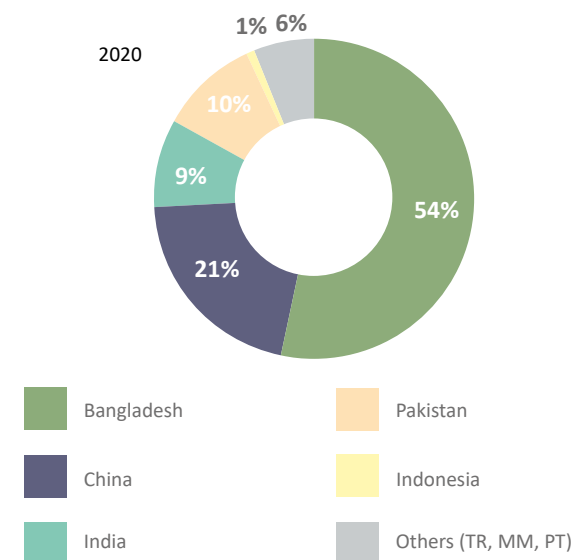
As in previous years, numerous shortfalls were identified in the areas of management systems and overtime. As far as occupational safety is concerned, we are glad to announce that fewer issues were noted.

Results of social audits at suppliers' facilities



SUPPLY CHAINS

Sourcing countries



In 2020, according to purchased volumes, our top procurement countries were Bangladesh (54%), China (21%), Pakistan (10%) and India (9%). The positions of our two main procurement countries remained the same as in the previous year, but in third place, Pakistan replaced India: in 2019, we purchased 49% of our supply from Bangladesh, 26% from China and 13% from India. The volume from Pakistan went up due to the addition of a new product group in 2020. We believe that the position of India as a procurement country will be strengthened again in 2021.

COMPANY SITE

Staff indicators

In 2020, BRANDS Fashion employed a total of 147 members of staff (compared to 150 in 2019), 96% of whom were permanently employed on 31 December 2020 (compared to 96% in 2019). On that date, 7 were on lea-

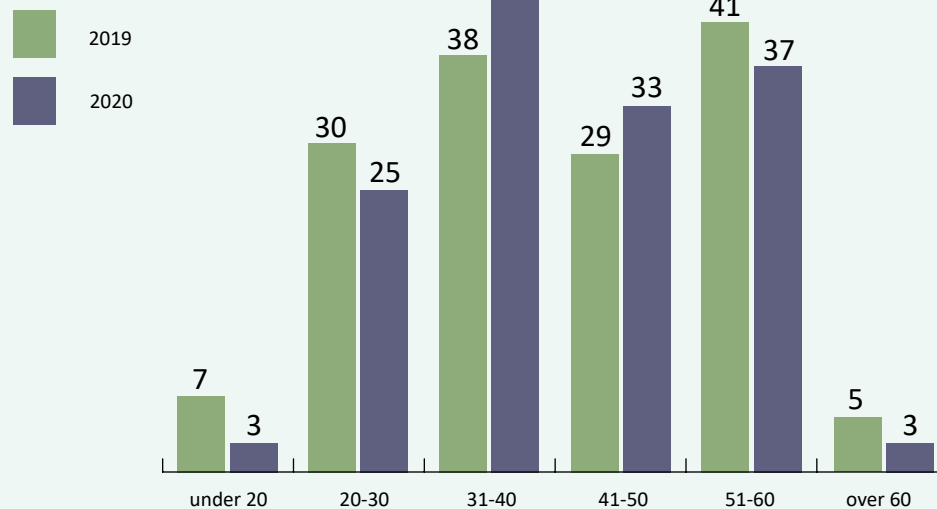
ve, i.e. on pregnancy or parental leave (compared to 2 in 2019). Moreover, 7 temporary staff, apprentices, trainees and interns were trained in 2020 (compared to 14 in 2019). The average age of workers at BRANDS Fashion in 2020 was 41 years (as in 2019).

Almost double the number of women were employed compared to men during this reporting period. In management positions, the ratio was 1:2 (female:male).

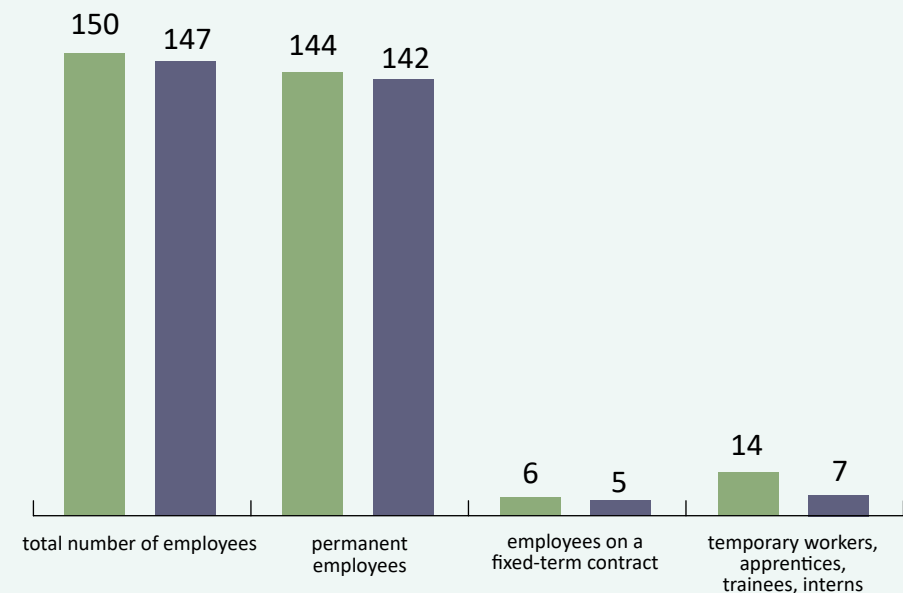


Kalina Magdzinska, Sustainability Department

Age distribution



Employment status



MISSION 4 TOMORROW

Achievements and targets

An overview of the state of play in terms of targets set in the previous report is provided in the section below. We are still in the process of working towards achieving most of our aims. This means that in 2021, we will continue to focus on the respective sustainability measures and activities.

Materials

Promoting the usage of sustainable fibres

As stated above, we were able to increase the proportion of sustainable cotton articles in our product range. Our goal is also to continue increasing the volume of sustainable items and fibres, especially in the case of recycled polyester.

Textile recycling

In 2020, we were able to make substantial progress in our drive toward the circular economy. At the beginning of the year already, we placed this issue on the agenda of the Partnership for Sustainable Textiles and created our internal “Task Force Circularity”, which acts across all departments. We are now developing recovery schemes and solutions for the greatest value retention possible.

We continually work on products and solutions based on a circular approach. Our goal is to increase our proportion of recyclable textiles every year. This includes the expansion of our biodegradable *Cradle to Cradle Certified™* collection, which we were able to successfully establish on the market in 2020.

Less packaging

Last year, we successfully developed and implemented a holistic concept for ERP-based product packaging. We meticulously capture any packaging used, which is licensed by means of the applicable dual systems. As a result, we follow the “polluter-pays-principle” and support Germany’s recycling infrastructure. Together with our clients, we continue to work on developing new products. In 2020, we were therefore able to cut the amount of plastic packaging and composite materials used.

Chemicals management / On the way to DETOX

Chemicals in the wet processing facilities are a challenge in the textiles supply chain. In order to deal with this matter and mitigate the negative impact of chemicals on the environment, BRANDS Fashion implemented numerous measures for supply chain transparency in 2020, as well as improved chemicals, input and wastewater management systems. All our strategic partners will be registered on *GoBlu*’s “BHive” digital platform in order to collect valuable data on the chemicals

used. *GoBlu* and BRANDS Fashion organised training sessions in about 25 factories in Bangladesh in 2020. Over a third of these facilities have since opened an account and entered their chemicals inventories. In March 2021 already, some wet processing plants in China also adhered to the system. The aim is to increase the number of *GoBlu* “BHive” accounts in 2021.

Initiatives

Fairtrade Textile Standard

In December 2019 already, our business partner’s first factory in India was awarded *Fairtrade* Textile Standard certification. In March 2021, a large part of our supply chain followed suit, including assembly, printing, dyeing and knitting. In the spring of 2021, the ginning and spinning facilities are also being certified. We have already convinced several clients to purchase products certified according to the Standard. As from the summer of 2021, we will be the first to bring *Fairtrade* Textile Standard certified products to market. Our goal is to increase the proportion of our *Fairtrade* Textile Standard products, and, step by step, raise the wages of all the textile workers in the supply chain in accordance with the Standard.

Grüner Knopf re-audit

We successfully passed the *Grüner Knopf* re-audit in October 2020. In terms of the company criteria, we are continuing to work on a select number of measures to improve social and environmental standards in individual factories as well as on the continual development of risk analysis. Especially in the key area of complaints mechanisms, we face the challenge of implementing the same system in all production countries. We have set specific goals in that view.

**Supply chains****Supplier complaints mechanisms**

Last year, we examined the complaints mechanisms used by several of our external providers and evaluated them for implementation. We are currently assessing two mechanisms in more depth. If these are deemed effective and adequate for our supply chains, we will proceed to testing them there in view of their application. The complaints mechanism in the context of the *Accord on Fire and Building Safety in Bangladesh*

and the application of the *Fairtrade* Textile Standard in India are helping us gain insight into this area.

Supplier evaluation systems

Evaluation criteria for suppliers have been defined for the various departments and the technical base for the collection of data and their assessment has been set up. Sustainability criteria have been monitored since 2018 and they are used for evaluation and strategic decision-making. In 2021, we will collect relevant data from the Procurement, Quality Control and Import Logistics departments in order to establish a business-wide supplier ranking by the end of the year. Our main goal is to reward suppliers who are either certified or well-versed in environmental and social standards with more orders, thus generating incentives for compliance.

Transparent supply chains

We view transparent supply chains as the basis for sustainable development in the field of value-added textiles. This is why we strive to maintain close relations with our suppliers and partners in production countries. We also use labels and initiate certifications to identify and resolve issues in the value-added chain. Moreover, among other things, we have continued working on our digital product tracking tool TRACYCLE, especially on the level of backend activities. Our aim is to be able to apply it even more successfully as a supply chain management system.

Fair procurement practices survey

In 2020, we used the ACT Purchasing Practices Sourcing Assessment. We performed a survey on current procurement practices at the Headquarters and at our Sourcing Offices in Bangladesh and China. We then discussed the results thereof at a workshop held together with the Procurement Department and defined concrete improvement measures. These will be implemented and tested in 2021.

Product Footprint calculation

For her bachelor's thesis, a student on a cooperative education programme working at BRANDS Fashion decided to calculate the carbon footprint of a t-shirt from India. This will act as the basis for the future calculation of our clients' products' carbon footprints.

Company site**Communications regarding sustainability**

In order to provide direct, timely information to our stakeholders about our efforts towards greater sustainability and our activities, we opened several social media accounts in 2020. In addition to our news feed on the website, we are now able to participate in discussions and engage in transparent communication on Twitter and LinkedIn. The objective is to extend this dialogue to all social media channels and raise the visibility of BRANDS Fashion among the public.



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