



SUSTAINABILITY SUMMARY REPORT



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 & Products, Initiatives & Standards, Partners & Supply Chains, and Team & Company Site, which had all been defined as core priorities.

Our top goals for 2023 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 information about the state of play regarding the targets set in the previous report.

Dear Readers,

We are pleased to present this report on our progress in the area of sustainability and business development for the year 2022. Despite the effects of the coronavirus measures still being palpable and despite the unstable global political situation – our thoughts go out to all those suffering the consequences of ongoing wars – we are delighted to have nonetheless managed to implement ambitious measures and make essential changes last year.

For example, we began the process of overhauling our corporate group and spinning off our logistics department. BRANDS Logistics GmbH was founded on 1 January 2022 as a 100% subsidiary of BRANDS Fashion GmbH. It will continue to embody our values while maintaining close ties with us, but its new-found independence has allowed it to become more agile and more flexible.

We continue to pursue the objective of making products with the greatest possible environmental and social added value. This is clear from our sustainability KPIs and is an expression of our desire to bring about change.

We are therefore proud to report that we have launched a ‘cotton-in-conversion’ project in the Western Indian state of Gujarat together with 9 German football clubs from the first and second divisions of the Bundesliga, the Federal Ministry for Economic Cooperation and Development and the German development agency GIZ, all with the support of Fairtrade Deutschland. This project involves providing both financial and technical support to help 450 farmers transition from growing conventional, genetically modified, pesticide-dependent cotton to growing organic cotton. This will allow us to create a strong, environmentally sound basis for our products.

We continue to pursue our overarching objective of transforming the garment industry into a circular economy. Ultimately, it is only possible to develop value-retaining recycling processes, thereby enabling raw materials to undergo multiple product life cycles if you are able to control inputs.

We were also able to celebrate winning the prestigious Fairtrade Award in the Industry segment. This is an additional incentive to keep improving our products and supply chains in order to make our world a little fairer and a little more pleasant each and every day.

On that note, we hope you enjoy reading this report.

Silke Rosebrock and Mathias Diestelmann
CCO and Managing Partner of BRANDS Fashion GmbH



MATERIALS & PRODUCTS

Sustainable fibres & products

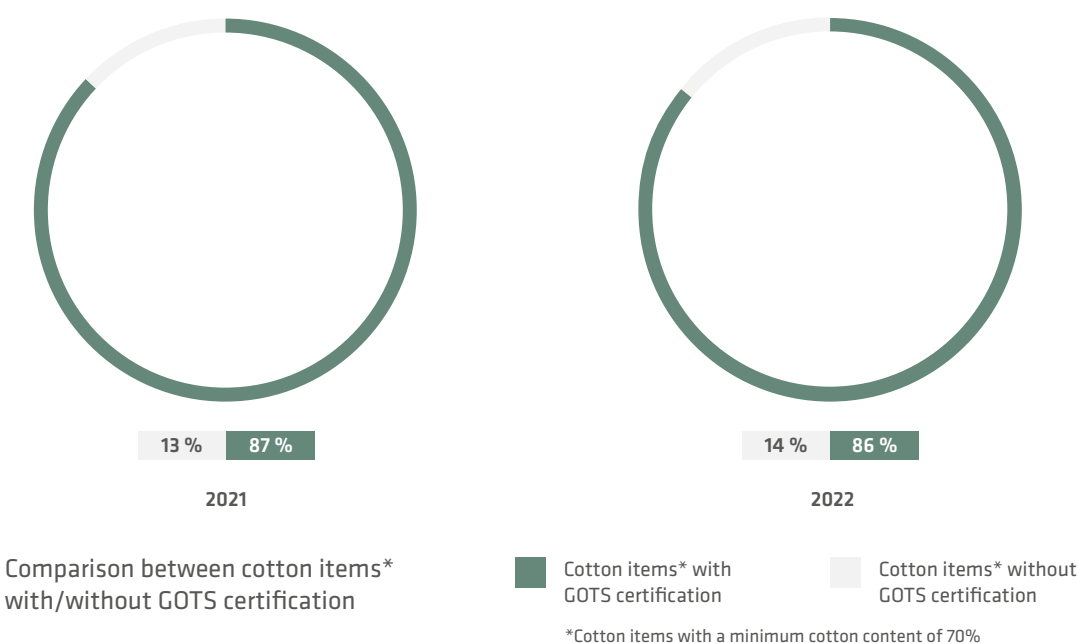
Cotton

In 2022, we purchased more than 10,000 tonnes of raw cotton (compared to > 7500 tonnes in 2021 and > 8000 tonnes in 2020). Around 82% of the purchased cotton originated from organic farms (compared to 83% in 2021 and 63% in 2020).

Polyester

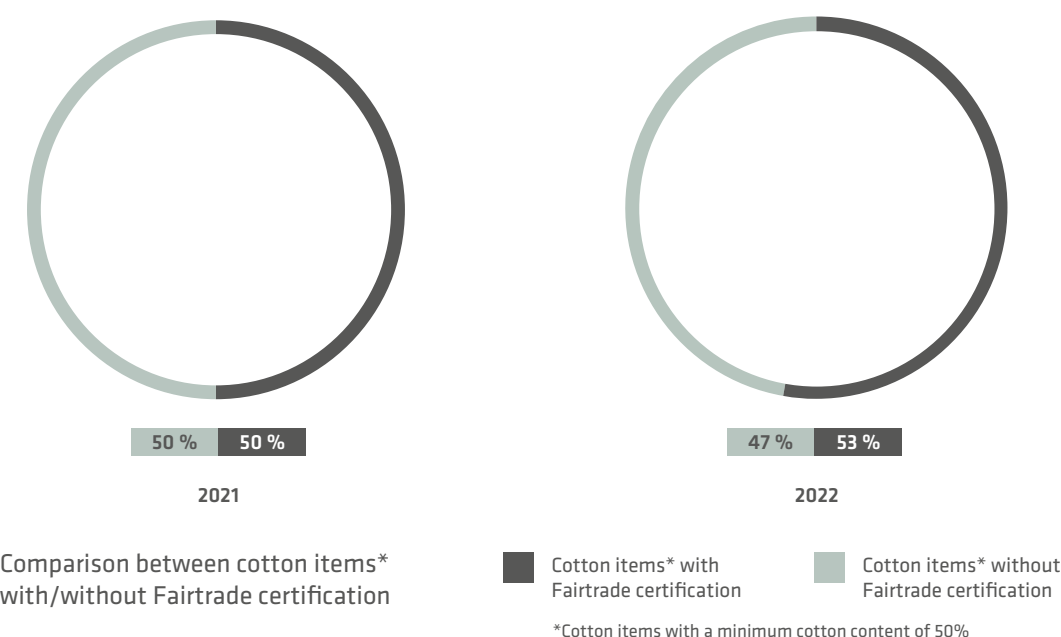
In absolute terms, the volume of polyester (PES) used was a little higher in 2022 than in the previous year. Around 12% of the PES we processed was recycled (compared to 14% in 2021 and 2% in 2020) and more than 60% was processed in GRS-certified supply chains and endowed with the relevant label (compared to 70% in 2021 and 2% in 2020).

Global Organic Textile Standard



In 2022, 86% of all the company's cotton articles contained a minimum of 70% GOTS-certified cotton (compared to 87% in 2021 and 77% in 2020). Of these cotton articles, around 9% originated from the certification programme 'GOTS in conversion'. This programme involves helping smallholders convert to organic cotton production. The cotton harvested during this three-year process is given the label 'GOTS in conversion'. You can find out more about our conversion project in India under 'MISSION 4 TOMORROW'. At the end of the reporting period, 68 customers were purchasing GOTS-certified articles from us (compared to 70 in 2021 and 65 in 2020).

Fairtrade Cotton Standard



We have increased the proportion of Fairtrade-certified cotton we use from around 50% in 2020 to around 53% in 2021 and 57% in 2022. We were also able to once again increase the proportion of Fairtrade cotton-certified articles: in 2022, about 53% of all the company's cotton articles with a minimum of 50% cotton were Fairtrade certified (compared to 50% in 2021 and 44% in 2020). At the end of the reporting period, we had 46 Fairtrade customers on our books (compared to 49 in 2021 and 47 in 2020).

Over the past six years (up until the end of the reporting period), BRANDS Fashion has purchased over 13 million Fairtrade-certified articles and processed over 20,000 tonnes of raw cotton, thus generating more than one million euros in Fairtrade premiums. In 2022 alone, we purchased 3.7 million Fairtrade-certified articles, thus generating €313,000 in Fairtrade premiums. Thanks to these funds, we were able to co-finance a large proportion of the costs of the Rapar and Dhran-gadhra 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.

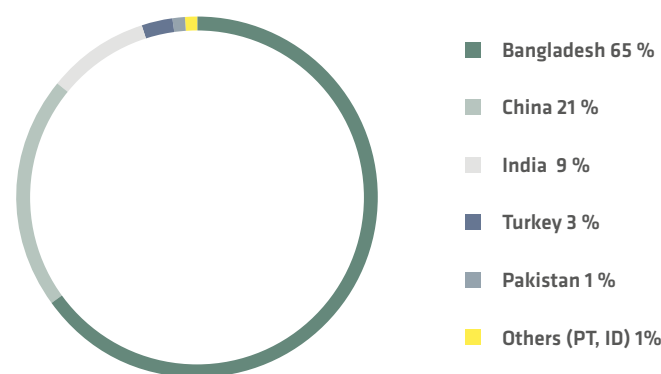
Sustainable articles

Out of around 14 million textile articles purchased in 2022, roughly 7 million were certified by means of sustainable labels (especially Global Organic Textile Standard, Organic Content Standard, Global Recycled Standard, Fairtrade, Made in Green, Repreve, FSC, Grüner Knopf and Cradle to Cradle Certified). That is a huge increase on previous years and corresponds to almost 50% of our total textile range (compared to 36% in 2021 and 30% in 2020).

PARTNERS & SUPPLY CHAINS

Main procurement countries

In 2022, our main procurement countries by order volume were Bangladesh with 65% (compared to 58% in 2021 and 54% in 2020), China with 21% (compared to 27% in 2021 and 21% in 2020) and India with 9% (compared to 10% in 2021 and 9% in 2020). This means the top three procurement countries remain in the same positions as last year. 3% of our order volume originated from Turkey, making this our fourth-largest procurement country as in the previous year, followed by Pakistan with 1%.



Sourcing markets (2022)

In 2022, a total of 127 social audits were performed of the tier 1 suppliers for textiles and hardware that were active during the reporting period (compared to 62 in 2021 and 87 in 2019). There are various reasons why the number of audits has increased. On the one hand, we increased our supplier pool after acquiring two new major customers requiring new product groups and started working with additional suppliers for hardware.

On the other, many suppliers were audited under multiple standards (e.g. SEDEX and amfori BSCI). These dual audits were counted separately in the statistics.

Most audits were based on the amfori Business Social Compliance Initiative (BSCI) Code of Conduct. However, for a small number thereof the Sedex Members Ethical Trade (SMETA) or SA8000 Audit methods were applied. As in the previous year, in most cases the facilities were classed as 'acceptable'.

INITIATIVES & STANDARDS

Outcome of the social audits

The lowest scores were achieved due to inadequate management systems and, once again, working hours. In China in particular, the majority of suppliers were classed as 'insufficient' in this area. In 2022, we discussed the reasons for excessive overtime and ways of tackling it with many of our suppliers and colleagues on the ground.

We have limited leverage in production facilities where we only use a small proportion of the available capacity, so trying to encourage these facilities to reduce overtime is particularly challenging. That is why we are focusing more on our own procurement practices and evaluating whether our procurement model might be incentivising overtime.

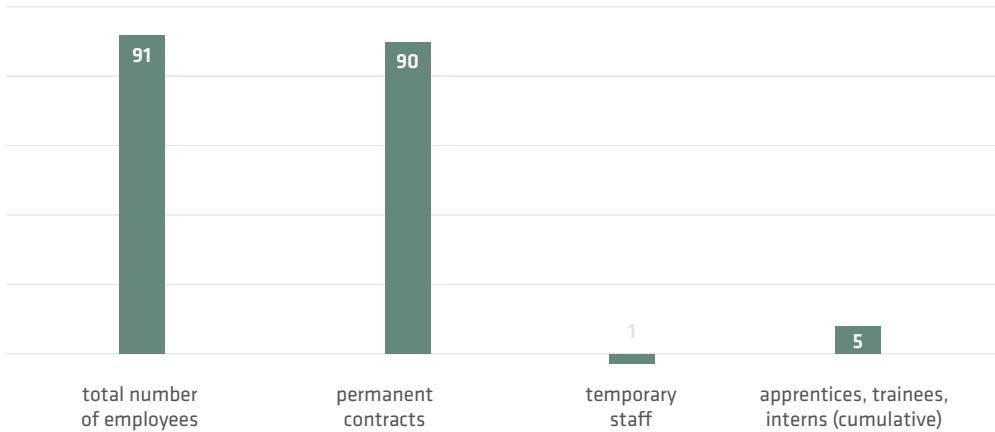
No general shortfalls could be identified in Bangladesh, India and Turkey. The rating 'insufficient' was rarely awarded to categories of the Code of Conduct in these countries. Where an 'insufficient' rating was awarded in the area of health and safety, we have followed up on corresponding corrective measures.

In Pakistan, all areas received a rating between 'outstanding' and 'acceptable'.

TEAM & COMPANY SITE

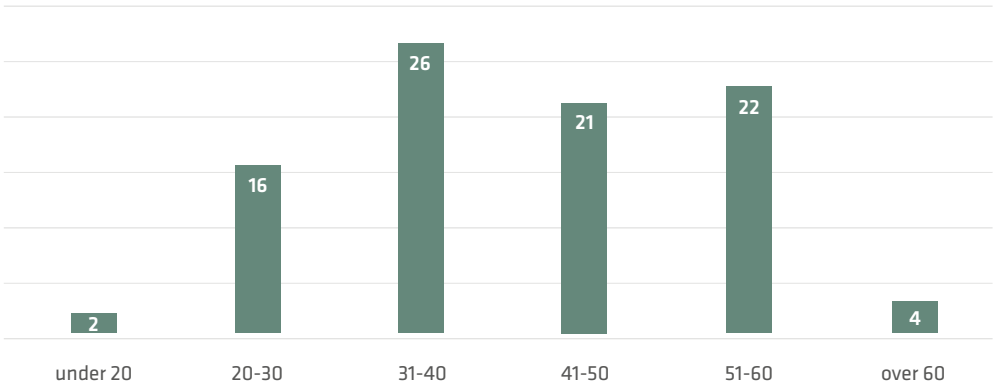
In 2022, BRANDS Fashion employed a total of 91 persons (compared to 154 in 2021 and 147 in 2020), 90 of which were in fixed employment as of 31/12/2022 (compared to 154 in 2021 and 142 in 2020).

As of 2022 this data only relates to BRANDS Fashion GmbH and as such may not be entirely comparable. The founding of the subsidiary BRANDS Logistics GmbH and the departure of all distribution employees to this entity resulted in a reduction in the number of employees at BRANDS Fashion GmbH.



Employment status

5 temporary staff, apprentices, trainees and interns were trained in 2022 (compared to 6 in 2021 and 7 in 2020). We employed 14 new staff members (compared to 22 in 2021 and 27 in 2020) and 5 employees left the company (compared to 17 in 2021 and 17 in 2020). 4 team members were inactive in 2022 (compared to 4 in 2021 and 7 in 2020), for example due to parental leave or maternity leave. The average age of our staff was 41 years in 2022, as in the two previous years.



Age distribution

	2021	2022
Administration		
Women	43,02 %	45,44 %
Men	56,98 %	54,56 %
Management		
Women	48,11 %	43,41 %
Men	51,89 %	56,59 %

Distribution of base salary in relation to gender and function

Following the spin-off of our logistics department two further categories of employee were added for the purpose of calculating the gender pay gap (basic salary and other remuneration): management role and administration. In both categories, men earned slightly more on average than women.

At the end of the reporting period in 2022, more than twice as many women were employed by our company (63, compared to 95 in 2021 and 96 in 2020) as men (28, compared to 56 in 2021 and 49 in 2020). 5 women were employed in managerial positions (compared to 5 in 2021 and 4 in 2020). In total, 7 managerial positions were occupied by men (compared to 8 in 2021 and 10 in 2020).

MISSION 4 TOMORROW

Below you will find details of our planned sustainability measures and specific objectives in this area.

MATERIALS & PRODUCTS

Sustainable fibres

We continuously strive to promote sustainable material alternatives and the use of certified fibres and products. We were able to exceed the target we set in the previous year of maintaining a 70% proportion of organic cotton, reaching a total of 82%. Our cotton strategy is no longer limited to increased use of organic cotton but also extends to promoting the use of cotton in conversion and, in future, recycled cotton.

Circular economy & textile recycling

Our Circularity project group is continuing to work towards the objective of offering recovery and recycling programmes for our customers as an alternative to thermal recycling and was able to implement its first customer projects in 2022. We are currently expanding our network to include the necessary partners and recyclers. The objective for 2023 is to work with one of our customers to develop a regenerative collection in line with the concept of a technical cycle. We also succeeded in attaining Gold level with our Cradle to Cradle Certified™ collection. To date, 14 customers have purchased around 57,500 of these pollutant-free articles.

Sustainable packaging

Last year we set ourselves the objectives of adding a 'Best Practices' and 'Supplier Recommendations' section to our packaging guidelines and of using sustainable or recycled packaging for all GOTS-certified articles. We were able to successfully meet these objectives in 2022. In addition, we created a factsheet with relevant information for internal and external stakeholders in order to get our customers interested in using sustainable packaging. We are also working on other solutions together with external partners such as the Peer Learning Group on Sustainable Packaging of the Partnership for Sustainable Textiles.



Participants of the initiative Vom Feld in den Fanshop ©SV Werder

Cotton in conversion

We are promoting the transition to organic cotton as part of our 'From Playing Field to Merchandise Store' initiative. In the first instance, this will take the form of cotton in conversion. The GIZ is implementing the project in India on behalf of the Federal Ministry for Economic Cooperation and Development together with various partners, including Fairtrade Germany. Together, we are supporting 450 smallholders in the state of Gujarat. So far, we have managed to encourage nine football clubs from the first and second divisions of the Bundesliga to commit to offering more sustainable fan merchandise. We will now be procuring the cotton for merchandise articles sold by 1. FC Union Berlin, Arminia Bielefeld, Eintracht Frankfurt, Hamburger SV, SV Werder Bremen, VfB Stuttgart, VfL Wolfsburg, Borussia Dortmund and FC St. Pauli. We travelled to India in early 2023, and the first articles will arrive on the market at the end of the summer.

Chemicals management

We have decided to continue our collaboration with BHive after the end of the initially agreed three-year period. To date we have been able to assess our key dyeing plants in terms of their input chemicals and compliance with the help of our chemicals management tools. Implementation of this internal programme is still ongoing in other key wet production facilities. As we only use a small amount of the capacity in these dyeing plants, the process is taking longer than we had originally hoped.

MISSION 4 TOMORROW

INITIATIVES & STANDARDS

Fairtrade Textile Standard

We are delighted to have received the Fairtrade Award in the Industry category for 2022 in recognition of our efforts and our success in setting up the first ever Fairtrade Textile Standard-certified supply chain. So far, we have managed to encourage 11 customers to apply this ambitious standard, which involves us committing not only to bolstering workers' rights but also to successively increasing their wages in order to guarantee they are paid a living wage.



PARTNERS & SUPPLY CHAINS

Complaints mechanisms

As a member of amfori, we require all our suppliers in high-risk countries to provide workers with an effective complaints and suggestions system. We verify this during independent social and certification audits and our own assessments of partners on the ground but in particular during in-person visits by employees from our sustainability department to our manufacturers' premises. In 2023 we plan to evaluate the effectiveness of the internal and external mechanisms and address participation in a back-up mechanism.

Carbon Footprint Calculation

In order to overcome the challenges associated with sustainable production, we advocate transitioning from conventional to socially and environmentally sustainable systems. That is why we are expanding our methods for calculating our environmental footprint. By the end of 2022, we were able to calculate the CO2 emissions from a total of six supply chains and products with the help of relevant stakeholders. By the end of 2023, we aim to have performed 10 carbon footprint calculations for different supply chains and to have communicated the results of those calculations.

Supply chain management: TRACYCLE

We are continuing to develop the back-end of our digital tool TRACYCLE to make it a more effective internal tool for cross-departmental supply chain management. By involving our business partners, we hope to ensure information can be provided quickly and smoothly. We are currently working on technical implementation and roll-out within the company based on the catalogue of requirements we developed based on our supply chain management concept.

TEAM & COMPANY SITE

Communication

Our aim is for the next detailed sustainability report on the years 2022 and 2023, which is due to be published in 2024, to comply with all principles of the GRI standard with respect to quality and content. We are continuing to intensify our ongoing external strategic communications. Our website is currently undergoing a complete overhaul, and the new website will be going live in summer 2023. An evaluation and potential analysis of our intranet are also planned for 2023, as is implementation of the first measures for bolstering internal communications.



If you have any questions regarding this report, please contact Maret König in the Sustainability department:
sustainability@brands-fashion.com.

BRANDS Fashion GmbH
Buchholz in der Nordheide
Germany
0049 4181 9422 0
www.brands-fashion.com