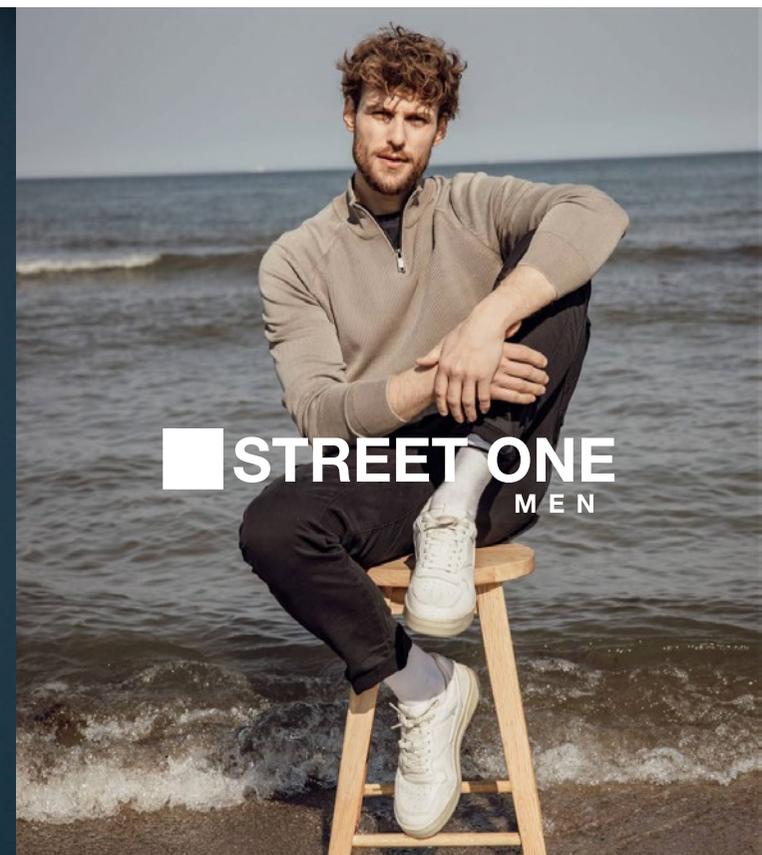


SUSTAINABILITY REPORT 2022



CONTENTS



03 WELCOME

04 OUR COMPANY

- 05 Our brands
- 06 Our customers
- 07 Our value chain
- 08 Our progress
- 09 Our journey

10 ENVIRONMENT

- 11 CO₂ emissions
- 13 Water
- 14 Packaging
- 15 Materials

19 SOCIAL

- 20 Our team
- 23 Supply chain
- 27 Protecting our customers

28 GOVERNANCE

- 28 Legal & compliance
- 29 Corporate responsibility
- 29 Risk management
- 30 IT & information security
- 30 Whistleblower system
- 31 Reporting

32 LOOKING FORWARD

WELCOME

As part of the international fashion industry, we consider it our duty to treat the earth's resources with care and respect. This report provides transparent insights into our work and is intended to illustrate the progress we have made, as well as the challenges we still face in terms of a more sustainable development.

WE CREATE HIGH QUALITY FASHION. Our aesthetically designed garments are manufactured responsibly, mainly in Asia and Türkiye, and are sold in 20 European countries. Therefore, our business operations have an impact on people and the environment in various regions. We take the associated social and environmental responsibility very seriously.

In addition to our own conduct, this encompasses the entire value chain, upstream and downstream. Step by step, we are working towards improving our approach to environmental and social sustainability and responsible corporate governance (ESG). This is an immense challenge, but one that we are determined to take up in order to contribute to the Sustainability Development Goals set by the United Nations.

In various areas we have already made major advances. For example, we have been conducting regular audits on all our suppliers for more than ten years, with 306 audits carried out in 2022. In other respects, we still face huge challenges, like many

others in our industry. For instance, with over 5,000 individual products per year, each with a different supply chain, we are currently unable to fully assess our overall carbon footprint accurately.

We acknowledge that we still have a long way to go but are committed to continuous improvement and to contribute to the protection of our planet. While a single company can take steps in the right direction, it takes a community to achieve real and meaningful change. Only by acting together can the fashion industry create a more sustainable future for upcoming generations.

In this spirit, let us continue to work:

TOGETHER FOR A BETTER FUTURE!



Jim Nowak & Christian Rudloff

OUR COMPANY



3	brands
18	percent articles with more sustainable materials
306	supplier audits
1,148	employees (972 women & 176 men)
2015	switch to green electricity
7,878	points of sale
33,291,000	million garments sold
641,703,000	revenues in €

Our brands

CECIL ■ Street One ■ **STREET ONE**
MEN

THE CBR FASHION GROUP is an international fashion company with a long success story. Our brands Street One and CECIL have been established in the European market for decades. In addition, we launched our men's line Street One MEN in 2022.

OUR BRANDS represent different styles, but they are united in the belief that fashion is not made for just one season – on the contrary, they should be created to last for years. We strive for excellence in all respects. From the selection of high-quality materials down to the workmanship, we place great emphasis on quality and attention to detail at every step in the production process to ensure the longevity of our products. We see this as a significant part of our contribution towards greater sustainability.

Our customers have been loyal to our brands for years. We are more than grateful for this. At the same time, it encourages us to design attractive new garments for each collection. Thanks to the proximity to our wholesale partners and our experience, we have a clear idea of our customers' preferences and expectations. This enables our design teams to translate current fashion trends into products that truly speak to our customers.

From the early stages of product development, our design teams coordinate closely with potential suppliers to ensure the quality standards we expect and to select the most suitable manufacturer. In 2022, we worked with 200 suppliers.

All products are manufactured in strict accordance with our specifications as laid out in our Production Guide and Social Compliance Manual. In addition to material and quality specifications, these also include occupational standards regarding health, safety and human rights. With our Banned List and Restricted Substance List, we prohibit the use of certain materials, manufacturing processes and cultivation regions for our articles and specify limits for chemicals. We carry out comprehensive quality checks before the articles are handed over to us. All material components that are not certified according to the OEKO-Tex Standard 100 are tested by selected, accredited laboratories to ensure the absence of harmful substances.

Our customers

IN 20 EUROPEAN COUNTRIES products of our three brands were sold at 7,878 points of sale (POSS). Most of these are owned by retail partners (B2B). We operate 76 stores and 25 outlets ourselves as well as two online shops (D2C). In addition, we offer our goods on platforms such as Zalando, Otto, Amazon and ABOUT YOU.

Our B2B and D2C activities are equally important to us. In 2022, they each contributed significantly to our company’s total revenue with 64.9% and 35.1% respectively. They provide us with different opportunities to reach our customers and to understand, as well as fulfil their needs.

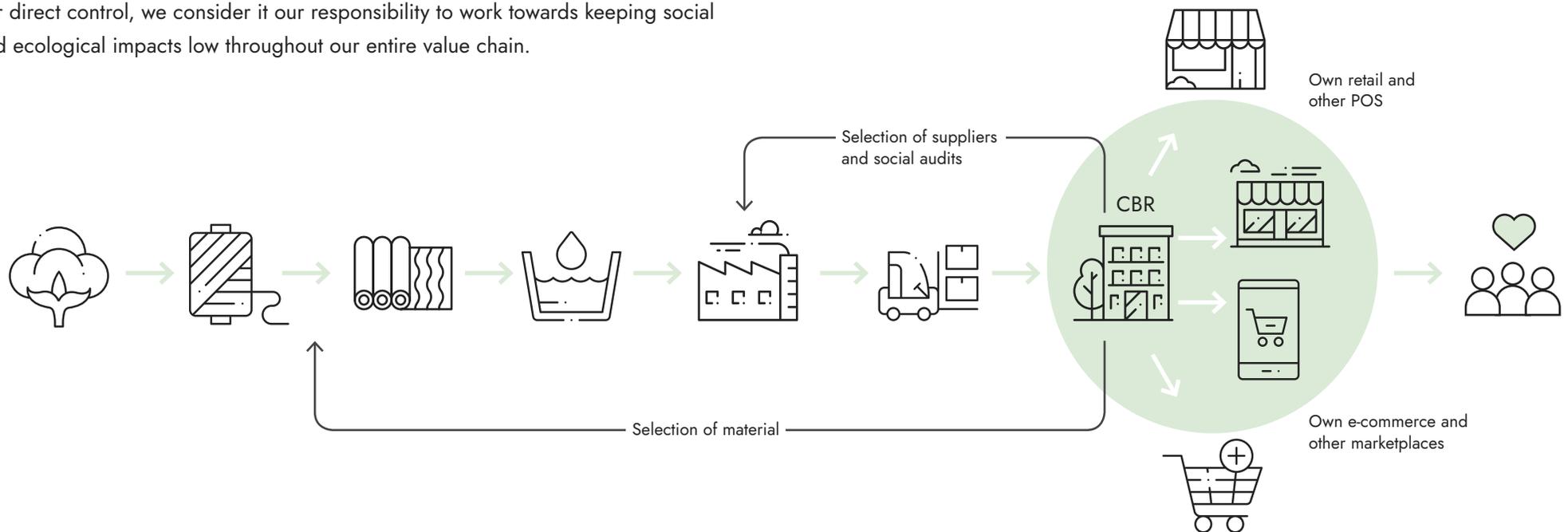
We mainly have garments manufactured that our retail partners have previously ordered from us. In addition, we offer automatic replenishment within 24 to 48 hours for particularly strong-selling articles – so-called never-out-of-stock (NOS) items. This enables our retail partners as well as our own POSSs to manage their inventory levels according to demand and to keep surplus stock to a minimum.

We buy NOS items at our own risk and therefore act and order with caution. Our ecological interest in avoiding surplus stock corresponds with our commercial goal of selling all our articles regularly.



Our value chain

THE MOST SIGNIFICANT SOCIAL AND ENVIRONMENTAL IMPACTS in the textile supply chain lie in the production of raw materials, the textile and garment manufacturing processes, including their intermediate products, and in their transport and disposal. Although most of these aspects are beyond our direct control, we consider it our responsibility to work towards keeping social and ecological impacts low throughout our entire value chain.



Our progress

STEP BY STEP, we scrutinise all upstream and downstream processes to reduce negative social and environmental impacts. A significant improvement was made in 2021 with the decision to increase the use of more sustainable materials for our products.



ECOLOGICAL

- › Demand-oriented volume planning through proximity to our customers and systematic market analyses
- › Production close to the sales markets: about half of the production facilities are located in Türkiye
- › The transport packaging of our articles has been changed to polybags made of 100% recycled material
- › Active commitment to animal welfare by joining the “Fur Free Retailer Programme” and banning angora, non-certified down and materials obtained by live plucking or skinning or from animals kept, bred or slaughtered purely for the production of fashion
- › Protection of our customers and the environment by subjecting our textiles to comprehensive ecological criteria with limit values and by banning certain chemicals
- › Use of green electricity at all of our sites in Germany

SOCIAL

- › All suppliers must comply with a defined level of social standards
- › All factories are audited before the start of production by our audit partner ELEVATE and thereafter at intervals determined by the results of the first audit
- › Audits are carried out by changing auditors and are only announced for an approximate period
- › All factories have free access to more than 75 online training courses on a wide range of ESG topics
- › Suppliers are segmented by risk, leverage, and significance; active Corrective Action Plan management is in place for high-risk factories for which we are a major customer and thus hold high leverage
- › We have banned the use of cotton from regions with a high risk of forced labour and monitor this through random isotope analyses

Our journey

1983

Street One founded

1989

our second brand CECIL launched

2009

regular supplier audits initiated

2014

external ombudsman appointed to report compliance violations

2015

all German sites switched to green electricity

2018

ELEVATE appointed to undertake all supplier audits

2018

ESG reporting to shareholders initiated

2021

'For People and Planet' labelling introduced for items made from more sustainable materials

2022

TrusTrace brought in as a partner to validate certificates for more sustainable materials

2022

random isotope analyses arranged to verify cotton origin

2022

CBR Fashion SpeakUp Line launched as a 24/7 reporting point for compliance violations in more than 70 languages via app, online and phone

2022

revision of the audit system to reflect a more risk- and impact-oriented approach

ENVIRONMENT



ACTING RESPONSIBLY AND RESOURCE-EFFICIENTLY is a major challenge in the textile supply chain. The various work steps are small-scale and widely ramified internationally. Only a few are within our own direct sphere of influence. Indirectly, however, we can exert influence by making specific demands on our contractual partners with regard to our products.

For effective improvements we see three decisive levers: responsible selection of materials, optimisation of the means of transport for the product delivery to us and our customers, and reduction of resources used in upstream processes. Focusing on these levers, we have been working towards significant reductions in resource consumption, a decrease in CO₂ emissions and the use of plastic.

As a basis for upcoming improvement measures, we are currently working on two key modifications:

1. implementing accurate, systematic recording of the weights of all components of our garments,
2. developing a material matrix for CBR, in which the advantages and disadvantages of materials along the entire product life cycle are evaluated.

Our goal for the next few years is to steadily reduce our environmental footprint through expanded knowledge of the upstream supply chain, targeted data collection and subsequent strategic decisions.

CO₂ emissions

Our premises

Our own CO₂ emissions are relatively low. At our head office in Hanover, approximately 500 employees work in three office buildings. Throughout Germany we operate 76 stores and 25 outlets. Additionally, small service teams operate in the Netherlands, Austria, Belgium and Sweden.

We have been using green electricity at all our German premises since 2015. To further reduce our CO₂ emissions, we intend to equip our head office with solar panels and to convert the existing ceiling lighting to LED over the course of the year. We will also be installing our first e-charging stations.

To encourage our employees to use public transport for their journey to and from work, we subsidise monthly travel passes.



Corporate carbon footprint

Since 2018, we have been reporting on our direct and indirect consumptions (Scope 1 and 2) to our shareholder. These data continued to be collected during the Covid pandemic (2020-2022). However, they do not reflect a 'normal' business year: Due to the various lockdowns and the associated closures of commercial premises, as well as a significant increase in working from home, the data are of limited use.

Currently we assume that representative data, that is not distorted by pandemics or wars, can be collected for 2023. We therefore plan to have a comprehensive corporate carbon footprint calculated by an external service provider and to use this as the base year for future assessments and target settings.



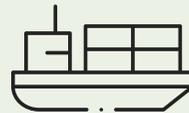
Our supply chain

We only have an indirect influence on key drivers of the carbon footprint of our products. Our most important levers for positive change are the responsible selection of materials, the prohibition of particularly harmful production processes and the reduction as well as optimisation of transport.

By taking the following measures, we have already been able to reduce CO₂ emissions:



Large parts of the production have been relocated from Asia to Türkiye. Almost every second item we sell is now manufactured in Türkiye, and thus, produced close to our sales markets. In 2022, more than 50 % of our goods (by weight) were transported by road freight from Türkiye and other European countries to Germany.



We have increased the number of items sold prior to our regular collection pattern. In gaining longer lead times, we can increase our use of ocean freight, and thus reduce air freight.



By using more sustainable materials, energy savings can be achieved compared to using conventional materials. For example, approximately 60 % less energy is needed to produce organic cotton.

Water

WATER IS A PRECIOUS RESOURCE. Especially in countries where raw materials for textiles are grown or where washing and dyeing processes are carried out, water is often a scarce resource.

Responsible behaviour therefore calls for efficient water use and the reduction of water pollution. We can influence both in particular by our choice of materials and manufacturing processes for our products.

In the denim sector, for example, we work with partners who use innovative technologies that consume significantly less water than conventional washing techniques and do not require pumice or toxic chemicals. Through choosing more sustainable materials for our 'For People and Planet' products, we reduce the amount of water consumed compared to traditional farming methods.

Example 1: Organic cotton

In comparison to conventionally produced cotton, the cultivation of organic cotton consumes significantly less water – up to 90% less, depending on the cultivation method.

In total, almost two million garments composed of at least 50% organic cotton were produced in 2022. About 600,000 of these were T-shirts made of 100% organic cotton.

Example 2: Modal

Using modal has many advantages. The beech wood used for its production can be cultivated in Europe and is a renewable raw material. Its production requires only one-twentieth of the amount of water compared to conventional cotton production.

In 2022, we produced more than 85,000 T-shirts composed of 100% modal. In addition, 2.5 million T-shirts were produced using equal amounts of modal and cotton.

Packaging

WE PROTECT OUR GARMENTS from moisture with various types of packaging and ensure their cleanliness during transport from our suppliers to our warehouse in Germany, during storage and handling, and on their way to the store or to our customer.

Upstream

To ensure a smooth logistics process, garments are packed in polybags. Currently, there is no alternative that meets our needs to the same extent. Nonetheless, to reduce our environmental footprint and prevent new materials from being introduced into the cycle, we changed our requirements for the polybags last year:

After using up remaining stocks, our suppliers are only permitted to use polybags made from 100% recycled polyester for our garments.

This does not eliminate the packaging problem, but it is an important step in the right direction. Naturally, we are always open to new, innovative solutions.

Downstream

To reduce the use of plastic, it has been prohibited in Germany to bring conventional plastic bags into circulation since the beginning of 2021. Since 2018, we have completely switched to paper carrier bags in our own stores and only offer paper carrier bags to our retail partners in Germany and abroad.

For our online sales, we switched from LDPT shipping bags to paper in 2020. These, along with the cardboard shipping boxes we use, are made of FSC-certified paper or cardboard. This means that their material comes from responsibly managed forests. The shipping bags are 100% recyclable and reusable, for example for returning items.

Materials

FOR ALL WALKS OF LIFE, we offer our customers up-to-date and comfortable fashion: from work to leisure clothing, from indoor to outdoor wear, and from sporty to chic looks. We carefully select from a variety of materials that are most suitable for each item in question.

Prohibiting certain materials and manufacturing processes

We define clear requirements for the production of our garments in our Production Guide and prohibit certain materials or processing methods for social or ecological reasons, as well as for animal welfare. Since 2015, we have regularly updated our banned list taking into account the requirements of online marketplaces and recognised studies on human rights risks in various countries.

For years, CBR has supported animal welfare. We are a member of the Fur Free Retailer Programme, taking a stand against the use of real fur. CBR also refrains from using uncertified mohair, angora, non-certified down, grey goose down and materials obtained by live plucking and skinning.



The cotton used in our products must not come from growing regions where there is a particularly high risk of human rights violations. We therefore prohibit the use of cotton from Xinjiang in China, or from Uzbekistan and Turkmenistan, among other countries. In addition to this contractual prohibition, we went a step further in 2022 and arranged the first random isotope analyses. With these targeted analyses of individual material samples, we aim to establish an additional control mechanism to monitor the geographical origin of the cotton used in our articles.

More sustainable materials

By responsibly selecting the materials for our products, we can indirectly influence the use of resources in our supply chain and the associated environmental impact. We are therefore increasingly using more sustainable alternatives, which are depicted in the diagram.

Choosing these alternatives enables a more efficient use of resources in the various stages of the manufacturing processes, for example through more sustainable cultivation methods, the utilization of recycled fibres or different methods of production.

To enable us to draw meaningful conclusions about the indirect resource consumption of our products in the future, we are working on recording the weights of all material components of our articles. This will allow us to determine the total actual consumption of each individual material and thus to make definitive statements on indirect resource use.



For People and Planet

Since summer 2021, we have been labelling products made from more sustainable materials with four different 'For People and Planet' attributes:



In some product groups, such as denim and jackets, it is easier to switch to more sustainable materials and we have already succeeded in achieving a higher percentage in fabric compositions. For other product groups, we still have a way to go.

In the first year after the launch, we were able to label 18 % of all items sold with a sustainability attribute.



We aim to achieve more: the proportion of more sustainable and appropriately certified materials in our products will be consistently increased. We aim to raise both the number of more sustainable articles as well as the percentage of more sustainable materials in the composition of individual articles.

Certificates for more sustainable materials

We require our suppliers to provide evidence for each more sustainable material component. Currently, there are many different standards and certificates available on the market covering different aspects of sustainability. We monitor these continuously and decide which ones to accept in accordance with industry standards and our customers' expectations. For example, we responded to the criticism of Better Cotton in 2022 by no longer pursuing this standard. However, we are open to accept that standard again when the points of criticisms are addressed.

As obtaining and checking certificates is very time consuming, we started using the platform TrusTrace in 2022. Our suppliers can upload the required documents on the platform, which are then processed largely automatically and compared against our order data. The system is still relatively new and is constantly being enhanced. The verification and validation of certificates must be as efficient and effective as possible. We see the use of the latest technology and scalability as essential prerequisites for rapidly increasing the proportion of 'For People and Planet' articles.

Material matrix

In the future, we want to select our materials more specifically according to their environmental impact. To this end, we have started to move away from our previous binary categories of 'conventional' or 'more sustainable' and are working on a matrix for materials in order to cluster the materials we use more precisely: each material is to be considered holistically and grouped according to relevant characteristics on a scale from 'particularly desirable' to 'prohibited'. This qualitative assessment takes into account the risks for people and the planet in both upstream and downstream stages of the value chain.

In addition, we are closely following the developments relating to the EU's Eco-Design Directive and will be incorporating these developments into the evaluation of the materials in the matrix.

SOCIAL



WE WORK FOR AND WITH PEOPLE. Our products are made by people for people. People are therefore connected to our products in very different ways. They grow the raw materials, spin, weave, dye, sew, design, sell and wear them.

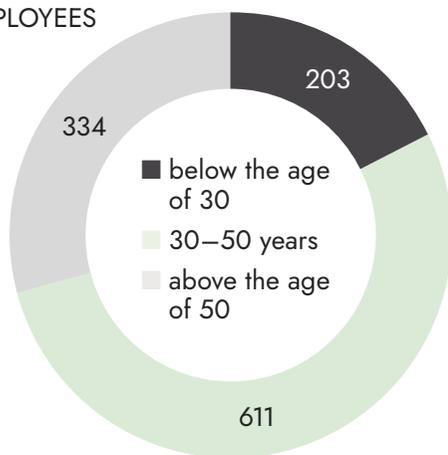
CBR only employs staff in Europe. More than 90% are employed in Germany, the remaining 10% in other European countries. In Europe our own employees are protected by occupational health and safety standards. This does not apply to the same extent to the workers along the global supply chain. We also take responsibility for them.

All our business relationships are based on CBR's Code of Conduct. This incorporates the core principles and standards of the International Labor Organization (ILO), the United Nations Universal Declaration of Human Rights, and other relevant UN conventions on the rights of the child and regulations established to eliminate discrimination. Compliance with our Code of Conduct is assessed in the course of our regular audits.

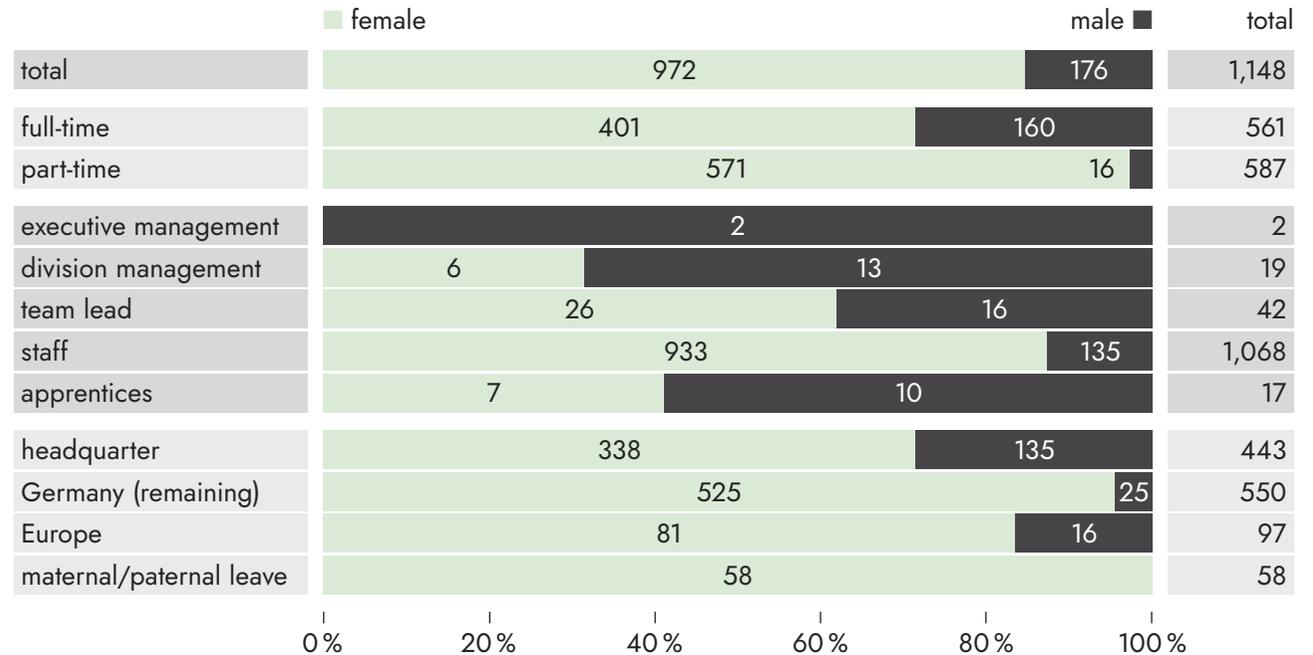
Our team

1,148 EMPLOYEES WORKED AT CBR in 2022, half of them in part-time positions and the other half full-time. There was a slight increase of 17 employees compared to the previous year, which was occasioned by the launch of the Street One MEN brand as well as a small uptick in staff at the company's own shops.

AGE DISTRIBUTION OF EMPLOYEES



OUR EMPLOYEES



The average age of CBR employees is 42. This is slightly below the German average of 44 for all employees.

Overall, almost 85% of the employees at CBR are women and just under 15% are men. In figures, this means 176 men and 972 women.

The highly systemised and closely interconnected processes at CBR pose a challenge for achieving a healthy work-life balance. We have therefore created the conditions to make this possible even in a full-time position. Our employees benefit from various flexitime options and, depending on the needs of the individual position, may adopt hybrid working.

How we work

We embody team spirit, openness, and creativity. Flat hierarchies and open communication enable our employees to freely develop and express their personality. Employees' ideas are valued and assessed for their feasibility. In this way, our employees are directly involved in developing their area of work, and thus, contribute to the success of the entire company.

Competent managers create the conditions for their staff to thrive. We aim to attract, retain and develop talent. Regular feedback meetings and an annual review are held in an open, appreciative atmosphere. Qualifications, strengths and potential as well as opportunities for individual development are discussed in these meetings.

Diversity and equal opportunities are of great importance to us. We do not tolerate any form of discrimination and expect our employees to treat each other and all external partners with the highest level of integrity and respect.

Training

Like all sectors in the German economy, CBR faces a challenge in filling vacant positions with appropriately qualified employees. In the fashion industry IT, e-commerce and fashion design itself are particularly affected by the shortage of skilled workers.

We are responding to this difficult situation by

- › providing internal training for our employees,
- › working with educational institutions, and
- › taking on apprentices as well as students on dual work/study programmes.

CBR offers various apprenticeships, including in wholesale and foreign trade, IT application development and e-commerce. Furthermore, dual work/study students are trained in cooperation with a partner university of applied sciences.

In 2022, there were 17 apprentices and two dual work/study students in the group. Upon conclusion of their training programmes, we were able to offer three apprentices and both students opportunities for further employment, which underpins the attractiveness of in-house training at CBR.



Health and safety at work

A safe and supportive workplace equipped to meet our employees' needs is highly important to us. Our employees receive regular occupational safety training. Work-related accidents (two in 2022) are recorded and reported.



Diversity, inclusion and equal opportunities

We encourage everyone to be themselves, whatever their gender, nationality, sexual orientation or religion. We place particular value on tolerant, respectful behaviour among our employees.



Flexible working hours and locations

To offer our employees a better work-life balance we offer flexible working hours as well as the option to work remotely.



Anti-discrimination

We love diversity. We do not tolerate any form of discrimination or disadvantage! Every day we work together with colleagues and partners all over the world and feel at home in this global environment. CBR employs people of more than 30 different nationalities.

Supply chain

IN THE TEXTILE VALUE CHAIN the early stages of production are particularly susceptible to violations of human and labour rights and unfortunately sometimes even violations of children’s rights. We take these risks very seriously and have been addressing them unequivocally in our Code of Conduct for many years. In addition, we provide guidelines for our suppliers in our Social Compliance Manual, to which we expect our suppliers to strictly adhere. This is regularly verified by audits conducted by ELEVATE, an internationally renowned audit service provider.

All 271 production sites of our suppliers and their subcontractors are included in our audit programme. We only admit new production sites once they have successfully passed an onboarding audit.

Textile production often takes place in countries with a poor human rights record. China and Myanmar are prominent examples of this. But even Türkiye, where most of our production sites are located, is not without its problems. For our risk assessment, in addition to public sources we use the risk analysis platform EiQ Analyze of our audit service provider ELEVATE.



In our view, it is not possible to generalise whether it is better to avoid a high-risk country, and thus, give up proven suppliers, or to continue working with them and monitor them closely. This question currently applies to our suppliers in Myanmar. Last year, we worked with two factories there and decided to continue doing so until further notice. The prerequisite for this is that ELEVATE continues to have access to those factories and that no indications of serious deficiencies are revealed during our audits or otherwise.

Another critical issue is the use of cotton from the Chinese province of Xinjiang. Due to the high risk of forced labour, our Banned List prohibits our suppliers to source cotton from this region. In 2022, we began monitoring compliance with our ban through random isotope analyses. We will be expanding this in 2023.

Code of Conduct

Through our code of conduct, we at CBR Fashion Group commit to comply with the applicable laws and regulations, minimum industrial standards as well as conventions of the International Labor Organization (ILO) and the United Nations. In the same way, we request compliance from our production, logistics and distribution partners involved in the supply chain.

Factories working with us are required to make our Code of Conduct available to all employees and we offer several low-threshold reporting options for indications of possible violations and risks. ELEVATE interviews factory employees as part of their audits. In addition, potential grievances have been able to be reported via email for many years. In order to increase the options for people wishing to contact us, we introduced our CBR Fashion SpeakUp Line last year ([see page 30](#)). We can now be reached in over 70 languages at any time online, by phone or via an app.



Our Code of Conduct specifies the following, among other aspects:

- › Prohibition of child and forced labour
- › Prohibition of discrimination of any kind
- › Prohibition of corruption and unethical behaviour
- › Compliance with applicable laws and standards for the protection of the environment
- › Health and safety at work and access to clean drinking water and toilets
- › Working hours (recording, days off, maximum working hours)
- › Wages (at least the legal minimum wage).

Social audits

We have been auditing all factories where products are manufactured for us for ten years. We initially deployed our own auditors to the factories and commissioned additional audit services from external providers. In 2018, we appointed the internationally renowned audit services company ELEVATE to carry out all audits for us. The audit programme starts before we place our first order and the frequency of recurring audits depends on the results of the first or previous audit. ELEVATE carried out 306 audits for us last year.

If unacceptable violations ('zero tolerance findings') are identified, we expect them to be remedied immediately. This must be confirmed by a follow-up audit by ELEVATE. For less serious violations, the supplier is requested to implement corrective actions in the form of a Corrective Action Plan (CAP). Where deficits are uncovered, CBR seeks to have them rectified, rather than terminate the business relationship with that supplier. Termination is the last resort if a supplier is unwilling or unable to implement improvements.

Together with ELEVATE, we analysed our successful collaboration in detail in 2021. Based on the experience gained, we jointly decided to further deepen our cooperation.

In 2022, we worked intensively on this and implemented the following measures:

1. WE REPLACED A 'ONE SIZE FITS ALL' AUDIT APPROACH WITH A RISK- AND INFLUENCE-BASED APPROACH

We segmented all factories working for us according to both their risk profile and their importance to us as well as our importance to them. The aim of the segmentation is to make our audits more risk- and influence-oriented and to make greater use of our leverage in terms of exerting influence. In particular, we aim to bring about sustainable improvements in factories that we consider to be high-risk and over which we have influence.

2. EQUIVALENCE ANALYSIS

Most of our suppliers also produce for other brands and are thus also audited by auditors commissioned by them. Even where these audits were carried out in accordance with recognised standards, we have not accepted their results in the past, due to repeated reports of inconsistencies, e.g. bribery of auditors. After careful consideration, we are now of the opinion that one can justify under certain circumstances the acceptance of audit results that were conducted under

other standards. ELEVATE has compared the requirements of various other common audit standards with our own, and on that basis, we defined the cases in which we can accept the results of an existing audit and do not need to perform another ourselves. However, we always perform the onboarding audit ourselves, as we want to form our own impression of the production site at the beginning of a business relationship. Due to this change, we expect the number of audits we conduct to decrease in 2023.

3. CHANGE TO THE ERSA AUDIT STANDARD

In reorienting our approach to audits, we are now using the ELEVATE Responsible Sourcing Assessment Standard (ERSA) in lieu of our previous standard. Our own audit standard is no longer necessary to ensure adequate audit quality and is unreasonably cost-intensive to maintain. We hope that this change will lead to greater efficiency, particularly combined with the equivalence analysis of third-party audit results.

4 SEMI-UNANNOUNCED AUDITS

The factories to be audited are only given an approximate time period in which the audit will be carried out. Within this period, they can rule out individual days, e.g. if an employee who is important for the audit cannot be present on certain days. Otherwise, they must anticipate that the auditor can turn up on any day within the given time frame.

5. CSR/ESG ONLINE TRAINING BY ELEVATE

CBR offers all suppliers free access to ELEVATE's entire e-learning offering. Around 75 courses covering virtually all ESG areas are available in different languages.

6. IMPROVEMENT AND INTENSIFICATION OF CORRECTIVE ACTION PLAN MANAGEMENT

Particularly in factories with a high-risk profile and for which CBR has high buying power, we aim to monitor the implementation of the agreed improvement measures more closely. The most efficient way to do this is with local representatives who are not subject to language barriers and are better positioned to assess the situation on the ground. To this end, ELEVATE's local auditors support factories in identifying and implementing improvements. We are also working on a process that makes it easier for factories to submit evidence of successfully implemented improvement measures.

Protecting our customers

OUR CUSTOMERS' TRUST is our most valued asset. We are committed to retaining and strengthening their trust by paying particular attention to their protection in the areas of textile ecology and data security.

Textile ecology

We have a comprehensive textile ecology strategy to protect our customers. We prohibit or limit the use of certain chemicals through our Restricted Substances List (RSL). The RSL is updated on a regular basis according to relevant regulations, such as REACH, and is supplemented with expert opinions from respected partner institutes.

Before shipping, all articles are checked for compliance with limit values and chemical requirements by systematically controlling evidence for all product components.

As proof of conformity, we primarily use certificates in accordance with the OEKO-Tex Standard 100. If such certificates are not available, we arrange our own tests using accredited laboratories selected by us.

In addition, we monitor the responsible storage and handling of chemicals by our suppliers as part of our audits.

Data protection

To protect the personal rights of our customers and all business partners, in addition to the necessary technical measures, we have defined a uniform standard for handling personal data in a data protection guideline that is binding for all CBR business units. Our data protection strategy ensures compliance with the General Data Protection Regulation (GDPR) and other applicable national laws. Our in-house data protection team works closely with our external data protection officer to ensure that all relevant processes are reviewed on an ongoing basis.

GOVERNANCE



LEAN PROCESSES, QUICK DECISIONS and their consistent implementation are of upmost importance to us. We therefore aim to avoid any unnecessary complexity. Flat hierarchies and a well-structured organisational and operational setup are thus key for us. As a medium-sized company, a clear focus on the essentials does not mean a lack of professionalism – on the contrary!

Legal & compliance

We actively ensure compliance with all laws that apply to us. The most important legal implications of our business activities were identified and analysed years ago and we continuously monitor the development of potential risks, for example in data protection, product safety and textile labelling.

In areas that experience has shown to be particularly critical, dedicated departments were set up and corresponding corporate policies established. In addition to a general Compliance & Business Ethics Policy, we have for example implemented a comprehensive Data Privacy Policy. To comply with ecological requirements for textiles, CBR has a dedicated textile ecology team which ensures the implementation of our textile ecology strategy. There are also dedicated departments to ensure legal compliance in areas such as taxes, human resources or IT.

The Legal and Compliance department is involved in all activities with legal implications. In addition to advising on individual cases, this enables us to identify potential legal and compliance risks at an early stage and monitor them on an ongoing basis.

CBR was not involved in any significant litigation or regulatory proceedings in 2022.

Corporate responsibility

As a company, we take our corporate responsibility seriously and aim to reduce and avoid any negative impacts of our business activities on people and the environment.

To this end, we have a dedicated CSR team which defines environmental and social requirements for our direct suppliers and coordinates the audits carried out by our independent, external audit partner ELEVATE. In addition to supplier monitoring, the CSR team oversees the collection and verification of evidence for more sustainable materials and comprehensively addresses sustainability including the corresponding reporting. A key challenge is to ensure relevant information and data, which has not been collected to date, is made available and usable.

From 2024 onwards, the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz) will apply to us. We are well prepared for this: Our established audit programme with the improvements made last year and the introduction of our CBR Fashion SpeakUp Line meet important obligations. By the end of 2023, we will further have documented our assessment of the most significant impacts on people and the environment through a risk and materiality analysis.

Risk management

This report focuses on the risks our business activities pose for people and the environment (inside-out perspective). In parallel, as part of our overall risk management, we also monitor how ESG issues could potentially negatively impact our business (outside-in perspective).

Currently we see individual environmental and social challenges, but according to our assessment, none of these risk impairing or threatening the company or our business model. We are not dependent on individual customers, suppliers or countries on either the procurement or sales side. The same applies to raw materials, semi-finished goods and transport routes.

As the governance structures in classic risk management (risks to the company) and in corporate responsibility (risks to people and the environment) are very similar, we are working on processes and a governance system that are as coherent as possible. The aim is to uniformly monitor compliance with the measures intended to mitigate a risk.

IT & information security

We have a strong IT department and make considerable efforts to protect our systems from external attacks and prevent the leakage of corporate information. This includes:

- › regular data backups at various locations,
- › restrictive authorisation policies,
- › fine-grained segmented networks,
- › penetration tests,
- › awareness campaigns.

As part of our information security strategy, we attach great importance to the protection of personal data. This is particularly important for employee and customer data entrusted to us, although the account or payment data of our e-commerce customers is in any case exclusively held by the payment service providers used by our customers. Organisationally, the Legal and Compliance department takes care of all data protection-relevant processes and compliance with all legal requirements in close coordination with an external data protection officer, datenschutz nord GmbH, and the IT department.



Whistleblower system

CBR takes potential compliance violations and harm to people or the environment very seriously. For many years, the possibility of contacting CBR's compliance department or a commissioned law firm with information about (potential) misconduct has been offered.

Last year, we worked on an additional communication channel that is designed to be as low-threshold as possible so that it can be used by people along the entire supply chain. Deficiencies of any kind can now be reported to us 24/7 in over 70 languages online, by phone or via an app. Whistleblowers can remain completely anonymous if they wish. With the CBR Fashion SpeakUp Line, CBR fulfils the requirements of the German Supply Chain Due Diligence Act for an effective complaint mechanism and those of the German Whistleblower Protection Act, as well as the European Whistleblower Directive.

Reporting

We are delighted to publish our first sustainability report for the year 2022. This is just the beginning for us and in future we will transparently report on our challenges and progress on ESG issues annually.

To do this, we require a wide range of data that we have not yet comprehensively collected. Providing this data at the quality required for external reporting is one of the key challenges we are working on. We aim to apply the same standards to our non-financial reporting as we do to our financial reporting. Where possible, the same tools and data sources should be used for both.

The development of non-financial reporting towards the Corporate Sustainability Reporting Directive (CSRD) has made this even more important. In future, much of the data must be collected and published in accordance with the uniform requirements of the European Sustainability Reporting Standards (ESRS). In our next report, we intend to do this wherever possible.



LOOKING FORWARD

SUSTAINABLE DEVELOPMENT is and remains the key challenge for all companies around the world. Rightly so, in our opinion! It is essential that decisive changes are initiated and fully implemented. Each and every one of us has the responsibility to treat our current resources in a way which does not limit the opportunities for future generations and to ensure fair working conditions along the entire value chain.

Our goal is clear

At CBR, we want to make our contribution towards achieving the UN Development Goals and the Paris climate targets. We aspire to enact meaningful change for our business and no fraudulent labelling. Sustainability will form a fundamental pillar of all our business operations, regardless of which topics are currently en vogue or which have been sidelined due to other important topics such as a pandemic or political events. We acknowledge that we still have quite a way to go, particularly when it comes to tracking our upstream supply chain. This is not down to a lack of interest, but is rooted in real challenges, especially the availability of data. The supply chains of our products are complex, with paths differing between almost every individual item and component.

The course has been set

Our shareholder and the management of CBR advocate this goal. Our management has communicated this to all employees, emphasising our aim to achieve sustainable change in all areas. All staff are welcome and encouraged to make improvements in their area of work. The transformation of business processes requires concerted sustainable thinking and action across all departments and at all levels.

Full steam ahead – these are our most important goals:

- › augment the use of more sustainable materials by increasing the number of more sustainable items and the proportion of more sustainable material components
- › establish processes to record the weight of each component of our products
- › develop the material matrix to include aspects such as resource consumption and product life cycles
- › determine our corporate carbon footprints (Scope 1, 2 and 3) as a reference for future improvements
- › elevate ESG reporting to the same level at our financial reporting.



CECIL



Street One



STREET ONE
MEN

CBR Service GmbH
Imkerstraße 4
30916 Isernhagen
Germany

Fon: +49 (5136) 9711-0
E-Mail: csr@cbr.de
www.cbr.de