

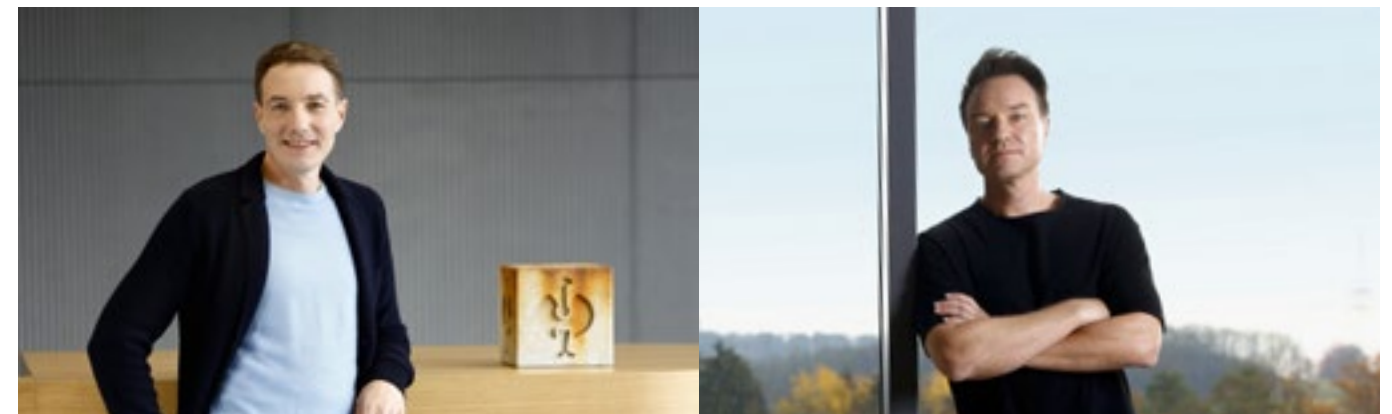


SOCIAL REPORT 21/22

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CONTENT

DEAR READER,



ACTION, NOT TALK

At Engelbert Strauss, we take responsibility. In a practical way and not just through lip service. We act to promote human rights, a fair wage and regulated working hours in our partner businesses – through regular audits, advice and training. Our years of close collaboration with all involved in the supply chain serve as the lever. At the same time, we understand that constant scrutiny is still needed. Creating good labour and environmental standards is a permanent challenge that requires the engagement of all of the companies operating in the sector. Engelbert Strauss now accounts for a large share of overall capacity in many partner businesses. With this comes both influence and responsibility.

In our latest social report, we want to give you a deeper insight into our engagement. Having restructured our company over the past year, our Sustainability department is now even more integral to our strategic management. At the heart of our activities are our products and their production as well as their impact on the environment and society. We want to operate more sustainably in all of these areas – at the Engelbert Strauss headquarters in Germany and the production locations in more than 25 countries worldwide. We also want to make a further difference with our education and development projects.

When it comes to our products, we set high standards for the materials and production processes. We use robust, hard-wearing components and fabrics that make our workwear particularly durable. In addition, we are increasingly experimenting with more sustainable materials and technologies and endeavouring to conserve resources. Ultimately, we want to make both our products and production more environmentally friendly.

Our long-term goal is to implement a smart sustainability strategy in all business areas. Logistical and geographical efficiency within supply chains will be a key topic in the future. Textile supply chains are complex and globally networked. Great distances are often covered – from the sourcing of raw materials, e.g. cotton

cultivation or polyester production, to the yarn and fabric manufacturing through to the sale of the finished garment. We want to continue to work on optimising purchasing processes and transport routes, with a focus on sustainability. And we are already succeeding in this in many cases at our production sites in Bangladesh.

Bangladesh has become our most important production country. That is why we are also demonstrating our commitment to product development and education there through our own projects. Our development centre with small-batch production is set to open soon in the south of Bangladesh. At the Chair for Sustainability and Textile Innovation established by Engelbert Strauss at the Ahsanullah University (AUST) in the capital Dhaka, students have already begun taking course modules. Together with long-standing partners, we are successfully developing and producing increasingly sophisticated textiles in Bangladesh. At the same time, we are striving to ensure that this takes place in a good environment.

One ongoing topic is the pandemic and its myriad impacts. Over the past year, we have become even more aware of how valuable our long-standing partnerships are. We have been able to accomplish a great deal from a distance. Nevertheless, we prefer to see how the sites are operating for ourselves and value the exchange of insights and ideas on equal terms. 2021 was both a challenging and successful year for Engelbert Strauss: as new orders continued to increase, we benefited above all from our close partnerships. We were able to help the businesses to protect workers' wages and jobs. As Engelbert Strauss grows, so too does our responsibility and commitment to all of the people and environmental resources that are impacted by our actions. We shoulder this responsibility by raising issues and helping to shape public debate on the basis of our values.

There's still a lot to do – let's get on with it!

YOURS, THE STRAUSS FAMILY

PROUDLY MADE IN BANGLADESH

Everything began back in 2006, initially with T-shirts, polo shirts and sweatshirts. Joint investment in technology and training has taken our production partners to a new level.

We have also been manufacturing sophisticated cargo trousers and high-quality winter jackets in Bangladesh since 2012. We are proud to have achieved this in a country that is only getting started in terms of its economic development in many sectors.

The production facilities of our partners are among the best in Bangladesh and the wages paid by our largest partners are far higher than what is typical for the country. By investing in technical infrastructure and training and by working closely with our partners, we have been able to create the necessary conditions for the production of sophisticated products. This also means greater added value in Bangladesh. Of course, there is still a lot to do in the country. That is why we have decided to become actively involved in education there as well.



giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

TECHNISCHE UNIVERSITÄT DRESDEN



CAMPUS IN THE PADDIES AS A MANAGEMENT THINK TANK

ENGELBERT STRAUSS CONTINUES TO INVEST IN TEXTILE R&D

Sustainable ideas and action are needed at an economic, environmental and social level in order to thrive and survive. We certainly appreciate how well our company has developed. Much of this is attributable to those involved in our business activities.

Most especially, it's thanks to the people who manufacture our products. Bangladesh is particularly significant in this regard. Over the years, it has become the most important production country for Engelbert Strauss. That is why we're investing in the location, and in a sustainable manner. With operations having commenced at the CI FACTORY in Schlüchtern (not far from our headquarters in Biebergemünd, Germany) in 2020, we open a sister facility in Chattogram, Bangladesh, in 2022.

There, in south Bangladesh, we are teaming up with a partner to build the campus in the paddies – the world's first Workwear Academy. This is where the workwear of the future will be made and where we will test and operate the latest processing technologies in the world of textiles. With our long-standing production partners located right nearby, we will be able to provide extensive training to young employees.

Through the combined manufacturing expertise of the CI FACTORY and Chattogram campus, we will be in a position to manufacture branded workwear tailored precisely to customer requirements in the future. The campus in the paddies will serve as a think tank for the training and further education of skilled workers. Its proximity to regular production makes it unique, with vertical large-scale manufacturing operations located directly alongside. The campus in the paddies is linked with our university cooperation. As part of the course curated by Engelbert Strauss at the Ahsanullah University of Science and Technology (AUST) in Bangladesh's capital Dhaka, teachers are receiving instruction using the 'train the trainer' method.

Talented people from all over the world will learn and research at the campus alongside local trainees in our think tank. In impressively scenic surroundings, we are building a facility where we can engage in dialogue with our stakeholders. Right in the place where we are committed to improving social standards. We will take our employees with us to Chattogram, where they will be able to see for themselves the roots of our products. And we want to invite partners, non-governmental organisations, journalists and other interest groups to visit it.

We had hoped to be ready by 2021, but had to adjust our plans on account of the pandemic. Thanks to good cooperation with our long-standing partners, we have still achieved a number of intermediate goals: some young professionals have been able to begin their training and put our innovative processing technologies into operation.

We want to plant new images in people's minds with the campus in the paddies – our vision of a future Bangladesh, you might say. Our Chattogram campus will bring this vision to life while creating more complex textiles and, most importantly, generating greater added value for a country and production location with such tremendous potential. We want to do our bit through development and educational projects as well as sustainable cooperation and partnerships. And we are delighted to already say today that our products are proudly made in Bangladesh!

"It's important to me that we make Bangladesh more visible in our communication with our 'Proudly made in Bangladesh' claim."
Henning Strauss



NOTHING IS MORE SUSTAINABLE THAN EDUCATION!

FIRST CHAIR FOR SUSTAINABILITY AND TEXTILE INNOVATION

The campus in the paddies, located in Chattogram, is closely linked with a cooperative university project initiated by Engelbert Strauss together with GIZ, a German corporation for international cooperation. Bangladesh's textile sector is in a position to further improve by targeting more complex products that generate greater added value. This will also serve to foster the country's economic development. And that is where our project comes in – we want to permanently improve skill sets with regard to social responsibility, environmental protection and technical innovation in the country. Bangladesh seldom receives positive international coverage. But we have been impressed by our experience there: Engelbert Strauss' partners manufacture to a very high standard and are making sustainable investments in support of the country's development and its appeal as a business location. We believe in Bangladesh. And we believe in the sustainable impact of education.

Teachers are being trained as part of the Chair for Sustainability and Textile Innovation endowed by Engelbert Strauss at the Ahsanullah University of Science and Technology (AUST) in Dhaka. In this context, AUST is cooperating with the United Nations University Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES) based in Dresden as well as the Dresden University of Technology.

"Nothing is more sustainable than education!"
Steffen Strauss

Back in early 2019, we began an intensive dialogue with all of the partners involved in the project and have already achieved a number of intermediate goals: in March 2020, we appointed Rashed Al Mizan to the position of Assistant Professor. He has begun

training for the role. He will conduct research at AUST and impart knowledge based on the latest international findings in the fields of sustainability and textile innovation to future professional and managerial staff in Bangladesh's textile industry. Students have also begun taking the courses and modules.

"We are convinced that education is the most sustainable form of social and ecological engagement and will benefit the country and its people for generations."
Henning Strauss

In particular, these cover social and ecological sustainability along the entire product life cycle: from product design, material procurement, production and the utilisation phase through to end-of-life textiles and the possibilities to reuse and recycle them – while taking the latest technologies into consideration, of course. The Social module deals with slow fashion, standards of the United Nations Sustainable Development Goals, social life cycle assessment and more. The Environment module focuses on circular fashion, eco-labelling, nature-based solutions and zero discharge of hazardous chemicals. The overarching goal of the university cooperation is to trigger a transformation and train future decision-makers in the textile sector for the long term.

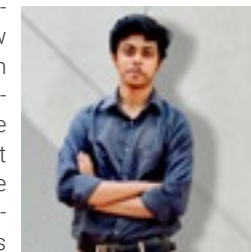
Although conceived as 14-week classroom and online formats, all courses have had to be taken online to date on account of the coronavirus pandemic – with a mix of live training and pre-recorded units. The recorded content is subsequently available on-demand to the students as well. Both courses have also featured guest lecturers to ensure a selection of viewpoints and practical relevance. Course credits are awarded on the basis of quizzes and assignments.

WE ARE THE NEWCOMERS

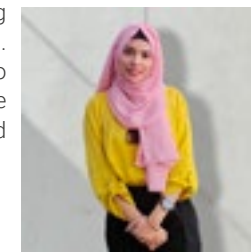
"WE NEWCOMERS MUST SHAPE THE FUTURE OF THE INDUSTRY"

Saeed Md. Rafsunjany, Saima Hossain Shanta, Fatema Tuz Zohra Monica and Ahadur Rahman (all aged 22) are studying textile engineering at the Ahsanullah University of Science and Technology (AUST) in Bangladesh. They are part of the first group of students to complete the newly developed sustainability courses at AUST. All of them are now preparing for the final semester of their degree and intend to work in the textile industry in the future.

Saeed Md. Rafsunjany: I'm very interested in sustainability issues, but these were barely addressed in previous modules. The new courses really provide top-to-bottom information on sustainability and related issues, with a concrete link to the situation in the textile industry. That has made the learning content quite dynamic. The textile industry is critical for wealth. Bangladesh relies on its textile industry. However, if we want to secure this wealth in the long term, companies and workers need to move in the direction of sustainability.



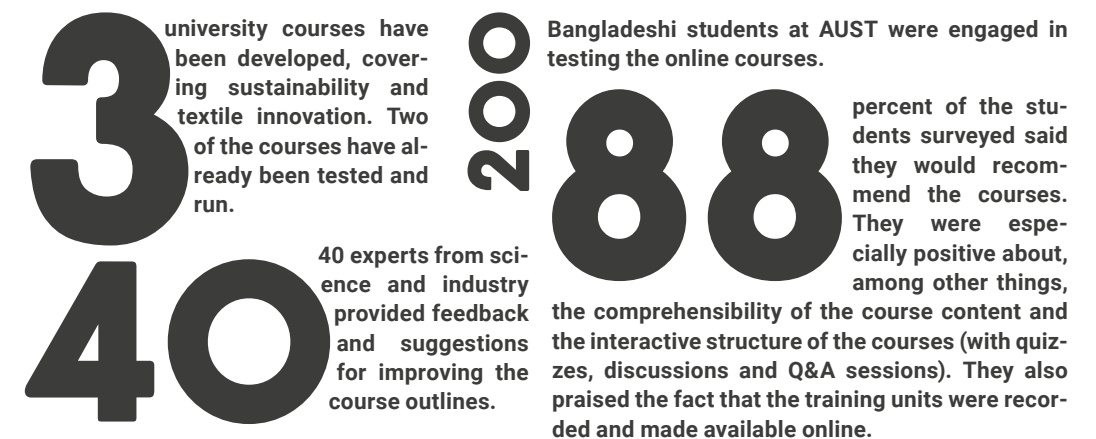
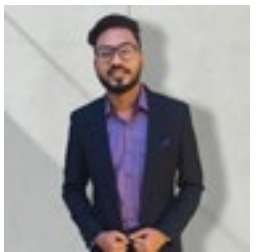
Saima Hossain Shanta: My study focus is on wet processing, in which water management is of significant importance. So I was interested in further developing my knowledge and skillset in this area. I've learned a lot about approaches to water management, as well as how the topic is addressed in national laws and international frameworks.



Fatema Tuz Zohra Monica: I've enjoyed the methods applied – the quizzes, assignments and live sessions have made the online classes very interactive. Previously, my understanding of sustainability was focused on environmental aspects. But now I'm more aware of the economic and social dimensions of sustainability as well and especially that these are linked to each other.



Ahadur Rahman: It's been very helpful to learn about specific practices and how concrete solutions can be used to address sustainability issues in different situations. That hasn't been covered in other modules so far. It's incredibly important that we broadly establish the concept of sustainability in the textile industry. And it will be our task as newcomers to shape the future of that industry in Bangladesh. The new Chair for Sustainability and Textile Innovation will greatly help us to develop the relevant competencies.





ENGELBERT STRAUSS

FACTS & FIGURES

ESTABLISHED

1948

MANAGEMENT

Norbert, Steffen und Henning Strauss

The company was originally founded by father and grandfather Engelbert Strauss

LOCATIONS

Workwearstores in Biebergemünd (Frankfurt), Hockenheim (Mannheim), Bergkirchen (Munich) and Oberhausen (Düsseldorf), Pop-up-Stores in European metropolises as well as 10 wholly-owned national subsidiaries in Europe

HEAD OFFICE

**Biebergemünd/
Frankfurt am Main,
Germany**

EMPLOYEES

about 1.600

CUSTOMERS

Business customers from the skilled trades, industry and the service sectors, plus private customers

SALES CHANNELS

online shop,
catalogue,
own stores

PRODUCTS

Work shoes and accessories,
workwear, safety gear

CI FACTORY

Production facility in Germany officially opened in late 2019 and comprises branding and high tech logistics solutions

- Capacity of up to 400,000 shoes per year in the fully transparently operated shoe production facility
- Photovoltaic system with 800 kWp output – equivalent to the consumption of some 200 households
- Approximately 600 new jobs and apprenticeships

WHAT DEFINES US

What defines us: Strauss is family. What has characterized our core family for more than 100 years now applies to our extended family of several thousand people worldwide. Our values shape our everyday work. Important for us: appreciation of one another, a sense of community, enthusiasm, commitment. And a pioneering spirit. That is the Strauss effect. It cannot be measured, but it can be felt in every area of the company. Locally and worldwide - also with our suppliers and production partners.

Work shoes, workwear, safety gear – we equip our customers from the skilled trades, industry and service sectors from head to toe and offer supplementary operating and office supplies. A comprehensive range of never-out-of-stock items makes up over 80 percent of our products. In addition to this, Engelbert Strauss creates new products twice a year: for spring/summer and for autumn/winter. The focus of our new product developments is on safety, functionality and design.

FOOTWEAR

The right shoe whatever the job – from work shoes to safety shoes classes S1–S5.

CLOTHING

Mix & match – our clothing systems can be adapted to any use and taste thanks to their modular design.

SAFETY GEAR

All-round safety – from helmets and gloves through to knee protectors.

SUSTAINABILITY

A WORD WITH PETER TAUBER

“We demand high standards of ourselves, all over the world,” says Peter Tauber, Engelbert Strauss company spokesman. In this brief interview, he speaks about new directions, corporate social responsibility and the information a social report should contain.

Peter, sustainability is the word of the day. What does it mean for Engelbert Strauss?

As a family business, sustainability has always been integral to how we see ourselves. Whether in relation to the environment, production conditions, the products themselves or social responsibility: sustainability is a must. It's important for us to speak about what we're doing – and, most importantly, how we're going about it. The Engelbert Strauss social report is more than a dry reference work or some kind of accountability statement, although we're obviously transparent in our documentation and description of the relevant initiatives and developments. We see the report as a way to create awareness. It's not about paying lip service, but actually setting out where we take action. It conveys the values that define us. Employees, customers and anybody else so inclined can read our report to find out about what drives us, our present activities and the principles guiding our actions. Good social reports contain such information and provide insights and examples. That doesn't mean that we're already perfect in everything we do. Henning Strauss always says that we're on a journey and are constantly in a process of transformation. This is true when it comes to sustainability as well.



Does that also mean talking about the things that we'd still like to improve upon?

Absolutely! I'm always sceptical of social reports that try and give the impression that the 'job is done'. There's always something that can be improved upon – none of us are perfect. We should be able to state that openly. When that's not said, I tend to feel somebody is trying to pull the wool over my eyes. And green-washing everything doesn't make a report more credible either. I think it's important to be able to track a company's development and see where it's come from. Ideally, a report should also signal where a company is headed. Nowadays, there are legal regulations and ordinances that are designed to ensure more sustainable work and production practices.

Where is Engelbert Strauss headed?

Essentially, what matters to us at all times are our products, labour and social standards, good production conditions, the climate and environmental protection, and worker welfare – for example, we've done a great deal to ensure the health and safety of workers and employees during the pandemic. Innovations are always a focus as well, such as finding ways to further reduce our packaging materials in order to cut down on waste and our education projects in Bangladesh. In the future, we want to go into even further detail about what we're doing.

We've brought partners on board for this.

Correct. For example, we discuss how to improve working conditions in the textile industry in the production countries with Fair Wear Foundation, an independent non-profit organisation. It also carries out some social audits for us. Otherwise, our audits are conducted by firms with whom we've been in partnership for many years. Another of our cooperation partners is Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which supports and promotes sustainable processes around the world. Together we initiated the university cooperation in Bangladesh. What's more, Engelbert Strauss has been a member of the Partnership for Sustainable Textiles since 2015. This aims to achieve social and environmental improvements.

What challenges is the company facing in the years ahead?

I think mainly the German Supply Chain Act and its implementation will again challenge companies, including ourselves. Nobody disputes the need for such laws, but it's how we go about implementing them that is usually a source of debate. However, it's not simply climate change that makes such laws important. They can also serve as a major building block of sustainable business practices. Let's see the specific policy guidelines that emerge. However, social and worker protection, respect for human rights, the combating of corruption, and environmental protection, to touch on just a few topics, have long been a focus for us here at Engelbert Strauss. The pandemic has also shown us how closely interconnected we all are in this world. That is also evident from the effects of climate change. We can no longer simply ignore what's happening on the other side of the world. Events there affect and concern us too. Therefore, it's important for Engelbert Strauss to constantly review which countries will ensure high environmental and social standards in production in the future. We demand high standards of ourselves, all over the world.

How can we succeed in establishing fair working conditions and high social standards?

That will remain an important task in the future. Steffen and Henning Strauss take this topic very seriously. And we know that more and more people are interested in how their Engelbert Strauss work trousers are manufactured and under what conditions. Engelbert Strauss plans to open the campus in the paddies this year. Once it has begun its work, we'll have completely different and new ways to work with the people on the ground to develop something together. This will definitely be a major step forward – the campus will make an important contribution to our efforts in this area and serve as a model for fair working conditions and better social standards.

You'll find information on our sustainability activities at engelbert-strauss.de/sustainability
We welcome your questions and suggestions. Please send them to: sustainability@strauss.com

SUSTAINABILITY TEAM

Friederike Hoppe, Christin Röschinger, Franz Huaman and Sarah Bereschka coordinate sustainability at Engelbert Strauss. They develop solutions for the wide-ranging social and ecological issues associated with product development and manufacturing, as well as for environmental protection and our

social engagement. Having restructured our company in 2021, our sustainability team is now even more integral to our strategic management. It continues to interface with the Purchasing, Product Development and Communications departments.



DIALOGUE WITH STAKEHOLDERS

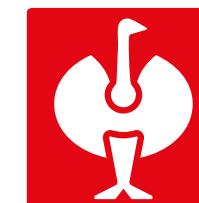
There are many stakeholders with an interest in Engelbert Strauss and high expectations of our work and products. These include our customers, employees, production partners and their workers, NGOs, the political arena, the media, educational institutions and neighbours.

A frank exchange of views on people and the environment is an important part of our daily business. Whether in face-to-face discussions, over email or on social media, we listen and thereby learn to better understand what our stakeholders need. Internal transparency is especially important if we are to ensure transparent communication with our external stakeholders. Our staff in customer service and the workwearstores are offered

sustainability workshops. Sustainability is also part of the orientation workshop for all new employees. Everyone is encouraged to engage in open discussion. We also maintain a dialogue with our partners, with whom we cooperate closely on sustainability matters.

All of these discussions form the basis for deciding which sustainability topics should be our focus. Furthermore, we are guided by frameworks such as the UN Sustainable Development Goals and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

CUSTOMERS
EMPLOYEES
PRODUCTION PARTNERS
WORKERS IN THE FACTORIES
NEIGHBOURS



POLITICAL ARENA
EDUCATIONAL ESTABLISHMENTS
MEDIA
NGOs

PARTNERSHIPS



Member since 2016
Fair Wear Foundation is an independent, non-profit organisation that works with member companies and production sites to improve working conditions in the textile industry.



Member since 2015
The Partnership for Sustainable Textiles is a German government initiative aimed at achieving social and environmental improvements in global textile production.



Partnership since 2013
The bluesign® system refers to safe products that are produced using methods that meet the strictest environmental and occupational safety requirements.

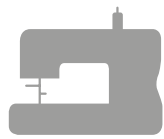


Partnership since 2019
GIZ, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, a service provider in the field of international cooperation for sustainable development and international education work, who is dedicated to shaping a future worth living around the world.

AREAS OF EMPHASIS

WHAT ARE WE FOCUSING ON?

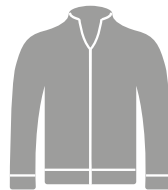
PRODUCTION



WORKING IN PARTNERSHIP

A humane working environment at the production sites, as well as a considerate approach to nature, are fundamental requirements for us in the manufacture of our products. This social report provides an insight into our efforts in this area.

PRODUCTS



HIGHEST QUALITY STANDARDS

In addition to functionality and design, our understanding of product quality includes aspects of safety, environmental compatibility and fairness. As part of the continuous improvement of our products we are always looking for materials produced in a more sustainable way.

ENVIRONMENT



ENVIRONMENTAL AWARENESS IN ALL DIVISIONS

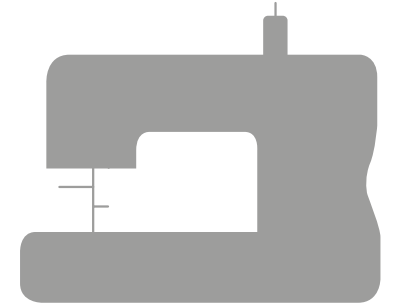
Step by step we promote new environmentally sustainable developments and ideas, from the careful selection of the raw materials to the product manufacturing process, through to logistics and the disposal of packaging materials.

SOCIETY



COMMITMENT LOCALLY AND WORLDWIDE

Above and beyond our entrepreneurial activities, we seek to make an useful contribution to society. The focus of our social commitment is on educational projects in our production countries.



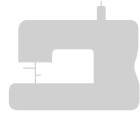
PRODUCTION

WORKING IN PARTNERSHIP

In which countries are Engelbert Strauss products actually manufactured?
And how do we ensure a fair and safe working environment?

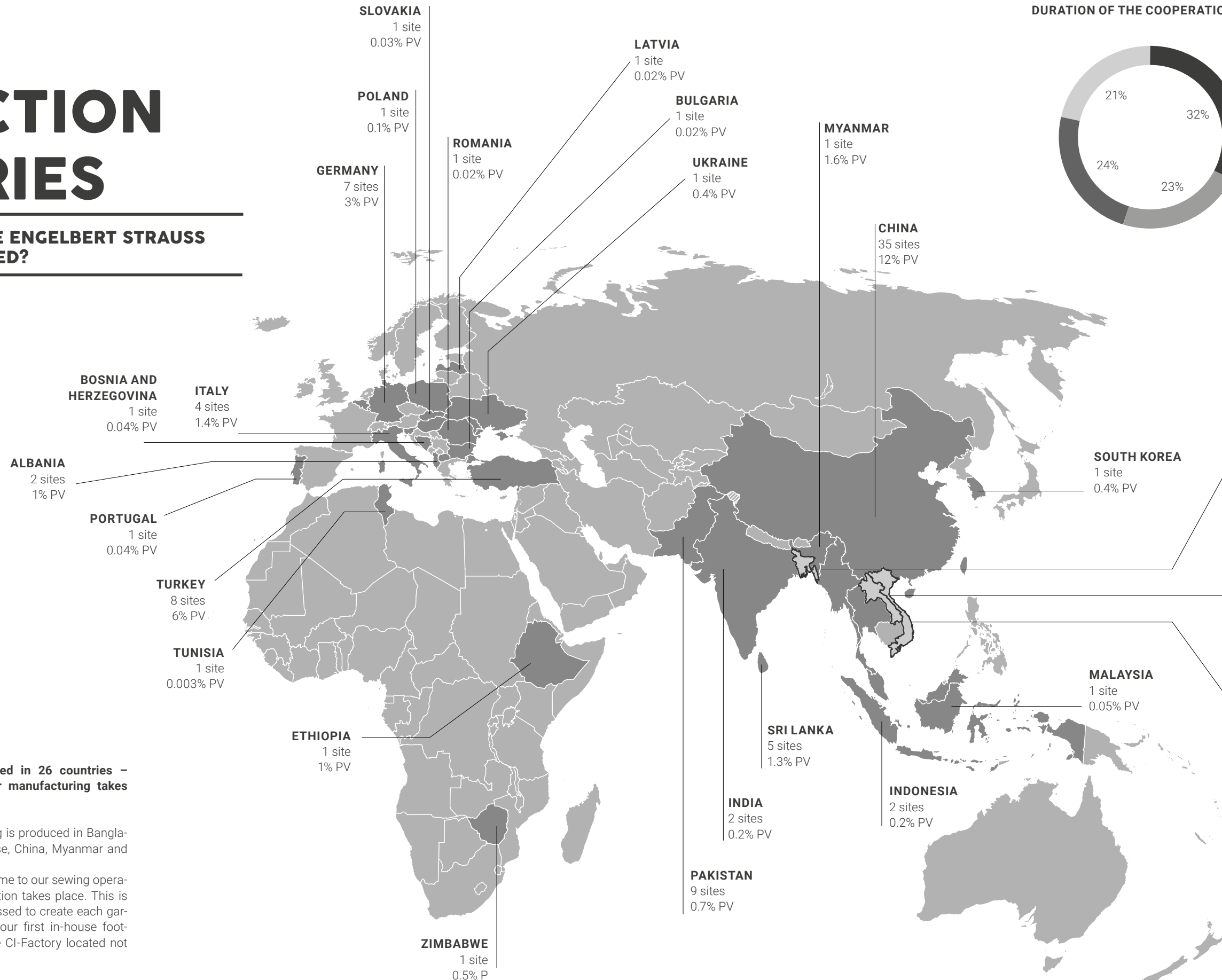
“We take responsibility for the working environment in production – as a brand manufacturer and especially as a family business.”

THE STRAUSS FAMILY



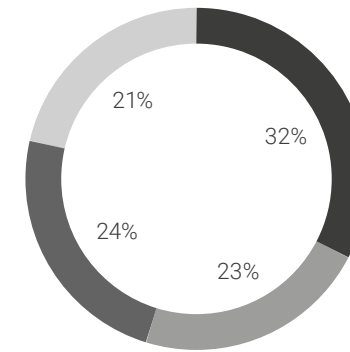
PRODUCTION COUNTRIES

IN WHICH COUNTRIES ARE ENGELBERT STRAUSS PRODUCTS MANUFACTURED?



DURATION OF THE COOPERATION WITH THE PRODUCTION PARTNERS

(Number of production sites in percent)



- 0 - 5 years
- 6 - 10 years
- 11 - 15 years
- above 15 years

With almost 70 percent of the production sites we have been working together for six years or more. These produce almost 90 percent of our clothes.

BANGLADESH

12 sites
42% PV
Proudly made in Bangladesh – this claim is also reflected in our figures: our orders provide for around 16,000 jobs in the three largest partner businesses alone. Overall, we work with 12 businesses in Bangladesh, who account for 42 percent of our production.

LAOS

1 site
8% PV
A partner business in Laos with some 3,000 workers manufactures around 8 percent of all Engelbert Strauss clothing. This manufacturer produces exclusively for us.

VIETNAM

8 sites
10% PV
Production for Engelbert Strauss at two of our partners in Vietnam provides jobs for about 2,200 workers. The eight businesses in Vietnam represent about 10 percent of our production.

In 2021, our products were manufactured in 26 countries – in Europe, Asia and Africa. Most of our manufacturing takes place in partner businesses in Asia.

More than half of Engelbert Strauss clothing is produced in Bangladesh, Laos and Vietnam. In addition to these, China, Myanmar and Turkey are among the other main locations.

The countries highlighted on the map are home to our sewing operations, in which the main part of the production takes place. This is where the individual components are processed to create each garment. In 2021, operations commenced in our first in-house footwear manufacturing facility in Germany, the CI-Factory located not far from our headquarters.

WHY DOES ENGELBERT STRAUSS MAKE ITS PRODUCTS PRIMARILY IN ASIA?

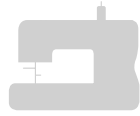
Many of our partner businesses have the specific expertise and technology needed to ensure that we live up to our quality standards. The regions in which they are located also offer the required infrastructure. Based on their particular specialisation, we work with partners from Asia and, in doing so, have a positive influence on local economic development.

WHO ARE ENGELBERT STRAUSS'S PARTNER BUSINESSES?

We list all sewing businesses on pages 33 to 35. We have also published the names and addresses of the businesses on the Fair Wear Foundation website at www.fairwear.org.

PV: Purchasing volume

As at: 31/12/2021



PRODUCTION CYCLE & PURCHASING CRITERIA

WHICH PROCESSES ARE BEHIND OUR PRODUCTS?

Stability and trust are the basis for successful cooperation with our production partners. This foundation opens up many opportunities to grow together with our partners and develop new collections while improving local working conditions and implementing environmental standards.

HOW IS PRODUCTION STRUCTURED AT ENGELBERT STRAUSS?

Eighty percent of our footwear and clothing range consists of largely unchanged products. We only tweak their design or functionality, if anything. Beyond our permanent range, we present new products twice a year – in our spring/summer and autumn/winter collections. In parallel to this, we bring out limited series from time to time. We always seek to establish long-term partnerships, as these are essential to ensure the quality of our products and to provide mutual development opportunities.

HOW DOES HAVING A PERMANENT RANGE AND FOSTERING LONG-TERM COOPERATION HELP TO IMPROVE LOCAL WORKING CONDITIONS?

The positive effects are felt in various areas. Long-term cooperation gives our production partners the certainty they need to plan for the future. There is also less time pressure in production, as a permanent range guarantees long production runs. This means that production capacity can be better planned and overtime avoided. Moreover, as workers gain experience in manufacturing the product, there is less waste and better use of resources. This is also kinder on the environment.

HOW LONG DOES IT TAKE TO DEVELOP A PRODUCT?

It takes around one year from the design stage to having a product that is available to order. We always work one year in advance, in parallel to the current season. We issue our production releases and orders four to six months in advance so that our production partners have the freedom to plan accordingly. If there are any national public holidays during this time, we place our orders earlier to account for this.

HOW ARE PRICES SET?

Whenever we develop new products, we give our partner precise specifications with regard to design, material and function. Based on this, the partner proposes a price. If this does not seem reasonable to us, we jointly seek a solution in order to find a fair price for both parties. For example, we might adapt the technical requirements of a product in order to lower the price.

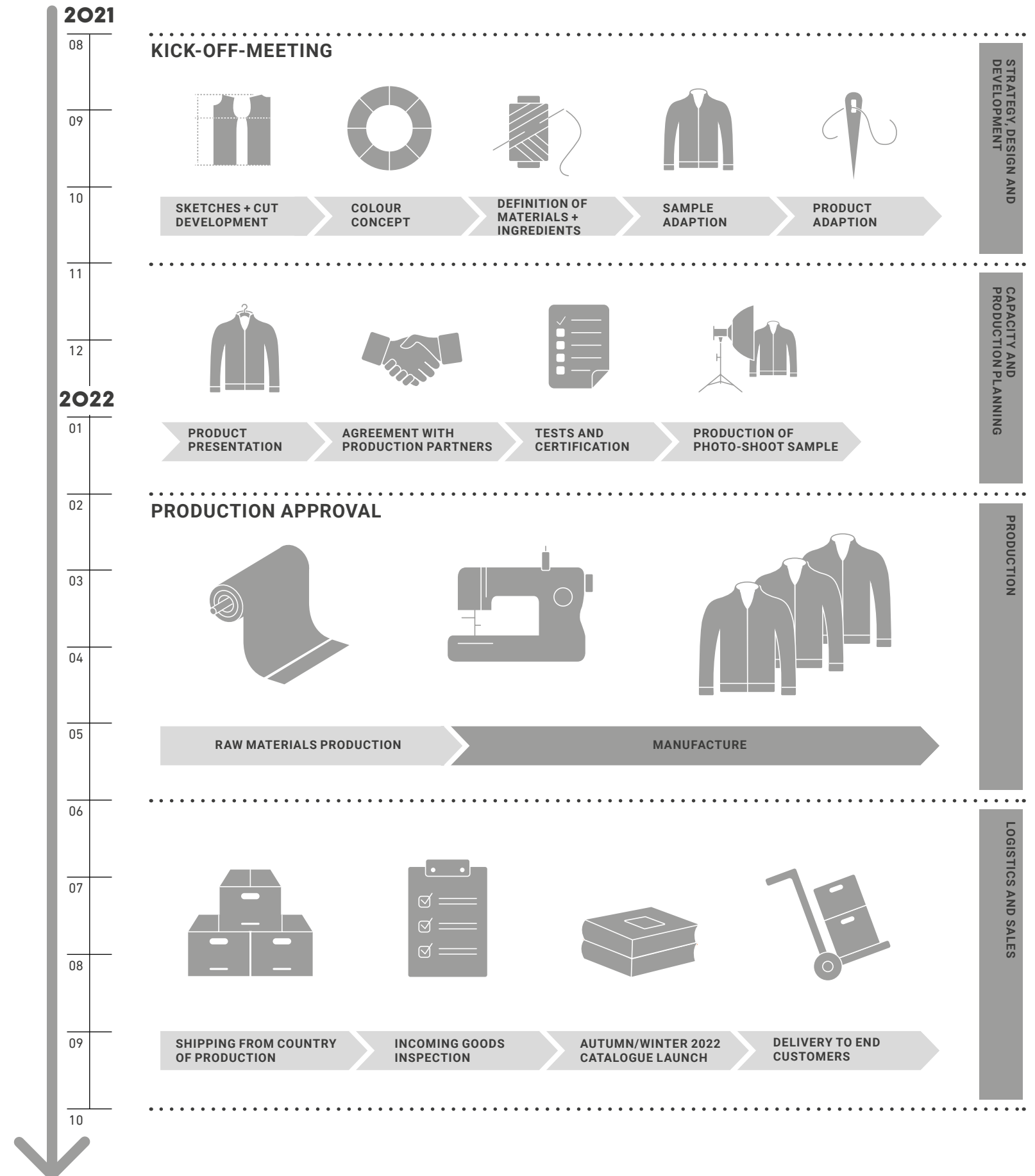
WHAT CRITERIA DOES ENGELBERT STRAUSS USE TO SELECT NEW PRODUCTION PARTNERS?

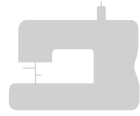
Quality, price, performance and sustainability – these are the most important criteria for us in deciding whether we want to work with a supplier. With regard to sustainability, potential production partners must commit to meeting our requirements and those of Fair Wear Foundation. We see their agreement to observe our Code of Conduct as the basis for a partnership. If a partner refuses to accept these requirements or makes no effort to meet them, we do not pursue the cooperation. The decision is taken by the Purchasing department, involving the purchasing manager, buyers, product developers and the sustainability team.

FAIR WEAR FOUNDATION is focused on the manufacturing process. There are still few automated processes in the majority of sewing businesses and that is why most people are employed there. Fair Wear believes that companies like Engelbert Strauss can reach the most workers in this labour-intensive part of the supply chain.



SIMPLIFIED PRODUCTION CYCLE, USING A JACKET AS AN EXAMPLE





CODE OF CONDUCT

THE KEY POINTS OF OUR SUPPLIER CODE OF CONDUCT

Our requirements in respect of appropriate working conditions and protection of the environment in our production sites are summarised in our Code of Conduct. The code forms the basis for our collaboration with our production partners.

the OECD Guidelines for Multinational Enterprises, and internationally recognised environmental standards. In terms of content, our Code of Conduct is in line with the strict Fair Wear Foundation Code of Labour Practices.

Our Code of Conduct is based on the conventions of the International Labour Organization (ILO), the United Nations Universal Declaration of Human Rights (UDHR), the Global Compact,

You will find the complete Code of Conduct, which is binding for our production partners, at engelbert-strauss.de/sustainability

MANAGEMENT PRACTICE

It is expected of every production partner that fulfilment of the Code of Conduct and the statutory provisions is implemented through systematic management practices. This includes all employees being informed of all rights and obligations arising from the code. If the standards have not yet been achieved, the production partner has an obligation to define corrective actions and to implement these within a reasonable timeframe. All employees must be given a written contract of employment that sets out all duties pursuant to labour and social welfare legislation. In addition, Engelbert Strauss does not tolerate any form of corruption or bribery.

ENVIRONMENTAL PROTECTION

The company is required to minimise the impact of production on the environment. It must adhere to all statutory regulations and/or internationally established standards or industrial standards relating to environmental protection in commercial operations. Operational environmental protection demands inter alia appropriate handling and disposal of environmentally hazardous substances, waste and water, the reduction of emissions and water consumption and an increase in energy efficiency.

REASONABLE HOURS OF WORK

Working hours must at least meet the requirements of the law. Regular working hours may not exceed 48 per week. Overtime must be voluntary. The maximum amount of overtime permitted per week is 12 hours. The employee must be granted at least one day off per week. (ILO Conventions 1, 14 and ILO Recommendation 116 apply.)

OCCUPATIONAL HEALTH AND SAFETY

Employees must be provided with healthy and safe workplaces. The best possible solutions for industry-specific occupational health and safety must be sought. Preventive measures must be implemented at least in accordance with the legal requirements and include building safety and stability, fire safety, machine safety, chemical safety and emergency medical care. (ILO Convention 155 and ILO Recommendation 164 apply.)

FAIR COMPENSATION

The compensation paid for regular working hours must reach the applicable statutory minimum wage and be sufficient to cover the cost of living and to have money left over for discretionary spending. The wage paid should therefore be a living wage. All overtime worked must be remunerated at the statutory additional rate and all statutory wage components must be granted. If there are any deductions from wages, these must conform to the statutory regulations. Employees must receive written and understandable information about the precise composition of their remuneration for each accounting period. (ILO Conventions 26, 102 and 131 apply.)

NO DISCRIMINATION

Unequal treatment based on personal or group-specific characteristics such as ethnic or national origin, skin colour, language, political or religious beliefs, sexual orientation, gender, age, family responsibilities, marital status, disability or membership of a labour organisation or union is not permitted. (ILO Conventions 100, 111, 143, 158, 159 and 183 apply.)

PREVENTION OF CHILD LABOUR

No children may be employed under the age of 15 or who have not completed statutory compulsory education. In relation to young workers, adherence to youth protection laws must be ensured. The work entrusted to them must not constitute a danger to health, safety or morals. Young workers should be allowed to take part in vocational training or enabled to participate in training programmes. It must be ensured that no form of slavery or trafficking of children takes place. (ILO Conventions 79, 142, 182 and ILO Recommendation 146 apply.)

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

All employees are to be given the statutory right to form or join trade unions. The right to collective bargaining is to be recognised. Where legislation relating to union rights is limited, employees should be allowed to find an alternative form of representation of employees' interests. It is necessary to ensure that employee representatives are not exposed to harassment, discrimination, intimidation or reprisal. They must have free access to the workplace, in accordance with the legal provisions. (ILO Conventions 87, 98, 135, 154 and ILO Recommendation 143 apply.)

EMPLOYMENT IS FREELY CHOSEN

The working relationship must be voluntary. This also includes all employees being allowed to leave the production facility site at the end of their regular working hours. All forms of illegal disciplinary measures are prohibited. (ILO Conventions 26 and 105 apply.)



SELECTION & FURTHER DEVELOPMENT

HOW DO WE STRUCTURE THE COOPERATION WITH OUR PRODUCTION PARTNERS?

We impose high standards on our production partners in terms of social and environmental protection. We therefore choose new business partners carefully and assist existing ones in improving their social and environmental standards.

CODE OF CONDUCT

The requirements set out in our Code of Conduct form the basis of collaboration with our production partners. We require all our partners and suppliers to adhere to the Code of Conduct and ask that they display it at their production sites so that their workers have access to it.

ASSESSING NEW BUSINESSES

Every production site has to fill out a self-assessment form, which provides us with valuable information about the production conditions. Additionally, it highlights to businesses the aspects of working conditions and environmental protection that are important to us. Analysis of available audit reports and visits to new production sites help us assess whether the businesses already meet our standards or have the potential to do so.

ASSESSING THE SITUATION IN EACH COUNTRY

We ascertain to what extent human and worker rights are implemented – for all existing and, in particular, new production countries. We take into account country profiles and consult with stakeholders and/or other brand manufacturers. We then use this information to carefully weigh up the risks and opportunities of production in each country.

AUDITS

Audits are conducted to review and rate the extent to which production sites are adhering to the requirements of the Code of Conduct. We commission an independent auditing organisation or Fair Wear Foundation auditors to carry out these audits. Fair Wear Foundation also performs independent audits of selected production sites. In the course of their checks, the auditors talk to the local managers, analyse relevant operational documents, inspect the entire production plant and conduct confidential discussions with the workers and their representatives. The audit team always has a member who speaks the local language and a Fair Wear certified auditor (FWF audits) or a certified SA8000 advanced lead auditor (audits through other partner agencies). We generally announce audit visits in advance. This ensures that everyone with the relevant responsibility is present. Engelbert Strauss bears the costs for all site audits and follow-up visits.

CORRECTIVE ACTION PLAN

If any deviations from the required standards are identified during an audit, the auditors discuss these with the managers responsible and, if there are any, the workers' representatives while the audit is still ongoing. Together we draw up a binding corrective action plan (CAP). This lists all necessary improvements and sets out actions and realistic timeframes for rectifying the deficiencies. We assist the production sites in analysing the reasons for the deviations, make suggestions for improvements and review implementation of the actions.

FAIR WEAR FOUNDATION COMPLAINTS MANAGEMENT

Workers in the production countries can turn to the independent Fair Wear Foundation via a complaints procedure. This gives us a further means of determining whether our Code of Conduct is being applied in the businesses and working together on solutions where necessary. You'll find more on this on pages 30 and 31.

SUPPLIER TRAINING

We help our production partners to improve their social and environmental standards through further training. In training sessions, workshops and seminars, we raise awareness among management and workers of good working conditions and how these can be achieved. The key topics include complaint mechanisms and communication aimed at finding common solutions.

FOLLOW-UP VISITS

Depending on the audit outcome and the extent to which a production site is showing improvements, we arrange for auditors to pay another visit. Our colleagues from Product Development and Purchasing are also at the production sites several times a year. During their visits, they check whether and to what degree the previously deficient points have been improved.

SUPPLIER ASSESSMENT

If partners perform well, this has a positive influence on our production decisions. If they do not adhere to our requirements and show no progress or will to improve, we sever our relationship. However, this is the last resort. We much prefer to give our partners opportunities and to assist them to develop themselves and fulfil our specifications.

AUDIT RESULTS 2021

HOW WERE THE COMPANIES EVALUATED?

Most Engelbert Strauss workwear products come from audited production partners. The businesses which jointly manufacture 78 percent of our range have all been audited at least once in the last three years. Here are the results in detail.

In 2021, we were able to conduct 35 audits of the working conditions at our production partners. In three follow-up visits to other sites, our auditors compared the progress made to the previous year's audit results.

Given the wide-ranging travel restrictions and social distancing requirements on account of the COVID-19 pandemic, we had to find new ways to assess working conditions. Where a full on-site audit was not possible, our auditors took a blended monitoring approach combining elements of traditional and virtual audits. Four such blended monitoring audits were conducted in 2021. You'll find more on this on page 27. We also reviewed audit reports and plans of corrective measures already prepared by other audit organisations based on Fair Wear Foundation's strict guidelines.

In total, around 70 percent of the audits were carried out on our behalf by external audit partners or Fair Wear Foundation. The other approx. 30 percent were conducted in accordance with the standards of Better Work, amfori Business Social Compliance Initiative (BSCI), Sedex Members Ethical Trade (SMETA) or World-Wide Responsible Accredited Production (WRAP).

HOW HAVE OUR PRODUCTION PARTNERS IMPLEMENTED OUR CODE OF CONDUCT?

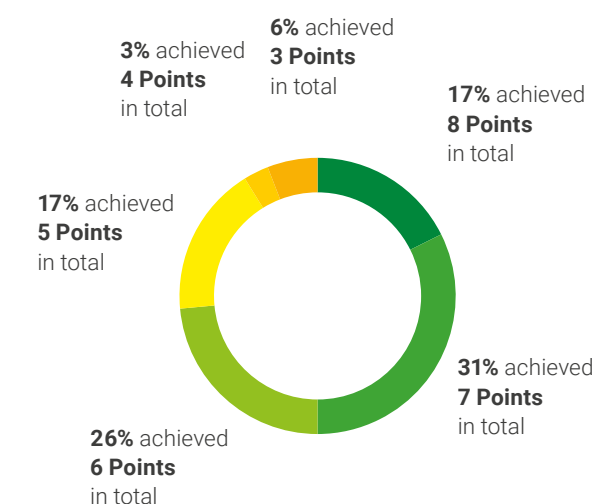
The chart shows the total points scored by the production sites in the audits. In all, 48 percent of the businesses were fully or largely compliant with the requirements of our Code of Conduct. Improvements were recommended for 26 percent of the production sites checked and deemed necessary in the case of another 20 percent. There were questionable results for six percent. Overall, our partners worked hard to eliminate deviations from the Code of Conduct. You'll find detailed results for the individual countries on the following pages.

HOW DOES THE ASSESSMENT SYSTEM WORK?

When auditing sites for us, the auditors assess each business on the basis of the nine criteria set out in our Code of Conduct. For each criterion, they award points on a scale of 1 to 10. In essence, the auditors examine the extent to which processes are firmly established in each site's systems so as to avoid deviations. For the 'Protection of children and minors' criterion, the auditors evaluate, for example, the production site's control mechanisms for ruling out child labour.

We audit our suppliers about every three years. The extent to which social and environmental standards are established in the respective country, a site's performance in previous audits and how much they produce for us are some of the factors that determine whether we plan an audit. We often conduct joint audits with other brand companies that have items manufactured in the same production sites as ourselves in order to increase our influence on suppliers and make efficient use of resources.

TOTAL POINTS SCORED OF THE PRODUCTION SITES AUDITED IN 2021



- 10 Outstanding level of commitment
- 9 Approaching a level of commitment above the specifications
- 8 Compliant with the Code of Conduct
- 7 Largely compliant with the Code of Conduct
- 6 Improvements recommended
- 5 Improvements needed, though in non-critical areas
- 4 Improvements needed
- 3 Cause for concern
- 2 Cause for great concern
- 1 Not acceptable!

THE ASSESSMENT CRITERIA

- MANAGEMENT PRACTICE
- REASONABLE HOURS OF WORK
- COMPENSATION
- PROTECTION OF CHILDREN AND MINORS
- EMPLOYMENT IS FREELY CHOSEN
- FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING
- DISCRIMINATION
- OCCUPATIONAL HEALTH AND SAFETY
- ENVIRONMENT



BANGLADESH

The textile industry in Bangladesh has grown rapidly over the last three decades to become by far the most important export sector, now accounting for some 80 percent of all exports. In the last two years, the country and the local textile sector have been very badly affected by the coronavirus pandemic. Hence, it has been really important to us at this time in particular to assist our partners in Bangladesh and safeguard the incomes of the people who manufacture our textiles.

We have been producing in Bangladesh since 2009 and it has become our most important production country over the years. Thanks to our long-term cooperation, our partner businesses have developed an outstanding level of expertise in the production of sophisticated textiles compared with the country's typical standards. In Bangladesh, we manufactured approx. 42 percent of our high-tech clothing at 12 production sites in 2021.

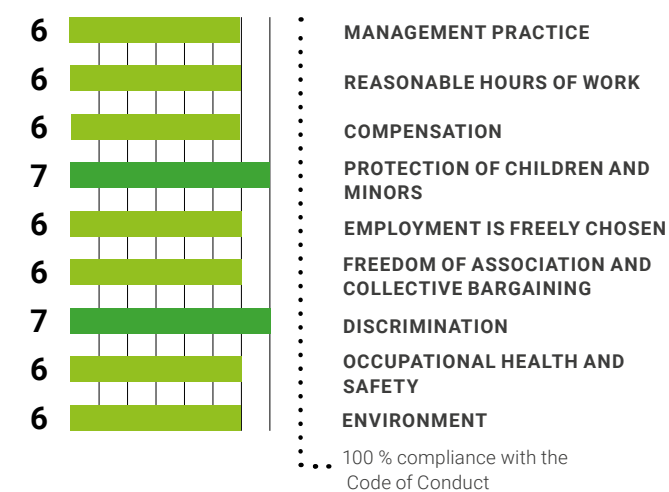
Last year, one audit was conducted by Fair Wear Foundation and four visits were made by an external service provider. The Fair Wear Foundation audit confirmed the high level of implementation of social standards at one of our most important production partners. The other audits identified room for improvement in respect of compensation, working hours, management practice and more.

In general, our wage analyses show that the wages paid by our largest partners in Bangladesh are far higher than what is typical for the country. We again audited most of our partner businesses in 2021. At all of the audited businesses, we found that job starters were receiving at least the statutory minimum wage and skilled workers a living wage. At one audited business, improvements were required due to the inadequate safeguarding of social benefits and failure to provide payslips. While factories were closed during COVID-19 lockdown, one supplier made a redundancy payment to workers earning a piecework wage that was not calculated on the prescribed basis, namely the previous month's daily earnings.

At three partner businesses, we found that some workers had worked additional hours in excess of the statutory maximum of 52 hours of overtime per month. In such cases, we work together with the production partner to analyse the reasons for these discrepancies – including our purchasing practices – and monitor the implementation of improvements. Visits to the businesses to review the improvements are planned for the near future.

In addition, there are still no comprehensive social security systems for workers in Bangladesh. However, all businesses must provide medical care for their workers. This was also addressed by the audits. One of our long-standing partner businesses in Bangladesh, which manufactures a considerable share of our goods, is well advanced in this respect. It offers its workers free access to an in-house clinic employing several medical specialists.

TOTAL POINTS SCORED OF THE PRODUCTION SITES



CHINA

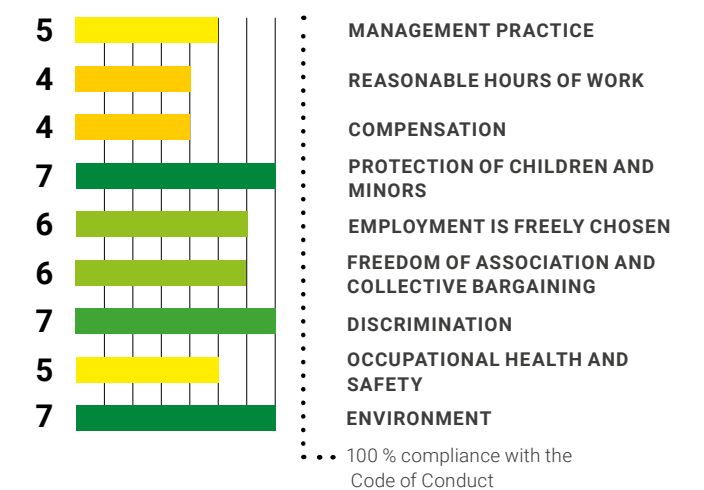
Globally, China is the largest producer and exporter of textiles and clothing. The activities of the country's textile and clothing industry cover a wide spectrum, from the production of raw materials through to the manufacture of end products. Accordingly, a large part of China's growth momentum is attributable to this industry sector. Despite the COVID-19 pandemic, the Chinese textile and clothing industry still grew in 2021. Large Chinese textile companies recorded a 14.2 percent year-on-year increase in operating revenue in the first 10 months, for instance. While production capacity had to be reduced or entire production sites shut down in many other countries on account of the pandemic, Chinese manufacturers were able to continue operating almost without interruption.

In 2021, we worked with 35 production sites – in the areas of clothing (eleven sites), gloves (six sites), caps and hats (four sites), footwear (seven sites) and accessories (seven sites). We have had a partnership of at least 10 years with 42 percent of these sites. Approximately 16,500 workers, 64 percent of them women, manufacture Engelbert Strauss products in the Chinese production sites.

A total of 10 audits and no follow-up visits were planned for 2021. The audit results identified room for improvement in respect of management practice and occupational health and safety, as well as most particularly in the categories of excessive overtime and compensation. Problems in these last two areas are common in China and even increased over the past year. This is because the textile and clothing markets in a range of other countries collapsed due to political uncertainty and the COVID-19 pandemic. This led to a shift in demand, with textile companies having to move orders to China. In our case, Vietnam, Ethiopia and Myanmar were some of the countries affected. Therefore, Chinese manufacturers faced the challenge of having to work through backlogs from 2020 caused by the pandemic and cover additional demand at the same time. Many manufacturers responded to these additional orders by increasing working hours.

At Engelbert Strauss, compliance with minimum wages and ensuring fair working hours are a top priority. That's why we immediately took steps to solve the problems. For instance, we investigated whether our purchasing practices were contributing to critical audit results. The individual audit results were also discussed with the respective management teams and possible solutions were drawn up. We promptly carried out an on-site follow-up visit for 30 percent of the manufacturers identified as requiring improvement in respect of excessive overtime. Although improvements were observed, the manufacturers were not able to demonstrate compliance with our Code of Conduct in all areas. Further on-site follow-up visits have not been possible on account of the COVID-19 situation. Instead, our audit partner is conducting virtual interviews with management in order to monitor progress.

TOTAL POINTS SCORED OF THE PRODUCTION SITES





INDIA

Over a million people work in India's shoe industry. This emerging country is therefore only second to China in footwear production. Although its economy is growing very quickly, poverty and environmental protection present major challenges. India was also hit especially hard by a second coronavirus wave in spring 2021.

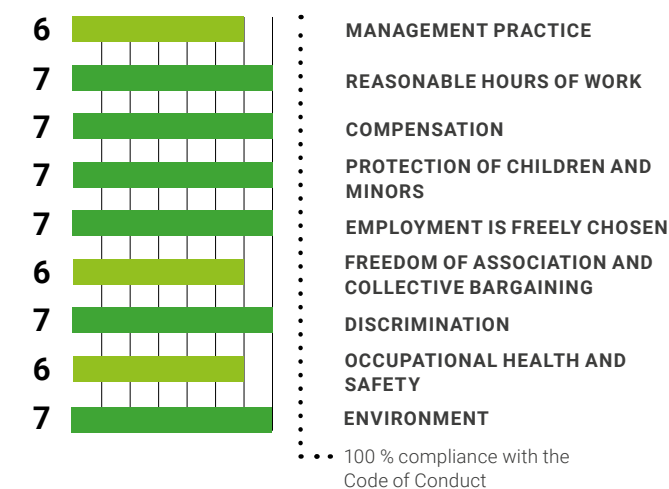
Two production sites in India manufacture products for us. High-quality safety shoes are produced in the factory of one of our long-standing partners. Our partner has already been engaging closely with this production site for many years to improve the working conditions there. Together with a local consultancy firm, lots of information on how social and environmental standards are implemented has been imparted. This has been reflected in the significant progress identified during audits. In 2021, the production site was audited by the amfori Business Social Compliance Initiative (BSCI). Overall, the results were satisfactory.

It was clear from comparing the audit results with our Code of Conduct for suppliers that the production site was largely meeting most of our requirements. However, the audit did identify room for improvement in respect of management practice, freedom of association and collective bargaining, and occupational health and safety.

In terms of management practice, the auditors' concerns included the fact that a risk assessment conducted on health risks in the workplace did not cover all work stations and that workers and their representatives were not involved. They also found that individual workers were not wearing the personal protective equipment required for the task to hand and had not been properly trained on how to use it. A deficiency was also identified in respect of the leakproof storage of chemicals. Furthermore, small deductions were made in the evaluation of freedom of association and collective bargaining – although the production site does have worker representatives, almost half of the workers interviewed were not fully aware of their rights as employees.

Our partner is closely monitoring the necessary improvements in the business and making regular visits to review their implementation. We are in frequent dialogue with our partner and are supporting the site's further development.

TOTAL POINTS SCORED OF THE PRODUCTION SITES



PAKISTAN

The textile sector plays an important role in Pakistan's manufacturing industry, accounting for around a quarter of the country's manufacturing added value and almost 60 percent of its exports. Compared to other Asian countries, the proportion of women employed in Pakistan's textile sector (less than 30 percent) is low. Informal employment is common. Employment conditions are often still inadequate and could be improved upon in many areas.

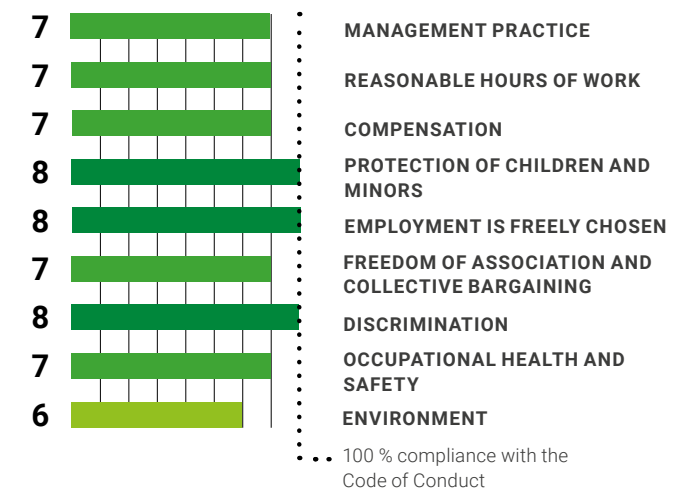
We worked with 11 production sites in Pakistan in 2021, where mainly work gloves are produced for us. One site supplies us with towels and another with clothing. Given our low share of production in the businesses, we often have only limited influence on the implementation of major changes. At six of the production sites, our share of production is between one and three percent. Nevertheless, we have succeeded in encouraging these production sites to implement sensible development measures.

Four of the businesses were audited in 2021. Two of the audits were conducted by our long-standing external partner. The audit reports for the other two sites were compiled by Sedex Members Ethical Trade Audit (SMETA) and amfori Business Social Compliance Initiative (BSCI). We reviewed the audits and were satisfied with their quality. The audit results were high at all four production sites, with an average of seven or eight points. The workers spoke very positively overall about their employers and were satisfied with the working environment. Many improvements had been implemented in relation to critical aspects raised in previous audits. For example, one partner had managed to reduce the excessively high working hours among its subcontractors to the maximum number of hours allowed by law. At one of our production partners, workers are increasingly availing of their entitlement to paid maternity leave, which is altogether unusual in Pakistan's textile sector. Working hours and pay across all production partners were within the limits of the law; discrimination and child labour were ruled out.

Some need for action was still evident in the areas of management practice, worker participation, occupational health and safety, and environmental protection. For example, some of the workers at one production partner are employed on a temporary basis, a common and historically conditioned situation in Pakistan. Not all subcontractors are subject to systematic monitoring – further improvement is needed here. An issue with regard to

safety in the workplace was identified at the sites of two partners, where a significant number of sewing machines were found to be missing guards designed to protect workers from catching their fingers or hair in the machines. Some sanitation facilities were also poorly equipped. However, management at the companies accepted that these defects were critical aspects and took immediate measures where possible. We will review the implementation of the improvements in the course of follow-up audits and continue to advise our production partners.

TOTAL POINTS SCORED OF THE PRODUCTION SITES





TURKEY

Turkey currently ranks among the world's top ten textile exporters. The textile industry is one of the country's leading sectors. It accounts for over 17 percent of exports and contributes significantly to gross national product and employment. Thanks to the country's long-term trade relationship with the European Union, Turkish companies are often familiar with the requirements of international workplace standards and employment conditions. However, labour standards are not always met in the textile industry. The typical working structure with subcontractors often goes hand in hand with a lack of transparency and informal employment. Especially for Syrian refugees working in the textile sector, the working conditions are often concerning.

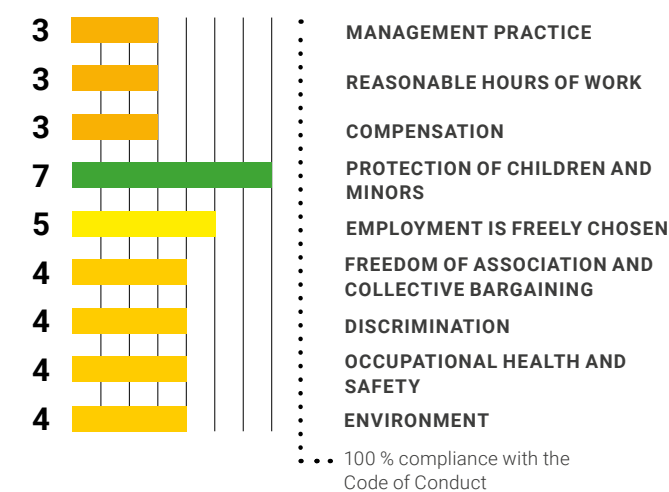
In 2021, we cooperated with eight production sites in Turkey. An audit took place at three of these production sites at the end of 2021. At one production plant, which has only recently started producing for us, a low level of knowledge about social standards in general was identified, which was reflected in the company's management processes. There, a deficient time recording system led to non-transparent results in the areas of working hours and payment. Potential for improvement was also seen in the areas of freedom of association, health and safety, and environment. However, the management showed a strong interest in sustainability issues and a high willingness to improve in the fields mentioned. We would like to support this company in expanding its knowledge of social standards to develop further with us.

At another company, with which we have a long-standing partnership, the auditors found a lack of transparency with regard to working with subcontractors in particular. Internal documents were not always verifiable or did not tally with statements from workers. Due to these discrepancies, the auditors could not fully ascertain the situation in respect of working hours and compensation and the overall rating was below average. For example, they found that some employees worked without social security benefits during probation periods of up to two months. Information on workers' rights and complaint mechanisms displayed in

one factory was only in Turkish, which put Arabic-speaking workers at a disadvantage. Furthermore, the auditors identified room for improvement in respect of occupational health and safety. Child labour was ruled out.

We immediately initiated a direct exchange regarding the unsatisfactory audit results at a personal level with the partner, with whom we have had a close business relationship for years. We jointly agreed gradual changes to various processes in accordance with an action plan. Our production partner understood the need for greater transparency. We will now closely monitor the implementation of the improvements at both businesses and plan to visit them soon so that we can move in a new direction together.

TOTAL POINTS SCORED OF THE PRODUCTION SITES



VIETNAM

Vietnam is currently one of the world's five largest garment exporters. The textile sector produces 15 percent of national economic output and employs around 2.7 million people, of whom more than 75 percent are women. In parallel to the strong export growth in the sector over the last decade, awareness of labour rights and social factors in textile production has also increased in Vietnam. There are still shortcomings, however, particularly in respect of freedom of association and collective bargaining, occupational health and safety, and environmental protection. Vietnam's textile sector has been badly hit by the pandemic over the past two years.

In 2021, we cooperated with eight production sites in Vietnam, six of which were audited in the past year. Because of the pandemic, our long-standing external partner used a newly developed audit format (blended monitoring – see info box on the right) involving a number of virtual elements for four of these sites. One audit report came from Better Work. We reviewed this carefully and found that it met our quality standards. The audit results were high at all production sites, with an average rating of seven or eight points.

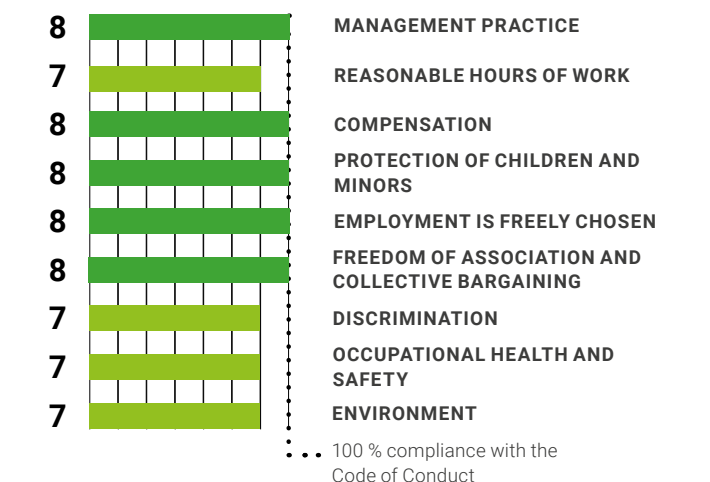
In terms of management practice, five of the businesses achieved good results. A number of criteria were used to determine the rating, including sound and established personnel and communication processes, extensive staff training programmes and a comprehensive, practicable complaints procedure. There was room for improvement in certain areas at the other businesses, such as subcontractor monitoring. Some of the production sites had to amend their way of working on account of the pandemic. For example, one business moved to a '3 on-site' model for some time, with workers staying on premises at all times during lockdown. This approach was well thought through and the implementation was satisfactory (see also page 29). Another production site had to resort to manufacturing on a Sunday as well to ensure order fulfilment after several lockdowns. The additional hours were worked on a voluntary basis and statutory overtime premiums were duly paid. Occasional overtime in excess of the statutory maximum hours was established at one production site. Another business was found to have room for improvement

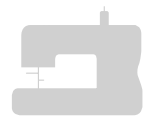
in a number of areas, namely occupational health and safety as well as freedom of association and collective bargaining. The results in respect of freedom of association and collective bargaining as well as discrimination were universally good for all other audited businesses. Furthermore, child labour was ruled out in all production sites.

BLENDED MONITORING

Blended monitoring is a new audit format that enables us to conduct audits even in cases where full on-site audits are not possible. It combines elements of both traditional and virtual audits. The virtual part comprises a survey of management and worker representatives via video call, an inspection of the entire production site and comprehensive documentary checks. We already discuss deviations from our standards after the virtual part, and then define corrective measures. Once it becomes possible to visit the respective partner business again, the auditors supplement the results by reviewing a random selection of documents, conducting an on-site tour and holding interviews with workers.

TOTAL POINTS SCORED OF THE PRODUCTION SITES





MYANMAR

IMPACT OF THE POLITICAL SITUATION ON OUR PRODUCTION PARTNER

In Myanmar, we work with one production site that mainly manufactures products for Engelbert Strauss. A military coup in early 2021 and the demonstrations that followed plus the COVID-19 pandemic had a negative impact on this production partner, resulting in a three-month closure of the production site. Around 600 people employed in production depend on our partner for an income. At Engelbert Strauss, it was important to us to ensure the financial stability of the workers.

Myanmar's military took power in a coup on 1 February 2021. With the people of Myanmar largely in support of the recently introduced democracy, the regular protests that continue to this day are met with military force. During one such demonstration, a fire broke out in our supplier's warehouse. Thankfully no workers were injured in the incident, but considerable material damage was caused. Although arson was suspected, nobody was ever charged. Production had to be suspended as the fire had destroyed materials for further processing and it was no longer possible to import fabric. Once the damage was repaired, the military government ordered a COVID-19 lockdown. All in all, the production stoppage lasted three months. The workers' pay was



not guaranteed during that period. Therefore, in cooperation with Fair Wear Foundation and our production partner, we devised a concept that would ensure that the workers received the statutory minimum wage for this time. This amounted to 130,000 kyat per worker per month. Engelbert Strauss paid 50% of the

minimum wage for all workers during the production stoppage. The remainder was covered by government funds and grants from our partner. This support ensured the financial security of around 600 people.



GIVEN THE DIFFICULT SITUATION, WHY ARE WE STILL PRODUCING IN MYANMAR?

On several occasions, employment law experts have called on textile manufacturers to leave Myanmar in order to cut off a source of capital for the military government. However, it is questionable whether such an action could bring about a swift collapse of the regime. As a responsible family business, Engelbert Straus wants all of the people along the supply chain to have a secure livelihood. This conviction seems to be shared by other companies, too. We are in constant dialogue with our supplier and Fair Wear Foundation and are continuously assessing the situation and our decision to manufacture in Myanmar.

CORONAVIRUS IN OUR PRODUCTION COUNTRIES

GLOBAL ENGELBERT STRAUSS PRODUCTION – IMPACT OF THE PANDEMIC

The effects of the COVID-19 pandemic were again strongly felt in our procurement markets for a second year. While the lockdown measures in 2020 led to the loss of millions of jobs worldwide, the global economy grew again in 2021 – with regional variations. Repeated coronavirus waves and differences in vaccination coverage brought with them new restrictions, which also had an impact on our production partners and their workers.

In these challenging times, we feel we have a special responsibility to ensure reliability for our production partners. We already responded quickly in early 2020 and took measures to protect the people for whom we are directly or indirectly responsible. These were primarily intended to safeguard both their financial and physical well-being. Over the course of the pandemic, we have been able to maintain order stability and thereby contribute to the livelihoods of the people in our procurement markets. In addition to steady order books, we place great value on paying invoices on time. If sites cannot work at full capacity, we also accept delays in delivery and cover any additional transport costs resulting from these.

We are in continuous dialogue with our production partners regarding the latest situation and work with them to find solutions when difficulties arise. We also regularly remind them to pay and support their workers in the event of lockdown, quarantine or illness. We insist on compliance with the respective legal regulations and, at the least, with statutory minimum wage provisions. In addition, the businesses must have special hygiene and social distancing measures in place. We received assurances on this from all businesses in 2021, and were also able to confirm this to our satisfaction through our audits.

KEY DEVELOPMENTS IN OUR MAJOR PROCUREMENT MARKETS

BANGLADESH

A sharp increase in the number of new coronavirus infections with the Delta variant led to a nationwide lockdown in Bangladesh in late June 2021. Public life was largely shut down and the garment factories were also affected. The sites were able to recommence operations in July under strict hygiene measures. As this production interruption was so short, there were no lockdown-related worker layoffs at our partner businesses and all wages were still paid as usual. We arranged for one of our partners to participate in a training programme offered by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), during which management received valuable advice on dealing with the pandemic.

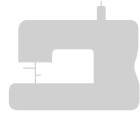
VIETNAM

Vietnam also imposed a strict lockdown on a number of provinces reporting a sharp uptick in new coronavirus infections. Factories in the provinces affected had to either close or introduce the '3 on-site' model, whereby workers remained on site, day and night. We held a detailed discussion with our partners in Vietnam in order to understand the situation on the ground. Three of our eight partner businesses had to close for a number of days between July and October 2021, while one site introduced the '3 on-site' model. During an audit of this factory, we were able to assure ourselves that sufficient facilities had been put in place, such as beds, showers and meals, and that participation was voluntary in every respect. We were pleased to see that the business also provided Internet access for the workers so that they could remain in contact with their families via smartphone.

Initially, some partners were unaware of how to apply for aid payments from the state for the duration of the lockdown. Working together with the Vietnamese representative of Fair Wear Foundation, we collected this information and shared it with our partner businesses and their workers. We therefore managed to ensure that all workers received at least the statutory minimum wage during lockdown. In addition, almost all of the workers in our production sites were able to receive a full course of vaccinations.

CHINA

Following major outbreaks at the start of the pandemic, the country only registered low numbers of new infections in 2021 and was therefore able to avoid further lockdowns. Local authorities closely monitored the occurrence of infections. Almost all of our partner sites reported to us that life and economic activity had returned to normal. Practically all workers were fully vaccinated against COVID-19 by late July. Accordingly, the Chinese factories were able to take on extra orders to relieve production bottlenecks that had arisen in other countries.



FAIR WEAR FOUNDATION COMPLAINTS PROCEDURE

FINDING SOLUTIONS TOGETHER

The Fair Wear Foundation complaints procedure serves as a safety net and provides us with an additional mechanism for determining whether the requirements of our Code of Conduct are being implemented in the respective production sites.

Workers can use the complaints procedure to turn to the independent Fair Wear Foundation. It provides an information sheet in the respective national language with labour rights and contact details for complaints. The production sites must display this sheet prominently. We explain the system to management and workers during training sessions and visits. Fair Wear Foundation publishes all complaints and corrective action taken on its website.

We received three complaints in 2021. These show us that the system has been successfully established and that workers at the production sites know their rights. We have already been able to resolve two complaints regarding a Chinese production partner together with management at the production site, Fair Wear Foundation and other Fair Wear Foundation member companies. Regarding the other complaint at a Turkish business, we are in close dialogue with all concerned and are in the process of finding solutions together.

2021 COMPLAINTS

Turkey #1176* – pending

A worker complained that they were not allowed to come to work for three days because they had refused to work overtime on a public holiday. The complainant stated that other workers had also been affected. Factory management upheld the complaint and assured us that the incident was attributable to the misconduct of a supervisor. We are now in the process of clarifying any outstanding issues in further dialogue with management. Together with Fair Wear Foundation, we are currently looking more closely into the background and causes with a view to preventing such incidents in the future.

China #1119 – closed

A worker at a Chinese production partner complained that the business had required too much overtime of workers in July and August 2021. We discussed this with a local Fair Wear Foundation partner and another company manufacturing in the same business. We established the following set of circumstances: the factory had informed the workers about the regular working hours – 8 am to 12 pm and 1 pm to 5 pm – and attached signs to that effect at reception where they were visible to all. The

business had also made it clear that overtime was strictly voluntary. If the workers wished to do overtime, they had to sign a form stating this.

A local Fair Wear Foundation partner reviewed the overtime worked using those forms and the documented attendance times. These matched the regular working hours and therefore did not confirm the complaint. As the complainant could no longer be reached, it was not possible to discuss these findings with him. Hence, the decision was taken to close the case.

China #1081 – closed

In May 2021, a worker complained that a supervisor in the knitting mill was frequently taking the work to be done to his own family members. As the worker was paid a piece rate, he and his colleagues had little to do and could not earn more than the minimum wage. He also complained that workers were required to work unpaid overtime to perform quality checks on products. The factory explained that this was a misunderstanding. Some of the machines at the production site had been undergoing updates. To ensure order fulfilment, work was shifted to another factory owned by the same partner. The factory's payroll records also showed that there was no loss of wages in the months concerned. However, the worker stuck to his complaint. For clarification, a local Fair Wear Foundation partner asked to inspect the complainant's wage documentation, but he did not want to provide this. After a renewed request, the complaint was closed as the factory documents did not show a lower wage payment and the complainant did not provide the relevant documents for inspection.

COMPLAINTS FROM PREVIOUS YEARS

We were also able to deal with four complaints from previous years. Complaints #859 from Vietnam and #866 from Pakistan were resolved. Complaints #776 from China and #813 from Bangladesh are set to be concluded soon. Fair Wear Foundation provides details on all complaints at www.fairwear.org/programmes/complaints.

China #776 – pending

In August 2019, a worker in a Chinese business complained that he was not informed about his piecework wage, that he did not receive a written payslip and that several workers were regularly instructed to clean up after their hours of work had ended – for no pay. We discussed the complaint and drew up a plan of corrective measures together with our production partner, another

company manufacturing in the same business, and a local Fair Wear Foundation partner. Management at the production site gave assurances that all workers would receive payslips from then on and would be informed about their piecework wage. It also provided an undertaking that the workers concerned would be given back pay for the overtime they had worked.

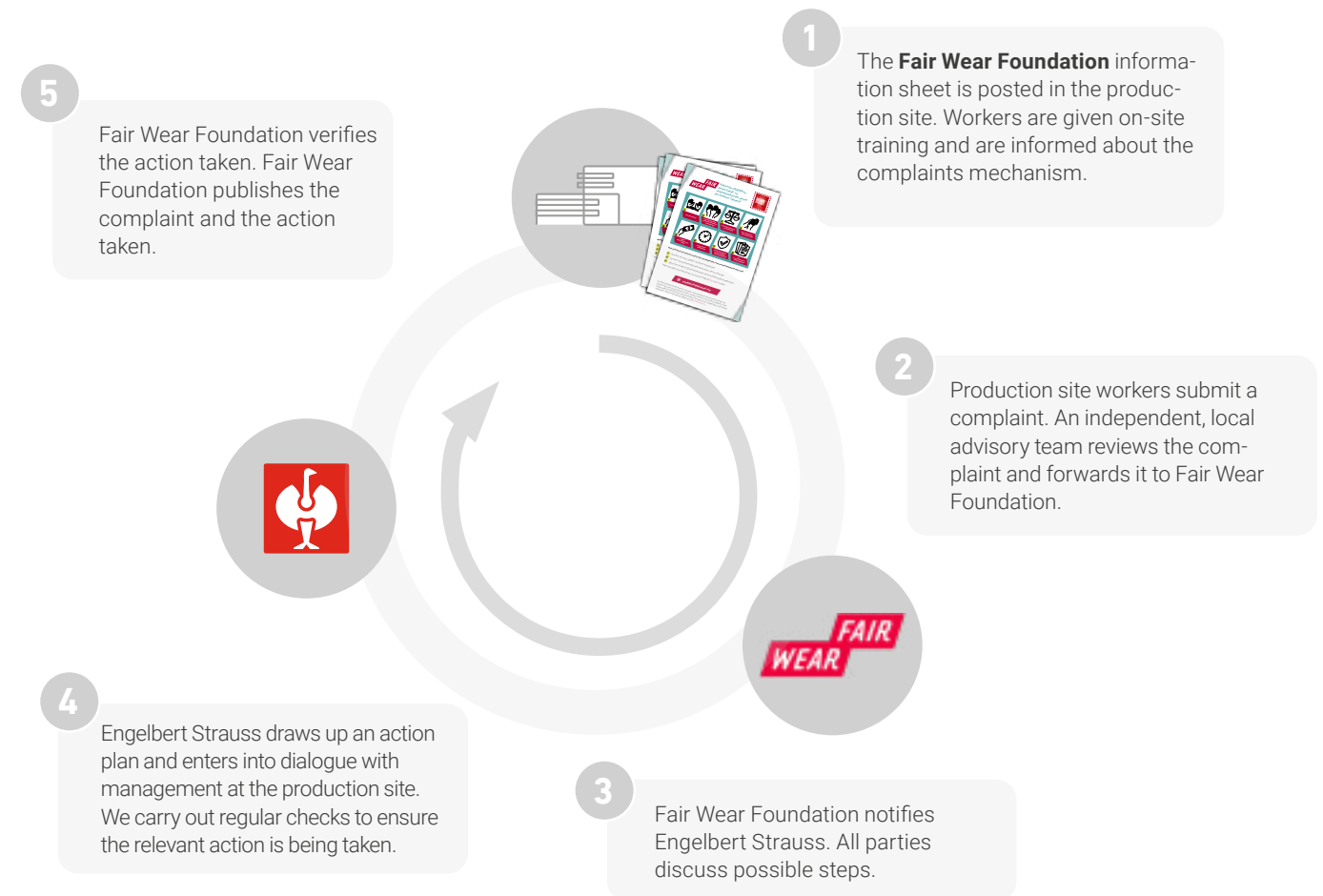
An audit was conducted in August 2020 to review the measures taken. It found that the measures in relation to pay had not been fully implemented. In late 2020, the business provided evidence of payment for the clean-up work. After reviewing this, we decided to continue to work on improving the implementation of the payroll and compensation measures and ensuring that the necessary records were being properly kept. Another audit was conducted in 2021 to review the progress made in respect of the agreed measures. A considerable improvement was noted. For example, workers are now informed about their piecework wage before each new order. They are receiving their payslips and are paid for additional tasks such as clean-up work. We are in the process of clarifying an issue regarding overtime.

Bangladesh #813 – pending

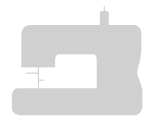
We received a complaint about a production partner in Bangladesh in December 2019. Two former workers stated that following their dismissal they had received their pay and provident fund, but had not been given additional service benefits for long-serving workers. According to our production partner, workers are contractually entitled to such benefits, but not if they are at management level. As both complainants were part of management, they had not been given the requested benefits.

The complaint was filed with a local court. It was decided there that the workers had been correctly considered part of management and were therefore not entitled to the requested service benefits. The complainants objected to the outcome of the proceedings. The court confirmed the appeal, and a new hearing is set to take place in February 2022. We await the court's decision and are in constant communication with all parties involved.

HOW THE PROCESS WORKS



* sequential numbers at Fair Wear



SUPPLIER TRAINING

IMPROVING SOCIAL AND ENVIRONMENTAL STANDARDS AT OUR PRODUCTION PARTNERS' FACILITIES

In addition to our audits and corrective measures, we offer our manufacturers training sessions and seminars. These cover the implementation of social and environmental standards in the production facilities and give our partners the opportunity to make progress in these areas.

We work with our longstanding partner Fair Wear Foundation in particular to offer further development programmes, promoting awareness of compliance with our Code of Conduct through its seminars and Workplace Education Programme (WEP). The aim of the WEP is to give production site managers and workers the tools they need to engage in open dialogue and deal with critical aspects. By increasing their awareness of important labour standards, in tandem with a functioning complaints procedure, we want to help to continuously improve working conditions. In terms of training, modules that cover the particular challenges

and realities of the respective production regions are also offered. In order to maximise the impact of these activities, the trainers speak the local language and are familiar with the cultural etiquette in the various countries.

Our training sessions and seminars were again affected by the coronavirus pandemic last year. Only a restricted number could go ahead in 2021, as we did not want to expose the workers in the production sites to any additional, avoidable risk. Of the 15 planned training sessions, only three WEP Basic training programmes were held for Chinese manufacturers – obviously while observing the hygiene and safety standards in place. A Bengali manufacturer also took part in a Change Association training course that is recognised by Fair Wear Foundation as violence and harassment prevention training.

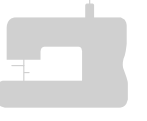


WEP BASIC TRAINING

- Informs workers of their rights and raises their awareness of appropriate working conditions
- Offers an introduction to the Code of Labour Practices, the Fair Wear Foundation complaints helpline and other complaint mechanisms
- Trains managers, supervisors and workers separately on these topics in two-hour sessions

WEP VIOLENCE AND HARASSMENT PREVENTION TRAINING

- Training module for a country-specific risk in Bangladesh and India
- Focuses on the establishment of anti-harassment committees and the provision of support to these
- If necessary, Fair Wear Foundation can help with the election of a committee and train its members
- Over 16 months of training, Fair Wear Foundation trainers assist committee members with the development and management of their committee
- Managers, supervisors and workers are trained in separate five-hour sessions



PRODUCTION PARTNERS

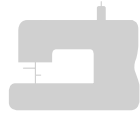
FROM ALBANIA TO ZIMBABWE THESE PRODUCTION PARTNERS HAVE MANUFACTURED FOR US IN 2021

FAIR WEAR-NO.	PRODUCTION COUNTRY	PRODUCT CATEGORY	YEAR OF STARTING BUSINESS	PURCHASING VOLUME	LAST AUDIT	AUDIT CONDUCTED BY
10853	Albania	Shoes	2004	0,65%	2017	External partner
13760	Albania	Shoes	2018	0,31%		
2910	Bangladesh	Textiles	2013	17,55%	2021	Fair Wear
9325	Bangladesh	Textiles	2013	13,06%	2020	Fair Wear
10876	Bangladesh	Textiles	2011	3,78%	2019	External partner
10861	Bangladesh	Textiles	2010	3,61%	2019	Fair Wear
14459	Bangladesh	Textiles	2019	2,76%	2019	External partner
14458	Bangladesh	Textiles	2019	0,69%	2019	External partner
9686	Bangladesh	Caps & Hats	2016	0,23%	2021	External partner
10949	Bangladesh	Textiles	2014	0,22%	2021	Better Work
10957	Bangladesh	Textiles	2015	0,17%	2021	External partner
15425	Bangladesh	Textiles	2020	0,14%	2020	External partner
10845	Bangladesh	Gloves	2012	0,13%	2021	External partner
10963	Bangladesh	Textiles	2015	0,08%	2021	External partner
7847	Bosnia and Herzegovina	Textiles	2007	0,04%	2019	External partner
13782	Bulgaria	Shoes	2018	0,01%		
10856	China	Shoes	2009	4,17%	2019	External partner
3289	China	Shoes	2012	3,95%	2021	External partner
4591	China	Textiles	2004	2,55%	2019	Fair Wear
10886	China	Textiles	2009	2,44%	2022	Fair Wear
10859	China	Shoes	2013	2,27%	2021	External partner
10868	China	Textiles	2008	2,07%	2021	External partner
11805	China	Textiles	2017	1,25%	2021	External partner
10928	China	Shoes	2009	0,90%	2021	BSCI
10896	China	Textiles	2011	0,38%	2021	External partner
10863	China	Accessories	2010	0,28%	2021	External partner
2127	China	Textiles	2005	0,27%	2021	External partner
33403	China	Gloves	2020	0,26%	2021	External partner
10964	China	Shoes	2015	0,25%	2021	External partner
14451	China	Textiles	2019	0,19%	2021	External partner
3140	China	Gloves	2008	0,15%	2018	External partner
10787	China	Caps & Hats	2016	0,15%	2021	Fair Wear
10921	China	Textiles	2004	0,15%		



FAIR WEAR-NO.	PRODUCTION COUNTRY	PRODUCT CATEGORY	YEAR OF STARTING BUSINESS	PURCHASING VOLUME	LAST AUDIT	AUDIT CONDUCTED BY
10916	China	Textiles	2007	0,12%	2021	BSCI
10966	China	Gloves	2017	0,10%	2017	External partner
14460	China	Shoes	2019	0,09%	2019	External partner
33356	China	Textiles	2020	0,06%		
33606	China	Textiles	2020	0,05%		
14453	China	Caps & Hats	2019	0,05%	2019	External partner
10920	China	Gloves	2005	0,05%		
4575	China	Caps & Hats	2016	0,05%	2020	Fair Wear
15468	China	Textiles	2020	0,04%		
10919	China	Gloves	2004	0,04%		
3817	China	Gloves	2015	0,04%	2018	External partner
11003	China	Accessories	2016	0,03%	2019	External partner
4927	China	Textiles	2021	0,03%		
34127	China	Textiles	2020	0,03%		
34028	China	Textiles	2021	0,03%		
10838	China	Accessories	1997	0,02%		
12140	China	Caps & Hats	2017	0,01%		
11301	China	Caps & Hats	2002	0,004%	2018	External partner
12683	Ethiopia	Textiles	2018	1,04%	2019	External partner
11968	Germany	Shoes	1975	2,43%		
10938	Germany	Textiles	1995	0,02%		
10942	Germany	Textiles	2007	0,02%		
10943	Germany	Textiles	1994	0,01%		
10940	Germany	Shoes	2007	0,01%		
10944	Germany	Accessories	2013	0,005%		
	Germany	Shoes	2021	0,41%		
10926	India	Shoes	2009	0,14%	2021	BSCI
15173	India	Gloves	2019	0,04%	2019	External partner
15036	Indonesia	Textiles	2019	0,19%		
10917	Indonesia	Textiles	2007	0,03%	2020	Fair Wear
10852	Italy	Shoes	2004	0,53%	2018	External partner
10900	Italy	Shoes	2006	0,48%	2018	External partner
10901	Italy	Shoes	2004	0,31%	2018	External partner

FAIR WEAR-NO.	PRODUCTION COUNTRY	PRODUCT CATEGORY	YEAR OF STARTING BUSINESS	PURCHASING VOLUME	LAST AUDIT	AUDIT CONDUCTED BY
11808	Italy	Textiles	2015	0,11%	2018	External partner
4580	Laos	Textiles	2006	7,66%	2017	External partner
10947	Latvia	Textiles	2004	0,02%		
10850	Malaysia	Gloves	2000	0,05%		
10888	Myanmar	Textiles	2015	1,63%	2017	External partner
10965	Pakistan	Gloves	2016	0,19%	2021	BSCI
10846	Pakistan	Gloves	2009	0,18%	2020	External partner
10849	Pakistan	Gloves	2009	0,17%	2021	External partner
10848	Pakistan	Gloves	2014	0,08%	2020	External partner
11964	Pakistan	Textiles	2017	0,04%		
10847	Pakistan	Gloves	2009	0,02%	2021	External partner
2262	Pakistan	Textiles	2011	0,02%		
10839	Pakistan	Gloves	2012	0,01%	2021	SMETA
10913	Pakistan	Gloves	1985	0,01%	2017	External partner
11811	Poland	Textiles	1990	0,08%		
10939	Portugal	Shoes	1990	0,04%		
10891	Romania	Shoes	2012	0,02%		
10945	Slovakia	Textiles	2010	0,03%		
10879	South Korea	Textiles	2016	0,37%		
12136	Sri Lanka	Textiles	2017	0,44%		
12182	Sri Lanka	Textiles	2017	0,37%		
10842	Sri Lanka	Gloves	2008	0,24%	2018	External partner
10843	Sri Lanka	Gloves	2008	0,23%	2018	External partner
12597	Sri Lanka	Gloves	2006	0,01%		
33355	Tunisia	Textiles	2020	0,003%		
10885	Turkey	Textiles	2008	3,84%	2021	Fair Wear
13763	Turkey	Textiles	2017	1,64%	2021	Fair Wear
10951	Turkey	Textiles	2014	0,22%	2017	External partner
11099	Turkey	Textiles	2020	0,05%		
15349	Turkey	Textiles	2020	0,05%		
10952	Turkey	Textiles	2014	0,04%	2019	External partner
15307	Turkey	Textiles	2020	0,04%	2021	External partner
13781	Turkey	Textiles	2018	0,01%		
11810	Ukraine	Textiles	2000	0,41%		
10851	Vietnam	Shoes	2013	2,75%	2020	Fair Wear
10895	Vietnam	Textiles	2011	1,99%	2021	External partner
10894	Vietnam	Textiles	2010	1,87%	2021	External partner
10081	Vietnam	Textiles	2003	1,47%	2021	Better Work
13780	Vietnam	Textiles	2018	0,56%	2021	External partner
15308	Vietnam	Textiles	2020	0,46%	2021	External partner
34053	Vietnam	Textiles	2021	0,38%		
13498	Vietnam	Shoes	2018	0,12%	2019	External partner
10867	Zimbabwe	Textiles	2010	0,47%	2018	External partner



OBJECTIVES & ACHIEVEMENTS

Every year, we review our achievements and consider what further improvements we could make. Our objectives are based not only on our corporate conviction to act more sustainably but also on a comprehensive risk analysis along the supply chain and the findings of the Brand Performance Check conducted annually by Fair Wear Foundation. The following objectives relate to the social standards associated with the manufacturing of our products.

OBJECTIVE	DATE/STATUS	ACHIEVEMENT IN 2021
Fair Wear Foundation positively evaluated the management of social standards .	2021 ✓	Fair Wear Foundation again rated management practice for the implementation of fair working conditions in the textile supply chain as 'good' in 2021.
The production partners have agreed to both the Code of Conduct and the Engelbert Strauss monitoring programme	ongoing ✓	100% of our production partners have agreed to both the Code of Conduct and the Engelbert Strauss monitoring programme. They have all disclosed their production sites – including any subcontractors. This practice has become a fundamental element of all Tier 1 production partnerships.
The suppliers that together manufacture at least 80% of the purchasing volume were audited in the past three years in accordance with the Engelbert Strauss Code of Conduct or operate in non-risk countries*.	2021 ✓	The businesses audited in the past three years according to the Engelbert Strauss Code of Conduct cover a total of 78% of purchasing volume, while businesses operating in non-risk countries cover 3% of purchasing volume. The remaining businesses were either audited in previous years (12%), have a purchasing volume of at most 0.5% (3%) or are scheduled to be audited from 2022 onwards.
All audited suppliers are showing improvements in relation to the audit results a year ago / are putting corrective action into practice and have implemented this systematically.	ongoing ✓	Overall, the production partners put a good effort into the improvements. The ability of some production partners to implement the required corrective measures was restricted in 2021 due to the coronavirus situation. We were able to promptly schedule follow-up visits of some factories and track the improvements on the ground.
Training on compliance with the Engelbert Strauss Code of Conduct and the complaints procedure was conducted at selected suppliers.	2021 ✓	Fair Wear Foundation conducted four training sessions at our suppliers in 2021. One of our partners attended a GIZ COVID-19 management programme. In addition, Fair Wear Foundation held a series of country-specific webinars for our production partners.
Individual course modules were designed as part of the Chair for Sustainability and Textile Innovation curated by Engelbert Strauss at the Ahsanullah University of Science and Technology (AUST) and then tested by students for the first time.	2021 ✓	Three university courses have been developed to date, with two already underway. In order to ensure practical relevance, input from 40 experts from science and industry was included when designing the course outlines. 200 students at AUST have been engaged in testing the courses. Rashed Al Mizan is coordinating the Chair's activities as Assistant Professor. Guest lecturers are a feature of the courses.

* In determining which countries are high-risk countries, we follow the Fair Wear Foundation's classification. This means that all countries outside the EU, as well as Bulgaria, Romania and Italy, are considered high-risk countries. Switzerland is not included.

NEW OBJECTIVES BY 2023

Management and worker awareness of **discrimination** will be increased by 2023 in Tier 1 partner businesses at which Engelbert Strauss accounts for a large share of production volume, and management practices intended to reduce the risk of discrimination will be improved (focus: Bangladesh, China and Turkey).

We will continuously anchor gender equality in the **education process**, especially in university education in Bangladesh, so that the importance of the topic and the right approach to it is conveyed already when training managers in the textile industry.

The **share of women in positions of authority** will be gradually increased on an annual basis from 2022 onwards if this is not at a level commensurate with the proportion of women in the workforce as a whole.

Measures will be taken to provide redress and ensure compliance at all audited partner businesses, regardless of the procurement market, in which **deviations from youth protection laws** or instances of **forced labour** are found.

Attention will be drawn to the risk of child labour and forced labour in traditional **cotton cultivation**.

Knowledge in relation to the possibility and implementation of **freedom of association and collective bargaining** will be strengthened among management and workers at a minimum of four partner businesses (focus: Bangladesh, China, Turkey and Vietnam by 2023).

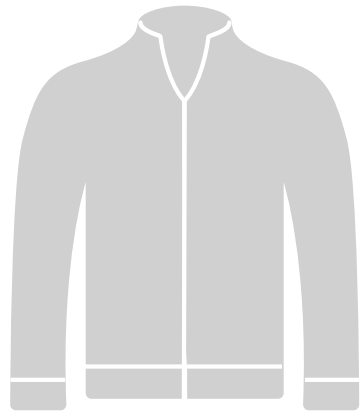
Measures aimed at increasing wages will be implemented by 2023 at all audited partner businesses in which deviations from **our wage and social benefits** requirements are established.

Improvements will be implemented on a continuous basis at all audited partner businesses in which deviations from our **hours of work and overtime** requirements are established.

Risks to worker **health and safety** revealed in audits will be continuously improved by all partner businesses in all procurement markets by 2023.

Prior to starting production, 100% of our partner businesses will recognise our **anti-corruption** and anti-bribery requirements set out in the Engelbert Strauss Code of Conduct for suppliers.

By the end of 2023, all nominated **Tier 2 and 3 partner businesses** will have been incorporated into the Engelbert Strauss sustainability programme.



PRODUCTS

HIGHEST QUALITY STANDARDS

In addition to function and design, our understanding of product quality also includes aspects of safety and environmental sustainability. In our quest for continuous improvement, we are always looking for sustainable materials and technologies that will make our products and production more environmentally friendly.

LATEST TECHNOLOGY & RESEARCH FOR GREATER SUSTAINABILITY

Our garments must meet our high quality standards. In addition to product safety, we especially incorporate health and environmental requirements into product development. Since 2019, we have been conducting research and development in our Laser Lab & Dyeing House in the CI FACTORY, our production site located not far from our headquarters. The related developments – from new kinds of garment washes and laser systems through to innovative filter systems – enable us to save on water and chemicals.

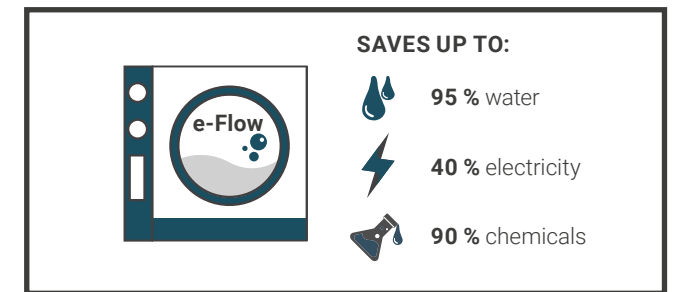
MORE SUSTAINABLE TEXTILE FINISHING IN THE LASER LAB

Our developers have access to the most advanced processing technologies on the market, including a high-end laser that opens up completely new textile-finishing possibilities. For example, we

can use this to imitate the pleated and faded effects otherwise achieved with denim washes. These generally require 18 to 24 different work steps, not to mention considerable amounts of water and chemicals. For the most part, these chemicals are harmful to the workers and the environment. To avoid this, we take a more environmentally responsible approach: our laser process enables a uniform look, consumes hardly any water, uses no chemicals and does not damage fibres, making it considerably more eco-friendly.

REDUCED WATER CONSUMPTION

Our laboratory is equipped with state-of-the-art washing machines. This offers great potential for conserving resources. Only around a quarter of the usual amount of water is needed for the dyeing process. By also using a filtration system, we are thus minimising resource consumption: water is first passed through sand, then ozone and finally membranes to remove chemicals such as dyes, detergents and bleach – like a small-scale water treatment plant. We completely reuse the treated water in the washing process for three months. This allowed us to reuse 76,000 litres of water in 2021.



A QUICK LOOK

Daniel Muus is part of the Prototyping team. He gives us an insight into his work in the Laser Lab & Dyeing House.



What do you like most about your work at Engelbert Strauss?

I get to experiment a great deal. And I face new challenges every day that help me to optimise processes and develop new techniques. This makes my job interesting and varied.

What role does sustainability play in your work?

We carry out various tests using sustainable materials, such as fibres, linen, hemp and even biodegradable polyester. We incorporate the materials into different products and investigate whether they give us the performance we are looking for. For example, I might compare whether recycled polyester works as well as conventional polyester in a knee pad. I've also been working with natural dyes recently. These are made from agricultural residues and

herbal waste and are fully traceable. They're an exciting product, even though they don't quite achieve the same colour intensity as chemical dyes. In addition to solutions for new products, I also look for alternatives that could make processing more environmentally friendly. For example, we are constantly examining which environmentally harmful chemicals we could replace with milder substances – during oxidation, for example, or fabric bleaching.

What are the biggest challenges in this regard?

When using natural or more sustainable substances in the individual production processes, you sometimes just don't get the same functionality as with chemical substances. After all, it's not enough for workwear to look good – first and foremost, it has to be functional. This is an additional requirement on us compared to textile manufacturers that don't cater to the workwear or occupational safety market. We can't compromise on the intended protective function in order to use more sustainable materials and processes. That's where we face particular challenges in respect of sustainability.



ENVIRONMENT

ENVIRONMENTAL AWARENESS IN ALL DIVISIONS

Step by step we promote new environmentally sustainable developments and ideas, from the careful selection of the raw materials to the product manufacturing process, through to logistics and the disposal of packaging materials.

RESOURCE PROTECTION - FOCUSED ON PACKAGING

Packaging plays an important role in the shipping of Engelbert Strauss products – it protects the product on its way from production to customers and facilitates smooth handling of logistics. However, large quantities of packaging materials are required for this. We are always looking for ways to reduce and improve our packaging. We took the following steps towards this in 2021:

CARDBOARD REDUCTION

Cardboard boxes are still our most frequently used packaging for shipping our products. Therefore, it is especially important to us that we achieve improvements in this area. In summer 2021, we switched from boxes made from 80 percent waste paper and 20 percent virgin fibre to alternatives produced entirely from waste paper. We have also optimised our processes in relation to box sizes. By introducing smaller boxes in spring 2021, we were able to reduce our cardboard usage by approx. 195 tonnes that very same year.

REDUCED PAPER CONSUMPTION WITH 'PAPER E-COM FIT' PACKAGING

For some months now, we have been piloting a machine that

scans items and dispenses a paper shipping bag of suitable size. This allows us to save on paper and avoid unnecessary packaging. The sides of the paper bags are sewn and not glued, to further protect the environment.

FILL MATERIAL AND FILM OPTIMISATION

By and large, we do not add fill material to our shipping parcels. Where this is absolutely essential, however, such as in the case of fragile items, we are increasingly turning to paper cushioning material produced from our own waste paper. We have also significantly cut back on the use of 'polybags' – thin film packaging designed to protect goods from dirt and moisture in transit. Hard-wearing garments, such as jeans and various trousers, are simply shipped with a paper sleeve instead of being wrapped in film.



This solar installation in Chattogram, Bangladesh, produces electricity for one of our production partners there. With an output of 16 MWp, enough power is generated to run several textile factories. Any surplus electricity is fed into the public grid.

CLIMATE PROTECTION

Climate change is a global concern and combating it is one of the world's biggest challenges. We are taking action in this regard and are working to prevent, reduce and offset carbon emissions wherever possible in order to counteract climate change.

HOW IS ENGELBERT STRAUSS COMMITTED TO CLIMATE PROTECTION?

PRODUCTION & OFFICE BUILDINGS

We're on the right track – but we still have a long way to go. In recent years, we've found more climate-friendly solutions for our office buildings and logistics operations in particular and have already been able to achieve a great deal. However, most of the energy consumption and emissions in relation to Engelbert Strauss workwear result from production – especially the production sites located in Asia. We have limited influence there, as these are not our own companies, but production partners. Nevertheless, we have set ourselves the challenge of gradually limiting the effects on the climate there, too, going forward. One of our largest production partners in Bangladesh has already taken steps in this regard: our products have been manufactured using primarily solar power at the Chattogram sites since 2021. And manufacturing at our own CI FACTORY in Germany is powered exclusively by electricity from renewables.

We procure 100% of electricity for all our business premises from renewable sources. This comes from the photovoltaic systems on the roofs of some of our own office buildings and workwearstores, as well as from hydropower since 2016. Economical and efficient energy usage is ensured by a number of means, including a geothermal field (700 kW heat output) at our company campus in Biebergemünd, Germany, and, nearby, a combined heat and power plant (240 kW output) and heat recovery in the ventilation systems at our new CI FACTORY. We are always looking for ways to further cut our electricity usage. In 2021, for example, we switched much of our office lighting to more energy-efficient LED bulbs. Other areas will also be gradually modernised over the coming years.

LOGISTICS

From production to the warehouse, we mainly transport our products by ship and rail, reducing carbon emissions and costs in the process. We cut down on air and truck transports wherever possible. However, we had to considerably increase the share of air freight in 2020 and 2021 on account of pandemic-related shortfalls and delays in the supply chain.

When shipping our products, we also look for ways to avoid carbon emissions and to offset those that are unavoidable. Our shipping providers who deliver the majority of our parcels to customers – and bring them back to us in the event of returns – are working on cutting these emissions. At the same time, we are continuously looking for ways to reduce the number of returns. Our shipping providers GLS, DPD and DHL calculate the carbon emissions caused by parcel transport and offset these by investing in certified climate protection projects.



CLIMATE PROTECTION PROJECTS

In order to offset our carbon emissions from parcel shipments, we indirectly support various projects worldwide through our shipping providers GLS, DPD and DHL. Our partner GLS, for example, invests in a solar project in India via the organisation ClimatePartner. In the Thar Desert near Jodhpur, a solar park covering 140 hectares of land is feeding zero-emission electricity into the Indian grid. This cuts down on the amount of electricity typically produced from fossil energy sources in India. The project has been verified by Gold Standard. All in all, the projects offset some 9,860 tonnes of CO₂ generated elsewhere in 2021.



SOCIETY

COMMITMENT LOCALLY AND WORLDWIDE

We want to make a useful contribution to society – even above and beyond our entrepreneurial activities. At our production locations in particular, we endeavour to make it easier for children to access education, whether by constructing school buildings or providing teaching materials. We also play our part in fostering and developing skills and talents locally. We have no set annual budget for this – instead, we are guided by our own discretion and personal convictions in determining the number of good causes to support.

STRAUSS SUPPORTS EDUCATION AND DEVELOPMENT PROJECTS

LAOS SUSTAINABLE SCHOOL PROJECT

In order to give children of workers and from the region access to a good school education, Engelbert Strauss supported the construction of a secondary school near its production site in Laos under a project initiated by Angels for Children (AfC). This non-for-profit organisation helps children in Laos to gain an education and organises the construction and maintenance of school facilities. For many years now, AfC has also run a primary school near a production site that manufactures workwear for us and employs

over 2,000 workers. Having been impressed by the exemplary management of the school and knowing that the former production manager also wished to see a secondary school built in the area, we decided to contribute to this project. This led to the construction of a new school building with a multi-purpose hall for sports, breaktimes and special events for some 450 students. Today, the school is among the country's top four in terms of final year examination results.



GERMANY INCLUSIVE CONCEPT

Engelbert Strauss supports the work of the antonius gemeinsam Mensch foundation not far from our headquarters in Hessen, Germany. This is based on an inclusive concept that enables people with a disability to lead a self-determined life, improves their chances of making a good start in life, boosts their prospects and helps them to participate in society. To this end, the antonius foundation develops innovative projects in all areas of life. These include living, working and leisure initiatives as well as early intervention and education programmes. We have maintained close ties with antonius for many years. Back in 2015, Engelbert Strauss donated over a million euros to fund the construction of a new school building to house the Antonius von Padua Schule in Fulda. Children with and without disabilities can learn together in this inclusive establishment. As of 2022, the school has welcomed a total of 120 children to date. Every year, the primary school takes in 15 children, of whom five have intellectual disabilities. After four years of primary education, the other 10 children in the class move on to secondary school. The children with a disability remain until 10th class (approximately 16 years of age), after which they attend the Startbahn school, where they are prepared for vocational training.

TALENT AND PARTICIPATION

We have also provided funding for the 'mittendrin' (fully integrated) building, where the focus is on talent development. The building serves as an adult day centre, where people with the most severe multiple disabilities are facilitated to participate in working life. The top floor houses six apartments for students and young people who have to travel long distances each day and need accommodation close to school or who want to move out of the family home in order to gain more independence. The apartments have been fully occupied ever since they were opened in August 2020. Unlike with special forms of housing, all-round care is not provided. However, the young people do receive additional on-site support in the afternoons, evenings and, if required, also at the weekend.

One apartment is rented to tenants of any kind, while the other five are reserved for Startbahn students and young people in vocational training. The apartments are currently occupied by six young women who receive assisted living care. There is also plenty of space for seminar rooms as well as family and school support. Many clients rely on the centre's transport service to ensure they can make it to the facility and participate fully. In a further effort to support individual mobility, antonius helps young people to acquire their driving licence and use the local public transport system.

"The 'mittendrin' building enables people with severe multiple disabilities to play their part in society and lead a self-determined life. We are delighted to be able to support this concept."
Steffen Strauss





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