

SUSTAINABILITY REPORT 2025



BayCity
Textilhandels GmbH

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MESSAGE FROM THE CEOS

At Bay City, we have strengthened our position in the fashion industry by combining quality products with a clear commitment to responsibility. In 2025, a major milestone on this journey was the completion of our first full CO₂ footprint calculation, including Scope 3 emissions. This achievement marks an important step toward greater transparency and provides a solid basis for defining measurable climate actions.

The following report presents the progress we have made, the insights we have gained, and the principles that guide our continuous efforts to advance sustainability across our company and value chain.

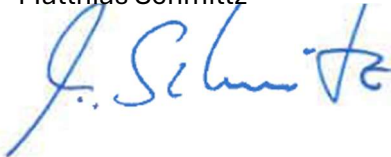
We extend our sincere appreciation to our partners, clients, and dedicated employees, who continue to navigate challenging times with us. Your trust and collaboration empower us to turn ambition into action and to drive meaningful change within our industry.

We wish you an insightful read.

Cornelia Schmidt

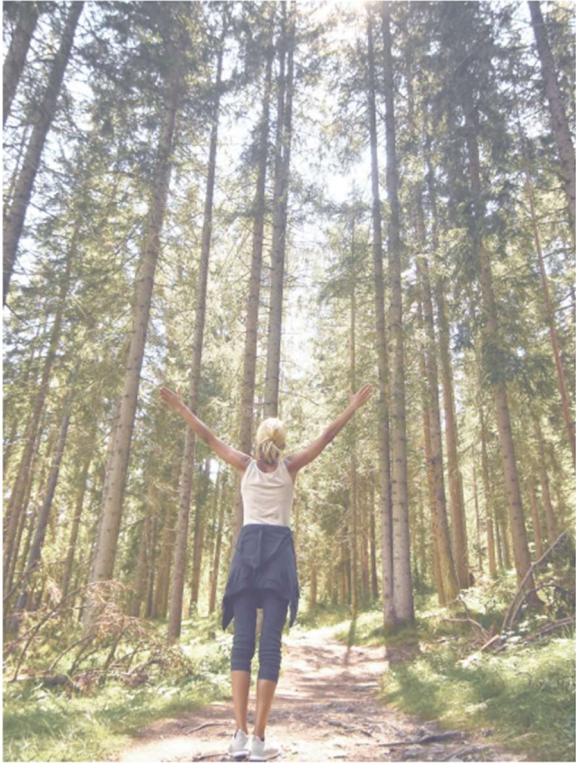


Matthias Schmittz



Chief Executive Officers

March 2026



1 COMPANY



SUSTAINABILITY FOR EVERYONE

Fashion is the core business for Bay City, a family-owned company founded in 1975. As a key player in the European textile industry, Bay City operates globally and oversees nearly every aspect of a modern and sustainable supply chain, including design, product development, purchasing, production, logistics, and services.

Bay City's success is built on two main pillars: its own brands and the private label segment. Each brand maintains its distinct identity while embracing a shared philosophy of responsible fashion, as our slogan says: "Sustainability for everyone."

The company upholds high standards by collaborating exclusively with audited production facilities and ensuring that materials meet the most stringent environmental requirements. By utilizing the latest digital technologies, Bay City stays ahead of trends, streamlines development processes, and delivers reliable service.

Since July 2021, Bay City has been using the EcoVadis platform, the largest global sustainability rating platform, to assess its business activities in the areas of environment, labour and human rights, ethics, and sustainable procurement. For the year 2025, Bay City was awarded the Silver Medal, placing it among the top 15% of companies evaluated by EcoVadis.



Bay City is an independent company under the umbrella of Schmidt Group, headquartered in Norderstedt in 2025. The group includes further companies across different sectors, such as:

- Textile: Fashioncenter GmbH, Chiemsee GmbH & Co. KG, Okamoto Sportswear GmbH, Global Apparel Ltd.
- IT: DV-SysTec Systementwicklungs GmbH

1.1 BRAND PORTFOLIO

Bay City offers a diverse range of brands that appeal to various customer groups, catering not only to established buyers but also to new audiences.



At Detto Fatto, we have established a new milestone! We have launched the first fashion brand worldwide to be 100% Cradle to Cradle Certified, with products achieving gold and silver levels. Each garment is designed with biodegradability in mind, including all materials such as fibres, sewing threads, labels, printing inks, and packaging. Detto Fatto is dedicated to creating fashion that does not compromise our future.



Polo Sylt reflects the elegance and international nature of polo. It combines classic British style with a modern outlook, honouring both tradition and contemporary trends. The brand's designs are influenced by global ideas and the distinctive character of Sylt, capturing a blend of Nordic charm and sophistication. Sustainability aspects are being incorporated at different levels according to product groups.



Navigator, founded in 1998, specializes in sailing-inspired sportswear and lifestyle fashion. The brand's designs are characterized by clear shapes and colours, emphasizing functional style suitable for both everyday wear and maritime experiences where social and environmental aspects are also considered.





Since 1976, Colorado Denim has drawn inspiration from the natural beauty of Colorado, including the Rocky Mountains and the Colorado River. The brand emphasizes sustainability through a timeless design approach. The focus is on essential, durable pieces like blue denim and white shirts.



OKLAHOMA

Jeans

Oklahoma Jeans focuses on authentic American jeanswear, offering various fits, for different body shapes. The brand aims for a precise fit achieved through a blend of cut and material. Sustainability is therefore achieved beyond material certificates, as a great fit jeans will be worn for longer.



Expand stands for workwear designed to meet your needs. Close collaboration between design and technical development ensures our collection is functional, durable, and meets social and environmental standards.



JETTE TM



In addition to our own brands, we develop and distribute licensed products from well-known brands such as Jette, Uncle Sam and Gardena.

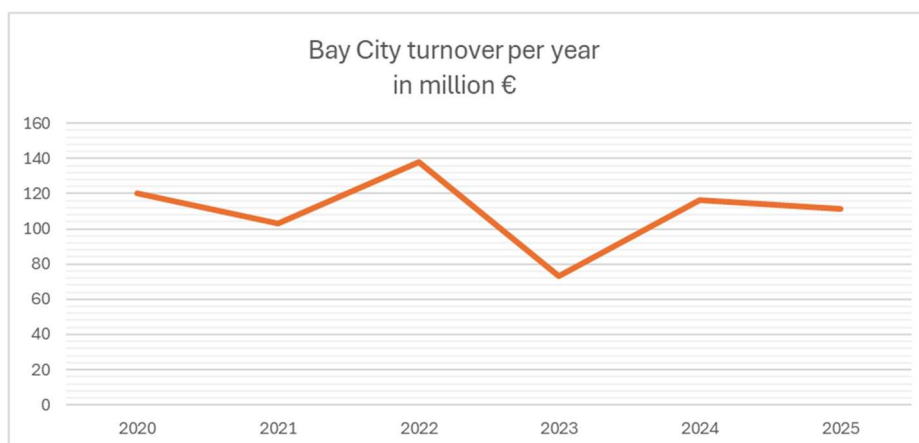
1.2 SALES MARKET AND TURNOVER

Our customers, primarily from European countries, include leading international discounters, brick-and-mortar fashion retailers, and mid-price segment stores.

As shown in the following chart, we are strengthening our focus on the private label business, which accounted for approximately over 95% of the value of our orders in 2025. Our business with licensed products and own brands declined significantly during 2025 and accounted for only a small share.

Segment share of total turnover	2021	2022	2023	2024	2025
Own Brands	5.23%	2.21%	4.36%	11.3%	4.5%
Licensed Products	0.84%	3.27%	8.15%	8.2%	0.5%
Private Label	94.77%	95.27%	88.33%	80.5%	95.5%

In 2025, the company achieved an annual turnover of approximately €111.5 million, demonstrating a welcome business stability following the challenges experienced in the fashion market in 2023. Over the past years, our average annual turnover has amounted to €110 million, underlining a resilient performance despite continued market volatility. The 2025 result reflects not only a return to stability but also the effectiveness of our strategic adaptations and our ongoing commitment to sustainable business practices.



1.3 CORPORATE GOVERNANCE

Bay City's responsible corporate governance encompasses the following social, environmental, and economic aspects that are detailed in the following chapters of this report:

- Fair business practices, such as employee-oriented HR policies,
- Protection of climate and the environment,
- Local engagement,
- Economical use of natural resources,
- Responsibility in the supply chain

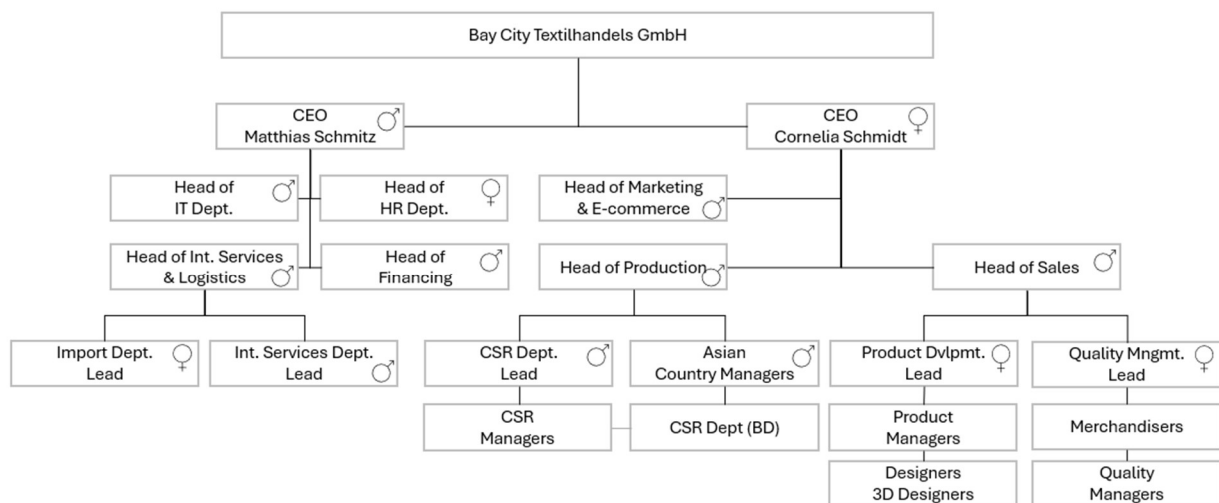
Instructions for relevant employees on implementing sustainable corporate governance are provided in the Responsible Purchase Policy and our Due Diligence Management Processes. As part of these processes and considering the inherent risks and challenges of our business, we

regularly conduct a risk analysis. This analysis includes assessing country, product, and material risks, with a particular focus on potential human rights violations within our value chain. The results serve as a crucial foundation for identifying necessary measures to ensure continuous improvement in our supply chains. The methodology and results are detailed and regularly updated in our Risk Report. The latest versions of our Declarations of Principles and the Risk Report are available on our corporate website under the sustainability section at <https://www.bay-city.de/en/sustainability>.

Data protection is a top priority in all our processes and operations. We regularly review and update our data protection practices and policies to ensure compliance with the latest requirements.

1.4 ORGANIZATIONAL STRUCTURE

Our organizational structure can be demonstrated in the simplified graphic below.



Based on our 2025 data, the following numbers also provide an overview of our employees:

- Total of 76 employees, with 61 female and 15 male employees.
- There are 8 women and 12 men in management positions.
- Employees from 12 different nationalities.
- The company has 54 full-time employees and 22 part-time employees.
- We had a support of 2 trainees during the year.
- There are 6 employees in parental leave during the year.
- Employees work an average of 6,5 years at the company.
- There are 16 employees who have been with the company for more than 10 years.
- The company hired 4 new employees and had 23 employees leave in 2025.

1.5 CORPORATE CULTURE

Bay City supports sustainable work and lifestyle choices for employees. Flexible working hours help staff balance personal needs, and in 2025, 24 colleagues joined our voluntary flu

vaccination. Nearly 20% use the HVV ProfiTicket to commute sustainably, and employees benefit from various leisure and travel discounts as well as discounted items from our sample sales.

At Bay City, we also understand the importance of adequate rest for physical health and energy. With this in mind, we offer a dedicated space at our headquarters, the Silence Room. The room provides a relaxing and safe space for employees to take short breaks during the day. Throughout the year, the employees are regularly reminded of the existence and availability of this room, encouraging its use whenever needed.

Bayvolution: our change project

By the end of 2024, Bay City embarked on its first-ever Change Project, inviting employees to voice their concerns and ideas. Recognizing the need for improvement in corporate culture, the initiative aimed to optimize processes, clarify responsibilities, and enhance regular, transparent communication. During times of crisis, it became evident that changes in behaviour at individual, team, and management levels were necessary. Slowly developed further during 2025, this became more than a project – it is our long-term plan for sustainable and future-proof change. After the forecasted relocation in 2026, we will involve all sister companies in the change process in order to tap into new potential together.

Internal Trainings

Integrating sustainability into daily processes is essential for all employees, supported by customer requirements and company targets. Our CSR team collaborates closely with all departments, offering training, guidance, and the new 2025 “Sshots” initiative—short sustainability trainings, including newsletters, and consultation hours.

In 2025, we held regular trainings for purchasing and development teams, reaching 32 direct participants and sharing content with additional colleagues. Every one to two months, our CSR newsletter reached around 170 employees, covering practical sustainability tips for work and home. Monthly consultation hours allowed us to address nearly 20 employee inquiries.

Our CSR team also attended 15 external events to stay updated on industry trends and legal developments. At our Norderstedt office, external experts support us in fire safety and occupational health, ensuring trained emergency responders on-site. Employees additionally receive training on data protection and other internal systems, with most staff having completed these sessions.

Women’s Empowerment



Bay City is committed to gender equality and transparency as a signatory of the UN Women’s Empowerment Principles. With nearly 80% women in our workforce, we submitted our updated

2025 WEP report, highlighting ongoing progress and areas for improvement. We foster open, discrimination-free dialogue on career development, pay, and parental leave, and provide secure channels for reporting misconduct. To date, no related complaints have been received, underscoring our dedication to a safe and fair workplace.

1.6 GRIEVANCE MECHANISM

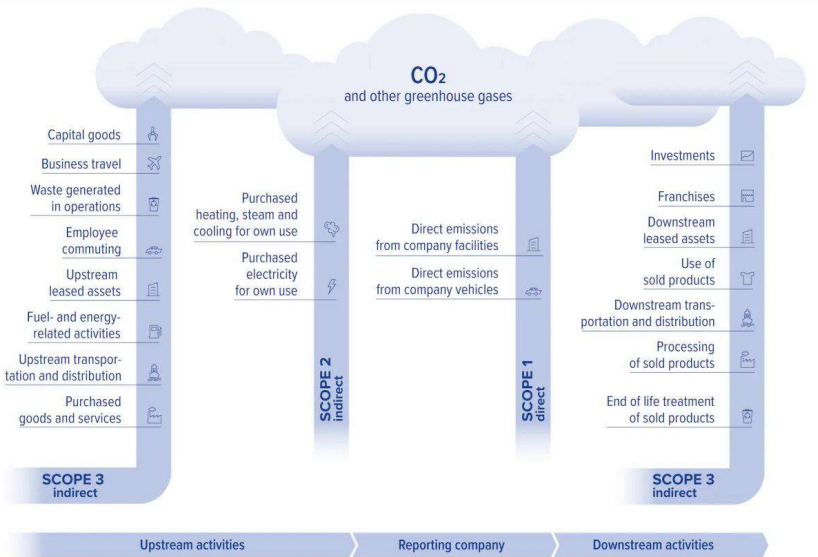
On a voluntary basis, Bay City has established an internal whistleblowing system. Since January 2023, we have been using the portal of the Atarax Group, an expert in strategic corporate security, for this purpose. The system addresses issues such as violations related to antitrust law, corruption, human rights abuses, discrimination, or bullying within the company. If Atarax receives a complaint, the designated representatives of Bay City will be informed to investigate the matter and, if necessary, take appropriate measures and make corrections. The whistleblower will receive feedback from Atarax, provided the report was not submitted anonymously. By the end of the year 2025, no complaints had been made through the portal.

The introduction of the whistleblower system does not affect the existing options for employees to confidentially approach department heads or directly contact management. Our idea-boxes, placed throughout the Schmidt Group office building, remain available for employees to submit grievances or suggestions, either anonymously or non-anonymously. In 2025 only two anonymous submissions have been made through these idea-boxes.

1.7 CLIMATE AND ENVIRONMENTAL PROTECTION

At Bay City, we are committed to protecting the environment and fulfilling our responsibility to create a sustainable future for both current and future generations. We actively pursue resource-conserving practices and invest in clean, sustainable solutions to ensure a better tomorrow.

Corporate Carbon Footprint

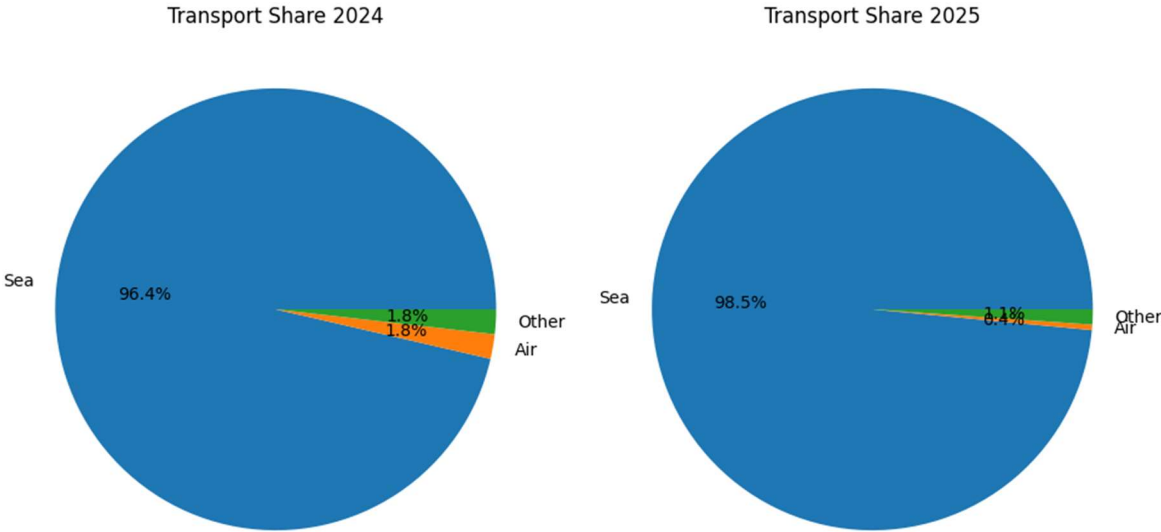


Source: Climate Partner

To understand the impact of our business on climate change and to meet our customers' demands, we have initiated efforts to calculate our corporate carbon footprint. To enhance our climate action and sustainability efforts, Bay City has been collaborating with the consulting firm Climate Partner since 2023. Through training provided by Climate Partner, we have gained a better understanding of the GHG Protocol and the best practices for calculating emissions. The graphic below provides an overview of the GHG Protocol scopes, emissions across the value chain, and the data we need to collect.

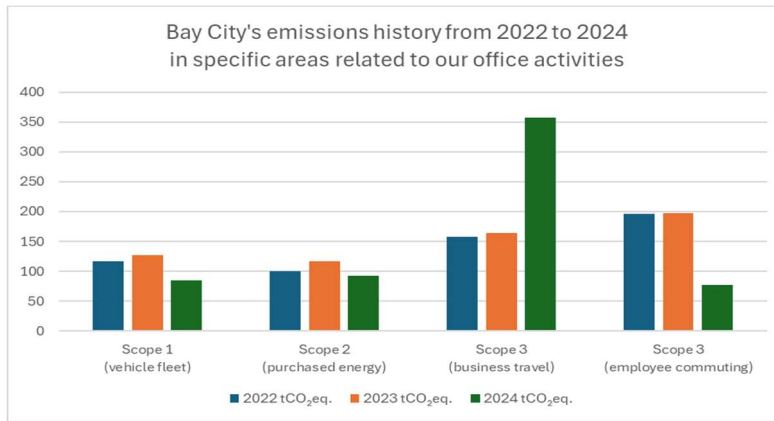
In 2025, we completed our first full assessment of Scope 1, 2, and 3 emissions, using 2024 as the base year. The total amounted to slightly more than 250,000 t CO₂. Unsurprisingly, we confirmed the high impact of CO₂-related emissions connected to our Scope 3, which accounted for over 99% of the total. Of this, 93% related to purchased goods and services, and next 5% to upstream transportation and distribution.

It is already worth mentioning that, in 2025, we had made significant progress in optimizing and improving the sustainability of our transport logistics. The share of air freight, which was 1.8% the previous year, was reduced to just 0.4%. However, the most significant progress was made in sea shipping. In 2024, sea freight accounted for 96.4% of our shipments, and we were able to increase this to 98.5% in 2025, strengthening your low-emission transport share.



We are making targeted investments in sustainable shipping technologies and focusing our transport strategy on environmentally friendly options to minimize CO₂ emissions. These measures help to reduce environmental impact while simultaneously increasing the efficiency of our logistics processes. In doing so, we are consistently pursuing our long-term strategy of reducing our impact and making our transport activities more sustainable and economical. These actions will be further reflected on 2025 carbon footprint calculations.

By exploring the direct impact of the most relevant areas of our office activities, we can make some comparisons between 2022 and 2024, as shown in the graphic below.



For Scope 1, the total figures are 148 t CO₂ in 2022, 185 t CO₂ in 2023, and 123 t CO₂ in 2024. The vehicle fleet accounted for 79% of Scope 1 emissions in 2022, and 69% in both 2023 and 2024.

For Scope 2, our purchased energy emissions were 100 t CO₂ in 2022, 117 t CO₂ in 2023, and 92 t CO₂ in 2024. These changes reflect modifications to our office premises.

In our Scope 3, business travel accounted for 158 t CO₂ in 2022, 164 t CO₂ in 2023, and 357 t CO₂ in 2024 in our Scope 3. This clearly indicates the need to develop a travel policy with a related CO₂ compensation strategy in the future. Employee commuting represented 196 t CO₂ in 2022, 197 t CO₂ in 2023 and 77 t CO₂ in 2024, which is directly related to a reduction in personnel.

Based on our results of the full scope for 2024, we are increasing our internal efforts to improve the quality and availability of our data. In collaboration with Climate Partner, we will explore opportunities to reduce emissions and aim to commit to SBTi targets by the end of 2026.

Groundwater Neutrality

To minimize our environmental footprint, we are committed to gradually offsetting our water consumption at our office to achieve groundwater neutrality. As mentioned in our previous report, our plan involved planting deciduous trees, each of which generates two hundred litres of drinking water per year. By 2021, we reached our goal by planting 1,611 trees in Forst Kloevensteen near Hamburg through our partner Klimapatenschaft. These trees not only provide a balanced water supply but also create habitats for various animal and plant species, contributing to biodiversity preservation. Additionally, they enhance ecosystem resilience, prevent soil erosion, and protect surrounding areas from wind and frost. As part of a new initiative, since 2023, we have been planting two trees for each employee's birthday as a sustainable alternative to given floral bouquets. By the end of 2025, a total of 2,343 trees had been planted, saving 468,400 liters of groundwater.



1.8 KEY INSIGHTS INTO OUR DIGITAL TRANSFORMATION

Our digital transformation focuses on transparency, traceability, and data-driven decision-making. This includes supplier lifecycle management and ESG compliance tracking - ensuring that digital innovation becomes a core part of our sustainability strategy.

Supplier Lifecycle Management

Since 2021, we have used a self-developed web-based system to manage all social and environmental compliance data throughout the entire supplier relationship. More than 2,500 suppliers have been integrated, including around 320 active direct suppliers managed jointly with the other textile companies from Schmidt Group.

Since 2022, key suppliers have received direct system access, enabling them to update their own information. Uploaded documents are verified by our on-site teams to ensure data accuracy. To reduce duplicate data entry caused by multiple buyer systems, we are exploring partnerships to enable automated data synchronisation.

ESG Data Management and Risk Identification

For Tier 1 suppliers, we collect both basic information and detailed risk-related data - such as building structures, fire safety equipment, and staffing. We also manage up to 29 legally required documents per factory, as well as certificates and third-party audit reports. Automated visualisation and task management functions ensure clear oversight and timely updates.

The system's modular setup allows us to digitalise various compliance processes. Since 2024, we have documented factory complaints, incidents (e.g., fires, demonstrations), and news alerts directly in the system, giving us real-time risk insights. We also use it to record training sessions, factory assessments, and on-site visits. Our liaison office in Asia applies an assessment rating to evaluate factory conditions and documentation.

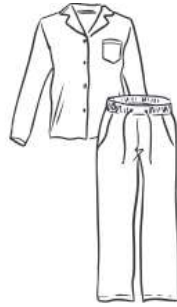
2 PRODUCTS

2.1 PRODUCT GROUPS

Bay City specializes in importing textile products, including both knitted and woven items. Jackets and vests, T-Shirts and polo shirts as well as pyjamas and underwear were the most frequently purchased items by total quantity of products in 2025. Other significant products and their quantities are detailed in the following graphic.



T-Shirts,
Polos & Tops
>4.000.000 pcs.
20% of total



Pyjama & Underwear
>5.000.000 pcs.
25% of total



Jackets & Vests
>4.000.000 pcs.
20% of total



Sweatpants & Leggings
>2.500.000 pcs.
12% of total



Jeans & Trousers
>1.000.000 pcs.
6% of total



Sweatshirts,
Fleece & Pullover
>900.000 pcs.
5% of total



Shorts
>800.000 pcs.
4% of total



Jumpsuits,
Dresses & Skirts
>500.000 pcs.
3% of total



Shirts & Blouses
>400.000 pcs.
2% of total



Swimwear
>400.000 pcs.
2% of total



Accessories
>200.000 pcs.
1% of total

2.2 MATERIALS

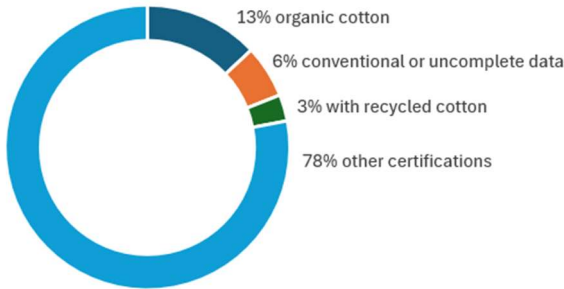
At Bay City we are constantly striving to increasingly align our offers to sustainable standards, specially to the main group of fibres we use in our products, cotton, polyester and viscose (manmade cellulosic fibres/MMCF).

Cotton

Bay City continues to pave its path towards more sustainable cotton alternatives by increasing its organic offering. This avoids the use of synthetic chemical pesticides and fertilisers, thereby protecting the environment and reducing health risks for the farmers who produce it.

In 2025, 65% of the products we ordered contained cotton fibres, almost 95% of which had further certifications beyond Standard 100 by Oeko-Tex. The organic cotton share of orders containing cotton fibres increased from 7% in 2023 to 12% in 2024 and 13% in 2025. We were also able to offer almost 400,000 items containing up to 20% recycled cotton, representing 3% of all orders containing cotton.

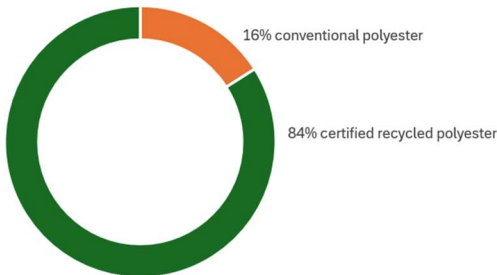
Certification breakdown of cotton-containing products



Polyester

Bay City has changed its focus to recycled polyester, which can be made from existing plastics such as PET bottles and ocean plastic. While different products require different materials, making it challenging to eliminate polyester entirely, we have chosen this alternative as a first step, as producing recycled polyester helps to reduce vast amounts of plastic waste. In 2025, 52% of the products we ordered contained polyester fibres, of which around 84% were recycled, showing a slight increase of 2% compared to 2024.

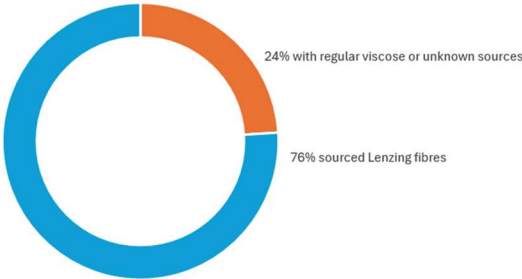
Certification breakdown of cotton-containing products



Viscose (MMCF – manmade cellulosic fibres)

As a preferred man-made cellulosic fibre, Bay City now uses Lenzing products wherever possible. These fibres are produced from certified renewable wood sources using sustainable manufacturing processes. For instance, Lenzing™ Ecovero™ has been awarded the EU Ecolabel in recognition of its high environmental standards. The proportion of our products containing viscose fibres increased to 11% in 2025 (up from 15% in 2023 and 6% in 2024). We successfully used Lenzing materials in 76% of our products containing viscose fibres, maintaining a similar level to last year (80%).

Breakdown of MMCF-containing products



2.3 PRODUCT CERTIFICATES AND PRODUCT STANDARDS

Given the diverse origins of our materials, we rely on third-party involvement to manage risks and support our sustainable sourcing goals. This paragraph offers a brief overview of the product certifications used by Bay City, highlighting the importance of each based on the number of sourced items in 2025.



OEKO-TEX® Standard 100 - With the OEKO-TEX® Standard 100 certification, our products are tested throughout the entire supply chain for certain chemicals and substances, ensuring they meet safety and regulatory requirements. This certification helps guarantee that the end product is safe for health, thereby protecting the consumer. In 2025, approximately 95% of our products were OEKO-TEX® Standard 100 certified. The remaining volume primarily falls under other certifications.



Cotton made in Africa - Cotton made in Africa remains one of the most commonly used certifications for our products. This internationally recognized standard ensures sustainable cotton sourcing from Africa. In 2025, nearly 53% of our total product orders were certified by Cotton made in Africa.



Fairtrade Cotton - The Fairtrade Cotton product label stands for fairly grown and traded raw cotton that is directly traceable through all production steps and is processed separately from non-Fairtrade cotton. The cotton in textiles bearing this label is 100% Fairtrade-certified. In 2025, only around 2,000 products received Fairtrade Cotton certification.



Better Cotton - Better Cotton is a non-profit, multistakeholder governance group that promotes improved standards in cotton farming and practices across 22 countries. We have sourced a unrepresentative share of better cotton certified products in 2025.



Global Organic Textile Standard (GOTS) - Since 2016, Bay City has been certified by the Global Organic Textile Standard (GOTS). This demanding organic cotton standard monitors social and environmental requirements throughout the entire supply chain, ensuring complete transparency. It guarantees environmentally and socially responsible textile production, aligning with our commitment to sustainable products. Our current range of GOTS-certified items includes various categories in knitted and woven organic cotton, such as T-shirts, sweatshirts, trousers, nightwear, and daywear, all labelled as 'Organic' or 'Made with organic material.' Approximately 1.2 million pieces sourced by Bay City were GOTS certified in 2025.



Organic Content Standard (OCS) - The Organic Content Standard (OCS) is a voluntary global standard that sets criteria for third-party certification of organic materials and chain of custody. Bay City has been OCS certified since 2019. We have not sourced OCS certified products in 2025 unfortunately.



Global Recycled Standard (GRS) - The Global Recycled Standard (GRS) label enables us to incorporate recycled fibres into our production chain and trace their origins. It also places significant emphasis on ecological requirements and social responsibility, both within the supply chain and within our own company. Bay City has been GRS certified since 2019 and has significantly expanded its sourcing of GRS-certified products. The number of certified items grew from over 1.8 million in 2021 to nearly 4.5 million in 2023. By 2024, this number more than doubled, reaching over 8 million pieces. Due to a difficult market, we have a reduction of GRS certification to 4.3 million pieces in 2025.



Recycled Claim Standard (RCS) - In 2021, Bay City also achieved certification under the Recycled Claim Standard (RCS), which tracks recycled raw materials throughout the supply chain and verifies the specified amount of recycled content in end products. Over the past three years, the number of RCS-certified products has more than tripled, rising from approximately 1.1 million in 2021 to about 3.4 million in 2024. In 2025 we reached 2.9 million pieces.



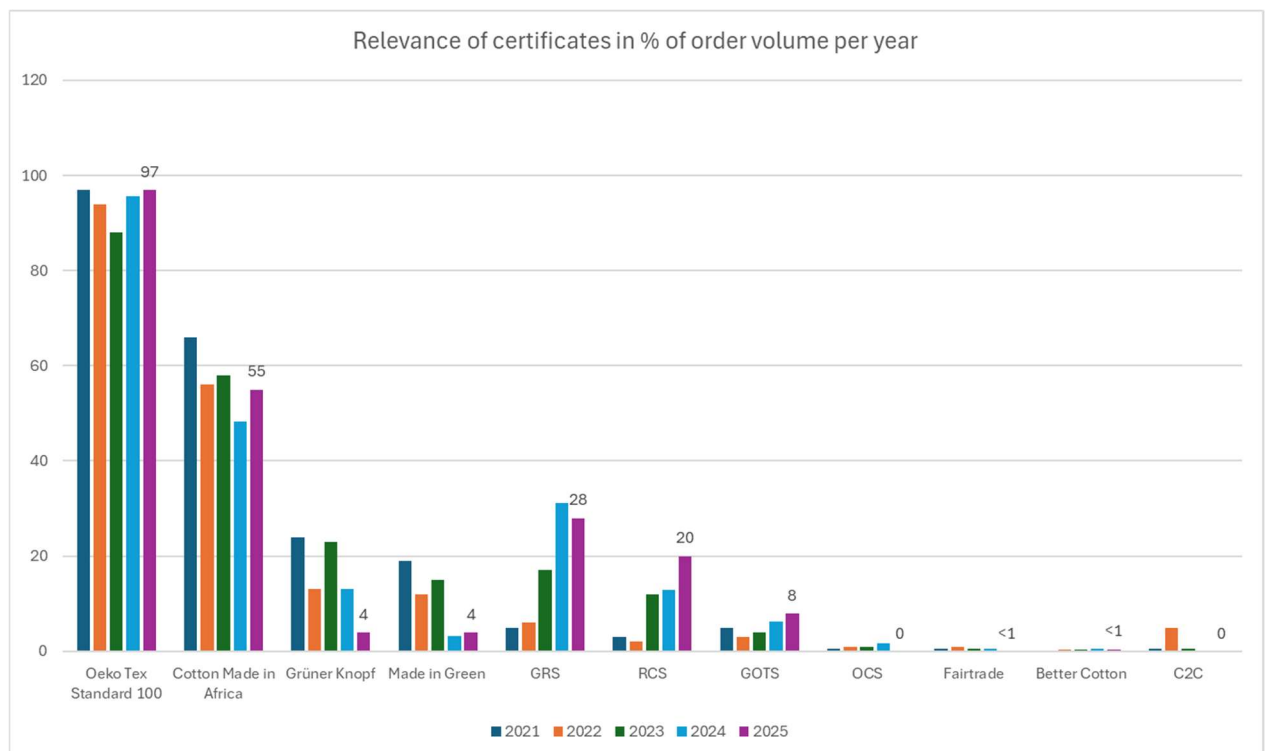
Cradle 2 Cradle Certified - We successfully launched the first comprehensive Cradle to Cradle (C2C) certified men's and women's collection under the Detto Fatto brand. The Gold and Silver certifications confirm that the products are designed for sustainability and can safely return to the environment or be reused in continuous cycles. Certified products have since gained significance in our portfolio: from 16,000 pieces in 2021 to a peak of nearly 1.1 million pieces ordered in 2022, including private label items. In 2023, we introduced another 18,000 certified pieces with the Detto Fatto Yoga Collection in collaboration with German actress Caro Cult. In 2024, we renewed our Bronze certification and continued offering C2C products to private label clients. In 2025, however, no certified items were produced.



Green Button - The Green Button is a governmental, consumer-friendly sustainable seal for textile products. It covers both social and environmental criteria. Bay City is successfully certified for the Green Button since 2020. In 2024 the company sourced more than 3 million Green Button products, for its own brands and private label business. As we continued the business requirements of our main private label without Green Button in 2025, our volume of certified products reached only about 900 thousand.



OEKO-TEX® MADE IN GREEN - The Made in Green standard combines two certifications: the Sustainable Textile and Leather Production (STeP) certification, which ensures that textiles are produced in environmentally friendly and socially responsible facilities, and the OEKO-TEX® Standard 100 certification, which guarantees that products have been tested for harmful substances. In 2024 we registered approximately 800,000 Made in Green products. In 2025 it was almost 600 thousand products.



In recent years, we have increasingly focused on material-related certifications, which play a key role in driving more sustainable product choices. Encouragingly, we were able to expand the share

of certifications such as GRS, RCS and GOTS across our portfolio. At the same time, some other certifications have declined in relevance. Overall, as a mainly private label business, these shifts reflect market movements in terms of the most commonly required standards demanded by our clients.

2.4 PACKAGING & LOGISTICS

We are committed to continuously improving the sustainability of our packaging in line with the principles of reduce, replace, reuse, and recycle. Packaging is only used where necessary to protect products. By introducing alternatives such as banderols and loop packaging, we have significantly reduced material consumption without compromising product integrity or identification. In the coming years, we aim to increase the share of recycled content in plastic packaging to up to 25%. Since 2020, we have been using packaging that is up to 100% recyclable according to the latest technologies and increasingly made from recycled materials.

Some transport and office waste is unavoidable. However, we handle resources responsibly by recycling valuable materials such as paper, wood, and plastic through established systems in Germany. We have fully switched to FSC-certified paper, ensuring fair and responsible treatment of people and nature. Our producers ship cartons made from up to 100% recycled materials, which are either reused for customer shipments or returned to the recycling loop. In our logistics operations, we also minimize empty space in import cartons to avoid unnecessary additional packaging.

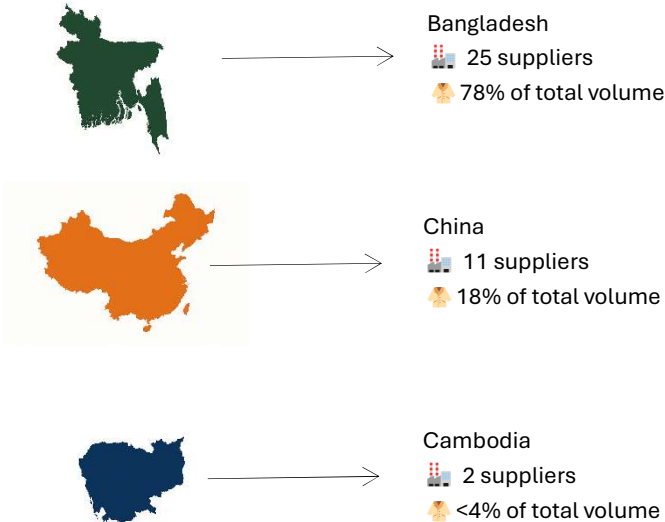
When calculating our Scope 3 emissions with logistics partners, we found that many are actively reducing their ecological footprint—efforts we support and benefit from. One key partner is DHL: since April 2022, Bay City has used the DHL GoGreen service for domestic shipments, which offsets transport-related carbon emissions. By August, we had sent nearly 90,000 GoGreen shipments, achieving more than 35 t CO₂eq. in carbon compensation—around 6 t CO₂eq. per month.



3 PROCUREMENT

3.1 PROCUREMENT MARKETS AND IMPORT VOLUMES

The textile value chain is intricate and gets more complex the further you investigate a product’s origin. At Bay City, we view this complexity as an opportunity to enhance our processes. We strive to limit the number of suppliers to keep our network manageable, enabling direct communication and a clearer understanding of the entire supply chain.



To ensure consistency, we prioritize standardizing our products and product groups. Despite the diversity of our portfolio, repeat orders and standardized qualities from a single source of origin are common practices in our business. In Bangladesh, as the most representative country of origin of our products, Bay City sources directly from factories via its sister company, Global Apparel Ltd. In China, we work with an exclusive agent who is also responsible for sourcing in Cambodia, for instance. This facilitates not only the procurement process but also our diligent follow up directly with the factories. In further countries, representing less than 1% of our total purchased volumes, we collaborate with wholesalers.

Supply Chain Transparency

Transparency is crucial in our global business operations. This encompasses not only our direct business partners (Tier 1) but also those further upstream in the supply chain (Tier 2 and Tier 3). We have significantly improved our supply chain transparency, increasing the information from Tier 2 and 3 suppliers from around 33% in 2020 to over 80% in 2024. This includes details such as supplier names, addresses, contact information and necessary certifications. In 2025 we managed to follow up 98% for our total purchased quantity.

We are committed to continually enhancing our transparency, supported by our long-term relationships with local partners. Many of these relationships have lasted over a decade and, in average four years.

3.2 INITIATIVES FOR SUSTAINABLE PROCUREMENT

Our order placements are based on a comprehensive document outlining relevant purchasing conditions, referred to as our General Terms and Conditions (GTCs). In addition to order processing and production requirements, it includes specific details on shipping, as well as the Code of Conduct, quality, and compliance standards. Our GTCs are regularly updated to comply with civil law requirements and to promote socio-ecologically responsible working conditions.

Enhancing production conditions in our sourcing countries requires collaborative efforts. By partnering with competitors, we promote the adoption of social and environmental standards, contributing to sustainable development within the industry. We actively engage in congresses and other stakeholder events to stay informed about the latest advancements and exchange insights. This chapter outlines the main initiatives we are pursuing, along with the latest updates.

International Accord

Updates on the Bangladesh Safety Program:

In 2023, as part of Schmidt Group, Bay City decided to renew its commitment to safe working conditions in Bangladesh by signing the Bangladesh Agreement on Health and Safety in the Textile and Garment Industry (the ‘Bangladesh Safety Program’) as an addendum to the International Accord. The Bangladesh Safety Program is a legally binding agreement between garment brands and trade unions to ensure worker health and safety in the Bangladeshi textile and garment industry. The Ready-Made Garments Sustainability Council (RSC), established in June 2020, will continue to oversee activities such as inspections, remediation follow-ups, training initiatives, and the safety complaints mechanism.

The RSC has effectively supported our Tier 1 factories in Bangladesh in implementing the required safety standards. However, when identified issues are not addressed within the specified timeline provided by the RSC, the factory receives a warning letter requiring immediate action, and the matter is escalated to so called Stage 1. Once the issues are rectified, the case is de-escalated. If the factory does not cooperate or if the remediation is deemed inadequate, the case may be escalated again to Stage 2. Further escalation to Stage 3 will result in the termination of the business relationship.

In 2025, 5 factories were escalated to Stage 1. As per protocol, we have been following up the cases with the factories, working on having the closure solution as soon as possible. In 2025 none of our factories reached stage 2 or 3.

Regarding the safety complaints mechanism, we have observed a significant increase in the number of complaints over the past years, reflecting growing acceptance of the mechanism by factory workers. In factories producing goods for Bay City, the number of complaints rose from 6 in 2021 to 45 in 2023 to 60 in 2024. In 2025, we recorded a total of 89 cases, reaching us through the Accord/RSC. Of these 89 cases, 75 were related to remuneration issues, such as missing or delayed payments in the event of layoffs, 4 were related to termination, and 10 were related to Occupational Safety and Health – OSH -. Following our record, teamwork and suppliers’ collaboration, we managed to resolve 64 cases of remuneration, and 10 related to Occupational Safety and Health by November 2025.



We are actively engaging with all parties involved to address and resolve issues related to remuneration, termination, working hours, and abuse, with the goal of finding suitable solutions that benefit both management and workers.

Updates on the Pakistan Accord:

Similar to last year, our order volume in Pakistan remained relatively low in 2025, accounting for less than 1% of our total turnover. One of our factories is currently undergoing inspection, with the results expected by 2025. We are copied on all email communications between the Accord office and the factory, ensuring that we remain informed about progress and any grievances raised through the Accord Mechanism, which is also applicable in Pakistan. So far, in our factories no complaints have been registered through the Pakistan Accord.

Amfori BSCI



As a member of the amfori BSCI industry initiative since 2010, we adhere to the code of conduct established to uphold our responsibility for human rights due diligence. In 2024, over 98% of the products sourced by Bay City were manufactured in factories that were actively monitored by amfori BSCI. The remaining products were sourced from countries like Germany, where amfori BSCI audits are not a requirement for us.

There are five overall ratings for a factory, ranging from 'A' (the best result) to 'E' (the worst). Bay City only establishes business relationships with factories that have a minimum rating of C. Detailed information about the monitoring can be found on the amfori BSCI website. In 2025, the amfori BSCI ratings for our factories in our primary sourcing countries, Bangladesh, China, and Cambodia, were as follows:

Bangladesh: most of our factories in Bangladesh have been rated B. The main areas for improvement were Occupational Health and Safety, Fair Remuneration, and Decent Working Hours.

Overall Rating	Number of factories in Bangladesh
A	4
B	19
C	2

China: Eight of our eleven factories in China received a C rating, and two received a B rating. The remaining factory, which holds SA 8000 certification, was not monitored by amfori BSCI, as the SA 8000 certification is considered equivalent to an A rating under amfori BSCI policy. The audit reports reveal that excessive working hours, which exceed legally allowed limits, are the primary reason for the moderate overall rating.

Overall Rating	Number of factories in China
A	1
B	2
C	8

Cambodia: Being the results a B in BSCI at one of our business partners, and Better Work in the other, shows an overall good factory management behaviour in regard to social and working conditions aspects.

Overall Rating	Number of factories in Cambodia
A	0
B	1
C	0
Better Work	1

We actively monitor the findings and corrective action plans to drive improvements in factory conditions. Amfori BSCI is enhancing its website with various features to support members in maintaining transparent supply chains. Among these, Bay City uses the ‘Continuous Improvement’ feature to track how factories are addressing audit findings.

Recognizing that giving workers a voice is crucial for improving working conditions, we support the implementation of a global grievance mechanism for factory workers. Following a successful launch in Vietnam, the amfori ‘Speak for Change’ program was effectively rolled out in Bangladesh, our primary sourcing country, in 2023. We view this program as a strong alternative to the International Accord Grievance mechanism and will monitor all grievances submitted through this channel, offering assistance in resolving them whenever possible. The ‘Speak for Change’ program has not yet been implemented in China, or Pakistan. However, amfori BSCI is actively working on expanding the program to additional countries. In 2025 we close the opened case we received from a factory in Bangladesh through Speak for Change from amfori. The entire experience was a proof that collaboration between peers in the industry can be great support for solving similar challenges in our business unit.

Better Work

As part of a customer initiative, we have been a participant in Better Work since May 2022. The approach of Better Work is to improve the policies, attitudes, and behaviours of production sites through evaluations, training, advocacy, and research. Unlike amfori BSCI, Better Work does not have a grading system. Instead, there are cycles that last one year, during which factories must implement appropriate measures to address the findings of the inspections.

Green Button

The Green Button certification requires functioning management processes in the area of CSR and has helped us critically assess and further develop our processes. The regular audits conducted by Green Button provide us with a clear understanding of our current standing and enable us to take timely action. The requirements for the Green Button certification cover topics that go beyond the obligations of the German Supply Chain Due Diligence Act. Due to our company size, we are not subject to the requirements of this law. However, we are well-prepared for the future, as many of our customers fall under the German Supply Chain Due Diligence Act and demand corresponding transparency and reporting from us, as well as compliance with the upcoming Corporate Sustainability Reporting Directive from the European Union.

In 2025, the Green Button re-audit was conducted, and the certification process was successfully completed.

Living Wage

During third-party social audits, such as those conducted by amfori BSCI, the living wage for factory workers is assessed. We are aware of the discrepancies between the paid wage and the living wage and are taking necessary actions to address them. Given the current global economic situation, convincing our partners to increase wages is challenging. In addition to the financial burden, other factors must be considered. For instance, Bay City does not own its factories, and the price pressure from consumers and clients makes it difficult to implement a living wage strategy. However, we are exploring alternatives to support workers in covering their daily expenses.

One of the alternatives we have started exploring is the ACT initiative in a partnership with one of our clients and our suppliers in Cambodia. Although right now the outcome is uncertain; we are studying this option as a way to pursue the living wage initiative.

Even though, the living wage is a tough process to achieve, which can slip through our efforts; prior to selecting a business partner, we guide ourselves through amfori BSCI classification, choosing only the suppliers that have C as the minimum overall result (Section 5.2.2). Alternative actions are present in our suppliers. For example, our suppliers located in China provide allowance for lunch daily to all workers in the factories. In Bangladesh, the salary structure and benefits as per labour law are broken-down as following:

Monthly gross salary breakdown:

- Basic salary as per employee's grade
- House Rent allowance of 50% of basic salary
- Medical allowance (fixed) at 750 Taka (6.14 USD)
- Conveyance Allowance (fixed) at 450 Taka (3.69 USD)
- Food Allowance (fixed) at 1250 Taka (10.24 USD)
- Employees receive 2 festival bonus each year: 50-100% of basic salary per occasion.
- Earn Leave encashment: Calculated based on the previous year's attendance record.
1 day of gross salary for every 18 days of attendance.

Additionally, almost all factories have a practice beyond the law that is the attendance bonus. Only workers are getting 500-1000 Taka per month depending on their designation, if they main full attendance without any delay.

Our Monitoring Systems

As part of the fulfilment of our human due diligence obligations, we have established an internal system for assessing compliance with social and environmental requirements. New factories are verified by a one-day factory evaluation. Based on the results, a corrective action plan is drawn up, the implementation of which is continuously monitored by our team in the Asian offices.

We always look at improvements as an essential part of our approach. Our CSR team conducts regular visits to factories to verify compliance with social and environmental standards, both for announced and unannounced inspections. External accredited auditors also contribute to the identification of potential risks and areas of improvement.

To support this process, we use more modern software solutions. For example, we use GoBlue's Bhive app to monitor compliance with our strict chemical regulations. All relevant compliance

data is captured in our own production planning software, which allows us to make a real-time assessment of factory performance.

Our comprehensive quality management system includes not only the final inspection in accordance with international standards but also increased monitoring of the production steps along the entire supply chain. Through the "Visual Inspection Checklist Onsite" (VICO), our quality controllers collect information on compliance with social standards directly on site.

In 2025, 142 VICOs were exported. In addition, our CSR team, together with representatives from our exclusive partners, conducted 24 factory visits in Bangladesh and 8 factory visits in China to conduct assessments, investigations and other CSR-related support activities.

4 CHARITABLE GIVING

Donation Campaign

After the great success of the charity campaign at the end of 2024, which collected more than 600 items, we have decided to continue this initiative in 2025. Our employees and sister companies were asked to clean out their wardrobes and donate unused but still wearable clothing to charity.

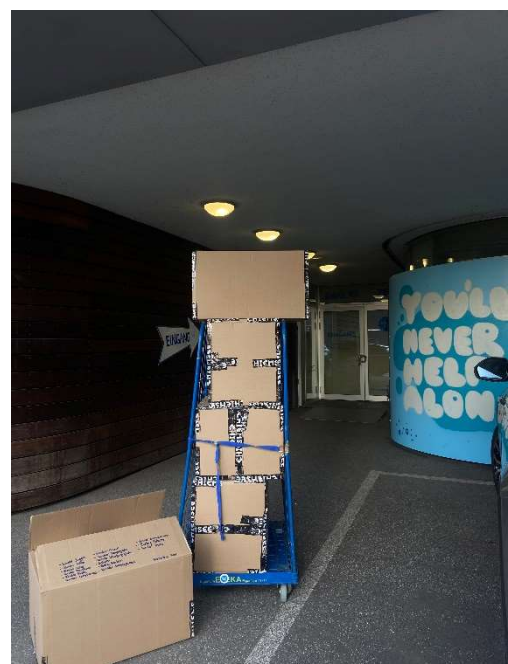
The donations collected – including clothing, shoes, backpacks, sleeping mats and bags, fleece blankets, as well as warm underwear and socks and some toys – were handed over to the non-profit organizations Hanseatic Help and SOS-Kinderdorf in Hamburg in February 2026.

Since 2015, Hanseatic Help has been committed to providing people in need with essential goods. SOS-Kinderdorf, founded in 1949, supports children and families in crisis situations worldwide, offering stable, caring environments and helping them build secure futures.

In addition to directly supporting people in need, the donated items help reduce waste and promote the circular economy by being reused instead of disposed of. The organizations received the donations with great gratitude, and the items are now finding a new home with individuals who urgently need them.

A heartfelt thank you goes to all employees who supported this campaign with great dedication and donated a total of 536 textile items, as garments, shoes and home textiles. Few donated toys were also delivered to Stillbruch to get a next chance.

We would like to thank all employees for their contributions and sustainable commitment, which will have a positive impact on many people.



The One Hour Shirt

With the 1-hour shirt, we wanted to draw attention to fair working conditions in the textile industry together with Detto Fatto and Fashion Revolution Germany and support social projects in Bangladesh. The idea: The price of the shirt was based on the hourly wage of the buyer. The project is now complete. A total of 431 people bought a 1-hour shirt, and their donations were further shared by Fashion Revolution in Bangladesh. Although the response was less than hoped, we see the project as a valuable experience. It has shown us how challenging it is to create awareness of social issues in the long term – yet we remain convinced that every commitment counts.



OUTLOOK

The year 2025 presented our company with significant challenges. Rapid market changes, shifting customer expectations, and several important decisions shaped a period of transition. Despite this, we adapted effectively and maintained our course through a dynamic environment.

At the same time, we achieved important progress. Sustainability continued to guide our operational decisions, and we advanced initiatives aimed at improving resource efficiency, optimizing processes, and integrating innovative, sustainable technologies. A key milestone was the inclusion of Scope 3 emissions in our carbon footprint for the first time, giving us a more comprehensive basis for future reduction measures and long-term planning.

Looking ahead to 2026, the move into our new, modern facility marks an important step in our development. This investment supports both our growth and our long-term sustainability ambitions. The new site will strengthen collaboration, improve our processes, and create a work environment aligned with our values of transparency and partnership.

We remain focused on further integrating sustainability into our operations and continuing to evolve as a responsible, forward-thinking company.

We extend our sincere thanks to all employees and partners for their continued commitment and contributions to our shared success.



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