

SUSTAINABILITY REPORT

2021-23



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1 MESSAGE

FROM THE CEO

The future is not negotiable. Since our last sustainability report was published three years ago, we have faced obstacles and challenges that no one could have predicted. The pandemic and global conflicts have disrupted supply chains and transport routes, presenting challenges at a time when human rights and climate protection are more crucial than ever.

Despite these challenges, with the support of our teams and the collaboration with external partners and service providers, we have continued to make progress in embedding sustainability more deeply into our processes and products.

In this report, we want to give you an overview of the activities that BAY CITY is continuing under the prevailing crises.

I look back with pride on what we have achieved and extend my gratitude to all employees whose dedication and motivation have propelled us further on our journey toward sustainable business.

A handwritten signature in blue ink, appearing to read 'Jan Schmidt'.

JAN SCHMIDT
CHIEF EXECUTIVE OFFICER

MARCH 30, 2024

2 COMPANY

2.1 PROFILE

2.1.1 BAY CITY - SUSTAINABILITY FOR EVERYONE



SUSTAINABILITY FOR EVERYONE

Fashion is the core business for Bay City, a family-owned business 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 companies and ensuring that materials can even meet the most stringent environmental requirements. By utilizing digital technologies, Bay City remains 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. Bay City has been awarded the Silver Medal, placing it among the top 15% of companies evaluated by EcoVadis.



Bay City is part of the **Schmidt Group, headquartered in Norderstedt**. The group includes further companies across various sectors:

- **Textile:** Kappa Deutschland GmbH, Chiemsee GmbH & Co. KG, Okamoto Sportswear GmbH, Global Apparel Ltd.
- **Logistics:** TSL Textil-Service & Logistik GmbH
- **IT:** DV-SysTec Systementwicklungs GmbH, TiBaTec Consulting GmbH



2.1.2 BRAND PORTFOLIO

With a diverse range of brands targeting different customer groups, Bay City not only caters to established buyers but also reaches new audiences, particularly through combining sustainability with competitive prices, faithful to its slogan 'sustainability for everyone'.



At DETTO FATTO, we established a new milestone! We have launched the first fashion brand worldwide 100% Cradle to Cradle Certified, with products reaching gold and silver levels. Each garment is designed with biodegradability in mind, including all materials such as fibres, sewing thread, labels, printing inks, and packaging. Detto Fatto is dedicated to creating fashion which 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 in 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 focuses on authentic American jeanswear, offering various fits including skinny, straight, bootcut, and slim. The brand aims to a precise fit achieved through a blend of cut and material. Sustainability is thus provided beyond material certificates, as a great fit jeans will be worn for longer.



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



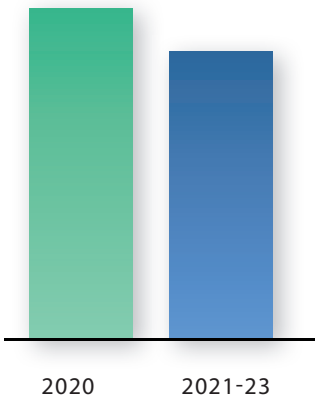
In addition to our own brands, we develop and distribute **licensed products** from well-known brands such as Emoji, Gardena, Jette, Jette Sport, and Uncle Sam.



2.1.3 SALES MARKET AND TURNOVER

Our customers, primarily from European countries, include leading international discounters, brick-and-mortar fashion retailers, and mid-price segment stores. In the expanding online sector, we have shop-in-shop solutions in the B2B market and have grown our B2C presence with our own brand shops.

Due to unpredictable political and economic challenges, Bay City's turnover has slightly decreased. From a total turnover of €120,000,000 in 2020, the average annual turnover for the period covered by this sustainability report was **€104,600,000** (2021 to 2023).



As shown in the table below, our licensed product business has grown over the past three years, representing 8.15% of the total turnover in 2023. As in previous years, the private label segment remains our most significant business area.

| SEGMENT SHARE OF TOTAL TURNOVER | 2021 | 2022 | 2023 |
|---------------------------------|--------|--------|--------|
| Own Brands | 5.23% | 2.21% | 4.36% |
| Licensed Products | 0.84% | 3.27% | 8.15% |
| Private Label | 94.77% | 95.27% | 88.33% |

2.2 CORPORATE GOVERNANCE AND DIGITAL TRANSFORMATION

Bay City's responsible corporate governance encompasses 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 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 **Buying Policy** and our **Due Diligence Management Processes**. As part of those processes and in light of 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>.

Further, in an era of increasing digitization of business processes, responsible corporate governance is crucial. Driven both by our own initiative and the requirements of Bay City's customers, the company decided early on integrating new **digital solutions** across all business areas. Our own software solutions as well as third-party software is employed to leverage the growing volume of data.

The entire process, from the development of a collection to the delivery of goods, is seamlessly captured within our production planning system. Digital workflows provide transparency, allowing us to adapt to changing situations promptly. Orders, delivery dates, and relevant documents can be efficiently and directly communicated throughout the departments and outside our company. Our system is cloud based, allowing real-time access from everywhere. Integration with other systems further enhances usability and enables comprehensive process control. Due to evolving requirements and technological advancements, we have continuously developed our production planning software from 2021 to 2023, implementing features such as:

- Introduction and usage of the **Supplier Lifecycle Management** module: Developed to meet our specific needs, this module allows us to track and monitor all relevant supplier data. It enables the company's CSR (Corporate Social Responsibility) team to gain a clearer overview of suppliers' compliance with social and environmental standards. The data is provided by our sister company, Global Apparel Ltd. in Bangladesh, and our main buying office in China. In 2022, we began granting access to the system to our most strategically important suppliers in Bangladesh. This allows factories to keep all relevant data up to date and benefit from the system's features in managing their data.
- Our latest developed module, the **Product Lifecycle Management** system, was rolled out on a testing basis in 2023. This cloud-based module, integrated into the production planning system, enables efficient management of product data across the entire product lifecycle, including all ingredients, attributes, and production steps. It ensures that all users have access to the most up-to-date information, fostering collaboration, transparency, and maintaining a comprehensive and unified database.
- The Quality Department is adapting to digital workflows to enhance efficiency and leverage automation. Since 2022, we have been using **Quonda**, a mobile app that offers transparent and streamlined quality management processes. Our on-site quality staff can directly input findings at the factory level, with the data automatically synchronized with our system.

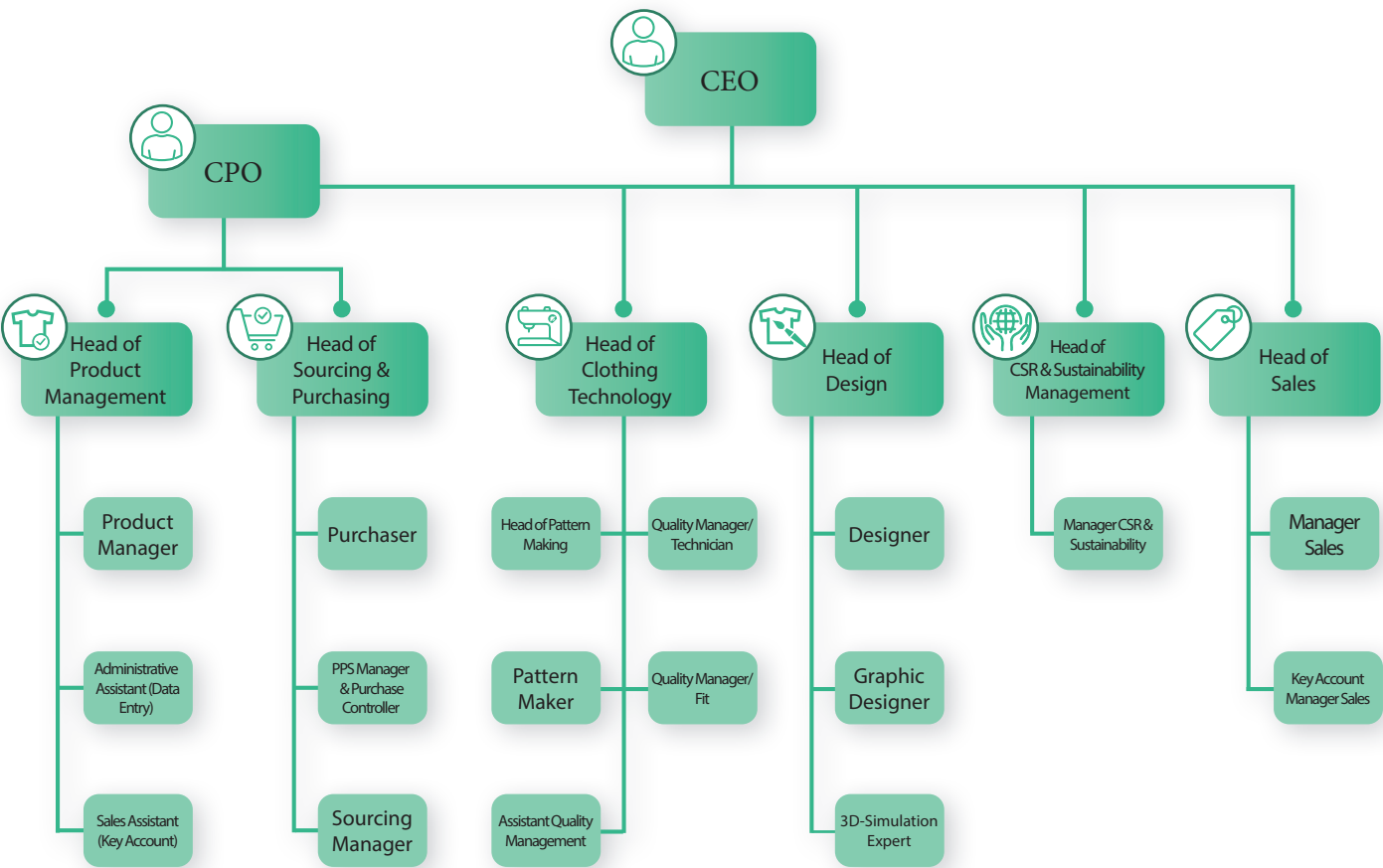
Data protection is a top priority in all our digital processes and operations. We regularly review and update our **data protection practices and policies** to ensure compliance with the latest requirements.




2.3 EMPLOYEES


2.3.1 ORGANIZATIONAL STRUCTURE AND STATISTICS

Outlined below is the organizational structure of Bay City, which has remained unchanged over the past three years.




Based on our 2023 data, the following numbers provide a brief overview of our employees:


 Total of 131 employees, with 101 female and 30 male employees.


 There are 8 women in management positions.

 Employees from 17 different nationalities.

 The company has 91 full-time employees and 40 part-time employees.

 There are 10 employees currently on parental leave.

 Employees work an average of 4 years at the company.

 There are 10 employees who have been with the company for 10 years or more.

 The company hired 35 new employees and had 50 employees leave.

2.3.2 OUR SUSTAINABLE CORPORATE CULTURE

At Bay City, we are committed to making both the professional and personal lives of our employees more sustainable. Our **flexible working hours** system allows employees to adjust their schedules around core working hours to better suit their personal needs. We promote sustainable commuting by offering the **HVV (Hamburg public transport association)** ProfiTicket, which is currently used by nearly 25% of our staff. We are continuously exploring additional ways to support eco-friendly travel. Employees also benefit from various discounts on leisure, sports, and travel activities. Our regular sample sales offer **discounts to employees** and help prevent the disposal of unsellable goods.

Given the broad range of sustainability topics and innovations, we aim to keep our employees well-informed. Our **monthly newsletter** covers relevant sustainability updates, and initiatives like the city cleanup event ‘**Stadtputz**’ and our **Sustainability Week**, introduced in 2022, encourage employees to engage with and learn more about sustainability.

2.3.2.1 SUSTAINABILITY WEEK

Ten years ago, the German Council for Sustainable Development launched the Sustainability Action Days on the occasion of the United Nations Conference on Sustainable Development (Rio+20). Over the past decade, this initiative has inspired many people to participate in more than 17,000 actions, making a statement for a more sustainable world. We want to contribute to this effort as well, which is why we introduced a Sustainability Week in our company. In both 2022 and 2023, during a dedicated week, presentations and workshops on sustainable topics such as circular fashion, urban gardening, and women empowerment were held. Through activities like a clothing swap party, and sustainable grilling, employees were engaged in sustainable development practices.

2.3.2.2 INTERNAL TRAININGS

Understanding the importance of integrating sustainability into the company’s core processes is crucial for all employees. Customer specifications and the company’s own targets are key factors in this process. Our CSR team collaborates with all departments, providing support through training and assistance with process definitions. Two trainings, the Basic **CSR training** and the Compliance Certificates training are provided for each employee. From 2021 to 2023, nearly all employees participated in both trainings at least once, with only few exceptions. Due to ongoing changes in CSR and certification requirements, we aim for every employee to participate regularly in each training.

Furthermore, at our Norderstedt office, we benefit from professional advice, support, and training from external specialists in fire protection and occupational safety. Additionally, we ensure that a portion of our workforce is trained as **first aiders**. At the shared office space with the sister company Chiemsee GmbH, there are 7 fire protection assistants, 8 first aiders and 13 evacuation helpers.

Employee training is further supported by various user trainings and instructions on **data protection**. Most of our employees have participated in such trainings over the past three years.

2.3.2.3 WOMEN’S EMPOWERMENT

The Women’s Empowerment Principles (WEPs) consist of seven principles designed to support companies in promoting gender equality in the workplace, in the market, and within our corporate environment. The WEPs were established by the United Nations Women and the United Nations Global Compact and are based on international labour and human rights standards.



By the end of 2023, **nearly 80% of Bay City employees are women**. With 8 women in management roles, we live this commitment to gender-equal leadership and actively promote these principles internally. Additionally, we assist our sister company, Global Apparel Ltd., in highlighting WEPs throughout our supply chain. In 2022, our office and two strategically important suppliers were trained by the CSR Centre in Dhaka over 9 months on the topic of Women's Empowerment. The project aimed to create a basic understanding of equality and the positive impacts that can be achieved through the targeted empowerment of women. Topics such as workplace harassment, its consequences, and how to handle it were also discussed. Action plans were developed for both factories to continue strengthening women in the workplace beyond the project's end. We received positive feedback from the factories and plan to conduct similar projects in other factories as well.



Training with the workers in one of our factories in Bangladesh (source: Global Apparel Ltd.)

2.3.3 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 2023, no complaints had been made through the portal.

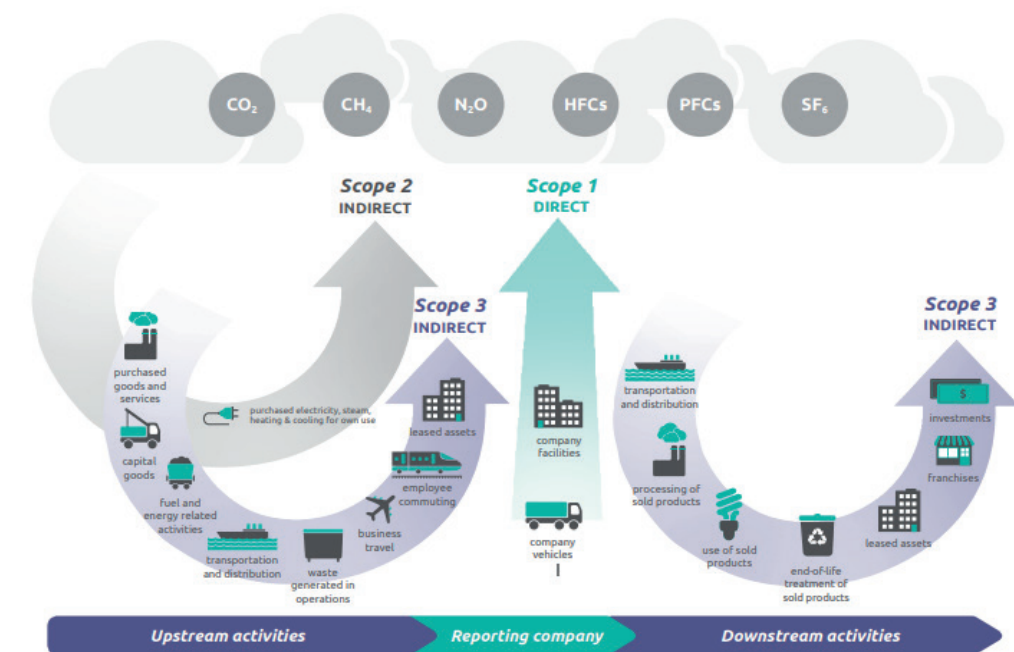
The introduction of the whistleblower system does not affect the existing options for employees to confidentially approach department heads or directly contact management. Our **idea boxes**, placed throughout the Schmidt Group office building, remain available for employees to submit grievances or suggestions, either anonymously or non-anonymously. Since December 2022, 40 submissions have been made through these idea boxes, with the majority being submitted anonymously.

2.4 CLIMATE AND ENVIRONMENTAL PROTECTION

At Bay City, we are also 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.

2.4.1 CORPORATE CARBON FOOTPRINT

To understand the impact of our business on climate change and 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 trainings 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.



[Link to graphic: https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf]

We have started gathering information related to Scope 1 and Scope 2 emissions and could benefit from the services of Climate Partner to improve our data collection processes. For a trading company like Bay City, gathering Scope 3 emissions data is a challenging task. The production of purchased goods has the most significant impact on Bay City’s carbon footprint. To address this, Bay City relies on robust measurement systems from its business partners and actively supports them in this effort.

To facilitate accurate data collection, Bay City has developed software for its factories to measure emission-related data systematically. This includes a **mobile application** that enables production personnel in garment factories to enter the required data. The development of this software was partially funded by the develoPPP program, under the Federal Ministry for Economic Cooperation and Development, from 2019 to 2021. Software development and implementation are ongoing, with Bay City continuing to enhance the software to provide more accurate data, such as real-time order data and its **integration with emissions calculations**.

Transportation and distribution in both upstream and downstream activities also significantly impact the corporate carbon footprint of Bay City. To set effective goals for reducing GHG emissions in Scope 3, the company must implement a reliable monitoring tool to measure these emissions accurately. Since 2022, data collection has begun, although not all logistics companies can provide detailed emissions reports for transported goods. Some of our logistics partners provide certified emission reports, which assists us in calculating our total emissions. However, other partners do not offer such reports, requiring us to calculate emissions manually – a challenging task. Estimating emissions based on shipment data is complex and prone to errors, leading to potentially inaccurate results. Additionally, due to frequent changes in logistics partners and their differing measurement methods, we must continuously adapt to new data formats and adjust our processes accordingly. Effective documentation and clear presentation are crucial for identifying trends and setting goals. Digital solutions are currently being tested with the aim to start compiling information now for the better communication and action from 2025.

2.4.2 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 one tree for each employee’s birthday** as a sustainable alternative to given floral bouquets.

3 PRODUCTS

3.1 PRODUCT GROUP

*ORDER VOLUME 2023 APPROX. IN PCS AND %

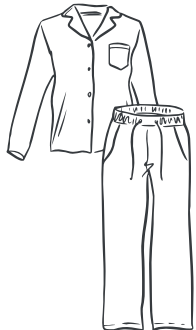
KNITTED ARTICLES



T-SHIRT, TOPS
& POLOS
6.890.000 pcs.
27% of total



SWEATPANTS,
LEGGINGS & SHORTS
3.890.000 pcs.
15% of total



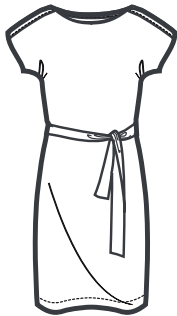
PYJAMA &
UNDERWEAR
2.704.000 pcs.
11% of total



SWEATSHIRTS &
FLEECE
2.077.000 psc.
8% of total



SWIMWEAR
1.117.000 pcs.
4% of total



DRESSES
435.000 pcs.
2% of total

WOVEN ARTICLES



JACKETS
& VESTS
3.292.000 pcs.
13% of total



PANTS & SHORTS
2.566.000 pcs.
10% of total



JEANS
1.224.000 pcs.
5% of total

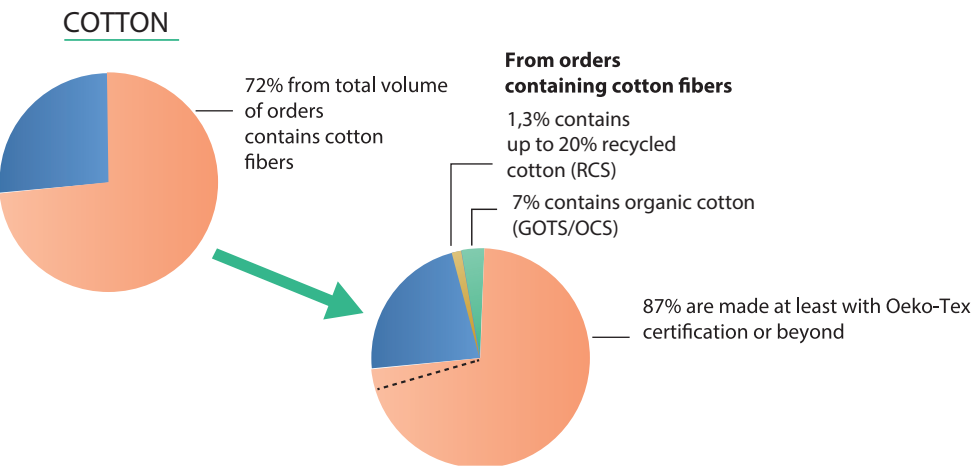


SHIRTS &
BLOUSES
973.000 pcs.
4% of total

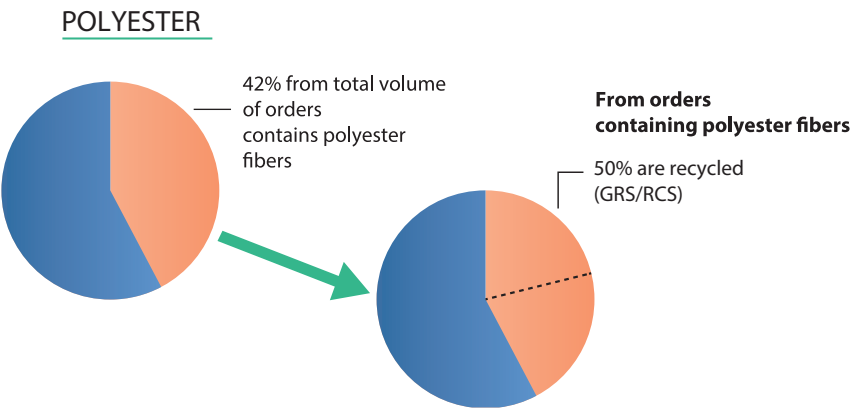
3.1 MATERIALS

We believe that everyone should have the option to choose materials made with respect for both people and the planet. Most of the materials we purchase meet various sustainability criteria, and we are constantly striving to align even more of our offerings with these standards. Bay City is committed to advancing sustainable sourcing of key materials through the following measures:

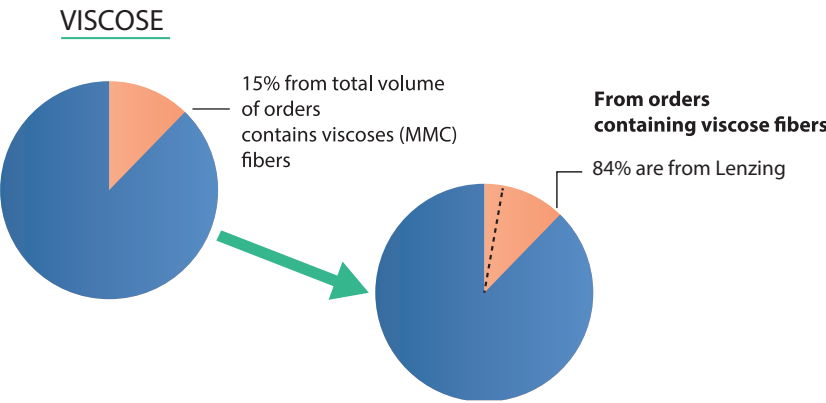
COTTON – Bay City continues to pave its path **towards more sustainable cotton alternatives**, and aims on increasing the organic share, avoiding the use of synthetic chemical pesticides and fertilizers, thereby protecting the environment and reducing health risks for the farmers who produce it. In 2023, **72%** of the total quantity of products ordered **contained cotton fibres**, from which almost 90% had further certifications beyond Standard 100 by Oeko-Tex, being **7% organic**. We also could offer around 280.000 pieces which had 20% recycled cotton content in its composition.



POLYESTER –Bay City has changed its focus to **recycled polyester** (instead of virgin), which can be made from existing plastics such as PET bottles and ocean plastic, for instance. While different products require different materials, making it challenging to eliminate polyester entirely, we have chosen this alternative as a first step to take, as recycled polyester production helps reduce the vast amounts of plastic waste. **47%** of our ordered volumes in 2023 **contained polyester fibres**, from where around **50% were recycled**.



VISCOSE – as preferred man-made cellulosic fibre, Bay City has **switched to use Lenzing products** whenever possible. In 2023, it represented **84% of our products containing viscose related fibres**. These fibres are produced from certified renewable wood sources through a sustainable manufacturing process. Lenzing Ecovero, for instance, has been awarded the EU Ecolabel, reflecting its high environmental standards.



Given the diverse sources of our materials, we depend on third-party involvement to manage risks and support our sustainable sourcing goals. The following paragraph provides a brief overview of the product certifications used by Bay City, highlighting the importance of each certificate based on the number of sourced items.

3.3 PRODUCT CERTIFICATES & PRODUCT STANDARDS

Our most common product certificates, in number of total products for the period 2021-2023, are listed below:

83 million



54 million



18 million



3 million



1 million



600 thousand



14 million



8 million



5 million



500 thousand



30 thousand



Standard 100 by Oeko-Tex

With the Standard 100 by Oeko-Tex certification, our products are tested throughout the entire supply chain for certain chemicals and substances, ensuring they meet minimum safety requirements. This certification helps guarantee that the end product is safe for health, thereby protecting the consumer. In 2023, approximately 88% of our products were Standard 100 by Oeko-Tex certified. The remaining volume would follow, in their majority, 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. Between 2021 and 2023, more than 50% of our total product orders were certified with Cotton made in Africa.

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. From 2021 till 2023 the company sourced more than 18 million Green Button products, for its own brands and private label business.

Made in Green by Oeko-Tex

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 2023 we registered approx. 3.9 million products.

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 is GRS certified since 2019 and has more than doubled the number of GRS-certified products sourced, increasing from more than 1.8 million in 2021 to almost 4.5 million in 2023.

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. Unlike the Global Recycled Standard (GRS), the RCS does not include social and environmental requirements. Over the past three years, the number of RCS-certified products has nearly tripled, rising from approximately 1.1 million in 2021 to about 3.4 million in 2023.

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 million pieces sourced by Bay City are GOTS certified in 2023.

Cradle 2 Cradle Certified

We successfully launched the first comprehensive Cradle to Cradle certified (C2C) collection for men and women under the Detto Fatto brand as planned. The C2C certification Gold and Silver ensures that products are designed with sustainability in mind and can either safely return to the environment or be reused in a continuous cycle. With this launch, certified products have become increasingly significant in our portfolio. In 2021, we handled a modest volume of 16,000 pieces, but by 2022, we reached a peak with nearly 1.1 million pieces ordered, including private label orders. In 2023 we have brought to market another 18,000 pieces in our Detto Fatto Yoga Collection with the German actress Caro Cult.

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 is OCS certified since 2019. Over the past three years, we have continuously increased the number of OCS-certified products, growing from almost 170,000 pieces in 2021 to more than 250,000 pieces in 2023.

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 percent Fairtrade-certified. We have more than doubled our Fairtrade Cotton order volume between 2021 and 2023, from around 100,000 pieces to more than 200,000 pieces.

Better Cotton

Better Cotton is a non-profit, multistakeholder governance group that promotes improved standards in cotton farming and practices across 22 countries. As of 2023, Better Cotton accounts for 22% of global cotton production. A relatively small number of products sourced by Bay City were Better Cotton certified, totalling more than 75,000 pieces from 2021 to 2023.

Fur Free Retailer program

Bay City has joined the Fur Free Retailer program in 2023, which encourages companies to go fur-free and promote ethical consumerism. By signing this commitment, Bay City has pledged not to sell clothing, accessories, or other products containing real fur, both now and in the future.

3.4 PACKAGING & LOGISTICS

We are continuously exploring options to make our packaging more sustainable, guided by the principle: ‘Reduce, Replace, Reuse, & Recycle.’ In collaboration with customers, we have developed alternative packaging solutions in recent years to adhere to these principles. Packaging should be avoided or minimized whenever possible and used only when necessary to protect the product. For example, some sales packaging has been replaced with packaging aids like banderols and loop packaging. These methods maintain the integrity of the packaged goods and provide identification while reducing the amount of packaging material used.

We are exploring new materials to reduce our impacts, such as using recycled plastic and plastic made from renewable resources. At Detto Fatto, our most sustainable brand, we do not use any plastic in our packaging. For our other own brands, we **keep striving to use only bags made of/with recycled materials**. A certain amount of waste from transport packaging, as well as daily office waste, is unavoidable. However, to use our resources responsibly, we recycle valuable materials such as paper, wood, and plastic at the end of their life cycle.

We have fully switched to using **FSC-certified paper**. The FSC labels on our sales packaging signify fair and responsible treatment of people and nature. We also consider sustainability when transporting our goods from the Far East. The **cartons shipped** by our producers are made of **70% recycled material** and are either reused for further dispatch to customers or returned to the recycling system.

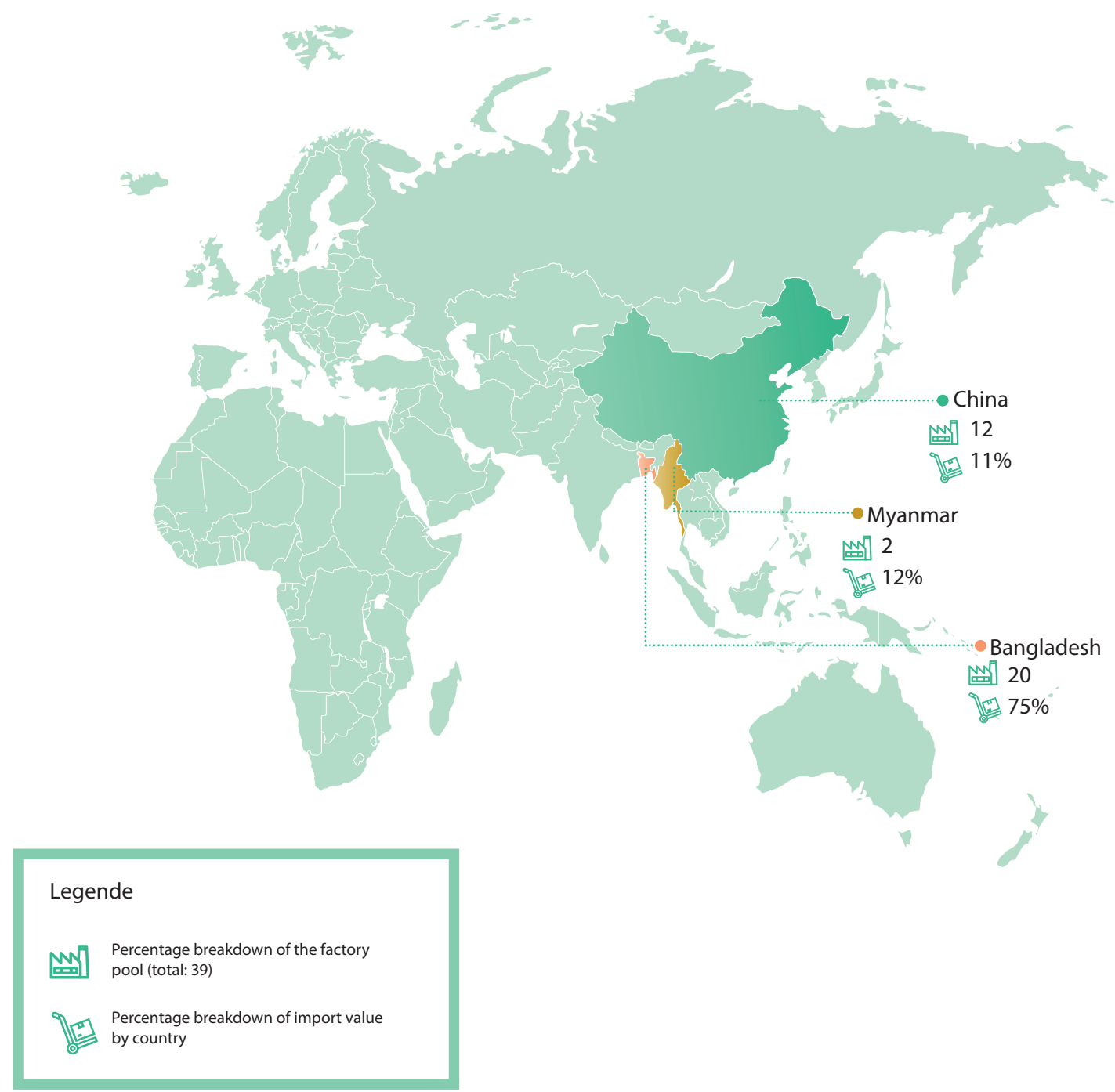
Sustainability is also a priority in our **logistics operations**. For instance, when packing import cartons, we ensure that empty spaces between sales units are minimized to avoid the use of unnecessary additional cartons. To support our suppliers in this effort, we provide video tutorials with detailed instructions. Additionally, we use software to optimize the loading of shipping containers in the manufacturing countries and strive to avoid air transport.

When working with our logistics partners to calculate our Scope 3 emissions, we found that many are independently working to reduce their ecological footprint. We support these efforts and are eager to benefit from their initiatives. One of our key B2C partners is DHL. Since April 2022, Bay City has been using **DHL Go Green** for shipments within Germany. DHL Go Green is an alternative shipping solution that offsets carbon emissions from transport.



4 PROCUREMENT

4.1 PROCUREMENT MARKETS AND IMPORT VOLUMES



In Bangladesh, Bay City sources directly at factory level through its sister company, Global Apparel Ltd., while in China we do have an exclusive agent, and in other countries we work through wholesalers. The textile value chain is intricate and gets more complex the further you investigate a product’s origins. 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.

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 2023. This includes details such as supplier names, addresses, contact information and necessary certifications.

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. On average, our factory partnerships span four years.

4.2 PROCUREMENT CONDITIONS

Bay City is committed to sustainable procurement, aiming to align all processes in a socially and ecologically responsible manner. This commitment fosters long-term economic benefits for all stakeholders involved. We are committed to strengthening our global supply chain partners through reliable economic actions and supporting them with secure business relationships. Our approach to addressing these complex situations is outlined in our regularly updated **Buying Policy**.

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 **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.

4.3 COMPANY STANDARDS AND INITIATIVES FOR SUSTAINABLE PROCUREMENT

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.

4.3.1 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. Over the past three years, we have experienced 12 Stage 1 escalations and 2 Stage 2 escalations. Fortunately, no factories have reached Stage 3.

Regarding the safety complaints mechanism, we have observed a significant increase in the number of complaints over the past three 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. It's important to note that not all complaints are directly related to health and safety, and not all cases are investigated by the RSC. We are actively consulting with the involved parties to address and resolve issues related to remuneration, termination, working hours, and abuse, aiming to find suitable solutions that benefit both management and workers. We appreciate that the RSC inspection program now includes boiler inspections in addition to the existing structural, electrical, and fire inspections in all factories covered by the agreement. So far, we have not received any critical boiler inspection reports from the RSC.



Pakistan Accord

In 2023, our order volume in Pakistan was relatively small, accounting for 0.8% of our total import volume and involving just two factories. Nevertheless, inspired by the positive outcomes of the Accord/RSC program in Bangladesh, we were proud to be among the first signatories of the Pakistan Accord in 2023. The Pakistan Accord on Health and Safety in the Textile and Garment Industry is a legally binding agreement involving global unions, IndustriALL and UNI Global Union, as well as garment brands and retailers. This accord, which has an initial

4.3.2 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. Between 2021 and 2023, 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 such as Germany or Denmark, 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 2023, the amfori BSCI ratings for our factories in our primary sourcing countries -Bangladesh, China, and Myanmar- were as follows:

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

China: over 80% of our factories in China received a C rating. The remaining two factories, which hold SA 8000 certification, were not monitored by amfori BSCI, as the SA 8000 certificate is considered equivalent to an A rating according to 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 | 2 (16,67%) |
| B | 0 |
| C | 10 (83,33%) |

Myanmar: the audit results also indicate that excessive working hours are a concern, similar to the findings in our factories in China.

| OVERALL RATING | NUMBER OF FACTORIES IN MYANMAR |
|----------------|--------------------------------|
| A | 0 |
| B | 1 (50%) |
| C | 1 (50%) |

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.

| OVERALL RATING | NUMBER OF FACTORIES IN BANGLADESH |
|----------------|-----------------------------------|
| A | 4 (21,74%) |
| B | 12 (52,17%) |
| C | 4 (21,74%) |

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, Myanmar, or Pakistan. However, amfori BSCI is actively working on expanding the program to additional countries.

4.3.3 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.

4.3.4 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.

4.4 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.

Alternative actions, such as offering in-kind benefits like Fair Price Shops (common in Bangladesh) or providing educational and housing support, are being considered. Additionally, our 1 Hour T-Shirt project, detailed at the end of this report, is viewed as a practical approach to indirectly support workers’ financial stability. While we have not yet identified a feasible solution, we are actively searching for viable options. We have started testing an open cost calculation but have not yet developed a systematic approach to incorporate the living wage into our pricing calculations. In collaboration with other buyers and various initiatives undertaken by stakeholders, we aim to contribute and are actively seeking suitable programs.

4.5 OUR MONITORING SYSTEMS AND FACTORY-LEVEL TRAININGS

Monitoring Systems:

In fulfilling our human rights due diligence obligations, we have developed an internal system to evaluate whether social and environmental requirements are met. New factories are assessed by our colleagues in Asia through a day-long factory assessment. Based on the outcomes, a corrective action plan will be developed. The progress of this plan is monitored and technically supported by our team from Global Apparel Ltd., allowing us to identify and address issues at an early stage.

Additionally, we see continuous improvement as essential. Our CSR team from Global Apparel Ltd. regularly visits factories to assess and enhance the implementation of social and environmental guidelines. This monitoring occurs through both scheduled and unscheduled visits. By conducting ongoing inspections, including follow-up visits by external and accredited auditors, we gain a comprehensive understanding of the current state and identify necessary measures for improvement at the production sites.

New software solutions are incorporated in this process. In the field of chemical management for example, we use the ‘BHive’ app from Go Blue and can this way monitor if our strict chemical restrictions are implemented. Maintaining record of all compliance relevant documents in our own production planning software allows us to get real time data for evaluating the factories performance.

Thanks to our comprehensive quality management we get additional insights to our factories. Our current quality management system is built on the traditional pillars of product inspections, including component tests and final inspections in accordance with international standards and Acceptable Quality Limit (AQL). Therefore, we increasingly monitor production stages along the supply chain, not just the finished garment. We see the regular factory visits by our quality controllers as a valuable source of insights into current production conditions. To leverage this, we have developed a ‘Visual Inspection Checklist Onsite’ (VICO) that our QCs - Quality Controllers complete during their on-site work. This checklist includes questions about the social compliance status that can be easily verified. These unannounced inspections provide us with unique information about the current state of each factory, enhancing our process for implementing human rights due diligence.

Training:

Our sister concern Global Apparel Ltd. organizes training sessions for our suppliers on various topics, such as the use of a supply chain mapping tool to enhance transparency, an introduction to Cradle-to-Cradle principles. We provide our suppliers with comprehensive advice and training on standards like GOTS, amfori BSCI and Oeko-Tex. For instance, we have developed informational materials on implementing grievance mechanisms, which we share with our business partners to raise awareness among their employees. These materials are regularly reviewed and updated as needed. If required, we also offer on-site support to help prepare for upcoming certifications, ensuring optimal efficiency through direct, hands-on training.

5 CHARITABLE GIVING

5.1 THE ONE HOUR SHIRT



With the 1 Hour Shirt (www.the1hourshirt.com), we aim to support social projects in Bangladesh in collaboration with our brand Detto Fatto and Fashion Revolution Germany. The idea is to turn time into currency. It takes workers in Bangladesh around one hour to produce a shirt. In the other end, the cost of the shirt to the consumer is equivalent to what she or he earns in one hour. When purchasing the shirt, our calculator suggests you type in your salary* so your ‘one hour’ income can be informed. Each shirt directly contributes €12.50 to cover the costs for everyone involved in its production. The remaining amount is donated to organizations advocating for workers’ rights and sustainable development. All donations are managed by Fashion Revolution Germany e.V.

*This information functions only as an indicator to customer and it is not saved or shared at any moment.

5.2 DEVELOPMENT OF ECONOMY THROUGH EMPOWERING POOR



Along with the German Ministry for Economic Cooperation and Development, Bay City provides financial support for the development project 'Development of Economy through Empowering Poor' (DEEP) in Bangladesh. The project, spanning three years from 2021 to 2024, is implemented by the local non-governmental organization Anando in close cooperation with the German NGO Lichtbrücke e.V.

The aim of the project is to empower unemployed women and working farmers and support them in becoming less dependent on external aid. A key approach involves the formation and registration of associations, which provide knowledge and resources for their economic development. The direct target group includes 1,750 families (a total of 10,000 people) from two remote rural regions comprising 32 villages outside Dhaka.

By the end of 2023, all associations had been formed, and a system to support their daily work had been implemented. Key components of the programs included awareness and motivational sessions, workshops for the successful formation of the associations, skills development training, exposure visits, and close collaboration with other stakeholders. Start-up capital for additional income-generating activities and fund creation by the associations are expected to support sustainable development.

For women, programs included training in homestead gardening, vocational skills development in tailoring, and additional support to start businesses. Farmers received assistance in environmentally friendly and organic agriculture. For example, one initiative focused on producing at least one variety of essential seeds, while another aimed to enhance their independence by developing functional value chains for better marketing of agricultural products. Experts provided training on producing organic fertilizers in large quantities and supported the implementation of integrated pest management.

Bay City and other involved parties were regularly updated on progress. Additionally, representatives from Schmidt Group's buying office in Bangladesh, Global Apparel Ltd., visited the project sites regularly.

6 OUTLOOK

As we reflect on our sustainability journey over the past years, we are proud of the progress we have made and the positive impacts we have achieved amid many adversities. While we celebrate these accomplishments, we recognize that sustainability is an ongoing journey. We remain dedicated to continuous improvement, innovation, and collaboration with our stakeholders to drive meaningful change.

We are confident that we can manage downturns while maintaining a vision of a better conscious future. It is therefore our duty to continue working on all aspects of corporate responsibility on a daily basis.



IMPRESSUM

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