



**SUSTAINABILITY
REPORT**

2022

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1. GREETINGS BY CORINNE AND LUKAS LOOSLI

ALBIRO is a family owned stock company, founded in Sumiswald, with more than 195 years of tradition. In 2020 the 7th generation took over the leadership of the company.

In the past years, ALBIRO has evolved into an internationally operating group, with partners from different countries and people with different cultural backgrounds.

Treating humans fairly and equally, regardless of gender, sexual orientation, marital status, race, skin color, nationality, religion, ethnic or national origin, age, disability or trade union membership is an essential part of our values.

ALBIRO is committed to a sustainable business development, resource conservation and fair employment conditions. Our human rights policy is based on the core labour standards of the International Labour Organization (ILO), the UN Conventions, the OECD Guidelines, the European Convention on Human Rights and the UN Women's Empowerment Principles.

Based on that ALBIRO has implemented its own Code of Conduct to communicate this commitment at all

levels. In 2022 we transcribed this policy into our new «Declaration of Principles on Respect for Human Rights», tailored to our operations and supply chain. In this policy we outline the responsibility in relation to human rights due diligence, including prevention of harm to workers and improvement of working conditions where rights are at risk or violated. In order to identify, prevent, mitigate and report on our human rights impacts, we, together with collective worker voices, conducted a detailed human rights due diligence. This process included an assessment of actual and potential human rights impacts at our company and production sites. In the coming years, we will incorporate the results into our due diligence implementation and provide information on how we have addressed impacts, prioritized them and tracked actions.

Throughout the process, our main focus has been on women's equality. Gender inequality, in the supply chains of our producing countries, is a high risk. For guidance on how we can promote gender equality and women's empowerment in the workplace, market-

place and community, we joined the WEPs (Women Empowerment Principles). This signals to our employees, production partners and customers that we promote business practices that contribute to women's empowerment at the highest corporate level.

Since June 2012 we are working with Fair Wear Foundation to monitor and to improve working conditions of our suppliers and garment manufacturers.

In 2022, we focused particularly on the FWF Code of Labour Practices «Payment of a living wage.» At ALBIRO Serbia, we have started to set and finance wage increases.

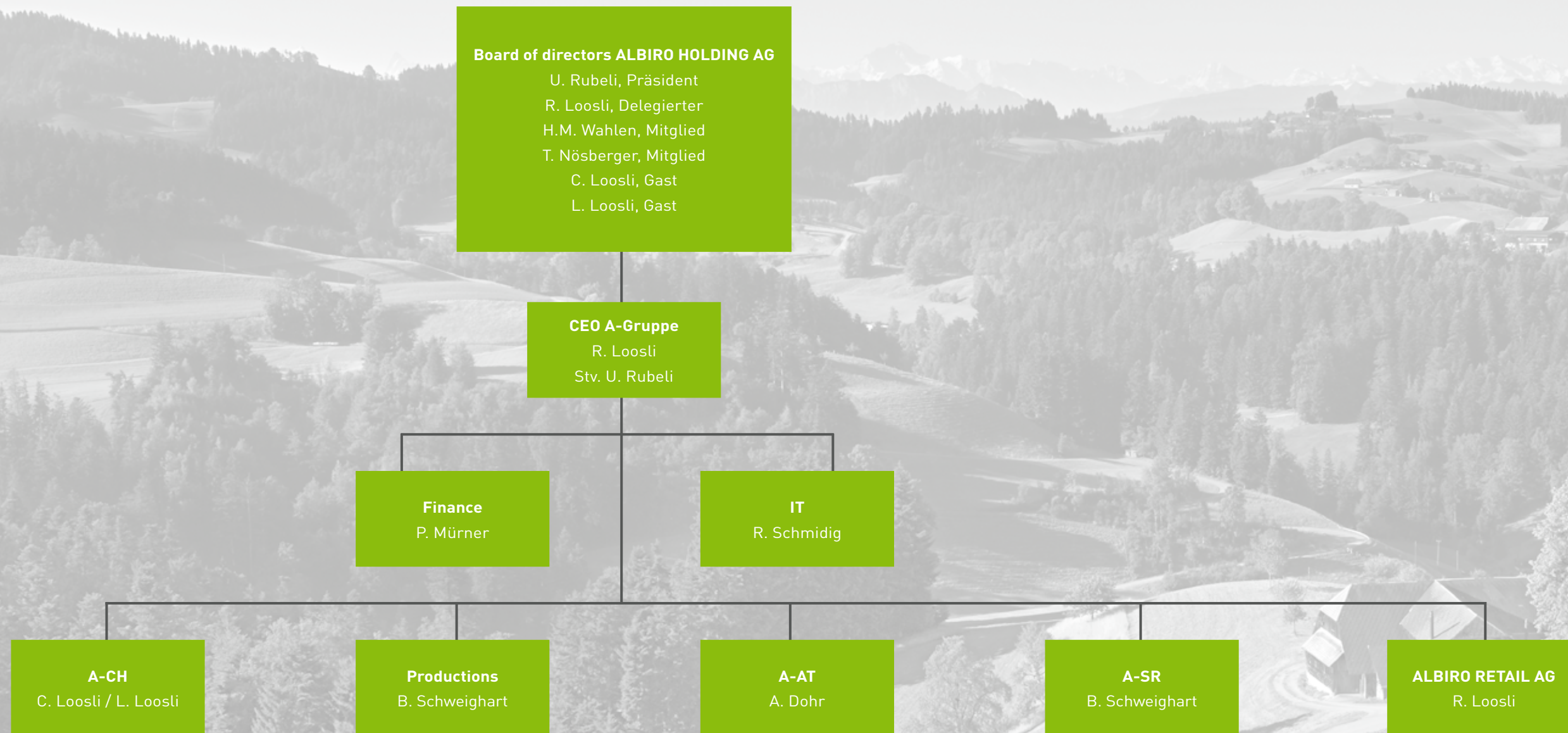
This target wage is the first step on our way to the long-term goal «living wage».

Through our continuous and focused work to improve working conditions in our production facilities, we were able to achieve the FairWear Foundation's highest award, «Leader status». We are very pleased with this outstanding result, which underlines our year-long commitment to improve working conditions throughout our supply chain.



Best regards,
Corinne and Lukas Loosli/
CEOs ALBIRO Switzerland

2. ORGANIGRAM OF THE GROUP MANAGEMENT BOARD



3. COMMITMENTS OF ALBIRO

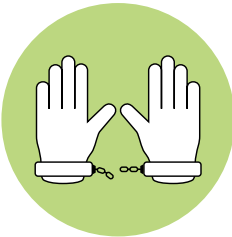
ALBIRO AG is committed to sustainable, resource-saving and fair business activities. As a company, we take responsibility for the impact of our business activities and business relationships. This means acting with due diligence to avoid violating the rights of others and to address the adverse impacts of our global activities. ALBIRO AG respects and supports the dignity, well-being and human rights of our employees, the workers in our supply chain, the community in which we live and those who are affect-

ed by our business activities. As part of our human right's due diligence, we worked on our ALBIRO Code of Conduct in 2022 and transcribed it into our new **«Declaration of Principles on Respect for Human Rights»**. The human rights policy of ALBIRO AG is based on the core labour standards of the International Labour Organization (ILO), the UN Conventions, the OECD Guidelines, the European Convention on Human Rights and the UN Women's Empowerment Principles.

We verify the measures taken within the framework of our **«Declaration of Principles on Respect for Human Rights»** by means of external audits at regular intervals and take corrective action whenever necessary.

ALBIRO is cooperating closely with different international organisations.

ALBIRO CODE OF CONDUCT



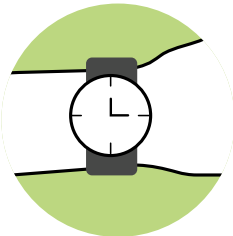
Employment is freely chosen



Payment of a living wage



No discrimination in employment



Reasonable working hours



No child labor and special protection for young workers



Safe and healthy working conditions



Freedom of association and the right to collective bargaining



A legally binding employment relationship

SOCIAL



Proud to support

WOMEN'S EMPOWERMENT PRINCIPLES

TEXTILE CONFIDENCE



ENVIRONMENT



3.1. SOCIAL COMMITMENTS

3.1.1. Human Rights Due Diligence (HRDD)

Human rights due diligence is the process by which companies identify, prevent, mitigate and account for their actual and potential negative impacts. Under due diligence, the company is expected to conduct due diligence on its own activities and those of its suppliers throughout the supply chain. Due diligence is an ongoing process that recognizes that risks may change over time as the company expands its operations.

ALBIRO is committed to reviewing its own practices to avoid negative impacts, conducting a risk assessment, setting priorities, and engaging in prevention and improvement accordingly. This is called a risk-based supply chain improvement cycle and includes 5 steps.



Step 1:
Establish a Responsible Business Conduct (RBC) policy

As part of our human rights due diligence policy, we worked on our «ALBIRO Code of Conduct» in 2022 and transcribed it into our new «Declaration of Principles on Respect for Human Rights». The revision of the policy was completed in collaboration between the HR, Purchasing, Production and Sustainability department, under the supervision of the CEOs. As a company that has been working on improving the working condition in our supply chain for over 10 years, existing guidelines were compiled and consolidated under the new HRDD policy. As part of this, the Employee Code of Conduct and Supplier Code of Conduct were also revised and distributed to employees and business partners.

Step 2:
Conducting a scoping exercise, risk assessment and informing workers and suppliers

ALBIRO's strategy has always been to maintain long-term partnerships and to continue producing in the already existing production countries. Thus, years of experience with the production partners and the countries could be gathered. Furthermore, we were able to consult studies and reports from various sources. Thus, the framework study could build on the known risks of the sector and the relevant risk factors were considered. Furthermore, we spoke with worker representatives from various production sites and asked for their insight. Based on this, it was possible to determine the likelihood of risks and the severity of damage. Referring to this information, the ALBIRO risk assessment tool was created. This covers all 8 codes of labour practices and includes two further categories, which are divided into main risks and related risks. The small number of production sites allows us to perform a separate risk analysis for each production. This allows us to specifically address each production site. For more, pls see point 6 «System for monitoring and remediation».

Step 3:
stopping harm, prioritising and implementing programmes

The negative impacts, risks and issues identified through the risk assessment must be discussed and addressed with business partners and worker representatives through a plan. As a company, we are responsible for negative human rights impacts as soon as we cause, contribute to or are associated with them. If any of these statements apply, we will work with the affected production to develop an action plan that includes improvement or prevention programs, including a timeline and capacity assessment.

Step 4:
tracking and validating on progress made in the Implementation and Prevention Programmes

The implementation of the action plan must be tracked and monitored through a system. In this way, it can be determined over a longer period of time whether the actions taken were effective in preventing and remedying human rights violations. The implementation of this step will take place in the coming year.

Step 5:
Publicly reporting on risks and progress

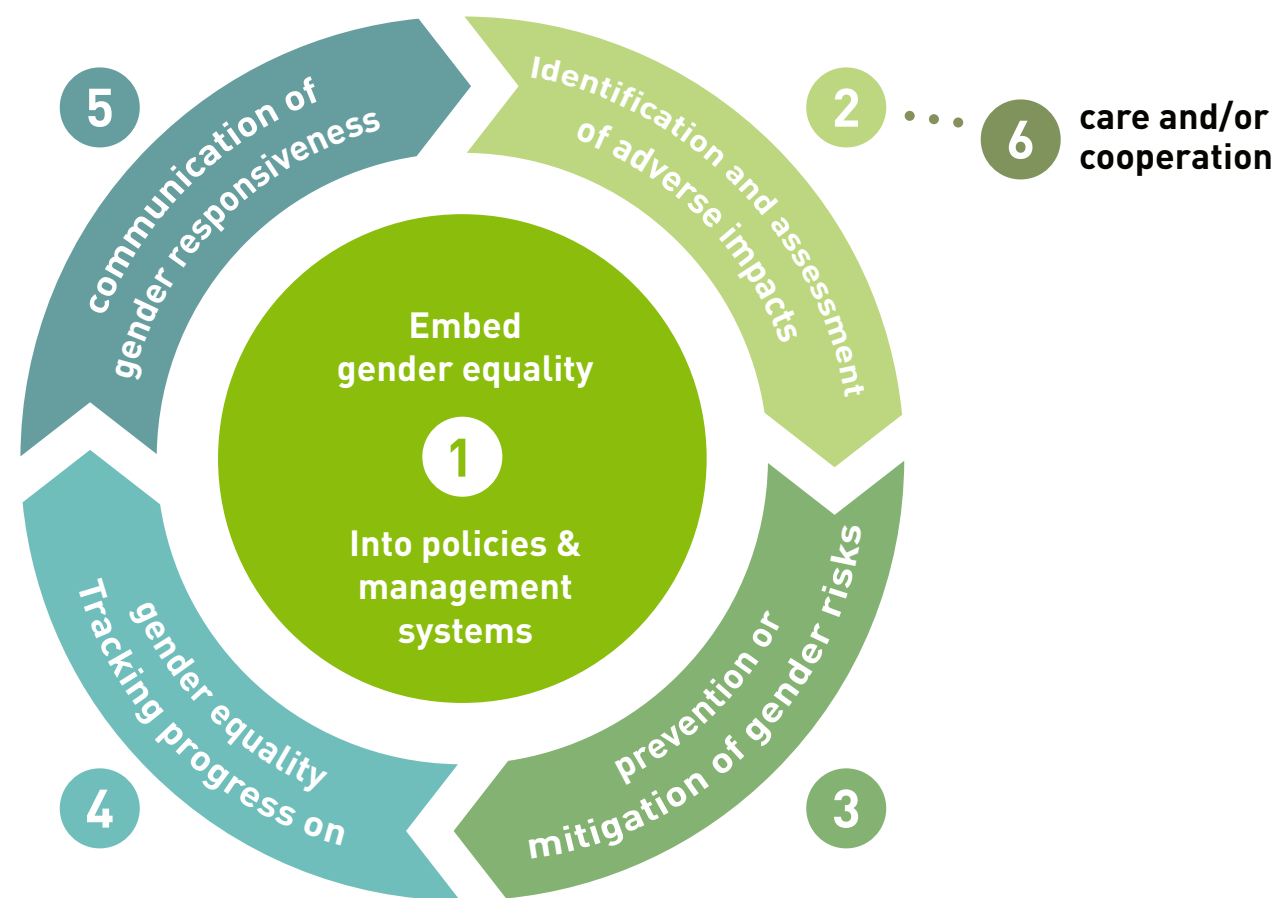
As part of our annual social report, we will provide detailed information on our human right's due diligence. As a member of FairWear Foundation, we will be evaluated on our system for assessing progress at individual production sites. The result will be reflected in the Brand Performance Check.

Throughout all these steps we make sure that we provide for remediation, including working on improving labour rights, and to cooperate with other member brands and non-member brands.

3.1.2 Gender-Responsive Due Diligence (GRDD)

Gender due diligence applies a gender lens to each step of the due diligence process to minimize the adverse impact on women and contribute to gender equality.

Women are often disproportionately affected by adverse business practices, warranting due diligence responsive to their particular needs. GRDD is based on the recognition that human rights violations are not gender neutral and should not be treated as such. GRDD builds on HRDD by using the same six-step framework as presented in the OECD Guidelines for Responsible Business Conduct. While in a regular HRDD process gender could be added as a separate topic, GRDD includes gender in all steps and activities of the due diligence process.



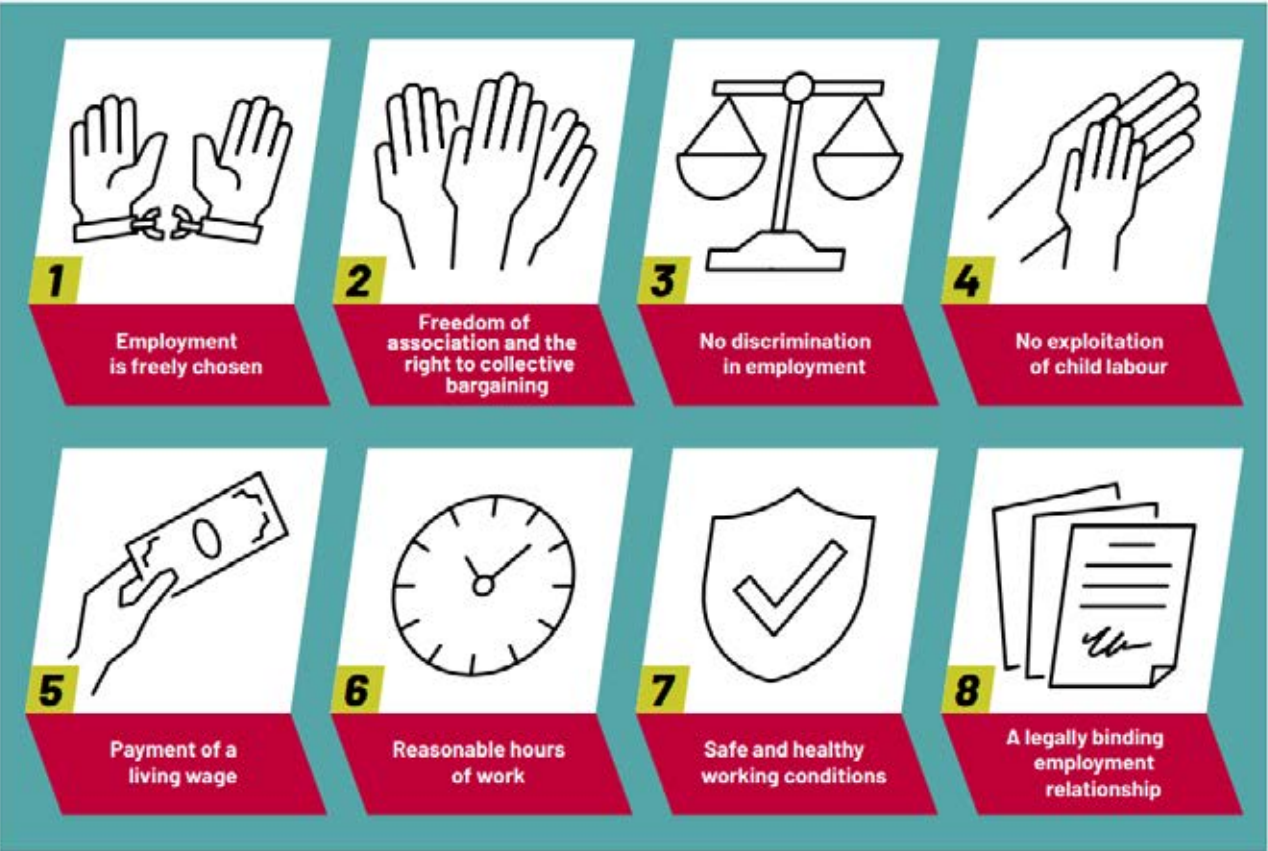
- 1 Step 1:
Embed gender equality into policies and management system**
 A gender lens has been included into our «Declaration of Principles on Respect for Human Rights», «Employee Code of Conduct» and «Supplier Code of Conduct». We started to work on a new internal regulation which includes support for women and their special needs, for example extended maternity leave etc.
- 2 Step 2:
Identification and assessment of adverse impacts**
 The ALBIRO risk assessment includes a gender-responsive scoping assessment to identify and assess adverse impacts relating to human rights, labour rights, and the environment. For each identified risk we check the likelihood and the impact of the risk and how they differ for men and women.
- 3 Step 3:
Prevention or mitigation of gender risks**
 The negative impacts, risks and issues identified through the risk assessment must be discussed and addressed with business partners and worker representatives through a plan.
 By creating this plan, we evaluate what actions we need to take and whether different actions need to be taken based on the gender of the affected group. Thus, we adopt a gender lens to our plans to ensure that the actions we take are appropriate and effective.
- 4 Step 4:
Tracking progress on gender equality**
 The implementation of the action plan must be tracked and monitored through a system. We will collect gender-disaggregated data whenever possible and we will work with suppliers to set up a social auditing system in a gender-sensitive way.
- 5 Step 5:
Communication of gender responsiveness**
 As part of our annual social report, we will provide detailed information on our human right's due diligence. As a member of FairWear Foundation, we will be evaluated on our system for assessing progress at individual production sites. The result will be reflected in the Brand Performance Check.
- 6 Step 6:
Support and provide for remediation**
 If adverse impacts occur we will support and provide for remediation. We will design processes and mechanisms to provide equal access and outcomes for all genders. Complaint mechanisms in our productions are designed to be easily accessible, efficient and secure. Complaints are made anonymously and by telephone, through a third party. In doing so, the protection of the aggrieved person is guaranteed at all times. In countries with multiple languages, we provide information on the complaint mechanism in all languages.

3.1.3. Fair Wear Foundation

ALBIRO joined the Fair Wear Foundation in 2012 as first Swiss work wear company. Fair Wear Foundation is a non-profit organisation which believes that there is a better way to make clothes. Fair Wear's mission is to see a world where the garment industry supports workers in realising their rights to safe, dignified, properly paid employment. The way a brand manages its production has an enormous influence on factory conditions and should be addressed to change the way our clothes are made. The Brand Performance Check is a tool FWF uses to figure out how member brands business practices improve labour conditions. Every year, Fair Wear review brands efforts by measuring how well they have assessed, identified and resolved issues with their suppliers.

ALBIRO tries to achieve better working conditions by making high demands on the closely affiliated production and subcontractor level. Fair Wear Foundation verifies the working conditions in our factories through audits which are executed by their local staff team. During these audits a nominated group of workers gets anonymous interviewed.

The basis of the collaboration between Fair Wear and a member is the Code of Labour Practices (or Labour Standards). The core of this code is made up from eight labour standards derived from ILO Conventions and the UN's Declaration on Human Rights. This means the Fair Wear Code of Labour Practices is based on internationally recognised standards which have been set through tripartite negotiation.



With a benchmark score of 84 points and a monitoring threshold of 100%, Albiro has achieved the category «leader» in 2022.

3.1.4. amfori BSCI

Since 2009, ALBIRO is also a member of amfori BSCI. BSCI is an initiative of the Foreign Trade Association (FTA), the leading business association of European and international commerce that brings together re-tailers, importers, brands and national associations to improve the political and legal framework for trade


in a sustainable way. BSCI supports member companies to integrate social compliance at the heart of their global supply chains.

We verify the working conditions through BSCI Audits wherever FWF is not active

amfori BSCI Code of Conduct


Our enterprise agrees to respect the following labour principles set out in the amfori BSCI Code of Conduct.

amfori BSCI Principles




The Rights of Freedom of Association and Collective Bargaining

Our enterprise respects the right of workers to form unions or other kinds of workers' associations and to engage in collective bargaining.




Fair remuneration

Our enterprise respects the right of workers to receive fair remuneration.




Occupational health and safety

Our enterprise ensures a healthy and safe working environment, assessing risk and taking all necessary measures to eliminate or reduce it.




Special protection for young workers

Our enterprise provides special protection to any workers that are not yet adults.




No bonded labour

Our enterprise does not engage in any form of forced servitude, trafficked or non-voluntary labour.




Ethical business behaviour

Our enterprise does not tolerate any acts of corruption, extortion, embezzlement or bribery.




No discrimination

Our enterprise provides equal opportunities and does not discriminate against workers.




Decent working hours

Our enterprise observes the law regarding hours of work.




No child labour

Our enterprise does not hire any worker below the legal minimum age.



No precarious employment


Our enterprise hires workers on the basis of documented contracts according to the law.



Protection of the environment


Our enterprise takes the necessary measures to avoid environmental degradation.

amfori BSCI Approach




Code Observance

Our enterprise is obliged to protect workers' rights as mandated by the law and the amfori BSCI Code.




Workers' Involvement and Protection

Our enterprise keeps workers informed about their rights and responsibilities.



Supply Chain Management and Cascade Effect


Our enterprise uses the amfori BSCI Principles to influence other business partners.



Grievance Mechanism

Our enterprise provides a system to collect complaints and suggestions from employees.

www.amfori.org

amfori  **BSCI**
Trade with purpose

3.1.5. Women Empowerment Principles

To promote gender equality and women’s empowerment, the Women’s Empowerment Principles, a set of principles, were launched. These were developed in cooperation between UN Global Compact and UN Women and are based on international labour and human rights standards.

At ALBIRO we believe in an equal, diverse and inclusive society where everyone is treated with dignity and respect. We are committed to creating a safe and respectful work environment that encourages diversity.

While applying a gender lens we also consider intersecting realities and identities, such as migration status, age, race, ethnicity, caste, sexual orientation, disability or gender identity. Women are actively involved in our business practices, from the production up to the executive management. With the empowerment of women, we want to close disadvantages for women and to overcome the gender gap. By signing the Women’s Empowerment Principles, we show that gender equality is rooted in our company.

WOMEN’S EMPOWERMENT PRINCIPLES

Guidance to business on how to promote gender equality and women’s empowerment in the workplace, marketplace and community.

Principle 1

Principle 2

Principle 3

Principle 4

Principle 5

Principle 6

Principle 7

 Establish high-level corporate leadership for gender equality.

 Treat all women and men fairly at work – respect and support human rights and nondiscrimination.

 Ensure the health, safety and well-being of all women and men workers.

 Promote education, training and professional development for women.

 Implement enterprise development, supply chain and marketing practices that empower women.

 Promote equality through community initiatives and advocacy.


 Measure and publicly report on progress to achieve gender equality.

GET IN TOUCH WITH US:

-  www.weps.org
-  weps@unwomen.org
-  [@WEPPrinciples](https://www.facebook.com/WEPPrinciples)
-  [@WEPPrinciples](https://twitter.com/WEPPrinciples)
-  [LinkedIn](https://www.linkedin.com/company/weps)

WOMEN’S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office



Funded by the European Union

In 2022, we started implementing the 7 principles in our company.

Principle 1 has been implemented. A team from the CSR and HR department has been formed, in cooperation with the management. Furthermore, in 2023 we will ensure that our producers also provide a contact person on the subject of equal rights to all workers.

Principle 2 is a continuous process. At ALBIRO, all employees are treated equally and fairly. This was again highlighted in 2021 with a new employee regulation. Furthermore, all internal and external documents and contents were rewritten in gender neutral language. Our productions had to sign a new Supplier Code of Conduct in 2022, which again underlines the equality of women.

Principle 3 is regulated in Switzerland by the Labour Act, Article 6. Ordinance 3 to the Labour Act concretizes this requirement and describes in principle in Art.2: «The employer must take all measures necessary to maintain and improve health protection and to ensure the physical and mental health of employees». At ALBIRO, we maintain an open dialogue between management, department heads and employees. Thus, we gladly accept comments regarding the design of the workplace and implement them whenever possible. For example, height-adjustable standing desks have been made available to all employees. Some of the occupational health and safety laws in our production facilities are not as strict as in Switzerland. For this reason, we review them through our production visits and numerous on-site audits. In the resulting health&safety reports and CAPs, we address improvements and remedy the findings in cooperation.

Principle 4 is an ongoing process. We advocate and support the promotion of education and the professional development of men, and in particular, women. In recent years, for example, there have been numerous official, school-based training courses. Currently we are looking for concrete training opportunities for the empowerment of women which we would like to implement in 2023. Furthermore, ALBIRO is a training company and each year two apprentices are contracted. We support our producers with trainings from FairWear. In North Macedonia the WEP training is offered. The WEP aims to give factory managers and workers the tools they need to start an open dialogue about problems and opportunities in the workplace and how to improve working conditions in the factory. Increased awareness of labour standards, along with functioning

grievance systems, can help improve working conditions In India, we were able to conduct the WEP training «Prevention of Violence and Harassment».

Principle 5 addresses the implementation of corporate development, supply chain and marketing practices. ALBIRO is a collaboratively managed company. The percentage of women at the management level is approximately 40%. The overall percentage of women is over 60%. Women make up a major part of our business structure. For this reason, we addressed the issues of career opportunities, part-time models, parental leave, etc. at an early stage and specified them in our employee regulations. We live in a multi-layered society and are convinced that role diversity should also be reflected in our advertising and marketing practices. For this reason, we completely avoid stereotypes and old patterns. Through our new Supplier Code of Conduct, which has been implemented in 2022, we also expect this behaviour from our business partners and producers. As a member of the FairWear Foundation, we rely on the «Code of Labour Practices» (CoLP). This includes eight labour standards derived from the ILO Conventions and the UN Declaration of Human Rights.

- Free choice of work
- Freedom of association and the right to collective bargaining
- No discrimination in the workplace
- No exploitation through child labour
- Payment of living wages
- Reasonable working hours
- Safe and healthy working conditions
- A legally binding employment relationship

The listed labour standards represent the basic requirement for all our business partners and must be respected and complied with. The workforce must be informed about the labour standards, the monitoring process, and their rights. This must be done in particular by providing information at the production sites.

Principle 6 has been implemented through various collaborations with organizations such as FairWear and amfori BSCI. Both organizations have the goal to eliminate discrimination and exploitation against women and girls.

Principle 7 has been carried out throughout our annual reporting. As a member of the FairWear Foundation, we report on our sustainability efforts, goals and obstacles in our ALBIRO social report. By addressing goals, we can measure our progress and evaluate them at the end of the year.

3.2. ECOLOGICAL COMMITMENTS

3.2.1. ISO 14001:2015 Certification of environmental management systems

ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

Since 2010, the environmental management of ALBIRO AG is set up and certified according to EN ISO 14001:2015 by the SQS. This is the basis for the continuous improvement process of ALBIRO.



3.2.2. OEKO-TEX Standard 100 (LTH)

Since 2015, ALBIRO Holding AG is certified with OEKO-TEX Standard 100®, that means that all materials used for ALBIRO products are regularly tested and certified without any harmful substances. The compliance of the commitments is audited regularly.



3.2.3. Other ecological facts

MINERGIE® ECO standard

Solar panels have been installed on the roof at our headquarter in Sumiswald. These panels provide 100% of the needed energy in summer thus ALBIRO saves 50 tonnes CO₂ each year. Further, the construction has been built according to the Swiss MINERGIE® ECO standard.



PET Recycling

Besides ALBIRO holds a PET Recycling certificate.



3.3. ECONOMICAL COMMITMENTS

3.3.1. ISO 9001:2015 Certification of quality management systems

ISO 9001 is defined as the international standard that specifies requirements for a quality management system. We are using the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements. The fulfilled requirements should lead to a development of confidence and a consolidation for customers and stakeholders. The certification must be renewed every three years. An annual validation audit ensures the maintaining of the standards. Since 2010, the quality management system of ALBIRO AG is set up and certified according to ISO 9001:2015 by the SQS.



3.3.2. Swiss Textiles Federation

Since 2016 ALBIRO is member of the Swiss Textile Federation SWISS TEXTILES. SWISS TEXTILES Swiss Textiles is committed to optimal economic and trade policy framework conditions. In addition, members are constantly informed about changes in the law and case law that directly affect textile and clothing companies in their day-to-day business.



4. SUMMARY OF THE GOALS & ACHIEVEMENTS 2022

| GOALS FOR 2022 | ACHIEVEMENTS IN 2022 |
|---|---|
| Revise the ALBIRO code of conduct. Creating a new HRDD policy. | The ALBIRO code of conduct has been transcribed into our new «Declaration of Principles on Respect for Human Rights» policy in 2022. |
| Revise the «Employee Code of Conduct» and «Supplier Code of Conduct». | Both policies have been revised and were handed out to our employees and production partners in 2022. |
| Developing regulations that address the specific needs of women. | First meetings with defined suggestions have been undertaken. The policy will be finished in the first quarter of 2023. |
| Established a gender strategy with time-bound targets | A gender lens has been embedded in our policies «Declaration of Principles on Respect for Human Rights», «Employee Code of Conduct» and «Supplier Code of Conduct» and in our risk assessment. The second step will be to define time-bound targets based on our risk assessment. The strategy will be established in the second quarter of 2023. |
| Transparent price costing and wage calculation through FWF fair price app | First styles have been calculated in two our main factories in North Macedonia, but we noted that both factories needed more support. With the help of FWF we were able to clarify open questions and set the target to receive the calculations of all styles by 2023. |
| Preparation of new living wage projects in our own production factories. | By beginning of 2022, we started with our living wage project in our own factory in Serbia. The legal minimum wage in Serbia increased in 2022 by 9.2%. We agreed internally to add 3% to the government increase. This increase is for all workers, also those which earn above the legal minimum wage because of higher skills or productivity levels. This is just a first step and the target wage will be updated regularly. |

| GOALS FOR 2022 | ACHIEVEMENTS IN 2022 |
|--|---|
| ALBIRO wants to raise the awareness of the FWF CoLP and complaints hotline at our production locations. | The released budget in 2021 has been used to distribute 200 powerbanks with the printed FWF hotline in North Macedonia. We received the order of the powerbanks in December 2022 and we will forward them to the workers in 2023. |
| To build a competence centre of weatherproof clothing in our own production in Serbia | First steps have been implemented in 2021. A management team has been set up and the organizational structures have been initiated. The company concentrates on producing weatherproof clothing and functional garments. Technical staff has been enlarged as well as necessary machines been invested. |
| To stabilize the production unit by increasing the order volume, reducing the sick leave rate and concentrate on producing styles of functional wear with similar characteristics. And finally, to increase the output and turnover. | Despite of a high rate of sick leave caused by COVID in the beginning of the year the productivity of the unit could be considerably increased. Also, the sick leave rate could be decreased especially during the last quarter and new employees could be recruited. The company could acquire an important order which guarantees that the capacities will be completely covered in 2023. |
| ALBIRO wants to create a sustainable warehouse at our headquarter in Sumiswald | The warehouse expansion has been completed in 2022. |
| The final objection of ALBIRO is to become FWF «Leader» | ALBIRO achieved this goal in 2022 |

5. SOURCING STRATEGY AND SUPPLIERS

5.1. PRICING STRATEGY

In 2022 prices at all producers has been modified due to the general cost increases, the jumps at costs for energy and due to the salary increase ordered by governments. The average price increase for current styles at producers on Western Balkan countries has levelled off at about 20%. The increase rate for articles produced in Morocco is about 7-8%. We expect further price jumps in 2023 due to the prospective developments on different markets.

We want to ensure that our own purchasing practices do not conflict with the requirements of our due diligence. Regular exchange, open communication and clear expectations play an important role in meeting this challenge.

Strategic planning and forecasting

As part of our commitment to good communication, we send production schedules to our production companies in advance, with early information on product specifications and exact quantities wherever possible. In doing so, we ensure that the stated production timescales are achievable and define responsibilities to ensure a smooth process and avoid overtime. Deviating forecasts and updates are discussed with the supply companies as early as possible and last possible order dates are negotiated. By producing our own brands and NOS items, as well as individual corporate fashion solutions, we are able to relieve the production facilities in the peak season and place large orders in the off-seasons.

Design and product development

Late changes to a product's design or poor communication can lead to tight production lead times, which can affect factory working conditions and product quality. We focus on clear product specifications through detailed working documents that reduce errors on both sides, saving costs and time. Our employees know the production facilities and their machinery and can thus ensure production capability in advance. With trained employees, we ensure that the entire workforce is aware of the effects of changes to the product. Through structured processes and quick sample turnaround, we can shorten lead times, resulting in longer production times and reducing the risks of excessive overtime or subcontracting.

Price negotiations and contract conclusion

Transparent price calculations and fair prices create trust and are the basis for higher wages in the production facilities. Rising costs, such as minimum wage increases or energy prices, are discussed in an open dialogue between the production companies and the management. We encourage our production companies to work with FairWear's fair price app in direct dialogue or through training. With the help of this tool, production companies can clearly summarize all cost points and calculate the unit prices of a model with little effort when paying the minimum wage, when paying a target price or when paying a living wage. In addition, one can actively and quickly respond to cost developments and adjust prices promptly. Furthermore, we ensure that fair payment terms are agreed with the production company in advance. Whenever possible, ALBIRO AG waives penalties. If these do occur in extreme cases, they are transparent and contractually regulated. Payment procedures for our selected suppliers are clearly agreed in advance and our policy is that all invoices are paid on time.

5.2. ORGANISATION OF THE SOURCING DEPARTMENT

Group 1 products - Own productions

Styles that are developed inhouse and where the procurement runs through ALBIRO are called «Group 1 products» and belongs to our own produced styles. The variety of materials and accessories in our own warehouse allows a complete setting up in our factories, without any delay. With our advanced ERP-system (SAP), we administrate the material data, the bills of materials as well as the scheduling of production orders.

Our purchasing and production management is planning and arranging the orders, according to the capacities of our production facilities. The manufacturing will be processed with the support of our technicians and our quality management team.

Group 2 products - External productions

Some styles of our product range are developed in Switzerland and manufactured by external long-term partners in Turkey, Bulgaria, Slovakia and India. All suppliers must present a valid OEKO-TEX® certification and must be compliance with the requirements of Fair Wear Foundation and amfori BSCI. The products of our Group 2 suppliers subject to our high demands of quality and are audited and certified like Group 1.

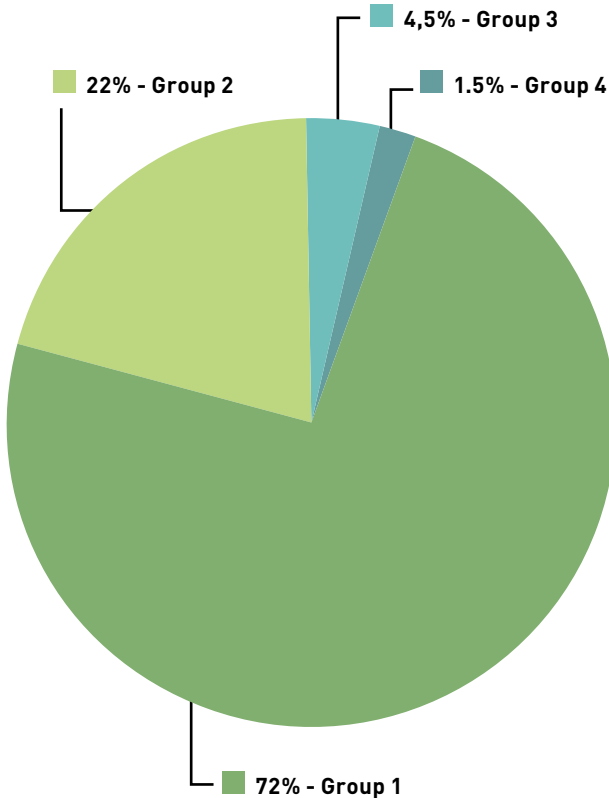
Group 3 products - Trade items

These styles are expansions of our product range, and part of our customer service. All suppliers of this category must sign the FWF Questionnaire in order to ensure proper working conditions and to confirm the CoLP.

Group 4 products - Support processes

This group includes printers, embroiders and laundries that refine our products. All factories of this category must sign the FWF Questionnaire in order to ensure proper working conditions and to confirm the CoLP.

Division of the Groups 2022



5.3. PRODUCTION CYCLE

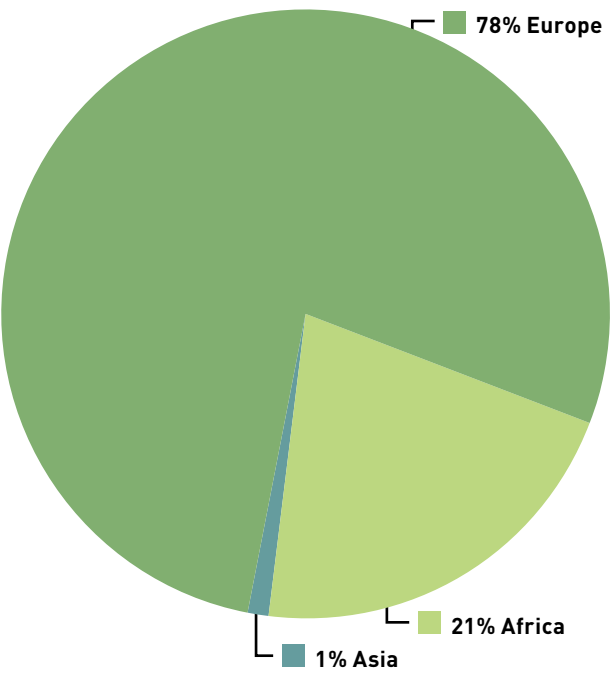
Workwear is only marginally influenced by fashion trends and can be therefore planned and produced without seasonal variations. High volume of «Corporate Fashion» orders at our brand ALBIRO might cause some production fluctuations. Thanks to our financial independence, our modern ERP-System, our long-standing material suppliers and our own or closely affiliated production facilities in Middle Europe, we can eliminate such fluctuations by increasing or reducing the stock quantities.



5.4. SUPPLIERS RELATION

ALBIROs main productions are located in Europe. This represents an overall production volume of almost 80%. Only 20% is produced in our production facility in Morocco and just 1% is produced in Asia, which is related to our Group 3 products.

Division in countries 2022



6. SYSTEM FOR MONITORING AND REMEDIATION

ALBIROs garment suppliers are located in different countries having their own legislation, language and culture. In order to assess the status of factories and suppliers, we rely on local skilled experts in social standards. Therefore, we ask Fair Wear Foundation, amfori BSCI, or other institutions such as SGS, to carry out the audits and to provide reports. Depending on the applied standards, the results will be evaluated and a remediation plan will be established. A timeline for the findings and the corrective actions

will be scheduled within a year and are discussed regularly each month and is an integral part during our production visits. Regardless which audit has been carried out, ALBIRO supports the efforts of the production facilities in order to improve its working conditions. As part of the HRDD policy, we are increasingly restructuring the action-based approach into a risk-based approach and we will start with prevention programs in the coming year.



6.1. OUR SALIENCY AND HUMAN RIGHTS PRIORITIES

Salient human rights are the issues at the highest risk for serious negative impact and therefore require attention to mitigate the risk to people. In 2022, we completed a risk assessment that included internal and external consultations and analysis of public data. This review confirmed six issues that could pose the greatest risks to people in our value chain. This process helps ensure that we have the appropriate policies and procedures in place to help prevent and address potential human rights risks across our value chain.



Payment of living wage



Reasonable hours of work



Gender Discrimination



Child Labor



Safe and healthy working conditions



Forced Labor

The results of the risk analysis showed us that individual risks are often linked to each other. For example, when wages are very low, employees may prefer to work overtime to earn extra income. Or if wages do not satisfy the basic needs of workers and their families, which creates economic incentives for children to work.



6.2. NORTH MACEDONIA

Current situation:

After the huge economic slump in 2020 and the recovery in 2021 the general economic situation has further enhanced in 2022. A growth rate of about 2% is expected for 2022 however there are indications for a stagflation in 2023. The economic growth is supported by foreign investments and the export economy. The unemployment rate has slightly fallen to about 15% whereas among young people of working age the unemployment is beyond 30%. Due to the situation on the labour market, the missing perspectives and the weak economic development, North Macedonia is faced by the brain-drain phenomenon – young people, well educated, are leaving to countries which offers much more possibilities for a better and easier life. North Macedonia, very oriented to the west and candidate for EU-membership expects that investigations for the membership will bring a strong boost into the domestic economy and the social development. The government is positive that membership-talks will start very soon after an agreement with official authorities of Bulgaria.

Wage structure:









In 2022 the minimum wages officially increased by 18.4% respectively from MKD 15.194 to MKD 18.000

net. The amount of the official minimum wage represents 62% of the average wage in the country. However, the living wage determined by NGO should be around MKD 55.000 net. The Economic and Social Council of North Macedonia follows a clear and strict policy to enhance the financial and living conditions for the labour force, to reduce the problems of the brain-drain and to create attractive working settings. Due to this strategy and the current price and cost developments on different areas it's expected that the amount of the increase rate will be similar in the next years.

COVID-19:

The general situation in the country caused by COVID-19 wasn't quite serious. Due to restrictions in public life, comprehensive possibilities for testing and vaccinating even in the country side and the increased consciousness about the risks and dangers pandemic waves could avoid and huge problems in the factories have not been recognized. In comparison to 2020 and 2021 shut downs of factories or departments weren't necessary even if there were higher rates of sick leaves mainly at the beginning of the year. Most of the restrictions, instructions and precautions were eliminated during the 2nd and 3rd part of 2022.

Factory MK2022280K02G1E

| | | |
|--------------------------------|---|---|
| Year of starting business |  | 2004 |
| Percentage of total production |  | 34% |
| Estimated leverage |  | 100% |
| Date of last visit |  | October 2022/Head of production and CSR |
| Date of last audit |  | 9.-10.9.2022/FWF |
| Date of last training |  | 26.10.2020/modified WEP training for strengthening worker representatives |
| Products |  | Workwear, Outdoor |
| Workers |  | Female: 112 Male: 13 Migrants/Refugees: 0 |

Our main production in North Macedonia has been ISO 9001 certified since 2017 and produces around 200,000 units annually with more than 170 employees.

In 2022 we had some major challenges with this production facility. Due to the minimum wage increase and rising energy prices, the production felt forced to cut the wages of some employees and reduced bonus payments without informing ALBIRO. Through complaint #1225, together we were able to discuss the issue and worked out a solution. The factory agreed to provide transparent pricing per model, preferably through the FWF fair price app, and ALBIRO agreed to raise prices. During the process, it became apparent that large data gaps existed in production and many numbers were not maintained. With the help of FWF

and ALBIRO, some data was obtained and entered, but not a single model has been completed in the fair price app by the end of 2022. We continue to work on this and hope to have this completed by the end of 2023.

In cooperation with ALBIRO, a new specific staff member has been designated by end of 2022 to follow up on problems in the monitoring systems. We are happy to have found an internal staff member for this position. As an employee of the finance department, she has been able to work closely with FWF over the past years and is very familiar with wages and payments. The employee could be trained by ALBIRO in 2022 and will also be supported by ALBIRO and FWF in 2023. We hope to be able to solve the findings faster and more efficiently with this new and highly motivated employee.

Factory MK2022280GA6ZNW

| | | |
|--------------------------------|---|--|
| Year of starting business |  | 2005 |
| Percentage of total production |  | 4% |
| Estimated leverage |  | 100% |
| Date of last visit |  | October 2022/Head of production and CSR |
| Date of last audit |  | 14.-15.5.2021/FWF |
| Date of last training |  | 1.7.2018/FWF WEP training 24.12.2022/FWF WEP training |
| Products |  | Workwear |
| Workers |  | Female: 35 Male: 12 Migrants/Refugees: 0 |









Our second production in North Macedonia produces approximately 120.000 pieces annually, with the help of around 45 employees.

As the minimum wage and energy prices increased in North Macedonia, we had price negotiations with this factory as well. Low wages are linked to a few findings in the last Audit from 2021. For example, Saturday work is not counted as overtime and as a result no premium rate was paid. According to production

statements, the productivity is too low, therefore the factory feels compelled to compensate for this lack of productivity by working on Saturdays. In several meetings the factory has been supported via FWF and ALBIRO to calculate new prices, including all costs, such as OT premium rate, K-15 etc. ALBIRO confirmed most of the increases in 2022 but a transparent price calculation from factory site could not be forwarded.



Factory MK2022265H8HCDE

| | | |
|--------------------------------|---|--|
| Year of starting business |  | 2019 |
| Percentage of total production |  | 4% |
| Estimated leverage |  | 35% |
| Date of last visit |  | October 2022/CSR |
| Date of last audit |  | 10.-13.7.2020/FWF 18.2.2022/amfori BSCI/full Audit |
| Date of last training |  | 1.7.2018/FWF WEP training 24.12.2022/FWF WEP training |
| Products |  | Workwear |
| Workers |  | Female: 138 Male: 13 Migrants/Refugees: 0 |

Our third factory in North Macedonia is producing for several European brands and is FWF and amfori BSCI audited.

The last FWF Audit has been conducted in 2020 and stated 2 crucial findings:
Working hours could not be verified due to inconsistent or incomplete records, which occurred while some of the workers did not use their e-card correctly. Besides that, not all workers have been received their legally required minimum wage. Both findings have been improved in 2021. Employees have been trained in using their e-card and a schedule has been set up in case someone forget the card.

The finding regarding the non-receipt of the minimum wage occurred during the outbreak of COVID-19. It stated that 30% of workers did not receive the minimum wage for March and April. Per consultation with the factory, deductions for absent workers were legal. Factories did not receive help from the government between March and April and due to financial losses factories began to reduce the wages if workers were absent, which is covered by law. In May the government announced that all workers, even if they have been absent, have to get their full salary. At this time Galateks paid all workers the full amount. In 2022 we verified the statements throughout an amfori BSCI Audit, which confirmed the implementation.

6.3. MOROCCO

Current situation:

After a huge jump in 2021 (+ 7.55%), the economic growth has cooled down to 2.6% in 2022. This dynamic development is expected to continue in the next few years and is supported by private consumption, public infrastructure investments and exports mainly to the EEU countries. BiH is offering itself as an alternative to Russia and Ukraine for metal processing. Many companies in this field are focused on export business and invest in their own production capacities.

A further boost for the economy is expected as soon as BiH is getting an official candidate for negotiations to access the EU. Furthermore, foreign investments into private and public fields strengthen the economy. Beside these positive developments the political constellation is still unstable and works against the constructive flows.

The garment industry is still an important field in BiH. More than 400 companies and about 40.000 employees are producing garments for different labels and customers mainly in Western Europe. Due to sourcing problems in overseas and the war acts in Ukraine, BiH is getting more and more an interesting area for the textile industry.









COVID-19:

There aren't any special occurrences regarding COVID-19 in 2022. Most of the instructions and measures for controlling the pandemic were eliminated in the first six months of 2022.

Wage structure:

In 2022 there was the first considerable official increase of minimum wages. Initially the amount for minimum wages were set by BAM 530 net/month. However due to strong price increases on different markets and areas (foot, energy, transport) the minimum wages have raised again up to BAM 650 net/month by beginning of July 2022. The average wage in the country is about BAM 1'040 net/month; this amount is strongly influenced by the wage level of different official authority organisations, which is quite high. Regardless of this amount the living wage for an average family is about BAM 2'400 per month. This huge lack between minimum and living wage shows the critical social situation for the people in this country.

Factory MA20222650KW95Y

| | | |
|--------------------------------|---|---|
| Year of starting business |  | 2008 |
| Percentage of total production |  | 22% |
| Estimated leverage |  | 100% |
| Date of last visit |  | April 2022/Head of production |
| Date of last audit |  | 14.6.-16.6.2021/amfori BSCI/full Audit |
| Date of last training |  | - |
| Products |  | Workwear |
| Workers |  | Female: 138 Male: 20 Migrants/Refugees: 0 |

Since 2008 we are producing workwear, mainly trouser at our long-term partner in Fez.

Since the first audit in 2011, the production has been able to continuously improve the sustainability points and has achieved the grade A in the last amfori BSCI audit in 2021 for the second time in a row. Even with such a great outcome, the audit reports are shared and regularly discussed with the production facility.



Factory BA2022265EBFPWG

| | | |
|--------------------------------|--|--|
| Year of starting business | | 2011 |
| Percentage of total production | | 9% |
| Estimated leverage | | 100% |
| Date of last visit | | November 2022/Head of production |
| Date of last audit | | 8.9.2021/amfori BSCI/full Audit 25.8.2022/amfori BSCI/follow up Audit |
| Date of last training | | – |
| Products | | Workwear |
| Workers | | Female: 64 Male: 8 Migrants/Refugees: 0 |

Since 2011 we are producing workwear at our long-term partner in Bosnia.

The last audit via amfori BSCI stated one crucial finding. There was no evidence that a regular inspection of the correctness and functionality of the fire alarm system was done in accordance with the law on fire

protection. The production had difficulty finding a suitable company to carry out this inspection. After consultation with amfori BSCI, a link for registration was sent to the production. In 2023 the inspection can now take place.



6.4. BOSNIA

Current situation:

After a huge jump in 2021 (+ 7.55%), the economic growth has cooled down to 2.6% in 2022. This dynamic development is expected to continue in the next few years and is supported by private consumption, public infrastructure investments and exports mainly to the EEU countries. BiH is offering itself as an alternative to Russia and Ukraine for metal processing. Many companies in this field are focused on export business and invest in their own production capacities. A further boost for the economy is expected as soon as BiH is getting an official candidate for negotiations to access the EU. Furthermore, foreign investments into private and public fields strengthen the economy. Beside these positive developments the political constellation is still unstable and works against the constructive flows. The garment industry is still an important field in BiH. More than 400 companies and about 40.000 employees are producing garments for different labels and customers mainly in Western Europe. Due to sourcing problems in overseas and the war acts in Ukraine, BiH is getting more and more an interesting area for the textile industry.

COVID-19:

There aren't any special occurrences regarding COVID-19 in 2022. Most of the instructions and measures for controlling the pandemic were eliminated in the first six months of 2022.

Wage structure:

In 2022 there was the first considerable official increase of minimum wages. Initially the amount for minimum wages were set by BAM 530 net/month. However due to strong price increases on different markets and areas (foot, energy, transport) the minimum wages have raised again up to BAM 650 net/month by beginning of July 2022. The average wage in the country is about BAM 1'040 net/month; this amount is strongly influenced by the wage level of different official authority organisations, which is quite high. Regardless of this amount the living wage for an average family is about BAM 2'400 per month. This huge lack between minimum and living wage shows the critical social situation for the people in this country.



6.5. SERBIA

Current situation:

The economy has continued its strong development in 2022 after the economic growth in 2021 has been more than 7%. In 2022 the increase rate is expected at about 4% and is supported by foreign investments and private consumption. The country invests huge amounts into public infrastructure to create an interesting field for further investments from foreign companies. Furthermore, Serbia follows an open economy policy to all other countries on the West Balkans by reducing duty rates and by eliminating customs barriers. Due to wide spreading political measures and initiatives like «Open Balkan» und «Westbalkan 6» Serbia is considered as «boom area» under the West Balkans countries. Despite positive economic aspects the country suffers under high inflation, brain-drain, low and unstable productivity and corruption. Especially the public corruption and the political influence into the separation of powers are the main reasons why Serbia isn't still a candidate for the accession to the EU.

COVID-19:

In comparison to 2020 and 2021 COVID was no serious problem anymore for Serbia. The country has followed an offensive vaccination campaign starting in 2020. At the beginning of 2022 Serbia was hit again by a COVID-wave however the prevailing mutation has not overtaxed the healthy system and the failure rates of personal in companies has been quite low.

Wage structure:

The official increase rate (according to the Government of Serbia) for minimum wages was set by 9.4% for 2022. On base of 176 working hours per month the net minimum wage is RSD 35.400, respectively RSD 425.000 a year which corresponds about EUR 3.600. The net living wage is RSD 120.000/month respectively RSD 1'440'000/year or EUR 12'200. The Serbian government is forcing increase rates for wages which are above the national inflation rate to achieve a real income growth for employees, to reduce the brain-drain phenomenon and to raise the wealthy in the country.

Factory RS20222807Q23JA

| | | |
|--------------------------------|--|--|
| Year of starting business | | 2021 |
| Percentage of total production | | 2% |
| Estimated leverage | | 100% |
| Date of last visit | | December 2022/Head of production |
| Date of last audit | | canceled in 2022; will follow in 2023 |
| Date of last training | | - |
| Products | | Outdoor, Workwear |
| Workers | | Female: 113 Male: 3 Migrants/Refugees: 0 |

After setting up our own production in Serbia, we needed time to build up the management and internal structures. A first Audit through the company «Sumations» was planned in 2022, however could not be executed and has been rescheduled to April 2023.

In 2021 we started with our «living wage project» in our own factory in Serbia. The statutory minimum wage in Serbia was increased

by 9.4% in 2021 and by 11.4% in 2022. For 2021, we were able to ensure that all employees receive the minimum wage and earn an additional 3%. In 2022, we were able to add another 3% on top of the minimum wage increase. Over the last 2 years we have been able to add a total of 6% on top of the increased minimum wages. This increase applies to all employees, including those who earn more than the statutory minimum wage due to higher qualifications or productivity.

6.6. TURKEY

Current situation:

Turkey continues to host the highest number of refugees in the world. According to Turkish law, refugees have the right to education, health care and access to other social services. As FWF member, ALBIRO pays special attention to this topic. If a production location hires Syrian refugees, it must be ensured that a legal working contract and a fair remuneration, under applicable law, exists. Together with our production partners in Turkey, we have created the «Syrian refugee policy», which has been signed from both sides. Turkey’s official inflation rate was 64.27 per cent in 2022. However, independent inflation researchers calculated it to 137.55 per cent. The Istanbul Chamber of Commerce’s Living Wage Earners’ Living Index revealed that retail prices in Istanbul increased by 92.97 per cent in December, compared to December 2021.

COVID-19:

The number of COVID-19 cases increased again in mid-2022 after restrictions were eased due to low case numbers earlier in the year. A variant of the in-

fection was blamed for the rise, which can also infect people outdoors. Experts warned people with chronic illnesses and the elderly to remain at risk and advised people to continue taking self-protective measures, including wearing protective masks. Health officials had previously announced that most hospitalizations and deaths were among the elderly and people with other illnesses.

Wage structure:

In Turkey the minimum wage in was 7,603.43 TRY gross / 5,500.35 net. According to a survey conducted by Türk-İş Confederation in December 2022, a family of four needs a minimum of 8,864 TRY to survive, putting the minimum wage below the starvation line. Turkish President Recep Tayyip Erdoğan announced on December the 22th that the net monthly minimum wage will be 8,500 Turkish Liras starting from January 2023, with an increase of 54.66%.



Factory TR2020311N7HY2W

| | | |
|--------------------------------|--|---|
| Year of starting business | | 2015 |
| Percentage of total production | | 14% |
| Estimated leverage | | 7% |
| Date of last visit | | September 2022/CSR |
| Date of last audit | | 10.-11.12.2020/FWF 4.7.2022/amfori BSCI/full Audit |
| Date of last training | | 4.11.2021/WEP migrant and refugee workers training |
| Products | | Knitted garments |
| Workers | | Female: 101 Male: 145 Migrants/Refugees: 5 |

In our production facilities in Turkey we produce knitted garments, like T-Shirts, Poloshirts and Sweat-shirts. Our main production in Turkey is audited by FWF and amfori BSCI. Through the cooperation of another FWF member brand, we were able to work together on the CAP and conduct training, which in turn strengthens our influence in production. After the FWF audit was conducted, we were able to work with the production to elect new worker repre-

sentatives and ensure that an Arabic-speaking representative also represents Syrian employees. In addition, the working contracts and pay slips have now also been translated into Arabic. Furthermore, during the last on-site visit, we were able to verify that regular meetings between the management and the representatives takes place and that complaints are dealt within a predefined procedure. Now, the results are shared on the board, visible to all employees.

Factory TR2022280S5ACDQ

| | | |
|--------------------------------|--|--|
| Year of starting business | | 2022 |
| Percentage of total production | | 2% |
| Estimated leverage | | 4% |
| Date of last visit | | September 2022/CSR |
| Date of last audit | | 4.6.2021/amfori BSCI/full Audit |
| Date of last training | | - |
| Products | | Knitted garments |
| Workers | | Female: 9 Male: 4 Migrants Refugees: 0 |

Due to the dissolution of the cooperation with a producer in Turkey, we started to work with a new production in 2022, with the help of our agent in Izmir. After conducting

our due diligence, including an on-site inspection in September 2022, we placed our first order. The amfori BSCI Audit was rated with grade A and no finding was detected.

6.7. INDIA

Current situation:

The textile industry is one of the oldest industries in India. Due to the variety of raw materials such as cotton, wool, silk and jute, as well as the oversupply of cheap labour, the textile industry became an important pillar of the Indian economy. Most of the workers are women, who are employed on cotton fields, in spinning mills and sewing factories at low wages. The proportion of women, 70% on average, varies from around 60% in the north to around 80% in the south.

The inflation rate between January and December 2022 was between 6.97% and 5.04%. The unemployment rate was approximately 7.3%. India scores a total of 66 out of 100 in the Freedom in the World Freedom Index 2022 and is classified as «partly free».

Many people in India still do not have sufficient access to electricity. As a result, the country’s demand for electricity is increasing. India is increasingly relying on renewable energies and is building large solar parks, among other things. However, the country is also relying on more coal and a sharp increase in oil imports from Russia. India ranks fourth in greenhouse gas emissions - after the United States, China and the European Union. India aims to become climate-neutral by 2070. Eradicating poverty and social inequality and protecting the climate and natural resources are the greatest challenges facing India’s politics, economy and society.

COVID-19:

As a result of the outbreak of the corona pandemic, India undertook a complete border closure. Until November 2021, foreigners were not allowed to travel to India. However, the corona measures were still very strict. Travelers had to go into quarantine after entering the country. Since then, measures against coronavirus have been gradually reduced.

Corona measures for international travellers were first relaxed on February 2022. On that date, the quarantine requirement was lifted, making travel to India much easier. However, some corona measures still remained. For example, all travellers to India were required to prove that they were fully vaccinated or were required to provide negative proof of testing. In addition, travellers were required to complete a health declaration, known as the Air Suvidha Self Declaration Form, and log their health status after entering India. For that reason, the planned trips had to be postponed to 2023.

Wage structure:

It must be noted that India’s minimum wage and wage structure differs based on the state, industry, occupation, and skill-level. For Tirupur the legal minimum wage for unskilled workers is 4.956INR and for skilled workers 7.358INR. The minimum wage has not been increased in the last year.

The GLWC updated the net living wage in 2022 from INR 16,167 per month to INR 18,529 per month. Cost of decent standard of living for a family is INR 25,543.

The issue of gender-based disparities is still common when it comes to salary.



Factory IN2020325X3CAYS

| | | |
|--------------------------------|--|---|
| Year of starting business | | 2017 |
| Percentage of total production | | 1% |
| Estimated leverage | | 4% |
| Date of last visit | | October 2018/CSR September 2019/Agent |
| Date of last audit | | 7.3.2022/amfori BSCI/full audit |
| Date of last training | | 15.10.201/FWF worker sexual harassment training |
| Products | | Knitted garments |
| Workers | | Female: 23 Male: 39 Migrants Refugees: 0 |

We are manufacturing small quantities in India in co-operation with a Swiss agent. The production works exclusively with European customers, of which the majority is from Scandinavia. At the entrance of the company and on each floor, employees will find an overview about their rights, the actual minimum wage, the current worker representatives and the complaint hotline in their local lan-

guage. The factory has several workers and grievance committees which are in touch with the management, however it was noted during the last audit that the production has conducted a committee election but did not maintain complete records against committee members election. We have sensitized the production about this point and the documents will be retained at the next election.

6.8. BULGARIA

Current situation:

Beside the metal -, foot- and tourism sector, the textile sector is the most important industry. Right now, approximately 80.000 people are working in textile related factories. However, employment has gone down in the past years, which is a concern. In 2022 the economy faced one of the biggest challenges, as Bulgaria imports almost 90% natural gas from Russia. Due to the European sanctions, natural gas delivery from Russia has been suspended. The other most significant problem for the Bulgarian economy was the growing inflation, which has reached record levels in September. However, in recent months the annual inflation in Bulgaria has been slowing down.

COVID-19:

All regulations have been terminated at the beginning of 2022.

Wage structure:

The minimum wage has been raised in 2022 from BGN 650 to BGN 710 (363€/month)
As mentioned in the FWF country study, the CITUB’s research body IS-TUR, in 2019, published the estimated living wage as 618.15 BGN (€316) or 2,472 BGN(€ 1,264) for a four-member family, assuming two adults and two children.
CITUB and CL Podkrepa unions called for stronger social dialogue and sectoral collective bargaining, as there has been no collective bargaining agreement since 2008.



Factory BG20222808C5WQ5

| | | |
|--------------------------------|--|--|
| Year of starting business | | 2022 |
| Percentage of total production | | 2% |
| Estimated leverage | | 7% |
| Date of last visit | | canceled in 2022/will follow in 2023 |
| Date of last audit | | 24.3.2022/amfori BSCI/full audit |
| Date of last training | | – |
| Products | | Suits and uniforms |
| Workers | | Female: 71 Male: 13 Migrants/Refugees: 0 |

Since 2009 we are working with our Group 2 supplier, with its headquarter in Germany and its productions in Eastern Europe. Due to the COVID pandemic the previous factory in Czechia has been closed and the complete production volume has been shifted through Bulgaria. The amfori BSCI Audit was rated with grade A and no finding was detected.





6.9. SLOVAKIA

Current situation:

With around 20.000 employees, the textile industry in Slovakia does not play a significant role and has been very much replaced by the automotive industry and its suppliers.

Fortunately, the energy costs have been quite stable in 2022 as prices have been paid by end of 2021. However, price increases up to 300% are expected by December 2022 for the year 2023.









COVID-19:

Policy provisions related to the COVID-19 pandemic were unstable, with some changes occurring on a weekly basis. In early 2022, mandatory COVID testing was eliminated and all measures were lifted. Wearing a mask is still recommended.

Wage structure:

The minimum wage has been revised in Slovakia with effect from 01 January 2022. The minimum wages have been increased from 623€/month to 646€/month. The estimated living wage, calculated by «nbs», is 1.327€/month of a family of four.

Factory SK2021138W3T2Q1

| | | |
|--------------------------------|---|---|
| Year of starting business |  | 2006 |
| Percentage of total production |  | 5% |
| Estimated leverage |  | 10% |
| Date of last visit |  | 9.10.2019/CSR |
| Date of last audit |  | 19.5.2022/Oeko-Tex STeP |
| Date of last training |  | – |
| Products |  | Shirts |
| Workers |  | Female: 58 Male: 1 Migrants/Refugees: 0 |

With our production partner based in Switzerland, we are working since 2006. The production is located in Slovakia and has been visited several times, lately in 2019.

The factory has been audited in 2022 via Oeko-Tex STeP and some trainings regarding «safe&healthy work conditions» as well as «handling with hazardous substances» has been conducted. There were two important recommendations from the last audit in the area of social responsibility. The company should provide regular training to employees and management based on the core labour standards of the ILO. Furthermore, awareness of living wages should be raised, considering external organizations such as the Anchor Method in cooperation with the Global Living Wage Coalition.

6.10. SUPPLIERS OF TRADE ITEMS

ALBIRO is providing a complete customer service. Therefore, some products are bought from external sources, such as formal suits, uniforms, caps, scarves, belts and bags. The long-standing suppliers of these trade items are located in Switzerland or in the European Union (EU) with production mainly in the EU.

For those additional purchases, ALBIRO is also ensuring the sustainability of this products. The sustainability and the respect of the ILO core labour standards have to be checked with a supplier's assessment before the supplier is approved and the order is placed. A close relationship helps to get regular information upon ALBIRO 's requirements and to monitor the further development of the suppliers. Generally, the producers have their own code of conduct or they are members of organisations such as FWF or amfori BSCI.

7. COMPLAINTS

7.1. COMPLAINTS PROCEDURE

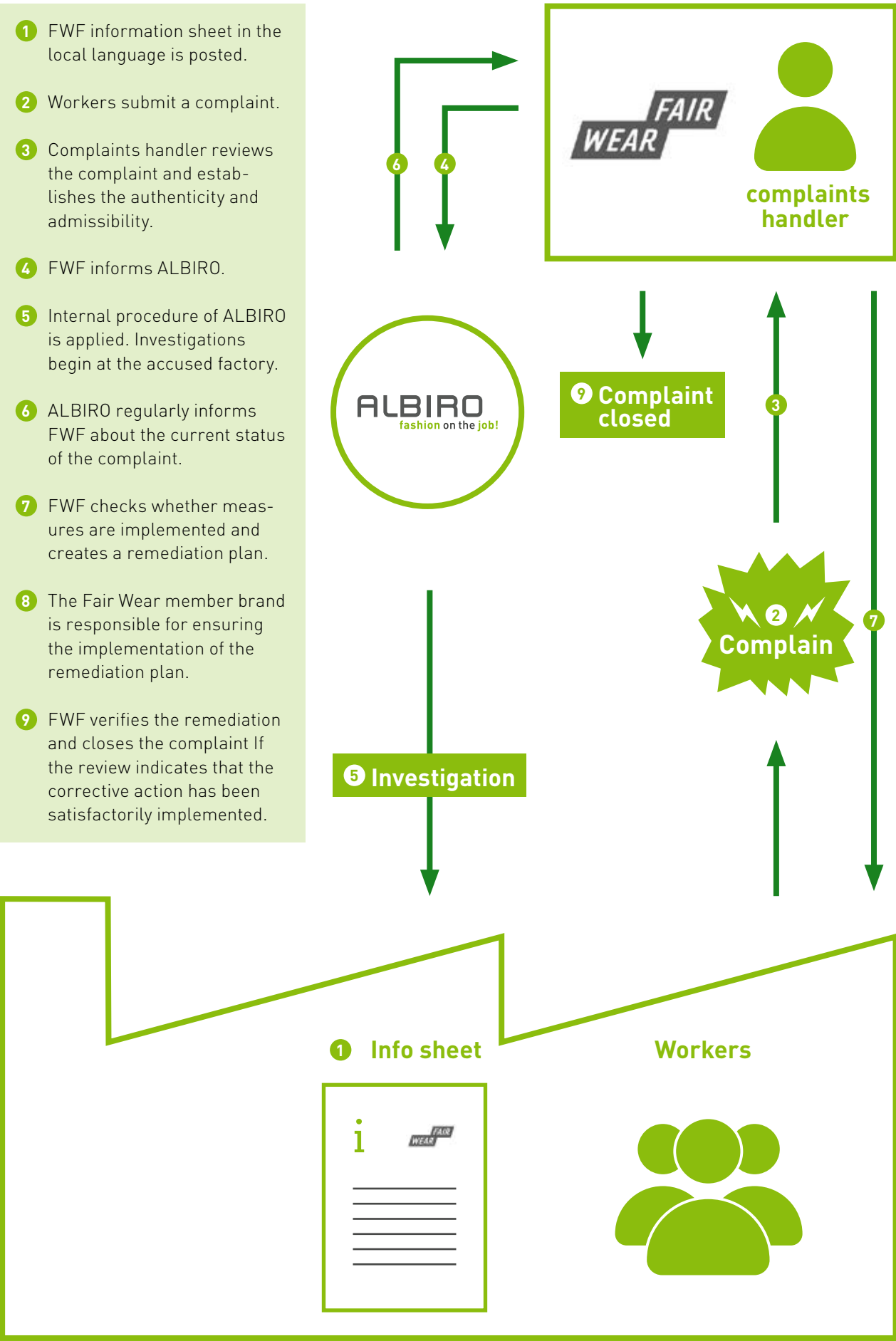
Fair Wear Foundation is providing workers in the garment industry the possibility to complaint about grievances. In all production facilities the FWF Code of Labour Practices is posted in the local language. If workers feel that their rights are being violated they can file a complaint. This is done through a complaints handler who speaks the local language, which allows workers to raise their concerns in a secure environment. When a complaint is filed, the member brand receives a notification by e-mail. At this point ALBIROs internal procedure applies. The CSR manager informs the CEO and head of production and starts to investigate at the accused factory. During this process ALBIRO shares periodically the current status of the complaint. FWF will maintain contact with the complainant to assess whether, from the complainant’s perspective, the agreed upon remediation steps are being implemented. FWF is responsible for verifying whether a complaint has been fully remediated according to the agreed-upon remediation plan. When verification shows the remediation has been implemented satisfactorily, the status of the complaint will change to «closed». All complaints are published on the FWF website.

7.2. COMPLAINTS IN 2022 #1225 – SOLVED IN 2022

In April 2022 we received a complaint related to one of our factories in North Macedonia. Several workers called local labour rights organizations to inform non-compliances on payment of the legal minimum wage, for the month of March 2022 which has been increased in the same month. Offsite interviews and worker interviews confirmed that workers were asked to sign a paper in which they had to agree to receive 70% of the minimum wage for March 2022, although they worked full time, which is below the new legal minimum wage.

In addition, it was stated a legally required seniority bonus is not paid to those workers over and above the legal minimum wage but calculated as part of the wage. In May 2022, ALBIRO joined the FWF investigation process at the affected production. Fair-Wear carried out management interviews, interviews with workers, and collected data. Discussions and findings were exchanged and the complaint was considered grounded as the investigation concluded that wage deductions were unjustified and the payment below the legal minimum wage was not in line with the national legal requirements. The factory management stated that they were facing financial losses post COVID-19. The increase in the energy price, legal minimum wages, overhead costs and the agreed production order prices were not sufficient to cover all expenses. During the meeting ALBIRO confirmed financially support to pay the differences in wages up to the level of the minimum wage from March to June 2022. Once again, ALBIRO encouraged the affected production to recalculate their prices with the FairPrice app, including all production and labour-related costs to avoid similar problems in the future.

On 09 and 10 September 2022 Fair Wear conducted an audit on ALBIROs request. During the audit, it was confirmed that the agreed amount has been paid to the factory. In the last week of September 2022, the payment has been verified with the complainant, and the relevant documents has been reviewed. ALBIRO further supported the factory in the cost calculation by agreeing to new prices. Through the support and the compensation of ALBIRO, the complaint has been resolved.



8. TRAININGS AND CAPACITY BUILDING

8.1. ALBIRO STAFF MEMBERS

Since 2012, all employees have been trained on the subject of sustainability in relation to our commitments. In particular, when they start their job, there is an introduction to the topic of sustainability to explain the basic principles. In the course of the job, there are different points of contact in the various departments. It is ensured that all workers are informed in particular on the areas of activity they carry out. Since the end of 2022, we have included the sustain-

ability item as a separate section in our newsletter. Every three months, our CSR Manager reports on the current topics. Beside that ALBIRO provides information's on our MSA system, at internal meetings and on our homepage. The CSR manager, staff members of the buying-, production -, marketing - and sales department are involved in ALBIROs annual brand performance check, social report and workplan.

8.2. AGENTS AND IMPORTERS

In countries where we buy our full-service products we usually work with agents and importers to make sure that our sustainability requirements will be kept. Therefore, those will be informed and trained during onsite-visits just like the workers in the factories.

Trainings of amfori Academy are available. The cooperation with our responsible agents in the improvement of production facilities and their management is an important concern for ALBIRO.

8.3. MANUFACTURERS AND WORKERS

The CSR team and purchasing department work closely together in the selection of new suppliers. As soon as a new, potential production has been found, the companies will be informed via mail about the sustainability activities which ALBIRO does. Fair Wear offers different kind of tools to inform the productions. In addition to the announcement letter, the FWF Questionnaire and the supplier code of conduct will be sent to all suppliers. With these documents, the supplier confirms the compliance of the CoLP (Code of Labour Practices). The signed CoLP and suppliers code of conduct are the basis of a cooperation between the production and ALBIRO, and it is the first step on the way to a continuous improvement concept. After ALBIRO has received the signed Questionnaire, a visit to the production facili-

ties takes place. A health & safety check will be carried out during this visit. Needed improvements will be discussed and ALBIRO provides help on how these points can be improved. In order to prepare the new productions regarding an upcoming audit, WEP trainings are carried out. This WEP training provides a basic introduction to FWF's Code of Labour Practices as well as the FWF complaints hotline and other grievance mechanisms. In countries where FWF is not active, we work with amfori BSCI. Beside these basic WEP trainings all member brands can revert on different kind of trainings which can also be carried out in companies with a long-term relationship. In these cases, specific trainings can be held, such as the „violence prevention capacity building “module etc.

8.4. CUSTOMERS

ALBIROs social commitment and sustainable strategy is communicated throughout our homepage, catalogues, newsletters, onsite visits and fairs. In order to make our customers more aware about sustainability, the sales department informs them during their visits. We also refer to sustainability on our website and our company presentation, as well as in personal customer discussions. Sustainability is

important for our customers and has an impact on the order distribution. Particularly in government tenders, the issue of sustainability is increasingly being addressed, even if this area only accounts for a small percentage in the evaluation. Since the COVID-19 regulations eased in 2022, the on-site visits to our customers could be resumed.



9. INFORMATION MANAGEMENT

Our CSR Manager is the interface to all departments in particular, the purchasing-, production-, development- and marketing department. He or she regulates the distribution of tasks, competencies and responsibilities and defines the reporting channels. All necessary documents are collected and passed on to the responsible departments and necessary meetings are opened. The CSR manager is informed about all steps and can thus react and act as required. The CSR manager essentially ensures that information is provided adequately and handled effectively within the company. In doing so, he

or she is guided by the fulfilment of corporate objectives. By means of regulations and guidelines, tasks have been formulated for various scenarios and required information has been defined. Based on the respective task, the CSR manager decides whether the information is to be procured internally or externally. Here, various organizations provide us with information material, such as surveys, analyses, changes in political framework conditions, country studies, etc. In the next step, the collected data is systematically processed and all departments or individuals are provided with the relevant information.

10. MARKETING ACTIVITIES

Consumers are demanding more sustainable products and more information about these products in order to make informed purchasing decisions that are better for the environment, society and for their health. Consumers are strongly supporting businesses that incorporate meaningful values into their core business. At ALBIRO we believe that this mindset will grow in the years ahead.

Our entire communication underlines our social commitment and our sustainability strategy. All our activities are regularly updated on our homepage, in our social networks like Facebook and Instagram, as well as in our sales catalogues and flyers. In 2022 all our products have been equipped with an additional FairWear hangtag.



11. FURTHER SOCIAL PROJECTS OF ALBIRO

11.1. ALBIRO FOUNDATION

The ALBIRO FOUNDATION has been established in 2012, in Sumiswald.

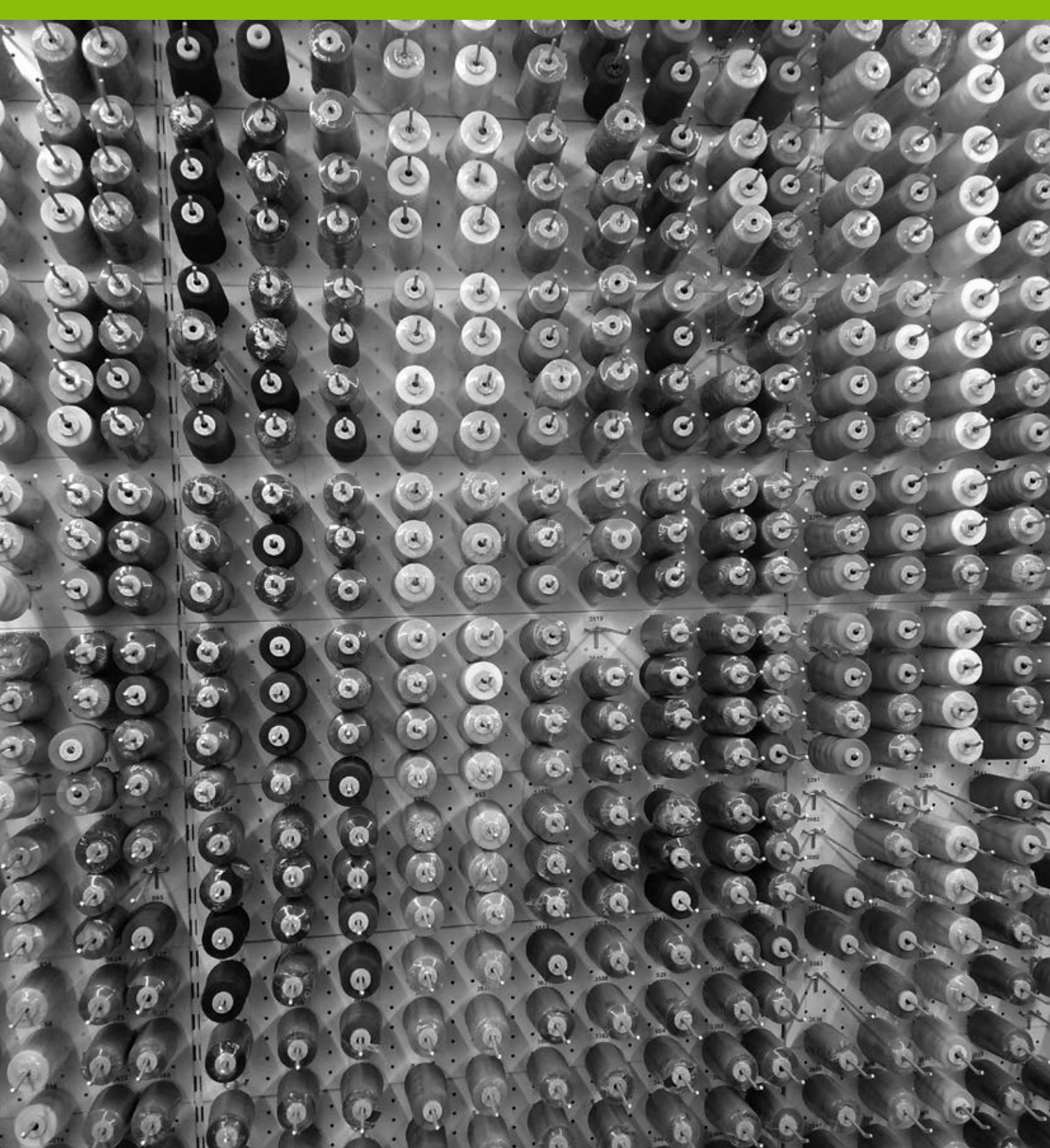
The purpose of the foundation is to support and to promote the science, culture, education and the humanitarian development aid in countries where ALBIRO is active.

The year 2022 was marked by the war in Ukraine. This induced the ALBIRO Foundation to make a financial contribution to Caritas Switzerland. With this amount, urgent survival aid can be provided on site. Major projects at our production sites are planned in 2023.



12. GLOSSARY

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|------|---|
| BSCI | Business Compliance Initiative of Foreign Trade Association, Brussels |
| CAP | Corrective Action Plan of Fair Wear Foundation Audit Report |
| CoLP | Code of Labour Practice of Fair Wear Foundation |
| CSR | Corporate Social Responsibility |
| FTA | Foreign Trade Association |
| FWF | Fair Wear Foundation, Amsterdam |
| ILO | International Labour Organisation |
| MSA | Management System of ALBIRO |
| NGO | Non-governmental organisations |
| SAP | Systems, Applications & Products in Data Processing - Software |
| SGS | Société Générale de Surveillance – Inspection, Verification, Testing and Certification Institute, Geneva, Switzerland |
| SQS | Swiss Association for Quality Management and Systems ISO 9001 (Quality Management), ISO 14001 (Environment Management), Zollikofen, Switzerland |
| WEP | Workplace Education Program of Fair Wear Foundation |
| OECD | European Convention on Human Rights |
| HRDD | Human Rights Due Diligence |
| GRDD | Gender-Responsive Due Diligence |
| WEPs | Women Empowerment Principles |



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