

SUSTAINABILITY REPORT 2023/2024

V1.3 06.03.2025



As a textile company, we see it as our responsibility to promote sustainable and socially responsible business practices along the entire value chain. Climate change and social challenges in the global supply chain make it necessary to develop new approaches to textile production that take both environmental and social aspects into account.

We are committed to the following principles as part of our declaration of principles on responsible corporate governance: Respect for human rights, environmental responsibility, integrity and business ethics, responsible sourcing and purchasing practices, promoting living wages and continually increasing the use of sustainable materials. These principles form the basis of our actions and set standards for our business processes. Our high expectations not only apply to our own company, but also extend to our suppliers and all stakeholders along the value chain. We expect all our partners to adhere to the same ethical, social and ecological standards and to actively contribute to their continuous improvement. Only through close cooperation and consistent implementation of these standards can we jointly ensure a sustainable, fair and future-proof supply chain that meets the requirements of global challenges.

We integrate due diligence processes into our day-to-day business and mitigate material risks through grievance management mechanisms and protective measures.

A SUSTAINABLE PROCUREMENT MODEL AS THE PATH TO IMPROVEMENT

FL Textil positions itself as a high-performance supplier in the field of workwear, offering its customers comprehensive solutions. Our services range from design and development to production, warehousing, inventory management, and delivery to our customers' sales locations. We follow an integrated approach to ensure that our customers receive everything from a single source.

Our business model is based on an annual production cycle per customer. This structure allows for careful planning and sufficient lead time for the development and manufacturing of garments. Through continuous inventory monitoring, we can proactively manage production planning, preventing bottlenecks or delays. Our suppliers are informed in advance so that they can reserve the necessary capacities and organize raw material procurement in a timely manner.

This minimizes the risk of price reductions or inaccurate forecasts and prevents difficulties caused by short-term adjustments to order volumes.

We plan order quantities based on a thorough analysis of orders, considering realistic buffer quantities. This enables us to respond to unexpectedly high order volumes without relying on additional small-scale productions.

Our products are designed for intensive daily industrial use, which is why we adhere to high-quality standards. Regular testing and a focus on the longevity of our products are central aspects of our quality assurance.

Long-term and partnership-based business relationships are particularly important to us. We maintain regular exchanges with our production facilities and agencies and closely collaborate on joint projects such as production planning and quality assurance. Through this close cooperation, we ensure that all parties involved—from suppliers to logistics partners—fully understand their tasks, product expectations, and schedules. This allows us to guarantee on-time deliveries and avoid excessive overtime.

Our expectations for products and the required quality standards are clearly communicated through specification documents. If any uncertainties arise during the production process, our production team ensures a quick resolution. This also includes timely feedback and approval of color samples, quality samples, and other relevant production samples.

We focus our production on Bangladesh, China, and India. Most of our partners in Bangladesh are located in the Dhaka region, in India in Tirupur, and in China in Fuzhou and Ganzhou. This regional focus allows us to efficiently manage production processes and maintain a high level of product quality. By working with trusted partners in these countries, we can ensure that our high standards are upheld.

Whenever possible, the materials and components required for our products are sourced locally from our partners. However, in some cases, due to availability or quality reasons, certain components must be imported from other countries.

We work continuously to identify and minimize our risks using the business model described above and systematic risk management.

OUR RISKS

Responsible action is associated with the continuous review of potential risks. Therefore, we have intensively examined which processes and behaviors could have negative impacts on people and the environment.

The production of workwear involves processing both natural and synthetic fibers, which are often further refined mechanically and chemically. This process takes place in globally interconnected supply chains, which frequently involve significant risks for people and the environment. The most significant general risks include:

- Child labor
- Forced labor
- Discrimination
- Working hours/Overtime
- Health and safety at the workplace
- Freedom of association, collective bargaining
- Non-compliance with minimum wage laws and lack of living wages
- Corruption, bribery
- Chemical management
- Water consumption, water pollution
- Greenhouse gas emissions
- Treatment of home workers

We systematically and comprehensively analyze these risks along our supply chain. We pay particular attention to identifying potential hazards for people and the environment at an early stage and initiating appropriate preventive measures. This holistic approach enables us to make responsible decisions and thus minimize or avoid negative impacts as much as possible. Through close collaboration with our partners and regular inspections, we ensure that high ethical and ecological standards are upheld throughout the entire value chain.

In addition to general risks affecting the entire clothing industry, there are also product-specific challenges. Our workwear consists primarily of raw materials such as cotton and polyester.

One of the main ecological risks associated with cotton cultivation is intensive water consumption, which can lead to water scarcity in many growing regions. Additionally, large amounts of pesticides and fertilizers are often used, which can pollute soils, water bodies, and endanger the health of workers.

For polyester production, one of the most significant risks is high energy consumption since polyester is derived from fossil fuels such as petroleum. This leads to considerable CO₂ emissions and contributes to global warming. Additionally, polyester production generates microplastics that enter the environment, affecting marine life and ecosystems. Chemicals used in the manufacturing process can enter the environment, causing water and air pollution.

The wet finishing of work textiles poses significant hazards, as this process requires large amounts of water, chemicals, and energy. This can lead to serious environmental pollution, including contamination of water bodies by hazardous chemicals, increased CO₂ emissions, and high resource consumption. Moreover, there is a risk that improperly treated wastewater contains harmful residues that can endanger both workers' health and the surrounding ecosystem.

At the manufacturing level, where finished garments are produced, there are significant risks concerning violations of social standards. These include disregarding labor rights, failing to provide living wages, excessive working hours, inadequate health and safety protections, and workplace discrimination.

Our supply chains face risks related to working hour regulations, overtime, weekly rest days, wage irregularities, and continuous work periods. This can lead to increased workloads, health risks, and financial insecurity for employees.

There are also risks regarding compliance with health and safety standards, such as deficiencies in the use of personal protective equipment like masks, gloves, and safety glasses, as well as a lack of emergency lighting and inadequate safety precautions on machinery, which can increase accident risks. Other risks in our supply chain include blocked escape routes and incomplete evacuation plans.

Despite these challenges, positive developments are evident: No cases of corruption, bribery, child labor, or sexual discrimination have been identified, and some factories have implemented water-saving measures and rainwater harvesting.

We continuously work to identify and systematically minimize risks in our supply chain. We rely on preventive measures to detect potential deficiencies early and counteract them. Our goal is to proactively prevent risks and build a stable, sustainable supply chain to operate reliably and future-oriented in a dynamic market environment.

SUSTAINABILITY CERTIFICATIONS AND MEMBERSHIPS

To ensure that our products and manufacturing processes meet the highest environmental and social standards, we collaborate with various international organizations and certifications:

- **GOTS Certification (Global Organic Textile Standard)**

Since October 2023, we have been proud to be officially GOTS-certified, marking a significant milestone in our commitment to promoting sustainable and responsible textile production. The Global Organic Textile Standard (GOTS) is the world's leading standard for processing textiles made from organically produced natural fibers. It ensures that strict environmental and social criteria are met along the entire supply chain—from the environmentally friendly sourcing of raw materials to socially responsible processing and final production. The GOTS certification guarantees that no harmful chemicals are used, working conditions are fair, and the entire production process is environmentally and socially responsible.

Since obtaining the certification, we have successfully completed our first productions under GOTS guidelines, thereby not only increasing our internal standards but also meeting the growing expectations of our environmentally conscious customers.

- **AMFORI / BSCI (Business Social Compliance Initiative)**

We are a member of amfori, the world's leading network for open and sustainable trade, supporting over 2,400 companies in more than 40 countries. The amfori Business Social Compliance Initiative (amfori BSCI) is a program of the business association amfori aimed at improving social standards in the global supply chain. The BSCI Code of Conduct is a commitment document for amfori members and their business partners.

The BSCI Code of Conduct is based on the conventions of the International Labour Organization (ILO), the universal human rights declarations of the United Nations, the UN Global Compact, and the OECD Guidelines. BSCI focuses primarily on corporate social responsibility activities in business supply chains.

Amfori is committed to promoting sustainable trade by helping companies implement responsible and ethical practices along the entire supply chain. As part of this network, we benefit from a broad range of resources and initiatives, such as the amfori BSCI program. This program enables us to systematically monitor and continuously improve compliance with human rights, fair working conditions, and environmental protection throughout our supply chain.

Through our amfori membership, we now have the opportunity to work efficiently and systematically on identifying risks within our supply chain. We can proactively detect vulnerabilities, minimize risks, and help ensure that our suppliers adhere to social and environmental standards. This not only helps us maintain transparency and accountability but also supports our long-term goals for sustainable growth and ethical business management. The tools and training provided by amfori also allow us to collaborate even more closely with our partners and drive positive change in the global supply chain together.

- **FAIRTRADE-Production**

As part of our sustainability strategy, we place great importance on fair production conditions. By using FAIRTRADE cotton, we support stable minimum prices and additional premiums. This improves the living and working conditions of people in the countries of origin and also makes an important contribution to combating exploitative child and forced labor. FAIRTRADE cotton—like all other certified raw materials—is free from genetic modification.

USE OF SUSTAINABLE MATERIALS

We have further diversified our material selection, focusing on the use of sustainable and, above all, certified raw materials.

- **BCI Cotton (Better Cotton Initiative)**

We are increasingly using BCI Cotton (Better Cotton Initiative) in our productions to reinforce our commitment to sustainable textiles. BCI is a global program aimed at improving cotton production worldwide – for both the environment and the livelihoods of farmers and the future of the sector.

BCI Cotton is grown under strict criteria that reduce water consumption, improve soil health, and limit pesticide use while ensuring fair working conditions for farmers. By increasing our purchase of BCI Cotton, we actively contribute to promoting environmentally friendly farming practices and social responsibility. Our goal is to continuously increase the share of sustainable materials and offer our customers high-quality, responsibly produced textiles.

- **Recycled Polyester**

Our product portfolio increasingly includes items made from recycled polyester. By using recycled materials, we reduce the consumption of new resources and help decrease environmental waste. The recycled polyester we use comes partly from recycled PET bottles, further minimizing the carbon footprint of our products. Additionally, this approach supports a circular economy by reusing waste materials efficiently. With our focus on sustainability in material selection, we promote more environmentally friendly production processes and contribute significantly to reducing plastic waste in oceans and landfills.

To verify the origin of recycled polyester (rPET), TÜV Süd Hungary has developed a new testing method. Together with FL Textil, the TÜV laboratory has successfully conducted the first tests on recycled PET. With this new method, we can transparently prove the origin of our polyester and build trust in recycled textiles.

CHEMICAL MANAGEMENT

- **Chemical Inventory Tracking (BHive/BVE3)**

The use of hazardous chemicals poses a significant risk in workwear production, both for the environment and the health of employees. To mitigate this risk, we have started monitoring the use of chemicals in some of our production processes with the help of a specialized tracking tool. By introducing the BHive and BVE3 systems for chemical inventory tracking in several of our production facilities, we can monitor the use of chemicals in our manufacturing processes in detail. This system allows us to identify potentially harmful substances early and gradually replace them with more environmentally friendly alternatives.

EFFICIENT TRANSPORT MANAGEMENT

Efficient logistics management and optimization of transport routes are central components of our sustainable corporate strategy. Through careful transport planning, efficient packaging management, and the bundling of shipments, we minimize empty trips and reduce fuel consumption.

We optimize our route planning using modern technology to further reduce CO₂ emissions. These measures actively contribute to the reduction of greenhouse gases and improve the environmental balance across our entire supply chain.

COMPLAINT MECHANISMS AND PROTECTIVE MEASURES

Efficient complaint mechanisms are an essential part of fulfilling our responsibility within the supply chain. Our production partners have internal complaint mechanisms, which we regularly review through audits and on-site worker interviews. Additionally, we have introduced the "Speak for Change" initiative and our FL Textil Complaint Mechanism in some of our key production facilities in collaboration with our local Corporate Responsibility (CR) managers. These initiatives aim to give workers in our global supply chain a voice, strengthen their rights, and ensure redress. They create a platform that allows particularly disadvantaged groups, such as women, minorities, and home workers, to express their concerns and experiences openly.

Through "Speak for Change" and our FL Textil Complaint Mechanism, employees have the opportunity to submit complaints anonymously via email or telephone. Notices and training sessions inform workers about where and how they can submit complaints. This fosters dialogue between employees, our company, and other stakeholders to jointly develop solutions for improving working conditions. Our goal is to ensure transparency, uncover grievances, and implement concrete corrective actions. In 2024, no complaints were reported through the FL Textil Complaint Mechanism.

The complaints mechanism comprises the following key points:

- Posters with relevant contact information for the respective CR managers are displayed in production facilities to ensure direct access for employees.
- Potentially affected individuals can contact us in case of violations, and we are committed to protecting complainants from retaliation while ensuring their anonymity.
- If legitimate complaints or indications of negative impacts on human rights, the environment, or corporate integrity arise from our actions or involvement, we take corrective measures or actively participate in remediation efforts.

Internally, our company has an anonymous complaint box, which is regularly checked to ensure that concerns or improvement suggestions are handled confidentially and promptly. So far, no complaints have been submitted, which may indicate that our employees are satisfied with current working conditions. However, we encourage everyone to take advantage of this opportunity to raise any open issues or improvement suggestions anonymously.

INVOLVEMENT OF EXTERNAL STAKEHOLDERS AND POTENTIALLY AFFECTED PARTIES

The continuous involvement of our suppliers takes place through regular coordination with the FL Textil team in Vienna as well as through our local CR managers during on-site visits. Depending on the purpose of these visits, social and environmental topics are the primary focus. Since 2024, we have also implemented an active dialogue with our suppliers regarding our strategy to promote living wages.

As part of our audit process, we also engage with potentially affected individuals through targeted employee interviews. These discussions offer workers the opportunity to openly share their experiences, perspectives, and concerns. This allows us to gain valuable insights into practical workflows and the implementation of relevant standards in daily operations.

ENVIRONMENTAL MANAGEMENT STARTS AT HEADQUARTERS

Our European office plays a central role in implementing our environmental management strategy, even though production takes place in the Far East. By integrating energy-efficient technologies and sustainable practices at our location, we significantly reduce our ecological footprint. This includes the use of renewable energy, optimized heating and air conditioning regulations, proper waste disposal, and the minimization of waste, electricity, and water consumption. Additionally, we plan to implement digital solutions to reduce paper usage and make work processes more resource-efficient. All employees receive ongoing training and awareness programs to encourage resource-conscious thinking and the adoption of climate-friendly alternatives in their personal lives.

OUR CHALLENGES AND LEARNING EXPERIENCES

Initiative	Measure	Goal	Learning Experience
Code of Conduct	Distributed to all partners in the supply chain with a request for signed confirmation	Recognition of our expectations in the production process	Without continuous monitoring and follow-up, our expectations are not consistently met.

BHive/BVE3 System	Introduction of the BHive/BVE3 system for chemical inventory tracking in some of our production sites	The goal is to monitor the use of chemicals on a monthly basis using a specialized tracking tool (chemical inventory)	Onboarding production sites is very time-consuming and challenging. Larger dyeing mills often do not recognize the necessity of these new tools and are difficult to convince to adopt the new standards. Only a very small portion of dyeing mills are willing to upload chemical inventories to the platform monthly. Additionally, dyeing mills are selected by fabric suppliers rather than our production partners, making communication more difficult as we are not the direct clients.
Speak for Change and FL Textil Complaint Mechanism	Introduction of backup complaint mechanisms in Bangladesh, India, and China	The goal is to give workers a voice, identify areas for improvement, and find solutions for complaints	It takes time for workers to accept and trust the backup complaint mechanism. Some factories fear losing business relationships if serious complaints arise and reach the end customer.

TOGETHER TOWARD A BETTER FUTURE WITH CUSTOMERS AND SUPPLIERS

WE ARE WORKING ON A CIRCULAR ECONOMY

Together with one of our customers, we are currently testing innovative materials that can be fully recycled after use. This initiative actively promotes a circular economy and establishes sustainable production methods. The goal of this project is to identify materials that are not only environmentally friendly but can also be reused multiple times, significantly reducing the consumption of primary raw materials and the amount of waste generated. Through this close collaboration, we aim to develop a solution that allows products at the end of their lifecycle to be reintegrated into the production process through closed-loop recycling. This not only reduces waste and CO₂ emissions but also raises awareness of sustainable production and consumption habits. With this initiative, we are taking an important step toward a circular value chain in which resources are conserved, and materials are used more efficiently without further harming the environment. Our collective commitment underscores our dedication to developing innovative approaches and fostering a future-proof, sustainable economy.

JOINT STEPS TOWARD A GREENER FUTURE

In 2024, our management team and CR manager, together with one of our largest customers, visited our four main factories in Bangladesh. This visit was a significant step in our continuous effort to promote sustainable practices throughout our entire supply chain.

On June 5, World Environment Day, we carried out a special charity project on-site: together with our partners and local employees, we planted trees. This symbol of growth and sustainability represents our commitment to driving positive changes in the locations where we operate.

During the visit, important developments and areas for improvement were also discussed. These discussions provided us with valuable insights and will help us pursue our sustainability goals even more effectively. We are proud of the progress we have made so far and plan to continue working closely with our partners to build a more sustainable future.

OUTLOOK AND GOALS

In the coming years, our company will continue to focus heavily on sustainability and social responsibility. We aim to increase the proportion of recycled materials in our production by 2025 and drastically reduce the use of harmful chemicals. Additionally, we are committed to further optimizing working conditions throughout our entire supply chain to offer products that are both ecologically and socially sustainable.

Our commitment to a more sustainable textile industry remains a central goal of our corporate strategy. We firmly believe that sustainable action is not only a responsibility toward the environment and people but also contributes to long-term economic success.

CONTACT

For more information about our sustainability initiatives and partnerships, please feel free to contact us.