

Closed Social Report

CLOSED

Organisational chart

Closed employees 2023

Head office Hamburg, Germany	140
Warehouse Hamburg, Germany	97
Showrooms Germany	5
Showrooms International	16
Stores Germany	111
Showrooms International	29
Outlets Germany	40
Outlets International	8
Concession	7
Further employees	5
Total	458





Summary: 2023 goals and achievements

Fair working conditions have always been a matter of the heart for us – since our beginnings in 1978. We have always placed very great value on fair relationships with our production partners, who are mainly located in Europe, where more than 80% of our products are manufactured. We have been working with the majority of our production partners for decades – some of them have been at our side since the very beginning. Our partnerships are characterised by loyalty, trust and friendship. This forms the basis of our Code of Conduct, which is signed by Closed partners once a year in order to document our mutual understanding. Among other things, our partners commit to supporting fair wages and as decent working hours by signing the Code of Conduct. Being a member of the Fair Wear Foundation has helped us to work on the transparency of our supply chain and to formalise our commitment to fair working conditions.

In 2023, we conducted our first Fair Wear audit in Turkey – an important country for us, as Turkish suppliers are responsible for manufacturing more than a quarter of our products. The audit was attended by the responsible Closed CSR and production team. This allowed us to speak directly with local management about all issues that arose during the audit. We are proud that the factory is equally committed to human rights and high-quality products. We spoke very openly about conditions such as wages and social issues.

The following points were identified during the audit in Turkey: the disclosure of all subcontractors must be ensured, the communication channel for workers' complaints must be improved, the toilets must be modernised, the building must be repaired, there was no lightning conductor. As we were present during the audit and were able to speak directly with the management about the shortcomings, improvements were initiated on the spot. Of course, we are continuing to work together on remaining improvements.

Fair Wear also carried out an audit in one of our factories in China in 2023 to ensure that our products are manufactured in a fair manner. In the financial year 2023, 11 per cent of our products were made in China. During the audit, a serious misconduct was discovered: Deductions were made from managers' salaries when workers did not perform as required. Our local agency immediately contacted the management on this matter and demanded that this be stopped immediately. The issue was solved directly after the audit.

Italy is the most important production country for Closed, where more than a third of our products are manufactured – from denim, our product group with the highest quantities, to all of our shoes, leather belts and other accessories. Therefore, we audited all of our Italian suppliers in 2022. This year, we continued to collaborate on improving safety in the factories and educating workers about their labour rights.

One of our biggest concerns in 2023 were the – still – rising costs. Due to the pandemic, wars, high inflation and various other crises, the prices of raw materials and labour continued to increase. This is very challenging for the whole industry. Under no circumstances, will we allow the current situation to have a negative impact on the wages of our suppliers' employees. Rather, we will pass on the rising costs of our products to our customers in a responsible manner. We are working on a transparent pricing strategy in order to be able to offer fair prices and at the same time keep a better eye on employee wages.

Fair labour conditions form an important pillar in our sustainability strategy at Closed. Sustainability has always been something we care about. We are not an eco-label and we feel that it's impossible for a clothing company with quarterly collections to be 100% sustainable. But we are continually finding new ways of improving to make our processes as sustainable as possible. Our goal is to produce our collections under fair labour conditions, with less of an environmental impact – while never compromising our high quality. Our sustainability efforts are divided into five focus topics: circularity, raw materials, animal welfare, chemical management and production processes. For example: we started our own eco-denim line A BETTER BLUE in 2018 and increased the volume of sustainable materials step by step. We switched from conventional cotton to organic cotton for most of our essentials and incorporate more and more recycled materials and natural dyes.

We demand certificates for all sustainable materials to verify the integrity of the materials and chemistry, including Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycled Standard (GRS), Responsible Wool Standard or the Lenzing certification number.

In addition to raw materials, production processes such as tanning, dyeing, printing, washing and finishing can also leave a heavy mark on the environment, in terms of greenhouse gas emissions, water pollution, water consumption and energy use. There is various action that can be taken to reduce these impacts, depending on the processed material, desired design and technology in use – and it is always our aim to produce our collections with less of an environmental impact, as consciously as possible. A lot of our fabrics and yarns are made in Europe where the technology standards are very high and risks in terms of water pollution and chemical use are generally lower due to stricter regulations. However, there are still important environmental factors for us to consider in our processes and we are in constant dialogue with our partners about further improving them.

An important step for us is to monitor and record all matters relating to labour conditions. To meet this challenge, we started setting up third-party audits in 2022 with the help of the Fair Wear



Foundation. Fair Wear's Code of Labour Practices forms the base: the employment is freely chosen, freedom of association and the right to collective bargaining, no discrimination in employment, no exploitation of child labour, payment of a living wage, reasonable hours of work, safe and healthy working conditions, and legally binding employment relationships. We are committed to implementing these eight standards in our supply chain to ensure that our products are made in a fair and safe way. Our membership of the Fair Wear Foundation is key to achieving this. Together with Fair Wear, we are developing a process to monitor and improve working standards at the factories that make our products. All suppliers have received the Fair Wear Questionnaires and Worker Information Sheets from us. We continue to work on improving our internal structures in order to document all site visits and discussions with our suppliers.

As a German company, we started preparing for the German Supply Chain Due Diligence Act ("Lieferkettensorgfaltspflichtengesetz") early on. This federal law came into effect in January 2023 and guides the economic actions of companies based in Germany by imposing human rights due diligence obligations on them that they must comply with within their supply chains. Companies above a certain size (2023: more than 3,000 employees; 2024: more than 1,000 employees) have to observe the human rights and environmental due diligence obligations set out in the law with the aim of preventing, minimising or ending human rights violations or environmental risks. Closed is not yet under obligation to comply with this law. However, it is our aim to prepare everything proactively.

Sourcing strategy

Human rights due diligence

1. Embed human rights due diligence in policy and management systems

The guidelines for responsible business behaviour are set out in our RBC policy, sourcing strategy and quality assurance agreement and have all been approved by the top management level. All our employees and suppliers are informed about the requirements of our membership in the Fair Wear Foundation. We present our progress internally once a year. We have a CSR team made up of production, purchasing and marketing. This team is responsible for following up on issues identified through the monitoring system, including the handling of complaints.

We are in constant dialogue with our suppliers through weekly telephone calls, conferences and personal visits.

2. Identify actual and potential harms in your supply chains

In 2023, we further expanded our supplier risk assessment. Our risk assessment tool takes the findings of many different organisations into consideration and combines them with our own evaluation of the partnership – from labour standards to ecological aspects and the individual financial stability of the supplier. The Human Development Index, the Social Progress Index, the Corruption Perceptions Index, the Logistics Performance Index or the country studies of the Fair Wear Foundation are some examples that help us to assess every supplier's individual risk. Our risk assessment team consists of people from various Closed departments (production, design, purchasing and sourcing).

In addition to our supplier assessments, we also expanded our risk analysis based on our audit reports and our trips to suppliers. This year, we carried out audits in China and Turkey, which provide a good basis for our risk assessment.

3. Cease, prevent or mitigate harm in own operations and supply chain

All departments work closely together to recognise damage within Closed or in the supply chain. Meetings are held to discuss problems or improvements, and we are also in constant contact with our suppliers. Once a month, we hold a meeting with our CSR task force and Fair Wear. We exchange ideas and collect suggestions for improvement. All this information and our audit reports are incorporated into our risk analysis.

We also work closely with other brands. This way, for example, we have succeeded in improving overtime in Turkey. In Italy, we have joined forces with other brands to defend social rights.

4. Track progress

Although we didn't conduct any audits in Italy in 2023, we always keep an eye on Italy, because that is where the biggest share of our products is made. We continue to ensure that our suppliers comply with our human rights standards.

Our Responsible Business Conduct Policy from 2022 remains in place to formalise our commitment to ensuring that our entire supply chain is safe and transparent – from raw materials, through material production and finishing, to manufacturing, washing and other wet processes. For us, it is essential that not only our own employees, but all workers of our production partners and suppliers are treated with respect and dignity, and that all work steps are carried out in an environmentally friendly, conscious and ethically responsible manner. We have just finished our Responsible Sourcing Strategy.

All audits that we carry out are subject to follow-up measures. In Italy, almost all of the deficiencies listed in the audit reports were rectified.

5. Communicate about human rights due diligence

All our suppliers undertake to inform us about their subcontractors. All factories must complete our questionnaires and display the Fair Wear posters. We monitor this through audits and personal visits. We require our suppliers to comply with all social standards and legal requirements. We support them by maintaining a dialogue with them and provide assistance when necessary.

6. Provide for or cooperate in remediation when appropriate

Fortunately, we were able to reduce the excessive overtime at one of our Turkish suppliers last year. The last audit at this plant was completed with a good result. We achieved this through intensive discussions with the management, and we were on site several times to review and reorganise production planning together with the management. We have succeeded in distributing production better throughout the year, which means that we can plan and place orders better. This led to new internal collection planning.



Risk assessment

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Sourcing strategy and pricing

Our suppliers are required to pay their workers at least a minimum wage and work towards living wage levels. Our aim is to be transparent and fair when it comes to pricing. We work with an open price structure. Starting in the initial design process, we work with target prices and develop the product accordingly in close cooperation with our suppliers. With our main manufacturer for women's jeans in Italy, we share a sheet with all costs to provide a detailed overview of the calculation. We are also in the process of working out a transparent price breakdown with our other suppliers. This is important to see if the balance of prices and wages is fair.

We choose our suppliers very carefully and always aim for long-term relationships. Before we start a partnership with a new supplier, we carry out a risk analysis that includes labour conditions. We avoid low-wage countries and fast-fashion manufacturers, as they are neither in line with our values nor do they adhere to our high quality standards. Our goal is to create products that form the opposite of fast fashion: Closed stands for high-quality garments that are meant to be worn for years to come. Our designs have a contemporary appeal, but we never chase short-lived trends.

Working with new suppliers is always a challenge, and building meaningful new relationships takes time – it requires a lot of communication and intensive exchanges of input and ideas.

Production cycle

Our production cycle consists of four womenswear and menswear collections per year (spring, summer, autumn, winter) and two to four smaller capsule collections. At every stage of the planning process of our production, our aim is to communicate as clearly and transparently as possible with our suppliers – and to initiate all necessary steps as early as possible. We always like to ensure that we are reliable partners, enabling our suppliers to plan ahead and thus supporting reasonable hours of work in the factories.

Our production lead time is four to six months. The main collections are divided in two or three delivery groups. The groups are clearly defined for our suppliers to enable better planning and ensure stable production quantities per season. We always communicate the production delivery dates as early as possible.

To avoid material delays, which could result in overtime in the factories, we order (or block) our fabrics and trims as early as possible. The sales figures are also communicated early.

In case of sudden changes, we always inform our suppliers right away.

The process:

- Design: prototypes/salesmen samples are created for the sales period
- Production: fitting of salesmen samples, size sets and pre-production samples
- Buying: informing suppliers with the help of sales projections and weekly updates for orders

This year, we worked intensively on our strategy, our production processes and our pricing policy. The management and production team travelled to our suppliers in Portugal, Turkey and Asia (China, Hong Kong, Vietnam) to talk to our producers and suppliers. Our current strategy is to strengthen the focus on our main product groups: trousers and denim. We are working on streamlining our collection schedule to tighten the production process and improve our timing. As this naturally also has an impact on the quantities, we have spoken intensively with our producers and redefined the processes together with them.

We also reorganised our team structure to work together more efficiently: We put together new mixed teams consisting of employees with technology and design backgrounds. This enables us to work in a more targeted way and to recognise errors earlier during the sampling process, which will make the production run much easier.

It is important to us to plan our production in as much detail as possible every season in order to be a reliable partner for our suppliers. This means planning and booking capacity as early as possible, so suppliers have enough time to deliver our orders. We pre-book production time slots before the sales period for most of our collection and we also pre-book materials wherever possible to prevent delays due to unforeseen issues with our fabric, yarn or leather supply.

Factory relations

In 2023, we placed a small production group at our two new suppliers for blouses and dresses in Portugal. After bringing a new blouse and dress supplier on board in 2022, we were able to successfully expand production further with our new manufacturing plant in Portugal. In 2023, we were on site again to see how they work and to work closely with them. All production went very well. We also had the opportunity to visit the factory during production. This enabled us to rule out the possibility of human rights violations taking place.

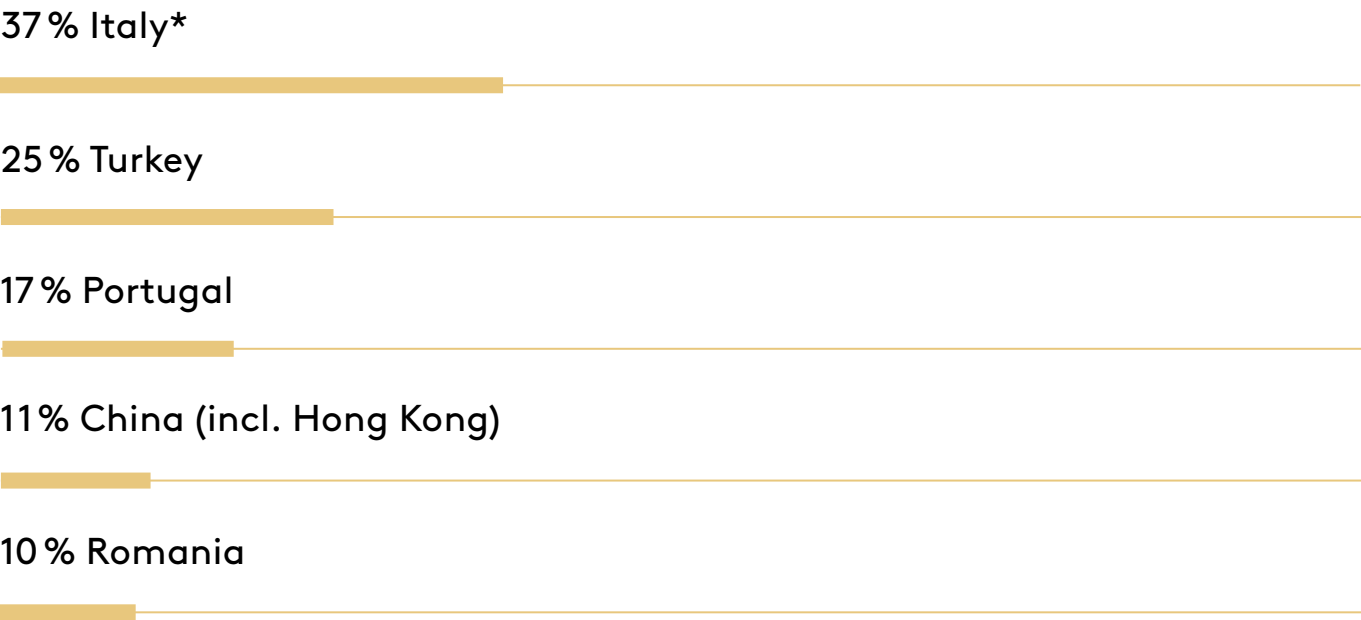
Onboarding new suppliers is quite unusual for us, as our partners do not often change. When it comes to our suppliers, 87% of them have been our partners for more than five years, 50% of our suppliers have been our partners for more than ten years. Our partners receive orders from us on a very regular basis. Long-term partnerships are very important for us, and we think they are key to ensure the high quality of our products. We always look for partners who are interested in becoming part of our Closed story.





Coherent system for monitoring and remediation

Production countries based on production volume:



* Percentage share of production volume in the respective countries

Italy – 37% of production volume

Italy has been our main production country from the very beginning. Almost all of our jeans and many of our pants are still being produced in Italy. These product groups are our most important ones with the largest quantities. All of our shoes and leather belts are also produced in Italy; the quantities are quite small. Overall, around one third of our products is made in Italy. We also have Italian suppliers for a substantial proportion of our fabrics and yarns.

Last year, we had our factories in Italy audited by an independent organisation. We started with our most important supplier Paul, where our largest quantities meet our highest leverage, as Paul produces all of our (women's) denim and almost exclusively works for Closed. We also had another supplier and four subcontractors (cut, make and trim) audited.

Important points such as management system requirements, payment of living wages, and safe and healthy working conditions were checked. Findings such as the lack of reports on fire drills, the lack of health and safety or first aid training, or failure to pay overtime at 130% according to the applicable collective agreement were communicated and dealt with. All results were noted and a deadline of the end of October was set to correct them. By the end of October, we checked back again to make ensure everything had been remediated or is being worked on.

With the exception of one supplier, we were able to solve all issues. We are still working on the findings for one supplier; safety training has not yet taken place, but it is planned (training for employee representatives, fire extinguisher training, first aid training), as well as fire drills.

Since Fair Wear does not perform audits in Italy, we audited our Italian suppliers through external auditors. We also collaborate with other brands and share knowledge in order to customise the audit formats to the Italian situation of small production facilities. Our aim is to work together as part of multi-stakeholder industry initiatives. This is an effective way to stay current, exchange views and ultimately change the industry for the better. The input we receive from these initiatives is important to our ongoing assessment of materiality.

Turkey – 25% of production volume

The production of jersey and felpa garments, knitwear, pants and leather/shearling garments takes place in Turkey. Especially considering our strategy to exit China, Turkey remains an important partner for us. We are going to focus even more on our Turkish suppliers in the near future.

Last year, we visited four of our Turkish suppliers. The topic of overtime was of relevance, especially in one factory. We revised internal workflows to enable even more predictability for the factories. We are now confident to say that we are on the right track. In 2023, we continued to work intensively on reducing overtime at our Turkish supplier. And we are proud that the last audit in July 2023 was completed with a good result and a significant reduction in overtime. We were able to achieve this through discussions on site and a better distribution of production. We are of course still working on improvements.

We travelled to Turkey again this year to visit our suppliers and maintain contact. This year, we were able to carry out our first Fair Wear audit at one of our main suppliers. We were on site for the audit.

No human rights violations were found. As we were on site, we were able to discuss many shortcomings together. Our factory was very open and transparent towards Fair Wear – a great improvement.

Portugal – 17% of production volume

Portugal is where the majority of our cotton shirts and blouses is manufactured. A part of our jersey garments is also made in Portugal and all our leather bags are manufactured there.

In 2023, our production team and management visited our Portuguese factories. We audited all of them in 2022.

China (incl. Hong Kong) – 11% of production volume

A proportion of our knits, blouses, dresses, chinos and outdoor jackets are made in China.

We continue to have blouses and dresses made in China by our producers, especially when they are made of silk. We have found that manufacturing products where the raw materials come from is easier and better for the environment. We only work with suppliers who share our understanding of human rights. We verify this through audits and personal contacts. Our Chinese suppliers are all long-standing partners with whom we have and maintain good relationships and who fulfil our high quality standards.

Romania – 10% of production volume

Romania is where the production of our ready-to-wear garments takes place: our coats, jackets, blazers, pants and skirts are made in Romania. Following an audit in 2022, Fair Wear training courses on grievance mechanisms and information on labour rights enabled employees to educate themselves in the past financial year.

Our production and design departments visited the factory in July 2023, and they also visited us in Hamburg in December and spoke to our management. Our purchasing team continues to hold weekly video conferences with the supplier to further improve our processes.

External production

We have a small proportion of products by external brands which are sold in our shops and online shop. The focus is on products by smaller brands, preferably made in Europe. In the past financial year, we have informed all new external brands about our Fair Wear membership and the respective labour standards. New external brands are chosen carefully and should always adhere to our high standards when it comes to fair labour and sustainability.



Complaints handling

All of our suppliers are informed about the Fair Wear Foundation's complaint mechanisms. The worker information sheets are visible in every factory, and workers can call the FWF hotline to report complaints. Nina Schlüter, director buying & production at Closed, is responsible for handling complaints. We are aware of the importance of handling complaints immediately and have set up a system to monitor information regarding complaints and to follow up on remediation.

To make absolutely sure workers are aware of their rights and the Fair Wear Foundation's complaint mechanisms, we also commission trainings.

In 2023, there were no complaints raised by workers.

Training and capacity building

Activities to inform staff members

We are very proud to be a Fair Wear Foundation member and inform our staff regularly about news such as audits or trainings. On a monthly basis, we have meetings with our sustainability/CSR team to discuss relevant topics and news. We do not have a CSR department at Closed but formed an internal task force with employees from different departments (design, production, communications) to cover all topics related to social responsibility and sustainability. Involving several departments increases the awareness internally – sustainability and social responsibility are among our most important values and matter in every department. Since 2022, we have a dedicated employee who takes care of all Fair Wear operations.

Activities to inform agents

We only work with two agencies, one in Portugal and one in Turkey. They are completely involved in our Fair Wear activities and updated with relevant news regarding CSR topics.

Activities to inform manufacturers and workers

All existing partners and new suppliers are informed about our Fair Wear membership, and we explain the purpose and mechanisms of the foundation in detail. It is our goal to actively involve our partners in keeping social and ecological standards high.

All existing partners and new suppliers will continue to be informed about our membership of Fair Wear and we will explain the aims and mechanisms of the foundation in detail. Our aim is to actively involve our partners in complying with social and environmental standards. If the audits reveal that the workers are not sufficiently informed, we take remedial action and organise awareness training.

Information management

We set up an internal system for keeping track of progress on the implementation of the Code of Labour practices for all suppliers. To identify all production locations, including subcontractors, we were in constant exchange with our main suppliers until we were able to collect all information and store it in Fair Force.

Transparency and communication

We are very proud to be a member of the Fair Wear Foundation and inform our customers through our sustainability report and on our website about our membership.

Stakeholder engagement

We have engaged with several stakeholders in the past financial year, including PETA, Four Paws, German Fashion, Textile Exchange, DTB and GOTS to discuss social and ecological standards in our industry. Fair Wear's country studies as well as FW webinars were great resources to stay up to date.



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