

CLOSED

CLOSED SUSTAINABILITY REPORT

PUBLISHED
MAY 2023

YEAR 2022



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1. Message from the board

Dear Readers,

In our new Sustainability Report, we look back at the year 2022 – once again, a year full of unforeseen, challenging and deeply saddening circumstances afflicting our world. Given the current global situation, it feels quite insignificant to talk about eco-friendly denim or recycled PET bottles. But even though many new, concerning crises have arisen in the last year, above all Russia's devastating war on Ukraine, we will continue to make our small contribution to a future that is at least slightly fairer and a little bit greener. We would like to share these efforts with you here.

As part of our membership in the Fair Wear Foundation, we continued to advocate for humane working conditions in the textile industry in 2022. We had independent third parties perform audits at our main production sites in Italy to reconfirm that the highest human rights standards are being met.

In recent years, partly due to the pandemic and the climate crisis, we have placed even more emphasis on manufacturing our products in Europe. In 2022, more than 80 per cent of all Closed

articles were made in Europe. In order to increase this share even further, we set up an exit strategy for our Chinese production sites.

We finalised our Responsible Business Conduct Policy in 2022 to officially 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 the 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 also further increased the proportion of environmentally friendly materials and introduced new sustainable fabrics. Our goal is to produce our collections under fair labour conditions, with less of an environmental impact – while never compromising our high quality.

Find the exact facts and figures on the following pages!

Gordon Giers

Til Nadler

Hans Redlefsen

SUSTAINABILITY@CLOSED.COM –
WE'D LOVE TO HEAR YOUR IDEAS,
QUESTIONS AND SUGGESTIONS!





More than 80
per cent of our
products are
made in Europe.

2. Sustainability news at Closed in 2022

Take a look at our latest sustainable achievements at a glance. More details will follow in the respective chapters.

MORE THAN 80% MADE IN EUROPE.

More than 80 per cent of our products in 2022 were made in Europe, close to our main markets (spring/summer collection: 83%; autumn/winter collection: 84%). The majority of our partners select local fabrics. By keeping transport routes between suppliers short and avoiding air transport wherever possible, we minimise our carbon footprint.

MORE ORGANIC COTTON

We increased the proportion of organic cotton (vs conventional cotton) once again in 2022: 58.4% of the cotton we used in our spring/summer collection 2022 was organic cotton. In autumn/winter 2022, we were able to further increase this figure to 67.2% organic cotton.

MORE ORGANIC CASHMERE

50% of the cashmere we used in our autumn/winter 2022 collection was organic cashmere.

MORE RECYCLED MATERIALS

We introduced post-consumer recycled (PCR) cotton in 2022. We used more organic wool, more recycled wool, more recycled linen, and more recycled elastane than in previous seasons.

ECO-FRIENDLY INNOVATIONS

We are the first fashion brand to introduce outerwear with the Bio-Alloy™ technology by BioFabbrica, a joint venture partnership for sustainable material solutions between the American biotech company Modern Meadow and the Italian textile supplier Li-

monta. Our parkas are insulated with comfortemp® down feel thermal insulation by the German company Freudenberg Performance Materials. The innovative vegan down alternative is made from 100% rPET fibres (GRS certified).

75% A BETTER BLUE

Three quarters of our men's and women's jeans in our 2022 spring/summer and autumn/winter collections were from our eco-denim line A BETTER BLUE – produced in Italy with sustainable materials, low-impact dyeing techniques and gentle washing methods.

CLIMATE-NEUTRAL

Our donations to eco-initiatives to offset our carbon emissions made all our A BET-

TER BLUE jeans climate-neutral products in 2022. Our headquarters and warehouse have been climate-neutral since 2018.

FAIR WEAR FOUNDATION

We have been a member of the Fair Wear Foundation since 2021. The global organisation engages with factories, trade unions, NGOs and governments to make fair fashion the new normal – for a world where the garment industry supports workers in their right to safe, dignified, properly paid employment.

THIRD-PARTY AUDITS

In our second year as a Fair Wear member, we started setting up third-party audits at several production sites, including those of our most important Italian suppliers.



We increased
the proportion of
organic cotton
(vs conventional
cotton) once
again in 2022.

3. Made in Europe – and how we choose our partners

More than 80 per cent of our products are made in Europe.

We choose our suppliers very carefully and always aim for long-term relationships. We are proud to state that we have been working with most of our suppliers for decades. We visit our suppliers regularly with different Closed teams (production, design, board) and are constantly in contact with them.

It is part of our strategy to mainly source in Europe, where more than 80 per cent of our products are made (compared to around 15 per cent in Asia). We have increased this share considerably since 2012 when only 51 per cent of our products were made in Europe.

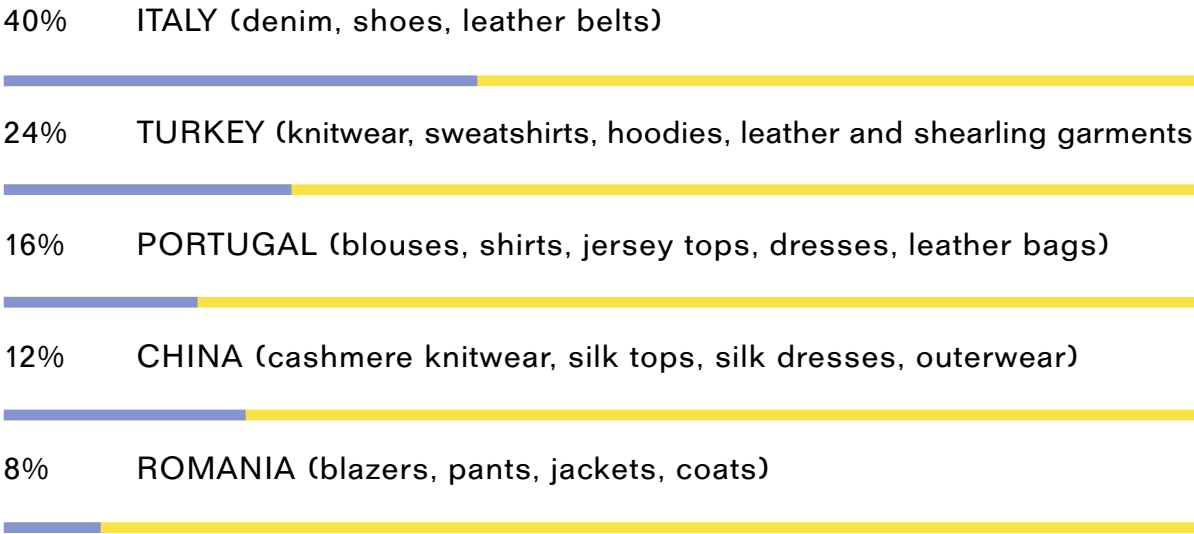
Producing in closer proximity to our headquarters results in shorter transport routes and makes it more feasible to visit suppliers on a regular basis. To keep our transport routes efficient, most of our materials also originate in Europe, where the technology standards are very high and risks in terms of water pollution and chemical use are generally lower due to stricter regulations.

It is our plan to increase our “Made in Europe” percentage even further within

the next few years. We parted with two Chinese suppliers in 2022. To produce the outerwear that was formerly made by our Chinese partners, we started working with new suppliers in Lithuania and moved parts of the outerwear production to our partners in Romania and Turkey.

Before we start working with a new supplier, we conduct a risk analysis that includes many varied factors, and we particularly investigate labour conditions. We avoid low-wage countries and fast fashion manufacturers as they are not in line with our values nor with 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. Our suppliers are required to pay their workers at least a minimum wage and work towards living wage levels. We are currently reworking our Responsible Sourcing Strategy, which will be embedded within our Responsible Business Conduct policy.

WHERE OUR COLLECTIONS WERE MADE IN 2022:



4. A BETTER BLUE

We developed our eco-denim line A BETTER BLUE in 2018 and are constantly working on improving it with more innovative materials and techniques. We are continuously transforming our conventional denim qualities and treatments and replacing them with environmentally friendly alternatives.

In 2022, three quarters of our jeans were made according to our eco-friendly A BETTER BLUE standards.

We designed A BETTER BLUE with our Italian denim partners, the denim mill Candiani and the Everest laundry. Three pillars form A BETTER BLUE: sustainable materials, innovative ecological dyeing techniques and low-impact washing methods. A pair of Closed jeans only qualifies for A BETTER BLUE if it fulfils at least two of these three criteria. Details of the materials, dyeing and washing processes used for each individual pair of A BETTER BLUE jeans are printed on the inside of the pocket.

STEP 1: SUSTAINABLE MATERIALS

Our weaving mill Candiani in Robecchetto near Milan uses 40 per cent cotton from sustainably managed plantations for the A BETTER BLUE denims and develops innovative, environmentally friendly materials. Candiani's company headquarters is located in an environ-

mental protection area – the company is considered the “greenest weaving mill” in Europe. In 2022, we started using Candiani's denim with post-consumer recycled cotton..

STEP 2: SUSTAINABLE DYEING METHODS

Candiani spins yarns from sustainable materials, which are then dyed – always blue or black – for denim. When dyeing for the A BETTER BLUE line, Candiani also uses environmentally friendly innovations that save water and chemicals.

STEP 3: SUSTAINABLE WASHING METHODS

Along with Candiani, the laundry company Everest from the Italian town of Piombino Dese was also significantly involved in the development of our eco-denim line A BETTER BLUE. Everest is an innovative company that has its own water treatment plant and is constantly developing new, environmentally friendly washing processes without chemicals – many of which even do without water completely.

On our website, there is an extensive overview of all A BETTER BLUE material innovations and sustainable techniques: closed.com/abb

Three quarters of
our men's and
women's jeans in
our 2022 collections
were made
according to our
eco-friendly
A BETTER BLUE
standards.



5. Fair Wear Foundation and supply chain due diligence

We have been a member of the Fair Wear Foundation since 2021. 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.

This year, we continued to work towards our goal of moving an even larger share of our production volume to Europe. Even though our Chinese production partners, with whom we have been working for a very long time, act in an exemplary manner regarding human rights, we are of course aware of the political situation in China. In order to gradually shift our production out of China in the coming years, we developed an exit strategy in 2021. It is challenging for us to end our long-standing partnerships with our Chinese suppliers – on the one hand, in terms of personal relationships, while on the other hand, we are also very satisfied with the product quality we developed together

over the years. We parted with two Chinese suppliers in 2022 and communicated the exit strategy to our two remaining partners in China.

In addition to our China exit strategy and the associated process of finding new European partners, we audited some of our existing European partners in 2022. As the majority of our products are manufactured in Italy, it was our priority to have our most important Italian suppliers and their biggest subcontractors audited in 2022. We also travelled to Turkey and Portugal several times in 2022 to visit our suppliers. We are proud to report that all our factories are equally committed to human rights and high-quality products.

The basis of the collaboration between Fair Wear and a member brand is the Code of Labour Practices. Eight labour standards derived from the ILO Conventions and the UN's Declaration on Human Rights are the core of this code:

- 1 Freely chosen employment
- 2 Freedom of association and the right to collective bargaining
- 3 No discrimination in employment
- 4 No exploitation of child labour
- 5 Payment of a living wage
- 6 Reasonable hours of work
- 7 Safe and healthy working conditions
- 8 Legally binding employment relationships

We are committed to implementing these eight standards in our supply chain. Our Fair Wear Foundation membership is key to achieving this. Together with Fair Wear, we set up a process to monitor and improve working standards at the factories that make our products.

Closed is also preparing for the German Supply Chain Due Diligence Act (“Lieferkettensorgfaltspflichtengesetz”), coming into effect in January 2023. This federal law guides the economic actions of companies based in Germany by imposing human rights due diligence obligati-

ons 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) must observe the human rights and environmental due diligence obligations set out in the law with the aim of preventing, minimising and ending human rights violations and environmental risks. Closed has 400 employees and is not yet under obligation to comply with this law. However, it is our aim to already start putting structures into place.

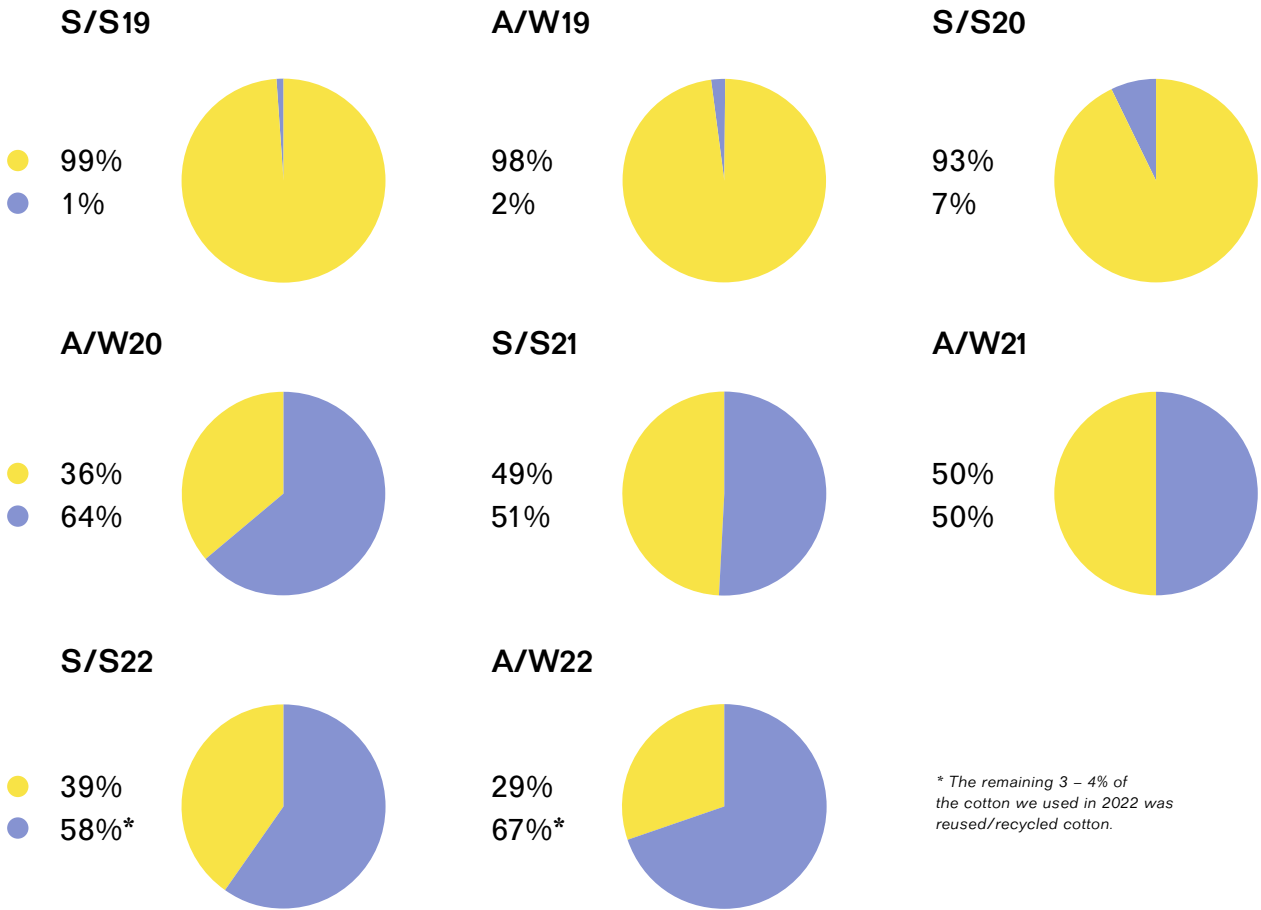
6. Materials

In 2022, we were able to increase the percentage of organic and recycled materials used, resulting in a lower environmental impact, as the cultivation of organic materials requires less chemicals, less water and less electricity. The use of recycled material also decreases emissions and saves resources that would otherwise be required to produce virgin material.

Once again, we were able to increase the percentage of organic cotton in use. Cotton is our main material, and more than half of the cotton we used for our products in 2022 was organic cotton.

We also used more organic wool, more recycled polyester, more recycled elastane and more recycled nylon than in previous seasons. We introduced hemp and recycled linen – as well as organic cashmere, which we already used for almost half of the cashmere products in our autumn/winter collection.

CONVENTIONAL COTTON
ORGANIC COTTON



SPRING/SUMMER 2022 MATERIAL HIGHLIGHTS

- 82% of the lyocell we used was sustainably produced by the Austrian company Lenzing (TENCEL™ and TENCEL™ REFIBRA™).
- PCR cotton was introduced for some of our A BETTER BLUE jeans.
- More hemp and linen were used than in previous spring/summer seasons. These natural materials have many sustainable benefits.
- 26% of the wool we used was organic wool.

AUTUMN/WINTER 2022 MATERIAL HIGHLIGHTS

- 50% of the cashmere we used was organic cashmere.
- 14% of the wool we used was organic wool; 13% was recycled wool.
- 97% of the lyocell we used was sustainably produced by the Austrian company Lenzing (TENCEL™ and TENCEL™ REFIBRA™).

Material standards

We demand certifications with stringent environmental requirements for all materials to verify their origin, including Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycled Standard (GRS), Responsible Wool Standard (RWS) and the Lenzing certification number. Declarations such as REACH or ZDHC are required for all chemicals in use (e.g., for dyestuffs or wash treatments).

Cotton: We preferably source organic cotton, always with the respective certificate. Due to concerns over systemic risks of forced labour or other forms of labour exploitation, we do not source cotton from Uzbekistan, Turkmenistan and the Xinjiang region of China.

Wool (all types): We only accept mulesing-free wool (certified), always with a declaration of purchase, including the origin of the raw material, as well as animal welfare regulations.

Cellulose fibres: We always require information about the origin of the fibres. We preferably use the sustainable cellulose materials by the Austrian company Lenzing such as Tencel™ (lyocell)

or Ecovero™ (viscose). All Lenzing materials come with a certification number stating the origin of the fibres.

ECO-FRIENDLY MATERIALS IN THE SPOTLIGHT

Organic cotton: Compared to conventional cotton, the cultivation of organic cotton requires about 80 per cent less water and about 60 per cent less energy. Organic cotton is produced and certified according to the guidelines and standards of organic farming: neither genetically modified seeds nor toxic chemicals, pesticides or insecticides are used. Avoiding these chemicals protects our groundwater and biodiversity. In addition, mixed crops and crop rotation ensure the build-up of soil organic matter and prevent soil erosion.

Linen: Linen is made from flax plant fibres. The flax plant requires very little maintenance: it can grow in poor soil and needs no artificial irrigation (rain is sufficient) and almost no artificial fertilisers or pesticides. Most of the global flax production is in Europe – for example, in France and Belgium. This results in relatively short transport routes to our fabric producers, who are mainly



located in Italy. Linen has a lot of other benefits: as a natural fabric, it is completely biodegradable (when dyed naturally). It is heat-regulating, anti-bacterial, exceptionally durable and long-lasting, and becomes softer and more beautiful with time.

Hemp: Hemp, a regenerative crop, usually grows without pesticides and needs around 80 per cent less water than cotton. Hemp grows fast, and its cultivation, frequently in the EU, requires a small amount of land – it can produce up to double the fibre yield per hectare than cotton. Just like linen, hemp fabric is very robust, temperature-regulating and biodegradable..

Organic cashmere and sustainable cashmere: Certified organic cashmere means that it is farmed in line with the strict criteria for organic farming: without any harmful chemicals and concerned with protecting animals, farmers and natural resources. Furthermore, all farms and yarn producers from which we source our cashmere and cashmere blend yarns are certified with an independent standard for sustainable cashmere. It covers all aspects of cashmere production, aiming to improve the welfare of cashmere goats and the living conditions of farmers and farming commu-

nities and also advocating for greater environmental friendliness.

PCR cotton: Post-consumer recycled cotton (PCR cotton) is made of cotton garments that have reached the end of their lifespan. Using old clothes to make new ones saves precious resources – allowing us to move towards a circular economy. We can decrease garment waste, and fewer resources are necessary to produce new materials. For these reasons, our Italian denim mill Candiani has a PCR programme aimed at reviving discarded clothes to give them a second life. Candiani partners with Humana Italia, an independent humanitarian organisation that collects clothes which are no longer worn and gives them a second life, generating environmental and social benefits. The clothing is cleaned thoroughly, and all buttons, zips and labels are removed, as they cannot be turned into new fabric. The Italian company Filatura Astro, an expert for regenerated yarns, shreds the pre-processed garments and spins the remnants into yarns. Candiani utilises these yarns together with “fresh” cotton to weave new denim – which is used for some of our A BETTER BLUE jeans.

TENCEL™: TENCEL™ brand lyocell fibres by the Austrian company Lenzing are produced from sustainably sourced natural raw material wood in an environmentally conscious manufacturing process. TENCEL™ fibres are of natural origin, which means they are biodegradable and compostable – they can be completely returned to nature.

TENCEL™ REFIBRA™

The innovative REFIBRA™ technology by the Austrian company Lenzing involves upcycling a significant proportion of cotton fabric scraps, for instance from garment production, which is blended with pulp. The raw material is processed into new TENCEL™ lyocell fibres to produce garments. TENCEL™ fibres are of natural origin, which means they are biodegradable and compostable – they can be completely returned to nature.


Regenerative cotton (coming in 2023)

Sourcing cotton while following regenerative practices can rehabilitate our soils and improve local biodiversity. Taking a holistic approach to farming improves environmental conditions. Regenerative cotton increases carbon sequestration of soils – a crucial step when it comes to the climate crisis. Cotton farmers and their commu-

nities can also benefit from regenerative practices, as improved crop performance and crop diversity usually increase their revenue streams.

Bio-Alloy™ by BioFabbrica (coming in 2023)

We are introducing outerwear with Bio-Alloy™ technology by BioFabbrica in 2023. BioFabbrica is a joint venture partnership for sustainable material solutions between the American biotech company Modern Meadow and the Italian textile supplier Limonta. Modern Meadow's proprietary Bio-Alloy™ and Bio-F@rm™ technology application platforms harness the unique properties of tuned proteins to sustainably move the world away from petrochemical and animal-derived inputs without compromising on performance.



Our headquarters
and warehouse
have been
climate-neutral
since 2018.

7. Environmental impact

Our headquarters and warehouse have been climate-neutral through carbon offsetting since 2018. We also offset the CO2 emissions for all A BETTER BLUE jeans to make them climate-neutral products. It is our goal to constantly reduce our emissions and offset the emissions we cannot yet avoid. In the coming years, we will gradually concentrate on further eco-friendly measures and CO2 compensation to progress towards a completely climate-neutral supply chain.

WE ARE GOING TO SAVE EMISSIONS BY:

Producing close to our main markets in Europe and sourcing local materials to keep transport routes short.

Using more organic and recycled materials in our collections to conserve resources.

Increasing the volume of A BETTER BLUE products to limit water, electricity and chemical consumption.

Travelling for business by rail instead of air if possible, encouraging our employees to cycle or use public transport instead of driving by financially supporting them when they use more sustainable means of transportation.

The annual carbon emissions for 2022 for our headquarters and warehouse (212 employees) were 652 tonnes. Compared to other companies of our size in our industry, our emission value per employee is in the low range. Adding 737 tonnes for our A BETTER BLUE jeans, we offset 1389 tonnes of carbon emissions in total by supporting two climate-friendly projects: a hydropower project in Turkey and a biomass initiative in Chile.



8. Charity and utilisation of unsold products

No disposal of unsold goods – we would never throw away or destroy unsold Closed items. Products unsold by the end of the season are marked down for our sale periods. Remaining items have an additional chance to sell in our outlets. The next step after the outlets is our twice-yearly factory sale. After this, unsold items have been donated to a Chilean charity organisation for many years. The clothes are sold in Chile, and the total proceeds support a music school for children in need.



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