

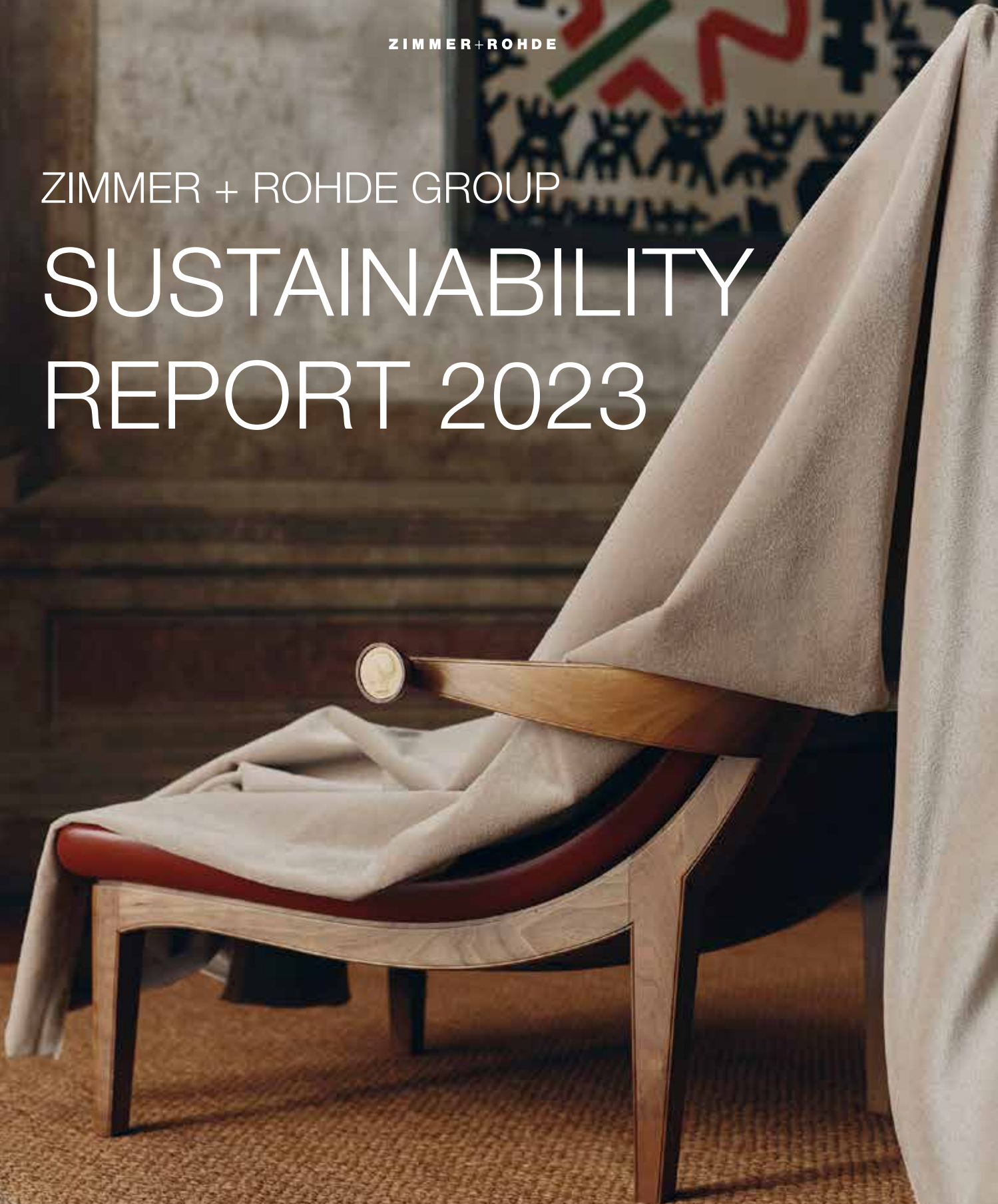
The logo consists of the letters 'ZR' in a large, white, serif font. The 'Z' and 'R' are connected at the top. Above the 'Z' is a white rectangular bar.

ZR

ZIMMER+ROHDE

ZIMMER + ROHDE GROUP

SUSTAINABILITY REPORT 2023



LETTER FROM THE BOARD

The world around us keeps shifting, and learning to evolve along with it remains a constant endeavor. In 2023, we witnessed continued changes in the regulatory frameworks of our key markets both in Europe and abroad, while geopolitical tensions caused uncertainty in every sphere. Our traditions and core values of quality, creativity, and innovation remained the foundation of our business. At the same time, our ability to grow and transform, which has been honed over our 120-year history, took center stage to help us navigate these challenging times.

The year 2023 was marked by the merging of our two companies in the ZR Group: Zimmer + Rohde and ADO Goldkante, consolidating this long-term relationship and reducing complexity in our core operations. It was also the first year of operation for our Sustainability Department, marking important changes in the development of our group.

Over the past year, we systematically developed and integrated the topic of sustainability into our organization. With the Sustainability Task Force and the newly created Sustainability Department, we have set out to establish sustainability as a further pillar of our corporate strategy. We want

to be able to answer questions from customers and employees – current and future ones – about sustainability and are preparing for future reporting obligations. We are thrilled to be able to share a pivotal outcome of this effort: our first corporate sustainability report.

This report shows you honestly and transparently where we stand today on a number of sustainability issues. We are proud of some of our initial successes in projects tackling the reduction of waste. This has been an important process and has enabled us to reach the numbers we have today. From this starting point, we are continuously developing and implementing our sustainability strategy throughout the Group.

Thank you so much to everyone who has contributed to this report! Thank you for joining us on our journey of change and for continuing to support the sustainability team in the future. I want to encourage you all to share your opinions and ideas on how we can continue to improve to ensure visible progress in the following report for 2024.



T. Poschardt Torsten Poschardt, CEO*



Scheuring Thilo Scheuring, CFO



S.Höhne Sarah Höhne, COO



S.Gabel Stefan Gabel, CCO



Markus Gärtner Markus Gärtner, CSO

*Torsten Poschardt was CEO of the Zimmer + Rohde Group in 2023 and until the completion of this report

INTRODUCTION

The ZR Group addressed the topic of sustainability for the first time in 2021 as part of a complex and comprehensive transformation process, which led to a number of structural measures the following year, including the establishment of a sustainability department and the publication of the first internal sustainability report for 2022. Today, in 2024, the company is still in a phase primarily characterized by knowledge-building and internal (re)structuring measures. Accordingly, this first public sustainability report is dedicated not only to the preparation of existing company data but, above all, to the design of a reporting structure based on the European Sustainability Reporting Standard (ESRS) framework of the European Union. To this end, we have started a materiality analysis, with a completion date planned for 2025, and will be including it in the report to be published in 2026. In this report, we have therefore used the topics and information that are certain to be material for our company and that could be collected with the necessary data quality.

Thus, unless explicitly stated otherwise, the published data relates to the activities at the ZR Group's headquarters in Oberursel, the location of Zimmer + Rohde GmbH and ADO Goldkante GmbH & Co. Kg (summarized in the report as Headquarters in Germany, or simply Headquarters), and the subsidiary Textil-Logistic S.R.O. in

Czechia, which runs our warehouse (referred to in the report as warehouse in Czechia, or simply warehouse). These head offices and companies account for over 74% of the Group in terms of employee numbers.

The time frame covers the calendar and fiscal year of 2023.

This report was designed and implemented by ZR's sustainability department, with the assistance of an external consultant regarding ESRS requirements. Together, a basic structure was developed, which was then filled with data through interviews with all relevant stakeholders in the Group. In addition, legal requirements and regulations in the respective countries were researched and integrated into the chapters. An initial draft of the report was then discussed with the management board and revised. For ZR as a medium-sized Group, preparing this first external sustainability report in accordance with the complex requirements of the ESRS framework was an enormous learning process, which in some cases made it necessary to break up established structures and change routine processes. We are aware that we have only taken the first step towards comprehensive and transparent sustainability reporting with this document. For us as a Group, however, it has been the most important and forward-looking step in this matter to date.

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GENERAL INFORMATION

SALES IN **81** COUNTRIES



OPERATIONS IN **19** COUNTRIES
WITH **11** SUBSIDIARIES

313 EMPLOYEES



COMPANY STRUCTURE

The ZR Group is a textile company that designs and distributes interior textiles. It was founded in 1899 by Ernst Rohde, the great-grandfather of current owner Andreas Zimmer, and Max Marx. The company has been family-owned for four generations. For the last five years, the company has been run by a managing director from outside the family.

ZR's company structure follows a classic organizational form with the CEO at the top, constituting the general management together with four other officers. They are responsible for various departments, while the sustainability department, among others, reports directly to the CEO (see Figure 1). Together, they manage all key operations centrally from the company headquarters in Germany and are guided by an advisory board,

which also includes a representative of the owners' group. The corporate structure includes subsidiaries that are also managed by this board of directors. These are primarily sales subsidiaries abroad and the warehouse in Czechia (see Figure 2). A semi-autonomous structure allows local strategies to be developed under the supervision of local Managing Directors.

A voluntary and decentralized committee called the "Sustainability Task Force" was formed in 2021 to discuss sustainability issues across departments and locations and to develop group-wide strategies and measures. This committee meets once a month and consists of representatives from the Purchasing, Design, Operations, and Marketing departments and is coordinated by the Sustainability Department (see Figure 3).

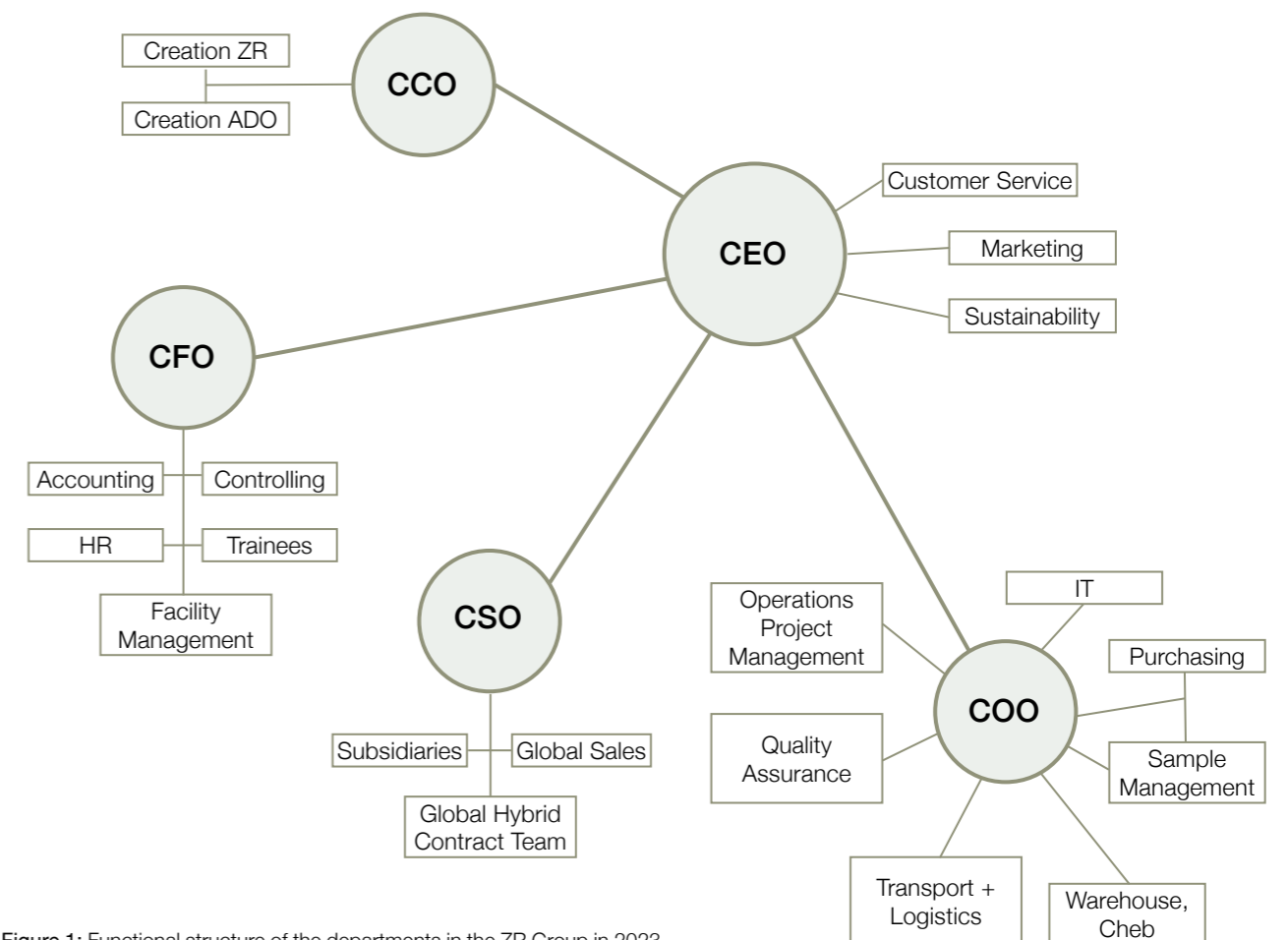


Figure 1: Functional structure of the departments in the ZR Group in 2023.

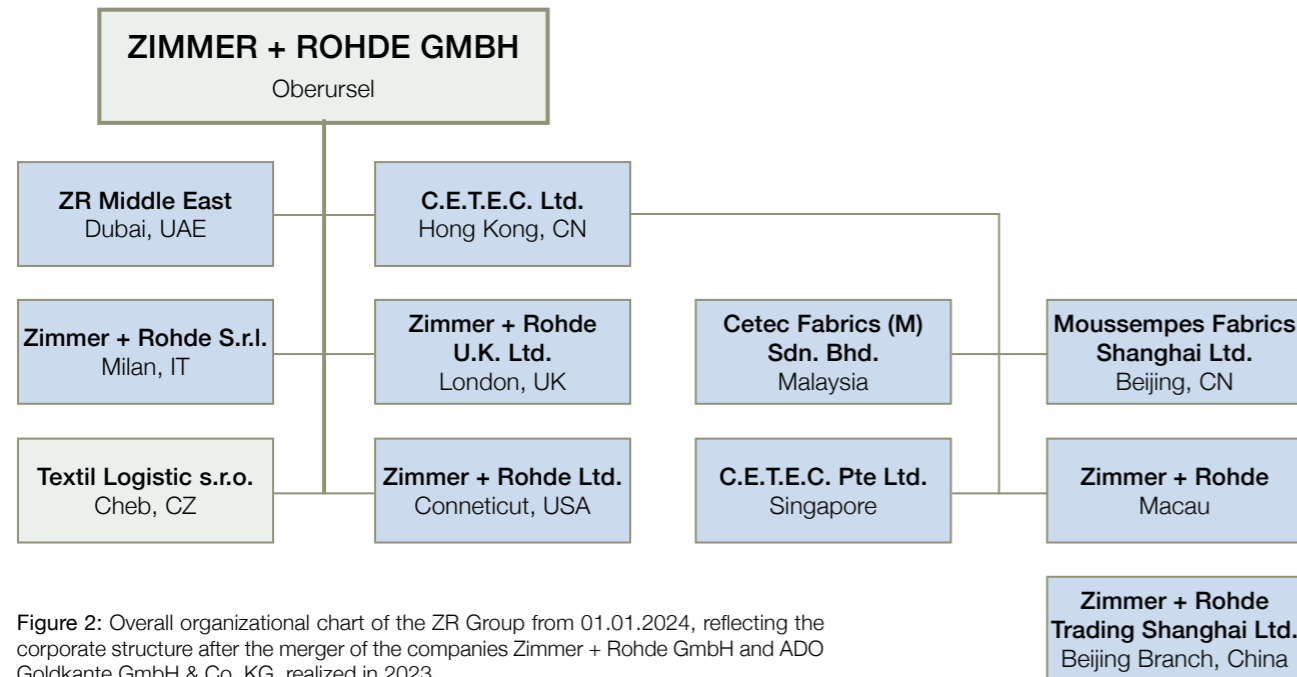


Figure 2: Overall organizational chart of the ZR Group from 01.01.2024, reflecting the corporate structure after the merger of the companies Zimmer + Rohde GmbH and ADO Goldkante GmbH & Co. KG, realized in 2023.



Figure 3: Diagram showing an overview of the departments that have integrated the Sustainability Task Force team.

STRATEGY

As a family business with organically-grown corporate structures, one of our biggest tasks is to improve efficiency across all subsidiaries within our organization. In this respect, “reducing complexity” and “profitable growth” are overarching corporate strategies. This includes digitalization as an important measure, for example through the expansion and restructuring of our digital data management and digital tools in sales. Other measures include classifying our suppliers and streamlining our cost structures. A second core strategy is to concentrate on the luxury segment as ZR’s traditional core business under the title “brand elevation”. This includes measures such as focusing on

core products, classifying our customers, and restructuring our customer approach accordingly, as well as extensively revising our brand architecture and communication. “sustainability” as the third pillar of our strategy is an important factor in this regard, which aligns the measures described and helps define our success targets. Finally, our last pillar “corporate culture” refers to our investment in more company wide meetings, called Town Hall Meetings, that foster our team spirit, as well as our investment in working more under project formats, that aim to lower our hierarchies and allow for individual members to collaborate on different areas where the company is developing.



Figure 4: Diagram showing the current strategy of the ZR Group.

BUSINESS MODEL & VALUE CHAIN

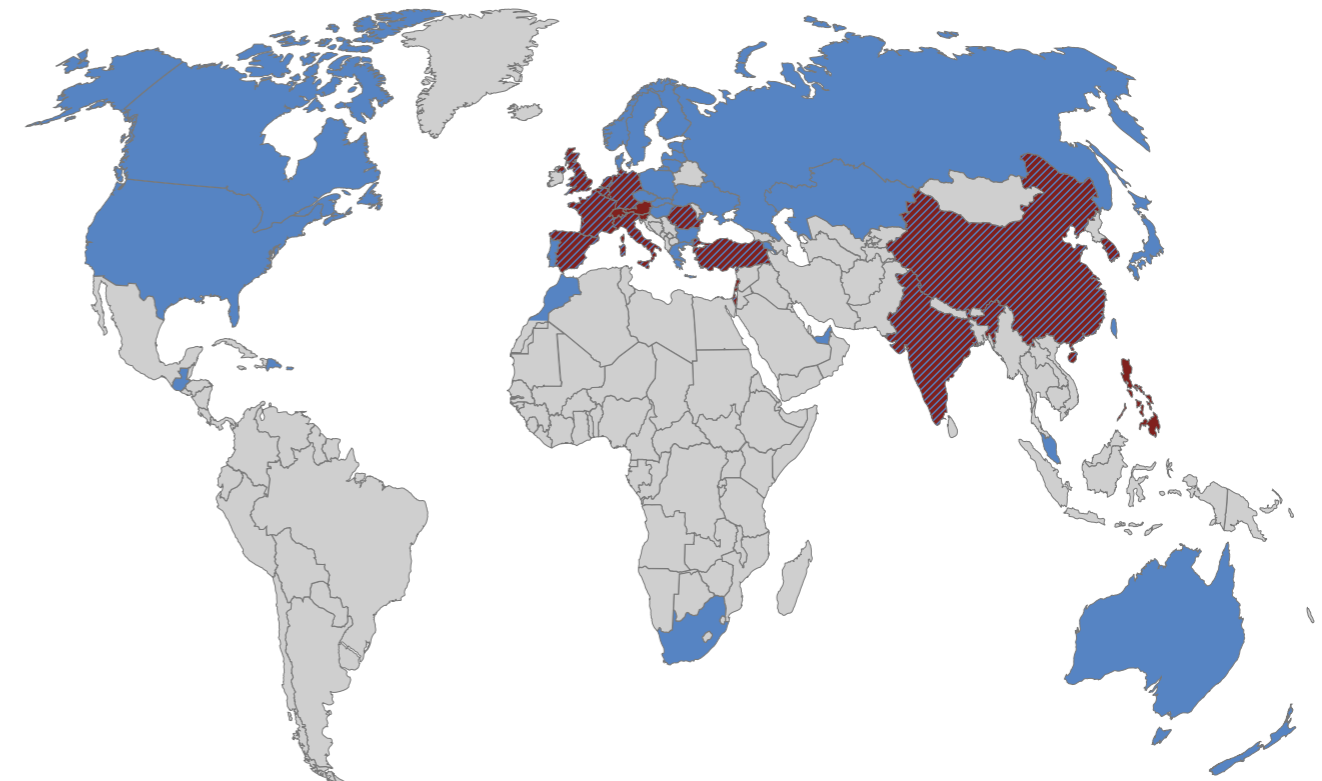
At the ZR Group's core is a textile company that designs and distributes interior textiles. This includes curtain fabrics, upholstery fabrics, drapery fabrics for cushions, blankets, and other textile interior goods. We also design and sell curtain technology and wallpaper. Zimmer + Rohde products are predominantly exclusive. In the area of product development, our most important partners are weaving mills, printers, and finishers who manufacture the products according to the specifications of our in-house design team. These suppliers are mainly located in Turkey, Italy, India, and Belgium and some of them have been working with the Group for over 25 years. The technical expertise in textile production of both the suppliers and our design team is a significant source of added value for us. The majority of these vendors are small and medium-sized family businesses with between 10 and 400 employees. Another important group of partners are the manufacturers of the finished goods who, for example, produce samples and also process customer orders.

The ZR Group launches eight collections a year under six different brands: two collections under both the Zimmer + Rohde and ADO brands and one each under the Travers, Hodsoll McKenzie, Etamine and Ardecora brands. Although all brands are offered worldwide, some brands have their core markets in different regions, such as Travers and Hodsoll McKenzie in the Anglo-Saxon region and ADO in the DACH region.

The company's second core activity, sales, is mainly handled by in-house sales teams. These teams are divided into territories worldwide. In the markets with the highest revenue – Germany, the USA, the UK, Italy, France, the Middle East and Asia – these teams are managed by subsidiaries.

Smaller markets, such as Greece or Spain, are served by independent showrooms. Each market has its own customer structure, which means that the sales strategies also vary. In Germany and some other European countries, the market is dominated by owner-managed retailers, furniture stores, and a few online providers. Distribution takes place in two phases: the sale of sample hangers to retailers and, in the second phase, the sale of yard goods in line with end customer orders at the POS. In the UK, the USA, the Middle East, and France, the customer structure is dominated by interior designers and architecture firms. They order free samples and then order yard goods according to their customer projects. The internationality of the sales team, which can respond to very different customer mentalities and needs in a decentralized manner, is a core aspect of value creation through sales at ZR. In addition to the textile product, it is their expertise and consultancy that make the company successful. All products sold through these channels are used in private homes.

Another customer category is the contract business: architects with major projects such as hotels, offices, etc. As a partner, ZR takes on a consultancy role and sometimes develops fabrics specifically for the project. Here, too, the expertise of the sales team plays an important role, but key success factors are the network and industry knowledge.



COUNTRIES IN WHICH WE PRODUCE

Austria
Belgium
China
France
Germany
Great Britain
India
Israel
Italy
Netherlands
Philippines
Romania
Slovenia
South Korea
Spain
Switzerland
Turkey

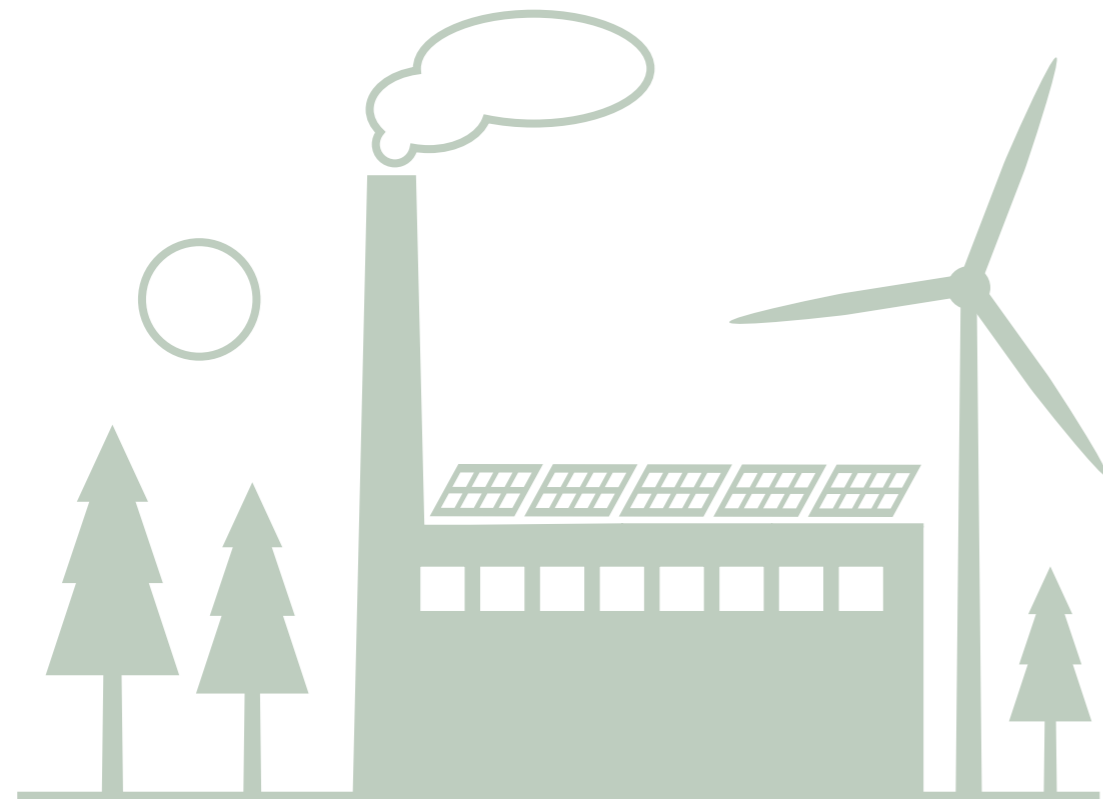
COUNTRIES IN WHICH WE SELL

ADO
Australia: Sydney
Belgium: Bruxelles/Gent
China: Hong Kong/Beijing
Cyprus: Nicosia/Limassol
Denmark: Aarhus
Finland: Helsinki
France: Paris
Germany: Oberursel
Greece: Athens
Israel: Tel Aviv
Italy: Milan
Japan: Tokyo
Korea: Seoul
Luxembourg
Malaysia: Singapore
Netherlands: Amsterdam
New Zealand: Auckland
Poland: Legnica
Portugal: Porto
Russia: Moscow
Spain: Madrid
Taiwan: Taipei
UAE: Dubai
UK: London
Ukraine: Kiev
USA: New York City

ZR
Armenia: Yerevan
Australia: Sydney
Belgium: Bruxelles/Gent
Bermuda: Warwick
Bulgaria: Sofia
Canada: Toronto/Vancouver/Montreal/Calgary
China: Hong Kong
Cyprus: Limassol/Nicosia
Czechia: Prague
Denmark: Copenhagen
Dom. Rep.: Santiago
Estonia: Tallinn
Finland: Helsinki
France: Paris
Germany: Oberursel
Greece: Athens/Thess.
Hungary: Budapest
India: Delhi
Israel: Tel Aviv
Italy: Milan
Japan: Tokyo
Kasachstan: Almaty
Korea: Seoul
Latvia: Riga
Libanon: Beirut
Lithuania: Wilnius

Luxembourg
Mauritius: Port Louis
Malaysia: Singapore
Morocco: Casablanca
Netherlands: Amsterdam
New Zealand: Auckland
Norway: Oslo
Polen: Legnica
Portugal: Lisbon/Porto
Romania: Bucuresti
Russia: Moscow
Slovakia: Kolárovo
South Africa: Cape Town
Spain: Madrid
Sweden: Stockholm
Taiwan: Taipeh
Turkey: Istanbul
UAE: Dubai
UK: London
Ukraine: Kiev
USA: New York

ENVIRONMENT



CLIMATE CHANGE

Over the past decade, environmental considerations have become increasingly central to the operations of any business in Europe, with the EU Green Deal setting a new path for reducing environmental impact and developing better business practices overall. In the last 2 years, rising energy and logistics prices, coupled with the high costs of CO2 certificates, have posed financial pressures for the ZR Group, particularly due to its dependence on natural gas for heating. Furthermore, changing consumer demands for sustainability along with evolving regulatory landscapes require the ZR Group to take action to address environmental challenges. By beginning to integrate sustainability into its business strategy, the ZR Group aims to

enhance operational efficiency, mitigate risks, and capitalize on opportunities for long-term growth and resilience in a rapidly changing world.

Corporate carbon footprint of ZR Group

In 2023, one important first step we took as a Group was to start working towards calculating our emissions of greenhouse gases. We started by mapping our current sources for emissions on Scope 1 and Scope 2 based on the guidelines of the GHG Protocol, which is one of the most recognized and commonly used standards for corporate accounting and reporting of greenhouse gas emissions across industries. A summary of this mapping resulted in the chart on the side, revealing

fuel and energy consumption as the key sources of emissions in both the headquarters and warehouse for our Scope 1 and 2 emissions today.

One of the sources of CO2 emissions proposed by the GHG Protocol and relevant to the ZR Group in Germany and Czechia was not considered in this first mapping: Refrigerants. Both in the headquarters and the warehouse, the use of refrigerants is very limited; they are used only for server rooms, and have not required topping up of any refrigerants, meaning, while in the map, these are not yet relevant for the initial reporting efforts in 2023, but could be useful for the future.

As a first estimation, the current Scope 1 and 2 emissions for these operations of the Group in Germany and Czechia was around 1,500 tons of CO2. Almost 80% are scope 1 emissions for logistics and heating. This calculation was done using the Ecocockpit online tool for calculating the cor-

porate carbon footprint, which was developed by the Effizienz Agentur NRW (EFA+), from the Ministry for the Environment, Nature Conservation and Transport of the State of North Rhine-Westphalia, and made available by the Unternehmensnetzwerk Klimaschutz (a corporate climate protection network).

We are aware that the missing Scope 3 emissions are likely the greatest source of our emissions, and we will work to progress on this end.

GOAL: In the CR report for 2024 we are planning to expand the calculation of our corporate carbon footprint scope 1 + 2 to all subsidiaries of the ZR Group. Furthermore, an initial mapping of the Scope 3 emissions is also planned to be shared in the next report.

Map of CO2 Emissions on sources of Scope 1 and 2 emissions of the ZR Group 2023

SCOPE	TOPIC	DATA TYPE	COMPANY DATA	DATA UNIT
1	Fuel consumption	Natural gas / LPG	Natural Gas (consumption)	kWh
1	Fuel consumption	Fuels used in company owned cars / machines	Petrol costs	EUR
1	Refrigerants	<i>(Only used in air conditioning for rooms with our data centers both in Oberursel, Germany and Cheb, Czechia.)</i>	<i>(Has not been purchased, topped up, since installation. Therefore is not yet calculated)</i>	-
2	Energy consumption	Electricity	Municipal energy supplier	kWh
2	Energy consumption	Electricity	BHKW (co-generation system)	kWh
2	Energy consumption	Electricity	Photovoltaics	kWh

Table 1: Mapping of sources of CO2 emissions of Scopes 1 and 2 from the ZR Group, according to the GHG Protocol.



Thermal article "Good Mood" by ADO, from the Spring 2024 collection



Thermal article "Saga Lux" by Zimmer + Rohde, from the Spring 2024 Collection.

CLIMATE ADAPTATION

Temperatures are rising due to climate change. The ZR Group offers products that can both protect rooms from extreme heat in summer and reduce heating requirements in winter.

Thermal products in our range

Thermal curtains have a heat-insulating effect. They regulate cold or warm air dispersion and are in general less conductive. This supports efficient thermal insulation, which reduces energy usage, which in turn reduces heating costs. Curtains made using our thermal fabrics insulate in a variety of ways: heat can also be kept out on warmer days. Heat resulting from sunlight can also be leveraged by the color and surface texture of the fabric. The overall impact obviously depends on several additional factors, including a room's properties and size, the window's characteristics, installation and fabrication, and the color and texture of the curtains.

In 2023, seven new fabrics with thermal resistance properties were launched in the Zimmer + Rohde and ADO collections.

Our thermal fabrics are tested according to the Alambeta method, whereby the material's thermal conductivity, resistance, and specific heat capacity are measured.

Thermal conductivity is a material property that determines heat flow through a material based on heat conduction, in other words, how well a fabric can insulate against heat. Lower thermal conductivity indicates better thermal insulation. Thermal conductivity is expressed in watts per meter and kelvin.

Thermal resistance shows the temperature difference that occurs in an object when heat flows through it (heat per unit of time or heat output). The higher the value, the less heat is conducted, hence, the better the insulation.

The specific **heat capacity** measures the ability of a fabric to store thermal energy or heat. The higher the value, the more heat can be stored in relation to the volume. This is generally indicated by the formula symbol c .

CLIMATE MITIGATION

Shipping optimizations

In our commitment to climate protection, we're actively pursuing shipping optimizations to minimize our carbon footprint. The transportation of materials between suppliers and our clients is a key factor in emission reduction efforts. As an international group, ZR works with various transport companies and is striving to integrate sustainable practices into all aspects of our supply chain. From sourcing to shipping and delivery, we're dedicated to making environmentally responsible choices, such as implementing carbon-free contracts and offering climate-neutral delivery options.

We are constantly working to consolidate shipments as much as possible and to send orders as complete deliveries wherever possible to avoid unnecessary transportation and costs. For instance, for imports from both Turkey and Italy, we have a weekly departure schedule, ensuring that all shipments are consolidated onto a single truck. This truck then proceeds directly to the warehouse without any intermediate stops. Similarly, for imports from India, a weekly departure is also scheduled, with all shipments consolidated onto a single flight. Shipping per sea freight hardly ever occurs. When it comes to export, we ship according to orders.

In 2023 we introduced new software to manage the import of shipments and make communication between suppliers and the ZR Group teams more efficient. We started with a "soft launch" with 10 key suppliers, allowing scope for testing and adjustments of its processes; in 2024 we plan to onboard 30 more suppliers. One of the software's advantages in terms of sustainability lies in its ability to provide enhanced transparency and comprehensive oversight of shipments. This functionality holds the potential to bolster our future endeavors in mapping some of our scope 3 emissions with accuracy.

ENERGY

As we transition towards a sustainable future, energy remains a pivotal driver for this transformation. For the ZR Group, energy sourcing and consumption remain an important topic in the general management and financial strategy, in particular since the rise of energy prices and availability over

the last few years, which has had a direct impact on our ability to operate.

In 2023, we achieved significant energy reductions in the energy consumption in our warehouse in Czechia, and we plan to continue improving it with daily efforts in the years to come.

Energy consumption and mix

	2022	2023
(1) Fuel consumption from coal and coal products (MWh)	–	–
(2) Fuel consumption from crude oil and petroleum products (MWh)	–	–
(3) Fuel consumption from natural gas (MWh)	2554,89	2528,12
(4) Fuel consumption from other non-renewable sources (MWh)	–	–
(5) Consumption from nuclear products (MWh)	–	–
(6) Consumption of purchased or acquired electricity, heat, steam, and cooling from non-renewable sources (MWh)	736,43	501,19
(7) Total non-renewable energy consumption (MWh) (calculated as the sum of lines 1 to 6)	3291,32	3029,31
<i>Share of non-renewable sources in total energy consumption (%)</i>	<i>96,80%</i>	<i>96,85%</i>
(8) Fuel consumption for renewable sources (including biomass, biogas, non-fossil fuel waste, renewable hydrogen, etc.) (MWh)	–	–
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	–	–
(10) The consumption of self-generated non-fuel renewable energy (MWh)	108,67	98,64
(11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)	108,67	98,64
<i>Share of renewable sources in total energy consumption (%)</i>	<i>3,20%</i>	<i>3,15%</i>
<i>Total energy consumption (MWh) (calculated as the sum of lines 7 and 11)</i>		
TOTAL ENERGY CONSUMPTION (MWH) (calculated as the sum of lines 7 and 11)	3400,00	3127,95

Table 2: Energy consumption and mix in our headquarters and warehouse 2022–2023, according to the ESRS E1–5.

Electricity

In 2023, our headquarters' total electricity consumption was 529.606,00 kWh, supplied by the local municipal energy provider, our co-generation gas system, and our photovoltaic plant. The consumption remained similar to the previous year of 2022, with no significant reductions to be noted.

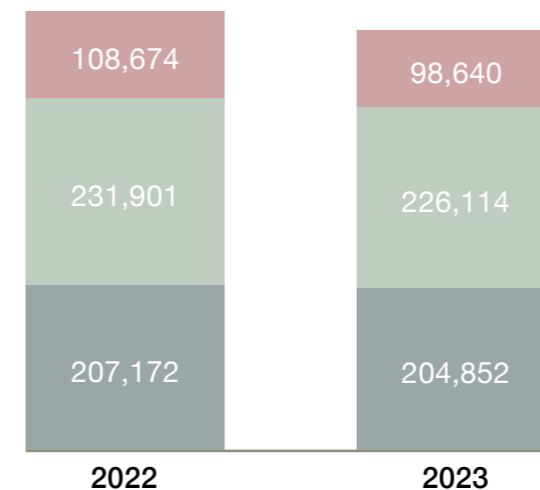
Since 2023, the headquarters started working with fixed prices for its energy consumption, bringing greater predictability to the financial planning. That was a particularly important change to mitigate the effects of the rising energy costs due to the war in Ukraine.

In our warehouse in Czechia, the total energy consumption for 2023 was 296.341,00 kWh, and the only source of electricity used was the municipal energy system. A significant reduction in the total consumption of electricity was observed in 2023, reaching almost 50% compared to 2022. This reduction was largely due to the conversion of lamps to LED lights.

Over the last few years, the warehouse has been working with fixed energy prices which are renegotiated every two years.

MUNICIPAL ENERGY SYSTEM (IN KWH)

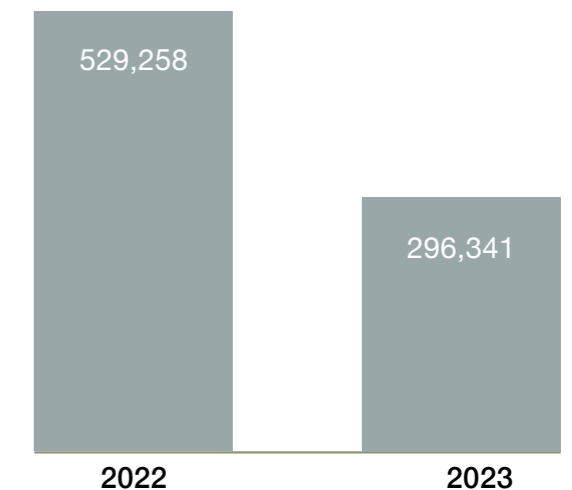
HEADQUARTERS OBERURSEL, GERMANY



Legend: generated electricity PV (red), generated electricity CHP (green), purchased electricity (blue)

Chart 1: Electricity consumption by source in kWh in our headquarters in Oberursel 2022–2023.

WAREHOUSE CHEB, CZECHIA



* All values are in kWh

Chart 2: Electricity consumption by source in our warehouse in Cheb 2022–2023.

LED Lights Conversion

In 2022, both the headquarters and the warehouse started a process of converting from fluorescent to LED lights.

At the headquarters, the conversion has been taking place in parallel with office refurbishments and is expected to be completed by 2026. In 2023 we reached

the 50% mark of the lamps being converted to LED.

In the warehouse, the process of conversion to LED lights was fully completed in October 2022, and has since greatly reduced electricity consumption at the site.

Solar Power

With subsidies, grants, and even zero VAT rates for solar modules and installation implemented in 2023, Germany offers a particularly fertile ground for investing in photovoltaic plants. In the ZR Group headquarters, the first solar power plant was implemented in October 2021, and can produce on average 20% of the energy consumed at the premises. In 2023, we had plans to install a second solar power plant at our headquarters, but this had to be postponed due to a defective roof. All energy produced by the solar power plant in the headquarters is used directly on the premises, not fed into the local energy grid.

In Czechia, despite also offering incentives for the installation of solar panels and other green energy systems, the structure for its effective implementation is still an issue in the region where our warehouse is based. In 2023, a project to install solar panels on the roof of the warehouse had to be canceled due to several issues related to the structure, both in the warehouse building and the local energy system.

The main issue in Czechia was the congestion of the existing grid in the local region, meaning that authorities would not issue permits for solar energy plants of the size and capacity needed for the warehouse structure in 2023. The feed-in options and tariff were not currently offered by the electricity provider, giving no alternatives for feeding excess energy production back into the energy system – an important factor in the setup of this type and capacity of plant. Furthermore, the roof structure of the warehouse also posed several difficulties for the implementation of the solar panels which will have to be resolved when the project becomes feasible in other respects.

Heating

At both the headquarters and in the warehouse, heating is powered with natural gas using central boilers. Beyond the central boiler, in our headquarters, we have a combined heat and power system (CHP) that helps us make the most of the energy generated in the heating by generating a by-product of electric energy that feeds in to support our energy use. In the warehouse, we have been working on our heating consumption for a long time, which has resulted in optimal use of heating and significantly reduced consumption. The heating is adjusted daily by our building manager according to the temperature outside and we also have a special program that monitors the temperatures at each workplace, resulting in a daily programming of the heating for the best heating efficiency. This can result, for example, in having the central heating turned off for part of the working day, when temperatures are higher, instead of having a constant output throughout the whole day.

HEATING CONSUMPTION

LOCATION	2022		2023	
	kWh	%	kWh	%
Headquarters Oberursel, Germany	2.262.839,00	54,38	2.233.259,00	61,18
Warehouse Cheb, Czechia	292.054,10	7,02	294.858,87	8,08
<i>Subtotal</i>	<i>2.554.893,10</i>	<i>61,40</i>	<i>2.528.117,87</i>	<i>69,26</i>
TOTAL ENERGY (HEATING & ELECTRICITY) CONSUMED BY BOTH LOCATIONS	4.161.156,10	100,00	3.650.405,87	100,00

Table 3: Heating consumption at the headquarters and in the warehouse compared to total consumption of both locations 2022-2023.

E-Mobility

Since 2022, our employees at the German headquarters have access to eight charging points for their e-cars. The charging system is monitored via our ChargePilot system and provides the benefit to employees to charge their car at the same energy cost as that used to power the headquarters. All registered users of this system receive a card with which they track the charged electricity, as well as their CO2 savings. Spending and savings is visualized via individual dashboards available online on the ChargePilot platform.

Employees can apply to register themselves and receive their charging card via the accounting department. Currently, there are 13 employees registered to use the e-chargers for their cars. The service is also offered for other tenants of our HQ office, and we have three tenants registered in the system too. Currently, the cars registered for this benefit are mostly privately owned. In 2024, we are planning a test phase on the

use and convenience of electric cars among some of our sales team members, and if the results of this first test are positive, there is already a plan to increase the number of e-cars used in the team.

In addition to the charging points for the cars, the office also has two electric bicycles available for leasing. To use the bikes, we have an internal calendar in which employees can schedule the respective times they would like to use them. The bikes are very popular during the summer months. The goal of this project is to make a bike available for employees who might only need it for a temporary period. For employees with a need for bicycles for more frequent personal use, the company also offers a subsidy for the leasing of a job bike, where employees have the opportunity to purchase their own E-Bike at a much lower cost. More details can be found in the chapter of this report dealing with social aspects.

POLLUTION

Textile production is one of the industries causing the greatest pollution of soil and water due to the use of fertilizers and pesticides in the cultivation of natural fibers, the extraction of petroleum for synthetic fibers, and the dyeing and finishing of textiles. Most of ZR’s textiles do not come into direct contact with the skin, but consumer protection is nevertheless a primary concern. ZR has taken first steps toward reducing the use of hazardous substances throughout production.

SUBSTANCES OF CONCERN

In adherence to stringent environmental and safety standards, the ZR Group imposes a mandatory requirement for all suppliers to comply with the European Union’s REACH Law (Registration, Evaluation, Authorization, and Restriction of Chemicals) regulations and to adhere to restrictions on AZO dyestuffs. This is uniform across all orders, regardless of the country of origin; no exceptions are granted.

Supplier compliance is requested during the onboarding process, and standardized letters outlining the REACH regulations and the restriction of AZO dyestuffs are dispatched to suppliers. The ZR Group does not enter into a new supplier relationship without these signed documents.

In 2024, new consultations will be made with suppliers to check for full compliance with chemicals restricted by the US American regulations of the Toxic Substance Control Act (TSCA).

The ZR group wants to enhance its range of fabrics produced under strict chemical management legislation like the Global Organic Textile Standard (GOTS), Global Recycling Standard (GRS), etc. These standards prohibit the use of a broad range of substances of concern along the whole supply chain.

CIRCULAR ECONOMY

We are interested in enhancing efficiency and thereby reducing the environmental impact of our operations. At present, the Group does not have access to further information about the

life cycle of its products after they have been shipped to the customer. Accordingly, no return system is offered for goods that are no longer in use. However, goods that are withdrawn from circulation at an earlier point are fed into a new product cycle by selling them to discount retailers or through cooperations with, for example, young design companies, in the form of fabric donations.

Packaging

We are committed to choosing materials across our various operations that consider sustainability. We use FSC-certified stationery, which guarantees responsible sourcing and forestry management. For office paper, we prioritize recycled paper with the Blue Angel certification, signifying environmentally friendly production methods. Additionally, we use only cardboard boxes with the RESY symbol, guaranteeing full recyclability of all materials used.

PRODUCTS & MATERIALS

The circular economy is a concept that, at its basis, aims to keep the raw materials we extract from nature in a closed-loop system, extending the lifespan and quality of each product as much and as sustainably as possible. Our textiles are at the heart of the ZR Group business. And, as such, it’s necessary to develop a deep understanding of them and the materials they are made of, so we can start to discuss the ways we can progress in creating a more circular system for our products. By understanding the materials used in our fabrics, we can better research and invest, for more strategic solutions in prolonging the lifespan of each of them.

In the field of textile products, the key product component is textile fiber, made from raw materials such as polyester, cotton, and acrylic. Each fiber has unique characteristics and can contribute different properties for integration into a more sustainable and circular economy. In 2023, we started deepening our understanding of the materials used in our products by doing an initial analysis: we crossed our production volume (by meters) with the composition of our articles, highlighting the volume of raw materials we use. With the help of clear data, this analysis highlights the raw materials we use the most, serving as a starting point for further analysis of the impact of our material choices.

We developed the analysis for the years 2022 and 2023, using the key aspects of our articles’ compositions. We included all fabrics, discarding only the composition of embroideries and application materials added over the fabrics, as the coverage of these applications is of lower significance to the overall fabric consumption, and is generally difficult to quantify. In the graph, we summarize the 2023 consumption of raw materials according to the different types of textile fibers used. For more detailed information about the quantities and each specific fiber, please see the charts in the Appendix with the volume of textiles used – estimates are in meters.

In this initial analysis, we noticed the dominant presence of synthetic fibers that characterizes our products, with polyester being the most dominant of all fibers. Of the over 2,5 million meters of textiles produced in 2023, 87,56% consisted of synthetic fibers, with 82,53% being only polyester fibers. The second most used fiber was plant fibers, with a significantly smaller share of 7,60%. Manmade cellulosic fibers were the third most used fiber type constituting 3,68% of the whole production volume. Another important outcome of this analysis was that among all the different fibers, the share of recycled fibers used in 2023 was 2,07%.

2023 RAW MATERIAL PRODUCTION

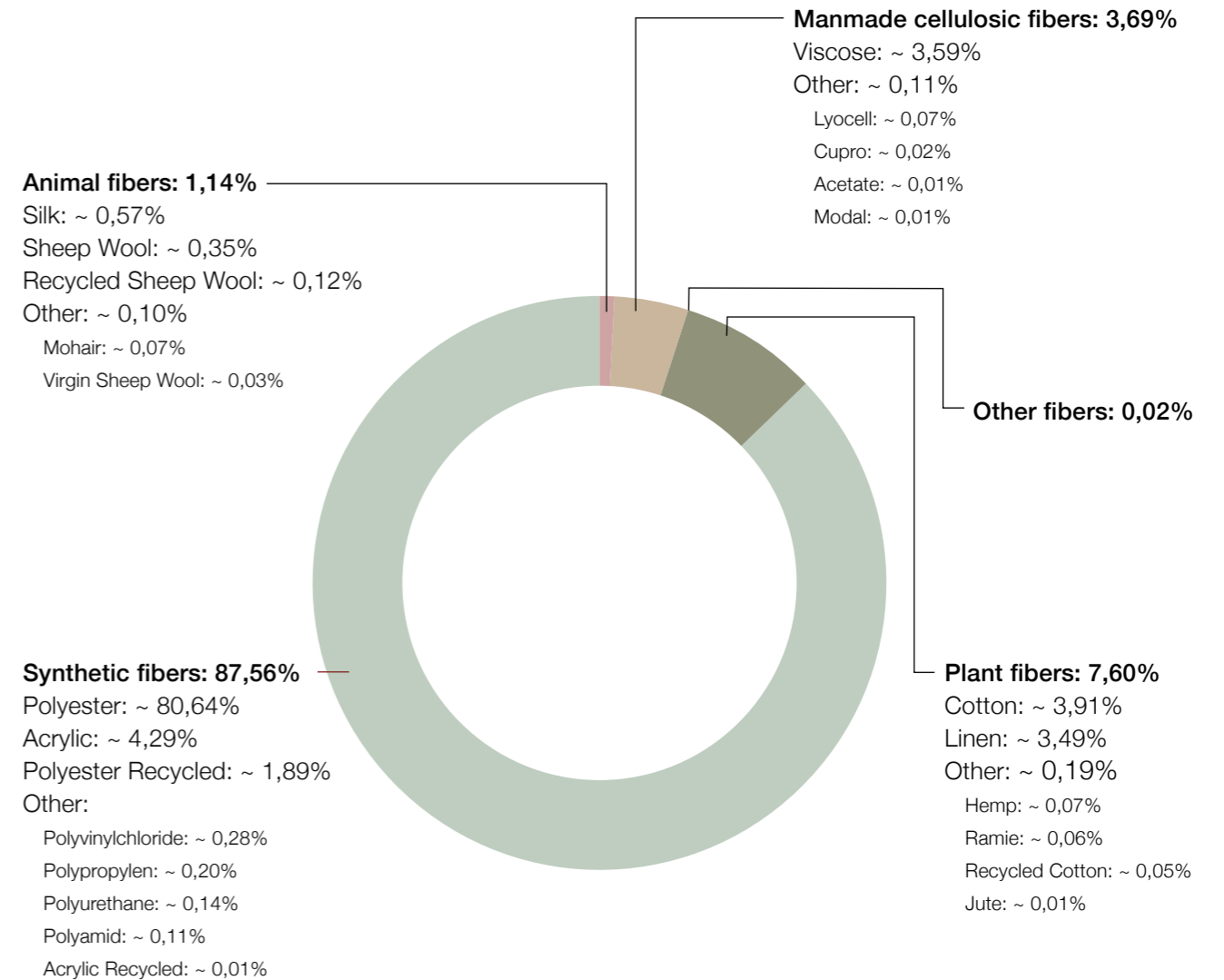


Chart 3: Raw material consumption by textile fiber resulting from the analysis of all textiles produced by the ZR Group in 2023.

WASTE

In this section, we delve into our commitment to minimizing waste across all facets of our operations, highlighting our efforts to mitigate environmental impact, optimize resource utilization, and contribute to a more sustainable future. Through transparent reporting and proactive initiatives, we aim to showcase our dedication to responsible waste management practices.

Headquarters, Germany

Status quo: Waste collection comprises, as per regulation, paper/cardboard recycling, organic waste, and general municipal waste.

Future Plans: Enhancing waste management practices at our headquarters has long been a target on the agenda of the ZR Group, notably driven by employee advocacy. The waste management improvement initiative will be launched in 2024, with progress updates in next year's report. Key objectives encompass expanding the range of waste types collected and streamlining internal protocols to facilitate a higher rate of waste separation.

Warehouse, Czechia

Status quo: Waste collection comprises, as per regulation, paper and cardboard packaging, plastic packaging recycling, textile material, and mixed municipal waste.

Our warehouse documents and monitors two key waste metrics: "Waste collected" refers to the waste we gather in the unit as a result of the materials received from suppliers – which constitutes the largest share of this type of waste – as well as our own activities. "Waste sold" refers to the waste that is separated and turned into passive income by selling it to companies that reuse or resell this waste. The majority of the waste is generated by the packages received from suppliers delivering our textiles, in the case of paper, cardboard, and plastic materials. Textile waste is generated from our internal processing of the fabrics received, which includes processes such as textile cutting, sample making, and lead-band sewing. The warehouse unit is also responsible for quality control of the textiles and for receiving returns from clients. These two processes also generate textile waste.

WASTE COLLECTED

TYPE OF WASTE	2022 (TONS)	2023 (TONS)
Paper and cardboard packaging	82,43	66,4
Plastic packaging	3,68	2,06
Plastic packaging (transparent)	5,66	9,26
Lead	0,994	1,31
Textile Material	45,17	36,5
Mixed municipal waste	22,9	24,4
TOTAL	160,834	139,93

Table 4: Waste collected in our warehouse by type 2022–2023.

Reducing textile waste by giving deadstock goods a second chance

Deadstock covers items that are in perfect condition but have become worthless for a variety of reasons, and they pose a challenge to any business. In a fashion context, it is common to destroy or simply throw away such excess stock. This will be prohibited in future under the European Sustainable Product Regulation (ESPR). Mountains of discarded clothes and unworn garments piling up in landfills have become a sad reality, especially in countries of the Global South. The European Union set up a 'Circular Economy Plan' back in 2015 and has since been working on the foundations for laws to abolish this 'cradle-to-grave' way of doing business. By 2030, European companies will now be required to offer only products that are durable, repairable, and recyclable. And they will have to take responsibility for overproduction.

In the case of ZR, this overproduction occurs when articles or individual colors do not sell as expected over a certain period of time. Precisely because of our model of launching several collections a year, each striving to be more outstanding and up to date than the former, it is currently unavoidable that not all fabrics are well enough received by the market. In addition, there are structural reasons, such as end-of-roll pieces that can no longer be used for customer orders, returns, and other reasons leading to deadstock that is no longer of value. In 2021 alone, both our brands earmarked almost 40,000 meters of fabric for disposal. That means we could line the entire Olympic marathon course with these fabrics. Not surprisingly, reducing textile waste has become a key focus of the ZR Group over the last few years.

Various lighthouse projects have seen a significant decrease in the waste of smaller samples in 2023. This is due to successful experiments using this material for marketing materials and other purposes. For example, samples from the Hod-soll McKenzie collections were used to create pencil cases that were gifted to important clients. Design samples have also been used in partnership with Nica's Concept (nicasconcept.com), a Berlin-based handbag brand that creates unique handbags by using only left-over fabrics: "Each bag is intended to be collected thoughtfully and treasured over seasons and years to come." In Czechia, our warehouse set up a partnership with a local theater that now turns our donated fabric remnants into costumes.

But that is just the tip of the iceberg. A much larger impact has been made by new sorting and destination practices in our warehouse, as all larger returns are sent to Czechia for processing, and we have seen a decrease in textile waste from 2022 to 2023 by approximately 20%. A policy change in 2023 meant that bolts with small defects are no longer thrown out but instead they are earmarked as discontinued fabrics and offered on our B2B platform. In addition, not a single bolt of defective textiles was discarded in 2023. This material is further processed and offered twice a year at a lower price in different markets.

Promising partnership with IBCSD LAB

ZR's Textil-Logistic previously collaborated with the International Business Center of Sustainable Development (IBCSD LAB), but operations had to be temporarily suspended due to the COVID-19 pandemic. In 2023, conversations resumed, and we are poised to restart the partnership in 2024. The IBCSD LAB processes material in secondary and tertiary loops, designing and producing products that upcycle and recycle fabric waste. They support their partners in systematic waste prevention and intend to reach a zero waste goal. One area they will be working on with our warehouse is processing larger volumes of fabric back into fibers and, in turn, into new materials.

SOCIAL

OWN WORKFORCE

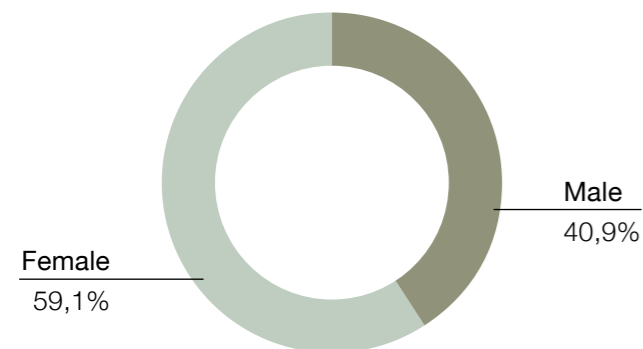
In 2023, a total of 313 people worked for the ZR Group in 17 countries worldwide. The dedication and contributions of each and every one of our employees are the foundation of all we do. Their unique interpersonal, intellectual, organizational, and technical skillsets shape the social fabric and overall impact of our group. In many countries in which we operate, the lack of availability of industry specialists and qualified managers is becoming an increasingly relevant topic for companies. Recognizing this, we prioritize employee training and

development and strive to offer secure and fulfilling employment opportunities within a positive corporate culture.

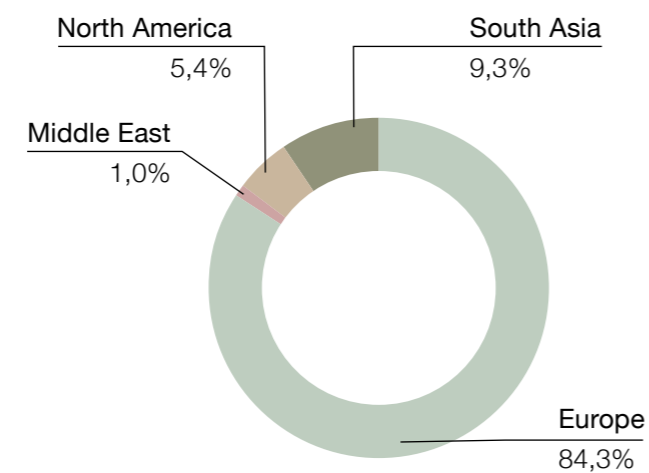
Staff Demographics

The charts presented below are a result of the Staff Survey 2023 and constitute data from the whole ZR Group, including all subsidiaries, giving a comprehensive overview of the ZR Group workforce in 2023.

BY GENDER IDENTIFICATION

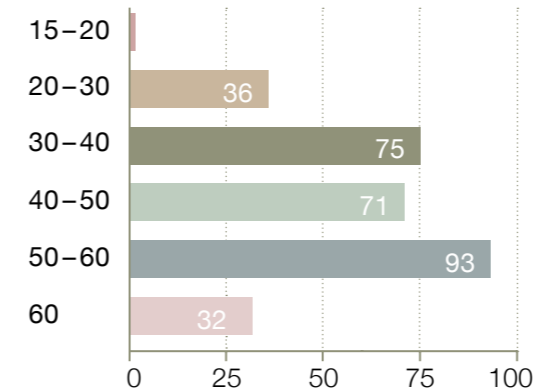


BY REGION

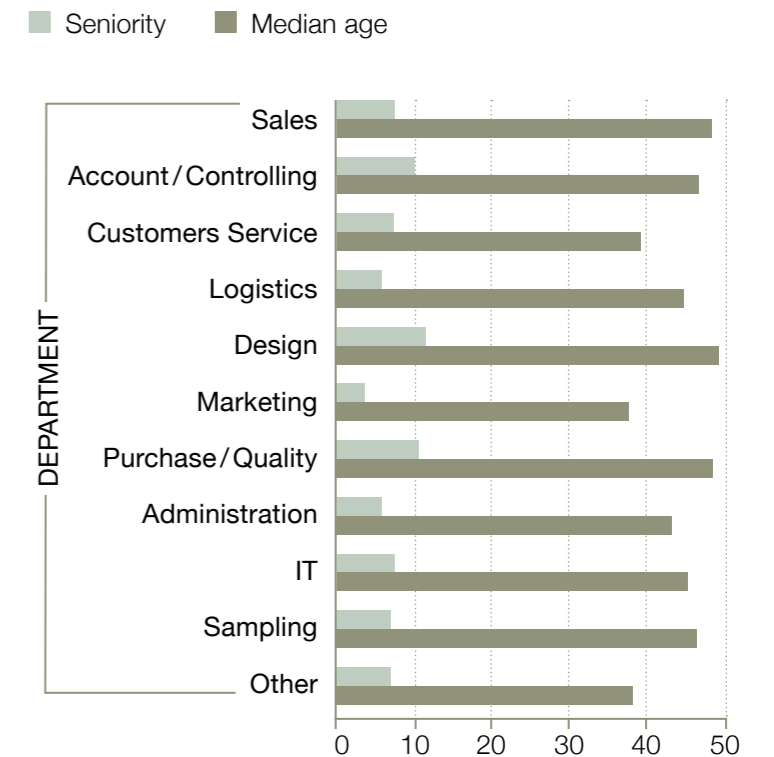


Charts 4–9: Different metrics from the Staff Survey 2023 from the ZR Group that give an overview of key aspects of our body of employees.

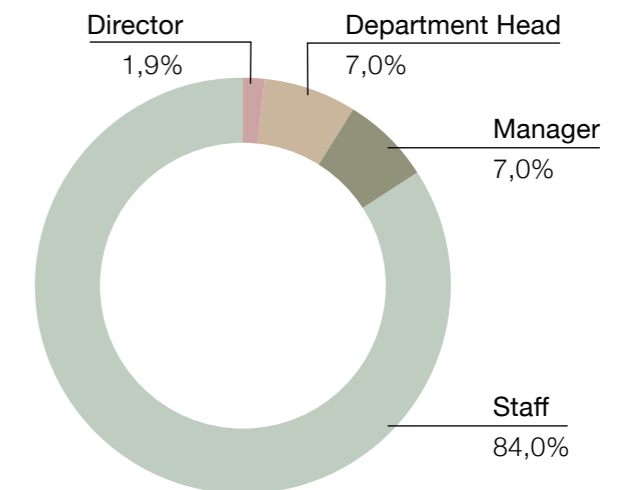
BY AGE RANGE



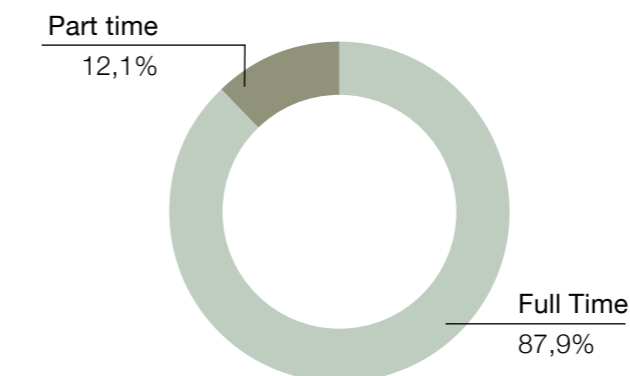
BY SENIORITY & MEDIAN AGE



BY POSITION



BY WORKING HOURS



WORKING CONDITIONS

Our employees work in many different environments and contexts around the world: from an office at our Oberursel Headquarters in Germany, to the warehouse in Cheb, in Czechia, from one of our flagship salesrooms in London or New York to a traveling sales representative based out of Warsaw or Dubai. The ZR Group subsidiaries have each cultivated their own working environment and employment practices in line with local laws and work culture norms.

In many of the roles our employees carry out, the tasks at hand are linked to a specific location: sales staff traveling to clients to present new collections, members of the purchasing department or our design team visiting suppliers to discuss production, warehouse staff processing dead-stock arriving back in Czechia. Where possible, we encourage managers to facilitate a certain flexibility for their teams with regard to working location; for example, for all staff at the headquarters, there is an informal “work from home” policy in place so that employees can work remotely up to two days a week.

Most of our employees have full-time contracts. This equates to 40 hours per week in both Germany and Czechia. Only around 11% of our employees work part-time, the majority of whom have 75% contracts, so 30 hours per week. All our employees receive at least the mandatory minimum wage in their respective countries. In 2023, this was €12.00 per hour in Germany and €4.69¹ per hour in Czechia.

Per regulation, employers in Czechia are obliged to provide meals to their employees during their shifts. At ZR’s Textil-Logistic, there is no canteen for employees, but instead, they receive €4.171 (100 Czech Koruna) per day to spend on a meal of their choice. At the headquarters in Germany, ZR offers a subsidized canteen with food at very low costs for all employees. Trainees have an

additional discount. The food offered is 100% vegetarian in for three days of the week.

In Germany, our employees generally have the flexibility to choose when to start their working day; some departments have stricter guidelines, for example in customer services, where we need to be available for our customers at certain times. Overtime can be compensated either by taking time off in lieu or extra pay. This has to happen within the same calendar year; there is no provision for saving up overtime for early retirement, for example. In Czechia, the eight-hour daily shifts generally take place between 4:00 (warehouse) and 15:30 (shipping). Overtime can be compensated by taking time off in lieu within a compensation period of 26 weeks. Employees can also “collect minus hours” when there are fewer orders, to balance out future overtime.

EMPLOYEE REPRESENTATION AND PARTICIPATION

We work to foster open and collaborative working environments, empowering employees to address and resolve any concerns within their teams or, when necessary, with management. All employees within the ZR Group can exercise their right to join or establish unions per international labor guidelines and local labor laws. We understand it is imperative for us to have structures in place that ensure we are meeting employees’ interests and needs, as they are the driving force behind the group’s success.

ZR Group Management is regularly available to all employees worldwide for questions and suggestions at “town hall” style online meetings. These meetings are valuable forums for employees to connect and delve into discussions on the operations and objectives of the group. Beyond their informative function, they also provide a platform for employees to offer feedback and insights as well as raise concerns.

The Betriebsrat or Works Council represents the interests of all employees based in Germany

The “Betriebsrat” setup is unique to Germany – it is a Works Council that represents the interests of the employees within the company. Elected every four years, they advocate on behalf of their fellow employees, both those situated in the ZR headquarters and mobile sales agents alike. This Works Council has the authority to engage in negotiations with management on a broad spectrum of employee topics on the individual as well as collective level. Their role is to mediate between employees and the company to ensure that these interests and needs are heard and met within the company context. While the Works Council is not able to prevent a company from executing a decision, they have the right to negotiate how certain decisions will be executed or delay their execution to ensure that everything is done according to more socially acceptable and responsible practices. They are integral to certain decision-making processes, for example, they must be consulted for both the hiring and termination of employees. However, this does not include salary matters.

The Works Council ensures that the applicable laws, collective agreements, health and safety regulations and company agreements are implemented in favor of the employees. It is responsible for promoting and monitoring equal treatment of women and men in the workplace, and it advocates for the employment of older and disabled people – particularly regarding recruitment, employment, training, further training and career advancement. It also supports the implementation of company environmental protection and occupational health and safety measures.

Much of how the Works Council operates – for example, the ratio of council members to employees – is determined by German employment law. All relevant regulations are followed at ZR. Differing from a trade union, the Works Council ex-

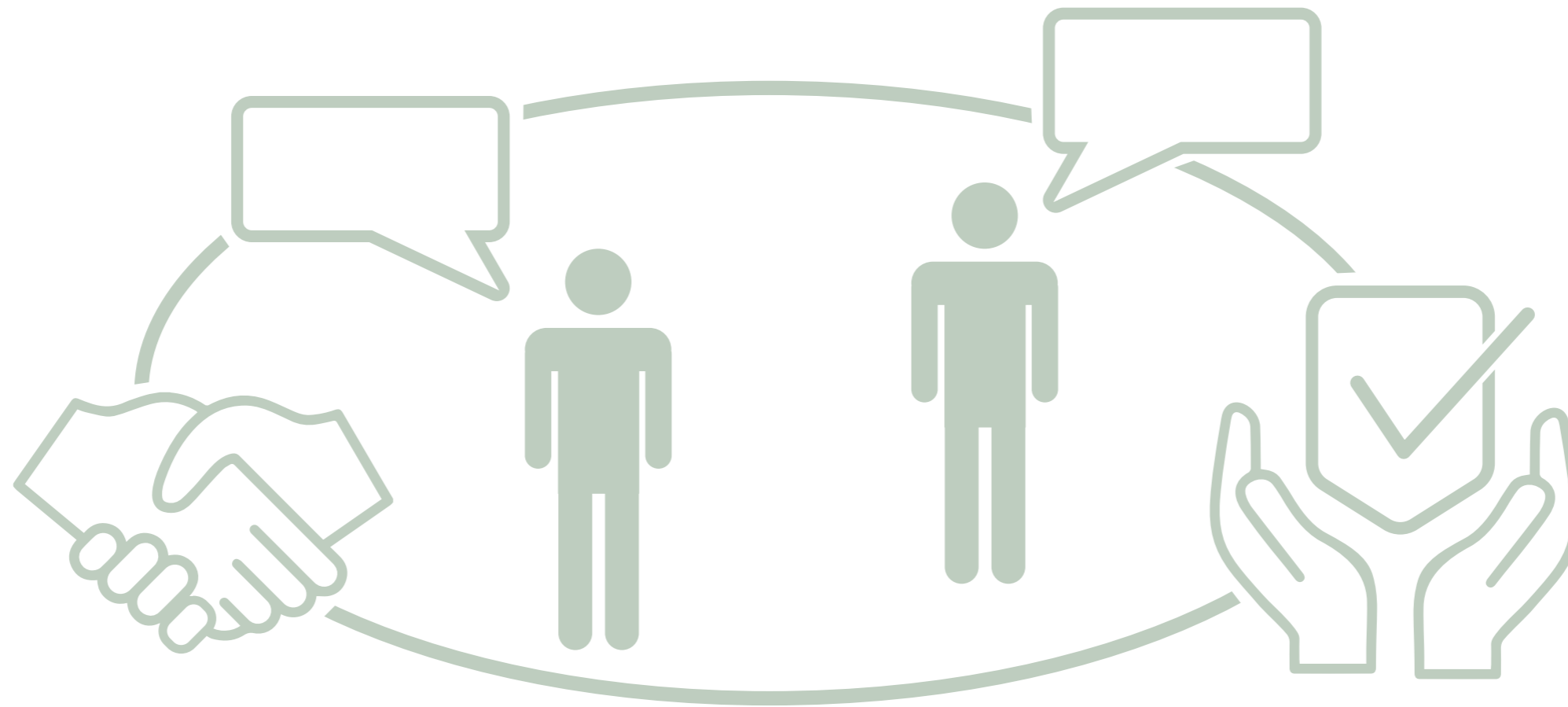
ists only within a single company context and represents only the interests of its employees, rather than being an external organization that represents the interests of many employees across different companies within an industry. In 2023, none of the employees had declared trade union membership, and therefore ZR did not take part in any negotiations with unions.

ZR Works Council successes

ZR’s Works Council is an active part of operations at its headquarters. Every three months, newsletters on the progress and actions of the council are sent to all employees concerned. They have an open-door policy and employees always have the opportunity to articulate concerns, express needs, and share ideas with their representatives, who, in turn, advocate for these matters with company management.

In 2023, the ZR Works Council achieved notable successes in several key areas. These accomplishments include the implementation of a job bike program and the provision of subsidies for gym memberships, promoting employee well-being and healthy lifestyles. Additionally, the Works Council instigated the redesign of our Customer Service department, optimizing the allocation of hours and office space utilization for improved efficiency. Furthermore, significant efforts were made towards restructuring remote work practices. Lastly, the Council successfully facilitated the implementation of flexible working hours during the hot summer months, in close coordination with team leaders, to enhance employee satisfaction and work-life balance.

¹ Euro figure of 4.17 is based on the average conversion rate for 2023, see exchange-rates.org/exchange-rate-history/czk-eur-2023



Employee participation at our warehouse in Czechia

Every month, a cross-warehouse meeting provides a platform for dialogue between warehouse employees and management. During these sessions, participants discuss the past month's results and delve into any other topics that are of interest or concern to the workforce. In addition to this regular meeting, the warehouse manager hosts open days twice a year, creating an opportunity to address questions, comments, and concerns related to operations. These bi-annual events serve as an open forum, allowing every warehouse employee to raise and discuss issues.

In Czechia, workers in a company can be represented by either a trade union or their Works Council. Unlike many other countries, the parallel existence and functioning of unions and employee councils in the same company is not allowed. The law does not give the Works Councils the status of a juridical person and, consequently, they cannot negotiate on behalf of all employees with legal effect or conclude collective agreements. Works Councils are not common in Czechia and there is none in operation at our warehouse. In 2023, ZR did not take part in any negotiations with unions.

OCCUPATIONAL HEALTH & SAFETY

The health, safety, and mental well-being of all employees is not only a personal concern of the company, but also fundamentally important for its future viability in the face of a shortage of specialists and managers. For younger employees, Generation Z in particular, a working environment that promotes keeping both bodies and minds healthy is increasingly important.

We work to ensure and improve the health and safety of employees in their work environments through occupational health and safety measures. All ZR offices are fitted out and all ZR operations are carried out in full compliance with local health and safety regulations and standards.

Headquarters, Germany

Occupational health and safety is audited for legal compliance at ZR headquarters four times a year. As part of these audits, employees are encouraged to have eye and general health checks. This is documented and if health checks are pending, it will be announced internally. A company doctor is available whenever needed for employees to have consultations. In 2023, four workplace/traveling-to-work accidents were recorded. In Germany, this includes not only major personal injuries but also minor incidents such as a paper cut. All of the four recorded incidents were minor.

Accident insurance: Employers' liability insurance associations were founded in Germany to cover possible long-term damage to health. ZR is a member of the Berufsgenossenschaft Handel und Warenlogistik (BGHW), which is the statutory accident insurance institution for companies and their employees in the retail and goods logistics sectors in Germany. Through targeted prevention, they support companies, like the ZR Group in preventing accidents at work and occupational illnesses. In the event of an accident, BGHW provides rehabilitation and secures the livelihood of insured employees and their families through cash payouts. All ZR employees in Germany are insured with the BGHW, this is paid for, as per regulation, by the ZR Group.

Health insurance: All employees have health insurance as per regulations in Germany. Everyone is required to have health insurance, but people can choose whether to opt for statutory or private health insurance and which provider to go with. In 2023, the statutory health insurance contribution was on average 16,2% of a person's salary. For employees, this cost is shared equally between the employee and employer; the employee contribution is deducted directly from their wages.

Sick leave: In the event of illness, ZR continues to pay an employee's wages for up to six weeks as per regulation. In the case of longer-term illnesses, employees receive sick pay from their health insurance provider at the level of 90% of their income, for a maximum of 72 weeks.

In Germany, the responsibility for occupational safety and health in the workplace lies with employers. They must set up and maintain the tools, machines, equipment, etc., the entire workplace so that employees are protected from safety and health risks. They must take action to prevent accidents at work and work-related health risks and to provide ergonomic workplace organization and design. They must do this by law, under national occupational safety and health provisions – notably the Occupational Safety and Health Act (Arbeitsschutzgesetz) and ordinances (secondary legislation) based on it – and accident prevention regulations published by the accident insurance funds.

Warehouse, Czechia

All employees receive regular occupational health and safety training and also attend health checks at least twice a year.

Our warehouse team coordinates a comprehensive schedule of maintenance checks and up-keep of all aspects of warehouse operations. The work of our in-house maintenance team is supplemented by the contracted building superintendent and several other external companies.

In 2023, only one work-related injury was recorded. In Czechia, for a work-related injury to be recorded it has to prevent an employee from returning to work for at least 78 hours.

Sick leave: All employees are entitled to sick leave. From the 1st to the 14th day of incapacity to work, there is a right to wage compensation, which is paid by the employer. The entitlement to sick pay paid by the state starts from the 15th day of incapacity to work. Sick pay is based on the so-called “daily assessment basis” which is calculated from an employee’s income for the 12 calendar months before going on sick leave. Wage compensation is due only for working days (i.e. days on which there would otherwise be a work shift and work performance), whereas sick leave is due for every calendar day (i.e. even days on which work would not have been performed).

Keeping fit on ZR’s dime: subsidized gym memberships

Subsidized gym memberships for employees promote overall well-being by incentivizing regular physical activity, leading to improved health and reduced absenteeism. Additionally, they enhance employee morale and productivity, fostering a positive work environment. Towards the end of 2023, ZR launched a new subsidized gym membership program. Since then, employees based in Germany, Italy, the UK, and the US can apply to receive a financial subsidy for a gym membership of their choosing. This was an issue that the ZR Works Council in Germany campaigned for.

“I want to ride my bicycle” – subsidized Job Bike leasing

Since August 2023, employees in Germany as well as their family members have the opportunity to lease a Job Bike, subsidized by the ZR Group. A leasing calculator on the partner portal at www.dein-job-bike.de allows individuals to determine the monthly costs involved. The leasing period is three years, after which employees have the option to purchase the bikes at a significantly reduced price. ZR covers various related costs including premium complete protection insurance, full-service package inspection and wear, redemption guarantee, and installment protection. Anyone interested can select their preferred bike dealer and can save up to 40% on average compared to purchasing directly. This was an issue that the ZR Works Council in Germany campaigned for.

WORK-LIFE BALANCE

Employee loyalty and motivation increase when employees can balance their private interests and tasks well with their professional ones. This can involve raising children, caring for relatives, taking time out for personal training, or even flexible work to allow more time for volunteer work. Clear regulations also make such things easier to plan around for the employer.

Headquarters and remote workers, Germany

Becoming parents:

Per regulation, birthing mothers are encouraged to take at least 14 weeks of paid full-time leave around the birth known as the “maternity protection” (Mutterschutz) period. Six weeks before the due date is recommended, but the eight weeks after the birth is mandatory. During this time, they receive “replacement pay” from their health insurance provider. In the first 14 months after the birth, both parents have the option of taking paid parental leave. The parents can split the months between themselves as they see fit. During this time, parents receive state support at 65% of their previous income up to a maximum of €1,800 per month. Parents can take parental leave (Elternzeit) for up to three years per child and receive subsistence state support after their paid parental leave (Elterngeld) months are finished.

At ZR, fathers/non-birthing parents can take a paid day off around the birth of a new child. All new parents receive a small bonus of between €150 and €360 depending on how long the employee has been with the group.

In 2023, a total of five employees went on parental leave and two returned to work.

Caring for sick children and other relatives:

If children under 12 are ill and one parent has to stay at home to look after them, parents with statutory health insurance can receive up to 15 days of sick pay per child from their health insurance

provider during this time. You can get up to 10 days per year for the short-term care of close relatives. According to legislation, the employer does not pay for these days. Instead, the health insurance provider does, at a rate of 70% of a person’s salary.

According to legislation, employees can get up to six months of part or full-time leave from work to care for a relative living in their household. During this time employees do not receive a (full) wage; instead a care allowance is paid to the person in need of care and this can be transferred to relatives tax free. The allowance is based on the amount of care needed, not on the wage level of the caregiver.

Compassionate and other leave:

At the German headquarters, ZR also offers employees paid compassionate leave for other reasons. The number of days varies depending on each individual situation, for example, one day for relocation, one day for marriage, or up to three days for the death of a relative.

At ZR, there is no standard agreement on partial retirement or sabbaticals, but employees can approach their line managers to negotiate on a case-by-case basis.

Warehouse, Czechia

Becoming parents:

Per regulation, a female employee is entitled to maternity leave for 28 weeks around the birth of a child (37 weeks for multiple births). This leave usually starts 6-8 weeks before the birth to 20-22 weeks (29-31 weeks in the case of multiples) after birth. The employee concerned has a right to maternity benefits (“cash assistance in maternity”) according to health insurance legislation.

Parental leave is granted to a mother after the end of her maternity leave, or to a father after the birth of the child, until the child turns three. During parental leave, parental benefit is provided only to one of the two parents. This benefit is called Peněžítá pomoc v mateřství or, for short, PPM, and the amount a person gets is 70% of their “daily assessment basis” which is calculated from their earnings before maternity leave and the number of days in the calendar month.²

At ZR’s Textil-Logistic, new fathers receive 10 paid days off around the birth of a new child.

In 2023, a total of seven employees were on parental leave and three had returned to work.

Caring for sick children and other relatives:

According to Czech legislation, parents can receive a maximum of nine paid days off for care for a sick child up to the age of 16 (single parents receive 16 days). Health insurance covers replacement pay.

Compassionate and other leave:

At ZR’s Textil-Logistic, employees receive up to three paid days off for the death and funeral of a spouse, partner or child. For the death of a member of the extended family, employees receive one paid day and an additional day if they are planning the funeral.

If an employee or an employee’s child is getting married, the employee receives one paid day off and can take another day off unpaid. If an employee’s parent is getting married, they can take one paid day off.

If employees want to take sabbatical leave, they can take unpaid time off.

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

The ZR Group strives to ensure equal treatment and opportunities for all employees, in line with regulations. We do not tolerate discrimination, nor differential treatment on the basis of any personal characteristics. We believe diversity is the basis of innovation and creativity and we strive to provide our teams with a work environment that is unbiased, open, inspiring, and in which there is no place for inequity. We understand and respect the principles of dignity and equality and do not tolerate any form of discrimination.

TRAINING AND SKILLS DEVELOPMENT

The ZR Group sets out to encourage an environment that promotes the professional and personal development of all our employees following the principle of lifelong learning. With offers such as apprenticeships and dual study courses, we also enable the next generation to enter the textile trade. All employees can access relevant training to keep up to date with the latest knowledge and skills required for their role.

² pracomat.cz/poradna/materska-dovolena/1105-materska-dovolena.html#materska-dovolena-vs-penezita-pomoc-v-materstv

	HQ, GERMANY	WAREHOUSE, CZECHIA
Employee reviews	Employee reviews are conducted annually. Each department follows its own set of practices with distinct forms in this process.	Individual performance is assessed monthly using Key Performance Indicator (KPI) data. Annual reviews are conducted with all employees; these outcomes have the potential to impact the bonus component of pay.
Training	Each department has unique training requirements, which has led to the development of distinct practices. For instance, the Customer Service department undergoes specialized telephone training, while individuals with bookkeeping responsibilities receive guidance on tax regulations. It is also common for employees at the headquarters to attend training sessions that cover topics such as shipping logistics, anti-fraud measures, and induction into specific software.	Beyond mandatory training tailored to specific roles, tasks, and machinery handling, employees demonstrating potential in particular areas are invited to take part in additional training, fostering possibilities for more opportunities in the future. In 2023, six employees participated in management training that is offered annually to both current managers for skill enhancement, as well as aspiring managers in preparation for taking on more responsibilities. In 2023, 14 individuals actively participated in the German language course facilitated by the ZR Group, an opportunity extended to all employees who require German for their role.
Apprenticeships, Internships	At any given time, we typically have an average of six individuals engaged in our trainee programs or internships, spanning a duration of one to two years. 60% of those who complete the training program progress to become fully-fledged employees within the ZR Group.	On average a new apprentice joins the team every two years.
Other	In 2023, four people joined our team as part of a Dual Studies program.	

OTHER WORK-RELATED RIGHTS

ILO Minimum Age Convention, 1973 (No. 138)

This fundamental convention sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed.

The **ILO Forced Labour Protocol, 2014** is a legally-binding treaty that requires governments to adopt new measures designed to prevent modern slavery, protect its victims and guarantee them access to justice and compensation.

In Germany and Czechia, child and forced labor are prohibited by law in accordance with ILO standards. The ZR Group does not employ juveniles under the age of 15 or employ prison workers.

Employee Data Handling

The ZR Group is committed to the responsible handling of data from its employees and job candidates. We respect all applicable regulations in each respective country when we gather, process, or transfer personal data from all our stakeholders, en-

suring the privacy of our employees and safeguarding sensitive personal information in the course of our work. This includes personal healthcare information, contact information, government-issued identification numbers, and confidential employment information, including salary and evaluation details. With our continuous efforts, our IT team offers regular training and support to ensure the protection of employee and company data.

WORKERS IN THE VALUE CHAIN

We respect human rights and human dignity in all aspects of our business operations and our global supply chain. We adhere to all human rights relevant to the workplace, as set out in national laws and international guidelines, and expect the same from our suppliers. These include:

- Laws that promote safe working conditions and individual safety
- Laws prohibiting forced labor, the employment of minors, and human trafficking
- Laws protecting freedom of association and the right to collective bargaining

We work with a defined list of suppliers with whom we have built long-term partnerships, based on loyalty and transparency. Presently, oversight of our suppliers relies on visits by our designers and members of our purchasing team to review their setups. We are not a member of one of the social compliance schemes and do not currently pay for third-party audits of our suppliers. Our supplier re-

lationships primarily rely on trust, built and cultivated over years of longstanding partnerships.

At the end of 2021, we took a proactive step to learn more about our suppliers: a survey was sent out to all suppliers to gather detailed information about relationships, working conditions for their employees, and any sustainability measures already in place. While this gave us several insights into different aspects of how our suppliers operate, we did not get enough responses to provide representative data of our suppliers overall.

However, the survey did kick-started a process, and in 2023 our sustainability team visited key suppliers to understand the potential and limitations of our textile producers, gaining further knowledge of the working conditions and environment-related measures present. Beyond increasing our understanding of our supply chain, the knowledge acquired in these visits has also been essential to developing a new and improved supplier survey. By adjusting the questions and depth of the survey, we are aiming to focus on metrics that are relevant, yet attainable within the framework of the diverse reality of our suppliers. Test versions of the new survey were answered by some of our collaborators and evaluated in terms of understanding and relevance during the visits made in 2023.

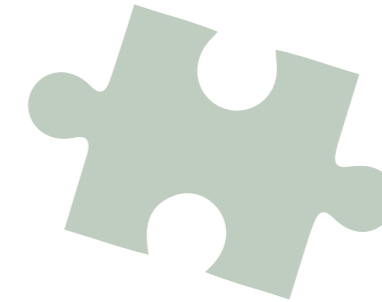
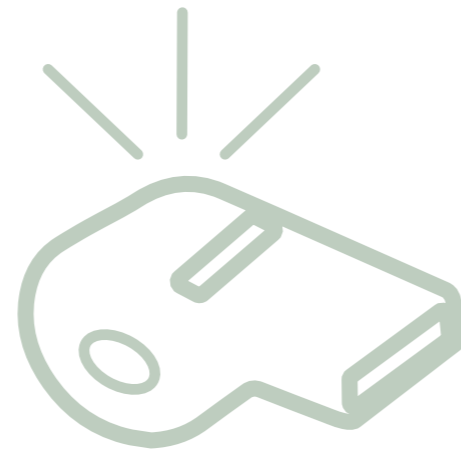
GOAL: A new supplier survey is planned to be finalized and sent to all suppliers by the end of 2024.

The aim of these surveys is to raise our internal knowledge of our suppliers, formally structuring and documenting all the knowledge that has been

shared informally throughout the years. These surveys will also serve as a foundation of our Supplier Evaluation Project – an interdepartmental project that aims to holistically evaluate our supplying partners under several aspects as determined by individuals from our Purchase, Quality, Design, Sustainability, and Contract Sales teams. Having started in 2022, headed by members of the Purchase team, the department that most closely relates to our suppliers today, the project had to be postponed at the beginning of 2023 to give our team the capacity to execute the more pressing project of our company merger. This project will be revisited in 2024.

Due to its size, the ZR Group is not affected by German and European supply chain law. Nevertheless, we are aware that our customers and partners in the EU will place corresponding demands on us in the future. Therefore, in the coming years we will set up a supplier management system that is based on the requirements of the European Supply Chain Act.

GOVERNANCE



BUSINESS CONDUCT

CORPORATE CULTURE

A strong company culture fosters cohesion, inspires productivity, and drives organizational success. It encompasses the shared values, beliefs, and behaviors that define an organization's identity and shape its working environment. It influences how employees interact, make decisions, and perceive their roles within the company.

The ZR Group promotes mutual respect and trust and works to foster a workplace where everyone feels encouraged to express their ideas. We understand the importance of acting with integrity in all areas of business, including our responsibility and expectations towards each other as colleagues and towards our employees as management.

Finding the common thread: a new Code of Conduct

During 2023 we developed, consulted on, and fine-tuned the first draft of a brand-new Code of Conduct for the whole of the ZR Group. This will define the way we wish to work amongst ourselves and with our partners going forward. Based on international guidelines and rules, the Code of Conduct is a set of principles and guidelines for all employees within the group, requiring them, for example:

- to comply with all applicable laws and regulations
- to support the sustainable transformation of the company
- to promote diversity and inclusion and not to discriminate against anyone
- to protect human rights in the company and the supply chain

The code covers personal conduct as well as relationships both internally, with other employees, and externally, with suppliers, customers, partners, and the media. Our goal is for the code to be a declaration of our collective values and serve as a compass for conducting ourselves with transparency, honesty, and integrity. By the end of 2023, the draft Code was shared more widely within the group.

GOAL: By the end of 2024, the Code of Conduct should have been finally approved and published by the management, and first implementation steps should have been taken.

PROTECTION OF WHISTLEBLOWERS

In all our operations, the ZR Group aims to foster a culture of transparency and accountability, where employees feel empowered to raise and address problems without fear of retaliation. We believe that reporting suspected wrongdoing protects the values of our business, as it allows us to identify problems, mitigate inappropriate behavior, and reduce costs related to corrective actions. Our notification policies protect the anonymity of the whistleblower in the interest of preventing possible retaliatory measures.

The first paragraph of the European Union Whistleblower Directive reads as follows: "Persons who work for a public or private organization or are in contact with such an organization in the context of their work-related activities are often the first to know about threats or harm to the public interest which arise in that context. By reporting breaches of Union law that are harmful to the public interest, such persons act as 'whistleblowers' and thereby play a key role in exposing and preventing such breaches and in safeguarding the welfare of society. However, potential whistleblowers are often discouraged from reporting their concerns or suspicions for fear of retaliation. In this context, the importance of providing balanced and effective whistleblower protection is increasingly acknowledged at both Union and international levels."

The legislation to comply with the European Union Whistleblower Directive and protect any person who reports breaches of Union law was expanded to employers with 50+ employees in the EU in December 2023. For the ZR Group, this is relevant for our business units in Germany and Czechia. In both countries, whistleblower processes are available to all employees. The processes differ slightly according to different national laws.

All employees in Germany have the option to make whistleblowing notifications via telephone or in person. A whistleblowing case worker and a backup case worker have been named and com-

municated to all employees via email. Employees are encouraged to use the internal whistleblowing channel, but they can also use a relevant external channel if they see the need, for example, through Germany's Federal Office of Justice.

Employees in Czechia also have the option of reporting violations; a special phone line was set up exclusively for notifications from whistleblowers as well as a new email address for the same purpose. Notifications can also be made by letter addressed to or in a meeting with the responsible person. Alternatively, notifications can be made externally through a web portal provided by Czechia's Ministry of Justice. Employees have been informed of details by email and through the website textil-logistic.com/index.php/cs/whistleblowing.

CORRUPTION AND BRIBERY

In the future, the Code of Conduct will contain a passage on corruption and bribery and will require all employees to comply with relevant laws against these practices. Incidents of corruption and bribery can also be reported through the whistleblowing channels.

APPENDIX

OWN WORKFORCE – STAFF SURVEY 2023 CHARTS

BY COMPANY/SUBSIDIARY OF THE GROUP

COMPANY	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
ZR GmbH	88	26,51	124	39,62
ADO GmbH & Co. KG	39	11,75	0	0,00
ADO UK	3	0,90	3	0,96
ADO Poland	3	0,90	0	0,00
ZR Italy	8	2,41	8	2,56
ZR UK	14	4,22	15	4,79
ZR USA	15	4,52	17	5,43
ZR Middle East	3	0,90	3	0,96
ZR Beijing	2	0,60	2	0,64
ZR Macau	2	0,60	1	0,32
ZR Shanghai	4	1,20	4	1,28
Cetec Hong Kong	22	6,63	18	5,75
Cetec Malaysia	1	0,30	1	0,32
Cetec Singapore	3	0,90	3	0,96
Taunus Textildruck	6	1,81	5	1,60
Textil Logistic	119	35,84	109	34,82
TOTAL OF EMPLOYEES	332	100,00	313	100,00

BY GENDER IDENTIFICATION

GENDER ID	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
Male	142	43,00	128	40,89
Female	190	57,00	185	59,11
Diverse	0	0,00	0	0,00
TOTAL	332	100,00	313	100,00

BY COUNTRY (BASED IN)

COUNTRY	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
Austria	3	0,90	2	0,64
Belgium	2	0,60	2	0,64
China	6	1,81	6	1,92
Czechia	119	35,84	109	34,82
Denmark	1	0,30	0	0,00
France	9	2,71	9	2,88
Germany	113	34,04	110	35,14
Hong Kong	22	6,63	18	5,75
Italy	8	2,41	8	2,56
Macao	2	0,60	1	0,32
Malaysia	1	0,30	1	0,32
Netherlands	3	0,90	2	0,64
Poland	3	0,90	1	0,32
Singapore	3	0,90	3	0,96
Switzerland	2	0,60	1	0,32
UAE	3	0,90	3	0,96
United Kingdom	17	5,12	20	6,39
USA	15	4,52	17	5,43
TOTAL	332	100,00	313	100,00

BY DEPARTMENT

DEPARTMENT	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
Sales	79	23,80	71	22,68
Accounting/Controlling	22	6,63	19	6,07
Customer Service	48	14,46	50	15,97
Logistics	71	21,39	65	20,77
Design	7	2,11	8	2,56
Marketing	5	1,51	5	1,60
Purchase/Quality	20	6,02	20	6,39
Administration	30	9,04	31	9,90
IT	12	3,61	11	3,51
Sampling	25	7,53	22	7,03
Other	13	3,92	11	3,51
TOTAL	332	100,00	313	100,00

BY MEDIAN AGE & SENIORITY

DEPARTMENT	# EM- PLOYEES	2022		# EM- PLOYEES	2023	
		MEDIAN AGE	SENIOR- ITY		MEDIAN AGE	SENIOR- ITY
Sales	79	6,92	48,45	71	7,52	48,22
Accounting/ Controlling	22	8,62	45,15	19	10,15	46,61
Customer Service	48	7,04	39,09	50	7,37	39,14
Logistics	71	4,95	43,98	65	5,88	44,69
Design	7	12,02	50,95	8	11,52	49,17
Marketing	5	3,32	38,29	5	3,65	37,59
Purchase/Quality	20	9,69	47,4	20	10,69	48,40
Administration	30	5,47	42,1	31	5,82	43,16
IT	12	6,09	42,44	11	7,43	45,15
Sampling	25	5,77	44,78	22	6,98	46,36
Other	13	6,19	37,61	11	7,06	38,20
TOTAL	332	6,57	44,27	313	7,33	44,71

BY AGE RANGE

AGE RANGE	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
15–20	6	1,81	5	1,60
20–30	49	14,76	36	11,54
30–40	70	21,08	75	24,04
40–50	76	22,89	71	22,76
50–60	105	31,63	93	29,81
60+	26	7,83	32	10,26
TOTAL	332	100,00	313	100,00

BY POSITION

POSITION	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
Director	7	2	6	2
Department Head	25	8	22	7
Manager	22	7	22	7
Staff	278	84	263	84
TOTAL	332	100,00	313	100,00

BY WORKING HOURS

TYPE	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
Full time	293	88,25	275	87,86
Part time	39	11,75	38	12,14
TOTAL	332	100,00	313	100,00

BY TYPE OF EMPLOYMENT

TYPE	2022		2023	
	# EMPLOYEES	%	# EMPLOYEES	%
Employee	330	99,40	311	99,36
Freelancer	2	0,60	2	0,64
TOTAL	332	100,00	313	100,00

PRODUCTS & MATERIALS – RAW MATERIALS ANALYSIS TABLES

TEXTILE FIBER TYPE	2023 Total Purchased Volume (m)	%	Condensed %
Animal fibers	25.793,98	1,02	1,14
Animal fibers (Recycled)	3.027,08	0,12	
Leather	100,10	0,00	0,00
Manmade cellulosic fibers	93.059,71	3,68	3,68
Metal	75,97	0,00	0,00
Other fibers	239,37	0,01	0,01
Plant fibers	190.863,54	7,55	7,60
Plant fibers (Recycled)	1.324,70	0,05	
Synthetic fibers	2.166.287,42	85,67	87,56
Synthetic fibers (Recycled)	47.905,81	1,89	
GRAND TOTAL	2.528.677,69	100,00	100,00

IMPRINT

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