

A man and a woman are standing in a locker room. They are both wearing dark, athletic clothing. The woman is wearing a dark cap and sunglasses. The man is wearing sunglasses. They are standing in front of a row of lockers. The lockers are dark grey with orange handles. The woman is on the left, and the man is on the right. The text 'TEFRON' is overlaid in the center of the image.

# TEFRON

ESG REPORT

EDITION 2023

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# LETTER FROM THE CEO

Dear Stakeholders, Partners, and Community Members,

At Tefron Ltd, sustainability and ethical governance are at the core of our long-term success. As a global leader in seamless garment manufacturing, with facilities in China, Jordan, Israel, and Romania, we recognize the significant impact our operations have on the environment, society, and the communities we serve. This Environmental, Social, and Governance (ESG) Report highlights our ongoing commitment to responsible manufacturing, sustainability- driven innovation, and a workplace culture rooted in fairness and respect. Our ESG strategy is built on three key pillars:

- **Innovation for sustainability:** We continuously advance textile technology to reduce waste, minimize energy consumption, and enhance recyclability—ensuring high environmental standards without compromising performance or quality.
- **Climate action and responsible sourcing:** from ethically sourced raw materials to energy-efficient production, we are dedicated to reducing our carbon footprint and aligning with global climate goals.

- **People and governance:** Our people are our foundation. We uphold the highest ethical standards, ensuring safe working conditions, fair wages, and inclusivity, while maintaining transparent governance that reinforces accountability and long-term stakeholder value.

While we are proud of our progress, we know that ESG is an ongoing journey - one that demands continuous improvement, collaboration, and innovation. This report serves as both an update on our achievements and a road map for the future.

We appreciate your support and invite you to share your thoughts on our ESG initiatives. Join us for our upcoming sustainability webinar to learn more about our efforts and initiatives.

Thank you for your continued support as we work toward a more resilient, ethical, and sustainable world.

Sincerely,

Ben Lieberman  
CEO, Tefron Ltd



# ABOUT TEFRON

“At Tefron, innovation is an instinct, a fire. It has no boundaries. It’s in how we conduct our business, how we live our lives, how we serve our customers.”

– Ben Lieberman  
CEO



## ABOUT TEFRON

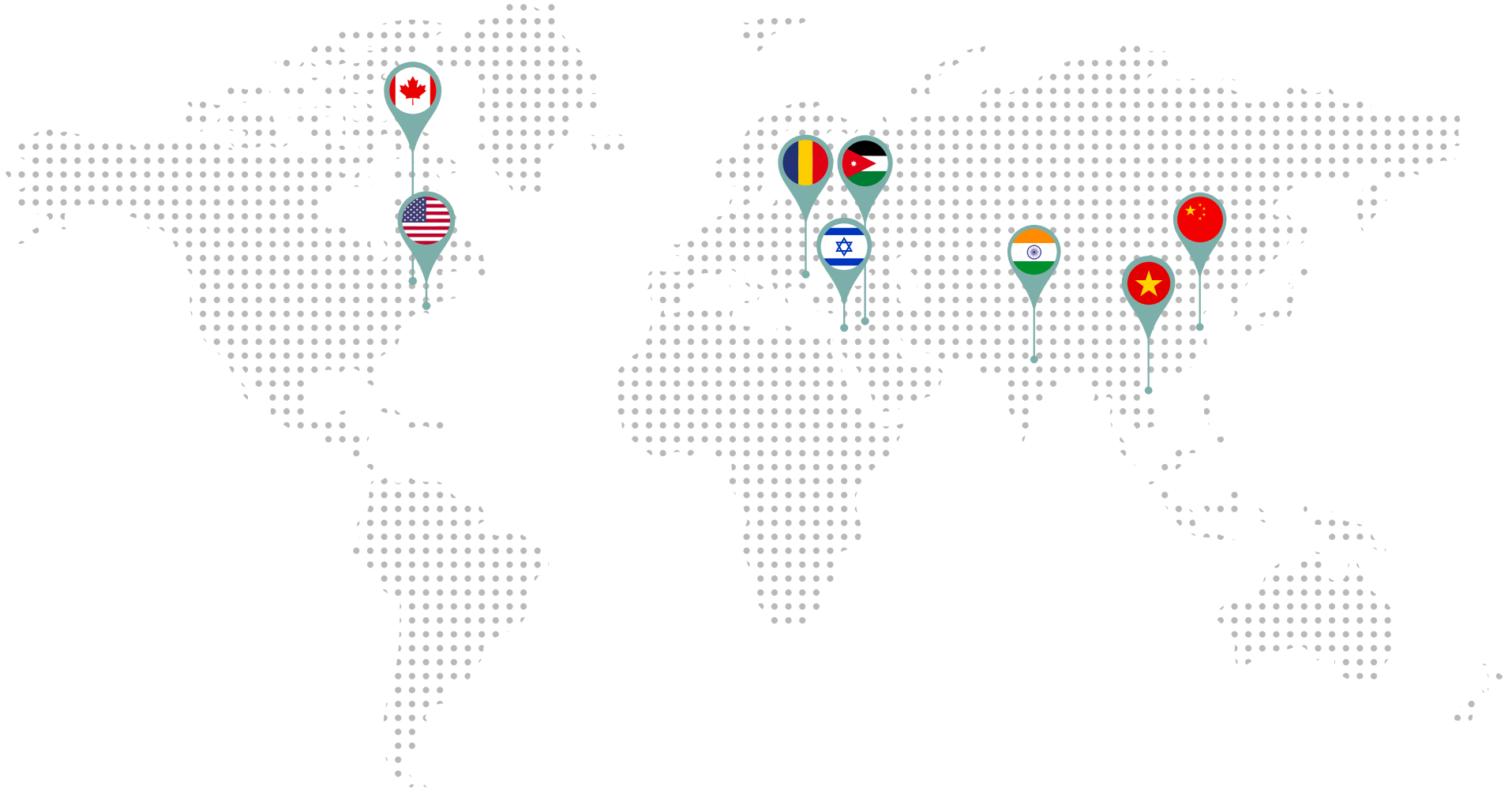
Tefron is a global manufacturer of activewear, intimates, and apparel with a passion for seamless technology since 1977. As a premier innovator in seamless design and manufacturing, and a full-service B2B enterprise, we take pride in creating tailor-made solutions through design and product development produced with operational excellence. We lead the industry through innovation and sustainability, catering to the needs of winning global brands and retailers with products that provide unparalleled comfort, fit and durability, made with meticulous craftsmanship.

As the world's top manufacturer of seamless intimates and activewear, we have dedicated over 40 years to perfecting our craft. Creativity and innovation are deeply ingrained into the fabric of our business, inspiring us to achieve new levels of comfort, performance, and style with each new piece we knit. Driven by a team of passionate experts, Tefron continually explores new techniques and materials, shaping the future of seamless apparel and working to realize our ethos of Knitting the Future.









Thanks to our team's dedication to exploring novel ideas, its commitment to quality, and its perpetual efforts to do good for our clients and our communities, we are honored to be considered a partner of choice to winning global brands and retailers.

Our passion for our work doesn't stop with our garments – as a global company, we aim to create the best seamless products with social consciousness while continuously working to reduce our environmental footprint. This planet is the only home we have and preserving it is our responsibility to future generations. With sustainability strategies ingrained into our DNA, international certifications, and strong partnerships, we make sure that we are keeping our promise to knit a better future.

# GLOBAL PRESENCE

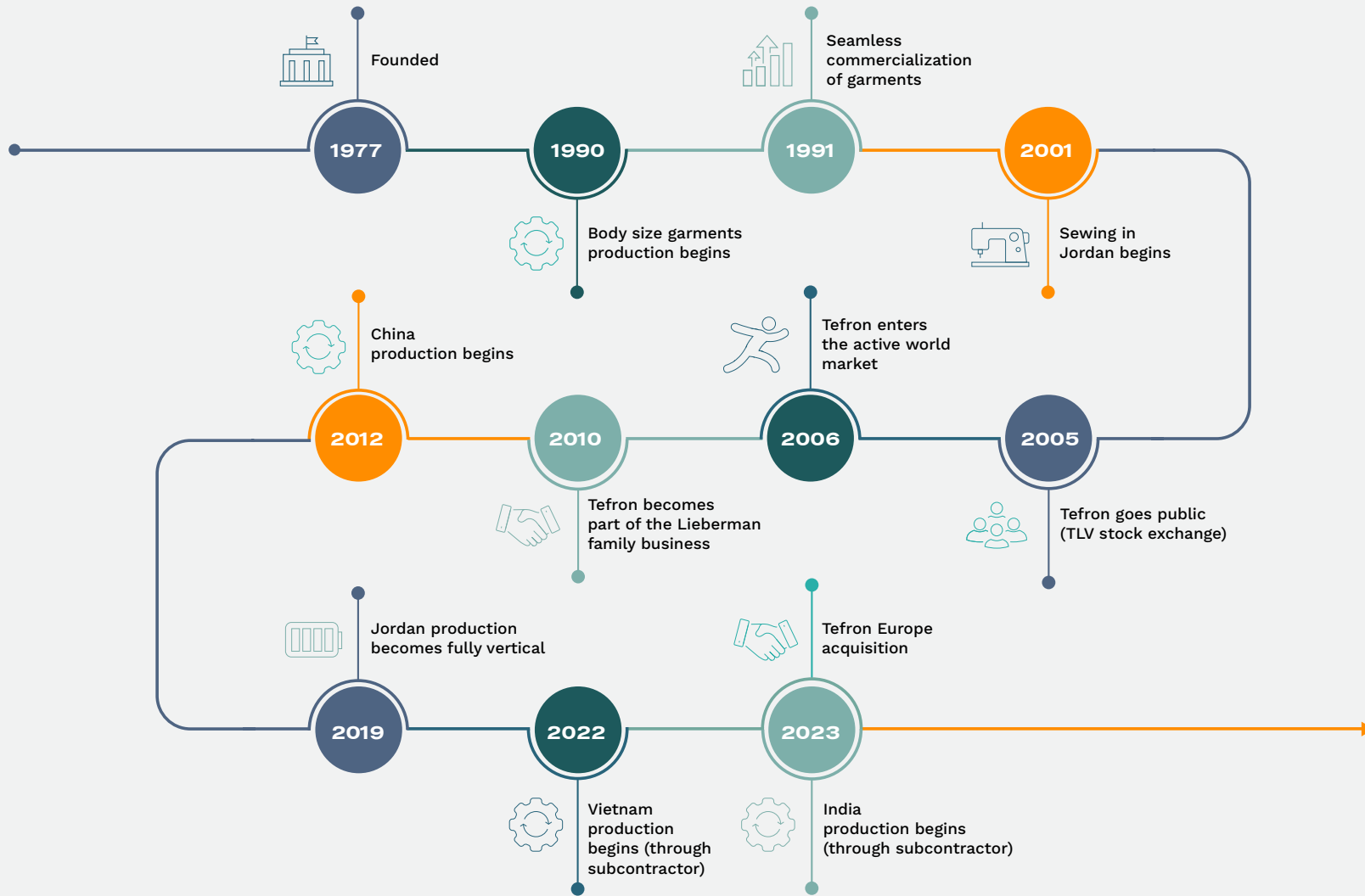


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	HQ, innovation and development center		Showroom and distribution		Sales, development and supply chain		Supply chain
	Sales, showroom and distribution		Development and supply chain		Supply chain		Supply chain



# MILESTONES



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# COMPANY CORE PILLARS

## CREATIVITY



We believe in the power of creativity to transform ideas into groundbreaking apparel solutions. Our design philosophy blends artistry with function to create garments that are both stylish and high-performing.

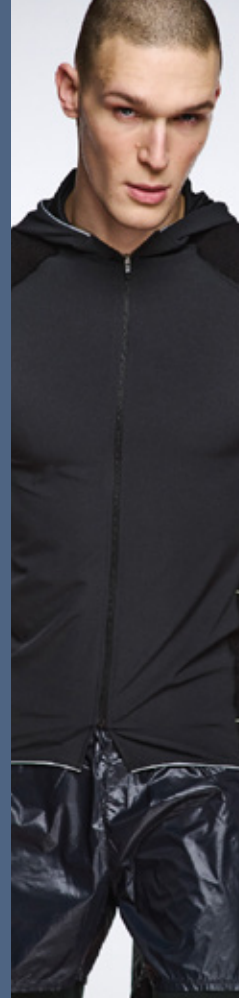
## SUSTAINABILITY

Environmental responsibility is at the heart of our operations. We prioritize sustainable materials, energy-efficient production, and ethical sourcing to reduce our ecological footprint and contribute to a healthier planet.



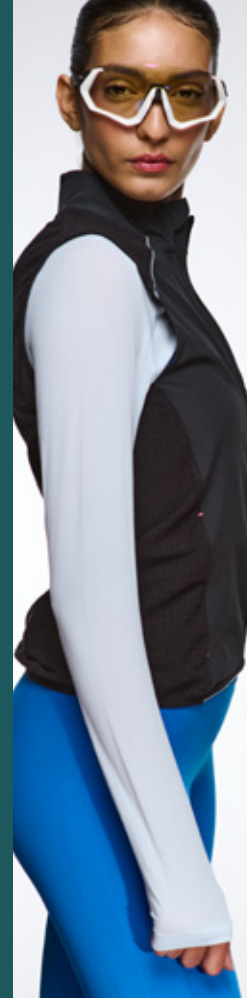
## INNOVATION

At Tefron, innovation is embedded in everything we do. We push the boundaries of textile technology, continuously exploring new materials, techniques, and solutions to enhance performance and comfort.



## EXCELLENCE

We are committed to delivering superior quality in every aspect of our work. From product development to manufacturing, our rigorous standards ensure precision, durability, and customer satisfaction.



## RESPECT

Championing an ethical approach to our customers, our people, and our planet.



# THE TECHNOLOGY

“We start with yarn. The significance of this is enormous because it creates a huge range of possibilities. Everything is possible - there are no limits, and the design team is constantly pushing boundaries and reinventing. We can make anything from the most delicate intimate to the heaviest coat on the same machine and the only difference is the yarn. We invent the fabric itself - for a designer, this is amazing.”

– **Adi Melamed**  
Vice President, Creative





## THE TECHNOLOGY

Seamless knitting technology began in Europe when Tefron partnered with the Italian company Sangiacomo, a seamless loom manufacturer, to develop the first seamless knitting prototype. This innovation marked a shift from traditional "cut and sew" methods to a more advanced process where garments are produced in a single, continuous piece. By knitting fabric in a tubular form, seamless technology eliminates the need for cutting and sewing, resulting in more comfortable and customized garments. Since its inception, this technique has gained widespread popularity in the fashion and apparel industry for creating high-performance, form-fitting clothing.

The technology offers exceptional design flexibility by allowing different characteristics to be knitted directly into the fabric. This means manufacturers can create various textures and performance zones within the same garment, without the need for multiple seams. Using computerized models, seamless machines precisely control each needle, making it possible to create complex, three-dimensional shapes. This process is especially effective for producing intimates, activewear, and shapewear, where comfort and functionality are essential.

Seamless knitting also enhances sustainability and efficiency. The process reduces fabric waste by knitting the material specifically for each garment, rather than cutting from large, flat pieces. By integrating functional yarns and performance-enhancing features, garments can offer benefits like UV protection, anti-odor properties, and fast drying. Coupled with advanced dyeing techniques and virtual 3D prototyping, this technology enables brands to create innovative, high-quality products with less environmental impact.



# AMONG OUR LEADING PARTNERSHIPS



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# 2023 BUSINESS HIGHLIGHTS



## 243.5M

IN SALES [+21M (+9.5%)]

EBITA



## 19.5M

[+5.6M (40%)]



OVER

## 75M

UNITS PRODUCED  
IN 2023



## 1400

EMPLOYEES in  
8 DIFFERENT COUNTRIES



## 46

SUBCONTRACTORS



## 1000+

STATE OF THE ART  
KNITTING MACHINES



## 60

EXPERTS AT OUR R&D CENTER,  
THE WORLD'S LARGEST  
DEDICATED TO SEAMLESS  
TECHNOLOGY

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# SUSTAINABILITY VISION AND MANAGEMENT

"The thing that's most important to us is sustainability. Our footprint is for our children's sake, our grandchildren's sake, the next generation's sake. We're ensuring that they're going to live in a better world, with a better environment than we currently do."

– Michael Gold  
President





## SUSTAINABILITY VISION AND MANAGEMENT

We strive to bring the best seamless products to market while continuously working to reduce our environmental footprint. Our goal is for the garments produced in our factory to not only look good but be made with care. We view it as our responsibility to do our part in preserving this planet for future generations. Moreover, to maintain our position as market leaders, we must consistently improve – offer a better product, be better. In today's reality, that means addressing sustainability concerns. Consumers demand it of our customers, who in turn demand it from us. Moreover, it is a human imperative to contribute to the efforts to combat climate change. The fashion industry has historically struggled with inadequate management of human and worker rights and remains a significant contributor to global environmental impacts. At Tefron, we are committed to changing this narrative. Guided by our sustainability strategy and work plan, we aim to reduce the environmental impact of the textile industry while fostering greater social awareness.

We are committed to upholding ethical standards, with a strong focus on the safety, health, and well-being of workers at both our own facilities and throughout our supply chain. We continuously improve our manufacturing processes by using yarns with lower environmental impact, reduced water usage in dyeing, minimizing material waste, and optimizing logistics. Our commitment also extends to adopting more sustainable packaging and implementing rigorous waste management policies, which are integral in our daily operations worldwide.

Another key pillar of our commitment is ethical sourcing, ensuring that our products are created in ways that respect both the environment and the people involved in their production.

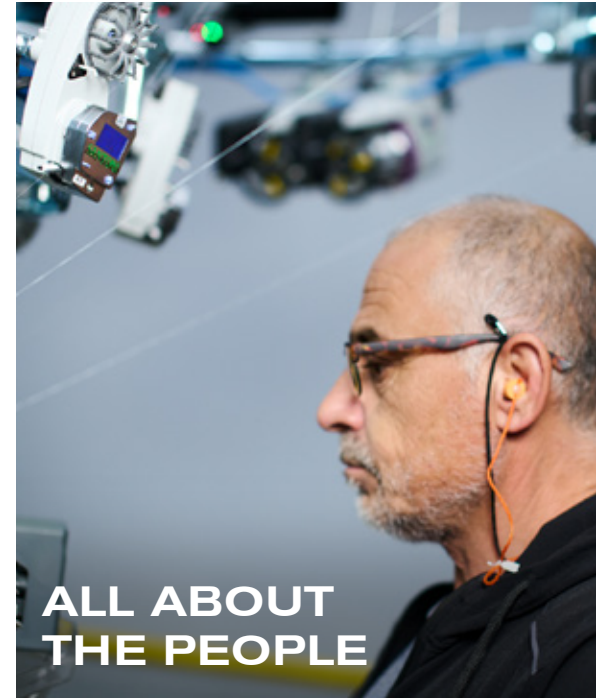
# TEFRON SUSTAINABILITY PILLARS



Preserving the planet for future generations means thinking green at every stage of our operations, from small daily habits to our global business model. We are committed to continuously improving practices in our offices and manufacturing plants, reevaluating the materials we use, and exploring new ways to manage waste.



We believe that a great garment is defined not only by its look or fit but also by how it is made. That's why we are continuously working to improve our manufacturing processes and products. Our goal is to provide our clients with higher-quality garments that are made with care. Sustainability starts with the raw materials, and we prioritize yarn manufacturers that share our values and produce yarns with lower environmental impacts, including recycled, bio-based, biodegradable and dope-dyed yarns. Our commitment to the planet extends beyond our factory, as we use eco-friendly packaging and reduce carbon emissions by merging production sites and consolidating shipments.



As a global company, we are fortunate to have a culturally and ethnically diverse workforce. We believe that coexistence begins with learning about each other, and we recognize that our people are our greatest assets. To support this, we offer empowerment workshops, team-building activities, and celebrate holidays across various faiths and cultures. Tefron's core values are doing good and creating a culture of giving back to our communities.

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# SUSTAINABILITY INITIATIVES



## WEAVING SUSTAINABILITY INTO THE FABRIC OF TEFRON

To lead our efforts and fulfill our commitment to responsible business practices and sustainability, we have established a dedicated sustainability team responsible for overseeing global sustainability initiatives and ensuring that we meet our commitments and achieve our goals.

Becoming a sustainability leader requires teamwork and commitment across the entire company. At Tefron, internal stakeholders including managers, technical experts and employees collaborate to advance our vision through forums and working groups such as the Global Sustainability Forum, the Compliance Team, the “Doing Good” and the Employee Wellbeing Forum.

At the heart of our company lies a deep commitment to sustainability and our engagement with sustainability is managed at three levels:

- **Management Commitment** – Sustainability is a priority in all decision-making processes, and it is also incorporated into personal KPIs tied to bonuses and incentives.
- **Budget Allocation** – Achieving our sustainability goals requires significant investment of resources, and we are committed to following through with this. We understand that these efforts will yield long-term returns.
- **Sustainability Culture** – Engaging employees in sustainability fosters a shared commitment. Sustainability is woven into the fabric of Tefron through ongoing conversations and it is incorporated into onboarding and training. Sustainability updates are also included the internal newsletter, which was launched in 2023.

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# COLLABORATING ON SUSTAINABILITY

We adhere to internationally recognized standards for working conditions and environmental responsibility.



Widely recognized organization that engages with workers, employers, and governments to improve working conditions.



The Higg (FEM) Self-Assessment and Verification evaluates the environmental impact of manufacturing facilities.



World-renowned certification to guarantee product safety



The most accepted independent certification program in the textile industry.



Verifies and ensures accurate recycling content claims

Our team includes some of the world's best pattern makers, knitting professionals, yarn specialists, print experts, and seamless designers. Committed to their craft and to meet our clients' needs, their creative genius enables us to bring ground-breaking ideas to life.

Our partners consistently praise our ability to anticipate market needs and drive innovation. They trust us to identify emerging market gaps, develop cutting-edge solutions, and stay ahead of industry trends with breakthrough technologies. This drive for innovation allows us to expand our business and remain at the forefront of the industry.

Tefron products often become staple pieces for the brands we work with, and they expect us to live up to their high standards, which increasingly includes sophisticated sustainability parameters. The materials we use, our resource consumption, waste management, and the process along the supply chain all contribute to the sustainability of our products, and we keep these factors in mind throughout our operations. We are dedicated to answering consumer demands, fulfilling customer requirements, and upholding our commitment to responsible business practices.

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# KNITTING THE FUTURE

We Innovate because it is our added value, our reason to exist. We can offer the sophisticated, complex products. It is in our nature to seek and offer the next big thing.

– **Ayelet Peer**  
Tefron Vice President, Innovation

"Tefron leads the world in seamless technology innovation."

– **Global Procurement Director**  
Under Armour

"We rely on Tefron's market insights and innovation to bring us the next generation of solutions that the market currently lacks."

– **Leading industry partner**



## FEARLESS SEAMLESS: INNOVATING FOR A BETTER FUTURE

Our motivation to innovate comes from the vast potential of seamless technology. It all begins with a single thread, unlocking endless possibilities from lingerie to overcoats. Garment characteristics are shaped by the type of yarn, the knit and the pattern, a combination that offers nearly opportunities for innovation. Our design team embraces this potential, constantly pushing boundaries to propel us forward. For us, innovation is not just a strategy; it's a core value embedded in our DNA. We are passionate about creating top-quality seamless wear, and our success is rooted from the creativity and meticulous attention to quality that defines every step of our process. This innovative thinking allows us to push the boundaries of sustainability in the textile industry, developing cutting-edge products that minimizing environmental impact.

Our R&D center in Israel is the world's largest development center dedicated to seamless technology . Home to 78 state-of-the-art machines and a team of 60 experts, it is a hub where cutting-edge seamless garment production comes to life. Complementing this is our Innovation Studio, where our designers let their creativity flourish to support brands with first-to-market initiatives. Here, experimentation and exploration take center stage, pushing the machines to their limits to uncover new technological innovation. Our advanced R&D facilities also features an extensive color lab, virtual 3D sampling technology, and a team of dedicated design experts covering a wide range of innovation fields. These capabilities allow us to continuously evolve our core technologies, our materials, and processes, helping our clients reach their brand goals while reducing environmental impact. By consistently upgrading our approach we solidify our position as market leaders and innovators. In short staying at the forefront of the seamless technology industry requires relentless reinvention and a commitment to continuous innovation. This philosophy drives us to achieve our goal and ensure we remain pioneers in our field.



## THE INNOVATION BLUEPRINT

Innovation at Tefron is a multi-faceted and multidisciplinary process designed to foster and reward bright ideas. We draw inspiration from diverse sources to transform concepts into cutting-edge technologies and enhanced products.

Our innovation journey can begin with a customer request, where we collaborate to find tailored solutions, or it can stem from internal inspiration. Our professional team actively seeks new technologies and materials, and when they identify a promising opportunity, they are empowered to explore its potential. As first adopters, we take pride in exploring the possibilities of new developments. Often, we create our own product lines to showcase these innovations to our customers – leading brands at the forefront of the industry. There is nothing more rewarding than sharing an exciting new product with our partners!

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**In the Summer of 2024, Gym Shark recognized Tefron's attention to excellence, awarding Tefron with the award for innovation & communication.**

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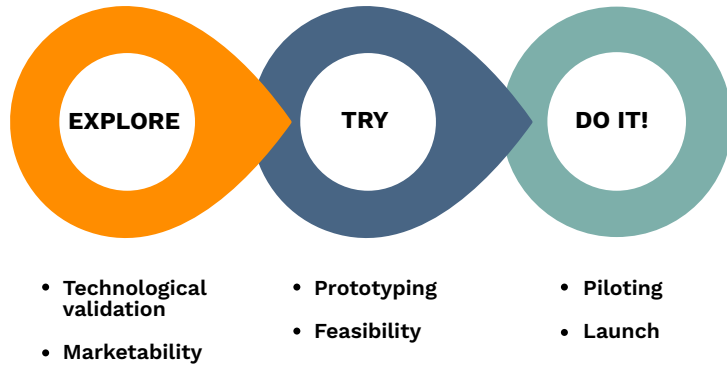
Sustainability is also a key driver of our innovation efforts. We are committed to discovering environmentally friendly materials that meet our high performance and quality standards. Our research spans fields such as yarns, knitting patterns, improved dyeing techniques, and sustainable raw material sourcing.

At Tefron, innovation is not just a goal – it's a cornerstone of who we are, driving us to continually push boundaries and redefine possibilities within our industry.





# MANAGING SEAMLESS INNOVATION



## The Innovation Team

Innovation has been a cornerstone of Tefron since its inception, recently evolving into a dedicated innovation department with a clear mandate and focused resources. Establishing a resources and staff for innovation but keep it close to the production teams so innovations remain firmly rooted in practicality and feasibility even as they fly far and dream big.

In practices, the innovation department acts as a driving force, while each professional department includes a mandated innovation specialist. For instance, the Studio features a designer focused on advanced concepts, there is a yarn specialist tasked with discovering advanced yarns, and the business teams maintain a close relationship to represent customer needs effectively.

In 2020, Tefron formed a cross-functional group to brainstorm ideas. This initiative brought together professionals from across the organization, resulting in the Innovation Steering Committee. Members of the committee included senior executives including the CEO, CFO, VPs and the Head of Studio. The committee established goals, priorities, and a multi-year work plan for innovation. The abundance of strong ideas generated by this process has continued to shape our strategic focus, providing inspiration for the next multi-year period.

## Innovation priorities

At Tefron, most of our innovation priorities are deeply rooted in sustainability. These include:

- Technological improvements to enhance efficiency and performance.
- Advanced materials to meet evolving market needs.
- Strategies for minimizing waste throughout production.
- Innovations in dyes and dyeing processes to reduce pollution and water consumption.

## Advanced Body Modeling - Heat Map and Sweat Map

Tefron integrated 3D sampling into the design process and this innovation helps reduce traditional physical samples and use digital platforms to present our collections. This technology also enables elevating shapewear for the perfect look coupled with ultimate comfort.

We also utilize the 3D modeling technology to generate heat and sweat maps of the body. This enables us to design garments with enhanced heat and sweat management across various materials and shapes, ensuring the knit can be adapted for optimal temperature and moisture control.



At its core, innovation at Tefron is about leveraging smart engineering and the power of seamless technology to bridge customer needs, a deep understanding of the human body, and sustainability with the optimal raw materials, machines, and technologies.

This year, we embarked on several groundbreaking projects, including the development of advanced 3D modeling software to enhance the performance of high-performance athletic wear, the integration of reuse and upcycling principles to create innovative new products, and the introduction of more environmentally conscious methods of fabric dyeing. A selection of these exciting initiatives are presented throughout this report and more to be unveiled as they progress from visionary concepts into market-ready solutions.



# SUSTAINABILITY IN PRODUCT DEVELOPMENT

When creating a new collection, we bring our experts together to analyze the technical and fashion requirements needed to optimize performance and enhance style. This collaborative process defines the yarn, technology, machinery, and dyes necessary to craft pieces that are both functional and on-trend.

## Product Development Process

At the Tefron Studio, trends, technology and customer requirements come together to create innovative products. These include customer-requested designs based on design packs and new product lines developed by our talented designers, inspired by market insights and creative vision.

Products begin their journey in the development department, where our team collaborates with leading apparel brands to craft the perfect products for start to finish. Our designers work closely with their counterparts at these companies, leveraging their expertise on seamless technology to both meet specific requirements while presenting the potential of this advanced technology. From initial concept to final prototype, each product is meticulously crafted before moving to manufacturing at Tefron factories or through trusted subcontractors.

Pattern makers use our extensive knit library to create garment patterns, which are then refined using our cutting-edge 3D sampling process. This technology minimizes the need for traditional physical samples, and allows easier communication with brand teams, permitting near-instant feedback. The process ensures each garment meets style and sizing requirements with fewer iterations, reducing both lead times and waste.



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In terms of sustainability, it is seamlessly integrated into every stage of the product development process. With our entire manufacturing operations under one roof, we can design and engineer sustainable practices from the onset. This allows us to produce garments with unique performance characteristics while optimizing resource use and minimize waste.

The sustainability journey begins at the design stage and is carried through every step of production and shipping. By addressing materials, efficiency, and sustainable manufacturing from the outset, we embrace a forward-thinking design philosophy that become central to Tefron's identity.

# DESIGNING FOR SUSTAINABILITY

When designing products, various sustainability considerations are integrated into the process:

- Structuring the knitted tube for optimal utilization to minimize offcuts and waste.
- Using yarns that provide the desired functionality more sustainably.
- Choosing accessories that are recyclable or made from recycled materials whenever possible.
- Utilizing dyes and dyeing techniques that avoid harmful chemicals and reduce water usage.

While products are primarily designed in response to specific customer, Tefron also maintains an avenue where the design studio develops product lines based on their vision and understanding of the market. These collections are inspired by consumer trends, sustainability challenges, or advancements in materials or technologies. This approach enables Tefron to continuously push boundaries, providing product that are both on-trend and marketable. In these collections, we focus on answering key questions such as:

- How to utilize production waste
- How to make the same product more sustainable
- How a new yarn/dye/technology can be used to create something new

## Resource Optimization and Waste Reduction

Our industrial processes produce waste that can be repurposed and reused as raw materials in other products. By turning waste into raw materials, we reduce textile waste and generate additional revenue, marking a success on multiple fronts.

This concept of reuse and recycling is implemented throughout our manufacturing process:

- Pre-production: we choose materials wisely, during manufacturing by designing with intention to minimize offcuts and waste, and;
- Post-manufacturing: we reuse, recycle, and upcycle manufacturing waste into new and innovative products.

## Recycled Materials

We are proud to report that Tefron and Al-Masera, our facility in Jordan, achieved the Global Recycled Standard (GRS) certification again in February 2023. This certification verifies our use of recycled yarns and enables our customers to label their products as GRS-certified. This applies to our entire supply chain and addresses key elements such as traceability, environmental impact, social requirements, and chemical content. By obtaining this certification, we have met both customer demands and the international sustainability criteria. The GRS certification and alignment are integral to our internal operations, and are a requirement for our external suppliers and subcontractors when working with recycled materials.





### Utilizing Residual Production Waste: the “Trashy” collection

Normally, shredded seamless tubes would be discarded as waste, but a new project under development is transforming these shreds into usable products such as accessories or home workout equipment. Our “Trashy” collection was specifically created to turn production waste into innovative accessories.

By reusing fabric tubes, we can produce new items, such as scrunchies, headbands, bags, and more, effectively transforming what would have been waste into usable products.

This initiative not only helps reduce waste and increase revenue but also adds a touch of creativity and fun to our sustainability efforts!



### Lowering consumer waste one period underwear at a time:

Tefron has joined the offering of sustainable women’s sanitary products market with a commitment to reducing waste and addressing social issues.

Disposable menstruation products, which are up to 90% plastic, often end up in landfills, taking hundreds of years to degrade. In the EU and US alone, approximately 49 billion and 19 billion (respectively) of these products are used every year<sup>1</sup>, contributing to significant environmental impact.

Additionally, Period Poverty – the inability of women to access sanitary products due to lack of resources or information – is a longstanding issue that has been largely under-addressed. “Period underwear” as they are colloquially known, provide an eco-friendly and socially impactful solution. These reusable products help lower both waste and the cost-per-use of essential menstruation products.

Tefron’s period underwear line uses sustainable yarns, body-conscious seamless underwear expertise, and advanced knitting techniques to offer a more sustainable, accessible way for women to manage menstruation.



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<sup>1</sup> According to the UNEP life-cycle initiative



### Product Safety – OEKO-TEX Certification

Products manufactured in our facilities and by our sub-contractors are certified to OEKO-TEX Standard 100, ensuring they are free of harmful chemicals. This certification tests products for substances regulated by standards such as REACH, CPSIA or California Proposition 65. The OEKO-TEX parameters are reviewed annually to keep pace with evolving understandings of chemical safety and regulatory expectations.

Moreover, the standards set by OEKO-TEX often exceed regulatory requirements, and it is verified by third parties so that it gives confidence to both Tefron and our customers that products are safe and healthy for consumers. This certification requires Tefron to collaborate with suppliers who adhere to these same rigorous standards, ensuring that restricted substances are not introduced at any stage of production, from raw materials to finished goods.



### Materials and Processes – Choosing the More Sustainable Option

To achieve the desired characteristics defined by the design team in terms of the look, feel, and performance of a product, the right combination of yarn, knit, planning and finishing must be achieved. This is always a challenge, one that Tefron has been excelling at for decades. Today, in addition to quality and performance, we also incorporate sustainability into our decisions when selecting yarns, dyes and finishes.

#### LEADING MATERIALS AND FINISHES

- Temperature control Cooling/warming and ventilation
- Fast dry and moisture management
- anti-odor and anti bacterial
- UV protection
- Soft feel and skin care

#### ENVIRONMENTAL IMPACT

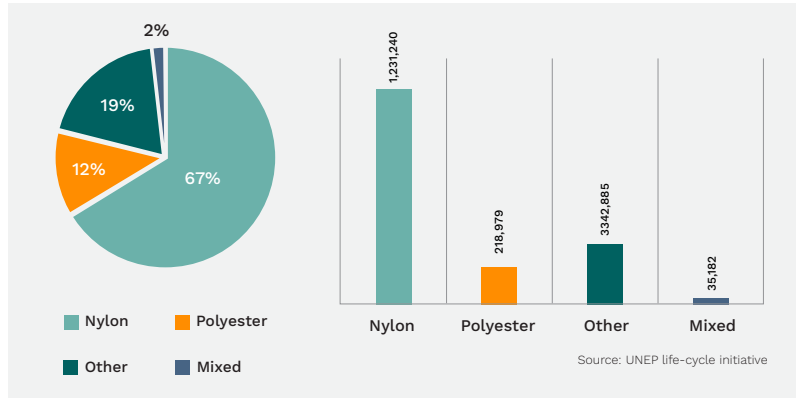
- Recycled yarns Post-consumer and post-production
- Bio-based and biodegradable yarns
- Natural dyes
- Dope-dyed yarns Pre-dyed yarns

The primary materials used in our garments include yarns made from nylon, polyester, elastane /spandex, wool, and cotton. Mixed-material yarns make up only 2% of our total yarns usage, with 4% of that being GRS certified. Additionally, we purchase trims and accessories made from elastane, plastic, foam, and metal, and the packaging materials consist of plastic and cardboard. Since we produce for customers, material choices must be finalized and approved by the brands for whom we are producing,, and in most cases they nominate accessory suppliers.. We prioritize selecting the sustainable option whenever it aligns with the desired performance, quality, and cost, and we encourage our partners to adopt the same practice.

**55% of plastic packaging used for shipping is recycled**

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### Yarns Used in Tefron-Owned Manufacturing (in kg)



Data includes purchasing for the facilities in Jordan for 2023, and for Tefron Europe since August when it was integrated into the company.

#### Yarns

Our main sustainable yarns are made from either recycled or bio-based materials. Nylon yarn is the main yarn we use; however, it is a less common yarn in the industry. Only approximately 5% of the global market. This makes recycled nylon or nylon from renewable sources harder to find. Nonetheless, we seek out the existing sustainable alternatives and strive to use them whenever possible.

#### Recycled Yarns

Recycled yarns are available from a range of different suppliers depending on the material. They are offered for products with nylon, polyester, spandex, or even blended fabrics. Despite being more difficult to source, Tefron took a step forward on recycled nylon and is using recycled yarn produced from nylon waste regenerated from fishing nets, and other waste. This nylon can be recycled, recreated, and remolded again and again. Together with brand partners we created a full line of sports products made from 80% recycled Nylon that originally comes from waste such as fishing nets.

#### Bio-based Yarns

Our bio-based yarns are offered in both nylon and spandex, and are fully biodegradable, helping combat the textile waste issue prevalent all over the world. One example is yarns made of residual coffee beans. Bio-based yarns offer a renewable alternative to the oil-derived yarns such as nylon and polyester.

#### Natural Materials

Tefron Europe specializes in the use of natural materials, such as cotton or wool. Natural fibers have advantages in comfort, odor resistance, and durability over many synthetic fibers. As an important part of our offering, we take steps to ensure that these materials are sourced sustainably, working with nonprofit organizations such as the Better Cotton Initiative and the Responsible Wool Standard to source ethical raw materials.

**Yarns purchased for production in our facilities included over 42% yarns with sustainable criteria: recycled or produced with lowered water and energy use.**

#### Dyeing

Beyond the yarn, dyes can have significant environmental impact and are a key component in making more sustainable textiles and apparel. Therefore, dyes are a focus for sustainability efforts, and we offer a range of techniques and materials to dye fabric with lower chemical output and negative environmental impact.

#### Zero-discharge Dyes

About 50% of dyes and chemicals are registered in the ZDHC gateway by Zero Discharge of Hazardous Chemicals (ZDHC) nonprofit, who assists in the measurement and compliance of sustainable garments with the goal of eliminating harmful chemicals from global supply chains. All chemicals are stored, used, and discharged responsibly to minimize risks of pollution.

#### Dope-dyed Yarn

This method of dyeing yarns incorporates the pigment into the fiber during manufacturing. This means that it is unnecessary to dye either the raw yarn after it is manufactured, nor the finished fabric or garment which reduces chemical use and effluents, water, and energy. Once garments are finished, they are simply washed in a manner similar to home or industrial washing machines. 25% of all yarns purchased are dope-dyed yarns.

#### Cone-dyed Yarn

This method pre-dyes the yarns which requires lower resources in the dyeing process and when the garment is finished, similarly to the dope-dyed yarns, it requires simple washing only which saves on effluents, water, energy, and time.



Most significantly, in 2023 we began offering a proprietary and new technique for sustainable nylon dyeing with special pigments that create a distressed wash appearance, called "HUEsed". This technique offers the look of acid wash that tends to include harmful chemicals but is created with no hazardous chemicals at all.

Many of our manufacturing processes, including both dyeing and weaving are on the path to sustainability with higher energy and water efficiency. More on this is included in the Manufacturing Environmental Excellence Chapter.

**38% of all yarns purchased offer reduced resource use in dyeing and production. 85% of all polyester yarns purchased.**

### Hyosung X Tefron

One of our most exciting collaborations this year was the co-creation of a product designed to set new standards in sustainable activewear and seamless clothing. This was presented in collaboration with Italian machinery supplier Santoni and Seoul-based fiber manufacturer Hyosung. Santoni introduced its debut capsule of seamless-knit fabrics made with Hyosung's creora bio-based yarn, an offering that has been integrated into our catalogue lineup.

By integrating Tefron's global one-stop shop expertise in seamless knitting with Hyosung's creora bio-based yarn, we pave the way for innovative designs and styles that were previously challenging to achieve with traditional materials and manufacturing techniques.

This new bio-based yarn offers benefits that include traceable fibers, increased comfort and performance, and innovative design options. Media coverage of this collaboration was detected worldwide, with coverage from outlets in Europe, Australia, India, the USA, the Middle East, and Asia.

### Certifications and Standards

Tefron can boast multiple strategic partnerships with long-term customers. These relationships are built on trust and shared values. Our commitment to internationally recognized eco standards and alliances guides us in keeping up with industry developments and strengthens the confidence our customers put in Tefron.



World known certification guaranteeing product safety in terms of chemical safety. It tests textiles for substances potentially harmful to human health using globally standardized test criteria. It complies and exceeds international regulations and requirements and is updated annually to remain current and relevant. Both Tefron Ltd and Tefron Europe are certified to this standard and most tier 1 suppliers.



We are proud to report that in February of 2023, Tefron and Al-Masera once-again received a GRS (Global Recycling Standard) certificate for the second year in a row. GRS is a voluntary product standard for tracking and verifying the content of recycled materials in a final product. This certification lends external verification to our use of recycled yarns and supports this claim to our customers (who can mark their products as GRS). By completing this certification, we aligned with customers and world sustainability requirements. All Polyester and mixed-material yarns purchased are GRS certified and 38% of Nylon yarns



A non-profit, multistakeholder governance group that promotes better standards in cotton farming across the globe.

Tefron thrives on the creativity and innovation that define the fashion industry. To remain at the forefront, we promote a culture of continuous learning, ensuring that our team stays ahead of industry trends and embraces new technologies.

By fostering an environment where creativity flourishes, we empower our employees to explore new ideas and push the boundaries of what's possible, ultimately delivering products that inspire and captivate our customers.



# MANUFACTURING ENVIRONMENTAL EXCELLENCE





# SUSTAINABLE OPERATIONS AND PRODUCTION

At Tefron, we recognize that the quality of our garments extends beyond their appearance and fit- it is also defined by how they are made. Sustainability is deeply embedded in our manufacturing, from raw material selection to the final stages of a product's lifecycle. Our commitment to environmental responsibility not only meets consumer expectations but also contributes to a healthier planet.

We aim to minimize the environmental impact of our operations by enhancing awareness among our employees, suppliers, and subcontractors. This includes integrating environmental considerations into decision-making, promoting responsible waste management, water conservation, and reducing energy consumptions and emissions. Responsible manufacturing also includes maintaining a high quality of products and ensuring the manufacturing environment is safe for the those working to make our products. By merging economic growth with environmental stewardship, Tefron aligns its business objectives with global sustainability goals.

## Our sustainable operation goals include:

- Integrate environmental impact reduction in product design and packaging by conserving raw materials and promoting eco-friendly disposal methods.
- Managing wastewater to minimize pollution and greenhouse gas emissions.
- Upholding stringent environmental safety standards across products and operations.
- Implementing robust waste management strategies that focus on reducing, reusing, and recycling both hazardous and non-hazardous materials while conserving energy.

We continuously assess the environmental footprint of our operations, from initial development through disposal, constantly striving for improvement. Compliance with strict legal regulations forms the basis of our environmental management practices and we build on these to improve consistently, actively seeking opportunities to go beyond regulatory requirements.

At Tefron, the "Reduce, Reuse, Recycle" principle is fundamental to our sustainability efforts. We minimize waste at every stage of manufacturing, from material selection to process implementation; environmental considerations are consistently kept top of mind. We actively strive to reduce our environmental footprint by optimizing resource use, reduce packaging, and strategically consolidating production sites and shipments to lower carbon emissions.

A dedicated global team oversees environmental and social initiatives, developing and enforcing policies that influence every level of our operations. We ensure these policies are effectively implemented by regularly conducting training sessions for leadership at both proprietary and subcontractor facilities.

In 2023, we formalized our sustainability commitment by implementing an environmental policy at our Jordan facility, now an integral part of the Tefron Global Sustainability Manual. This manual establishes standards for our sites and contractors, supporting our goal to embed ESG commitments throughout our supply chain. We are actively developing environmental policies with measurable targets, establishing baselines, and implementing initiatives to reduce energy, water, and gas consumptions across our operations.

## External Certifications and Reporting

As a global organization, Tefron actively collaborates with external organizations and partners to drive continuous improvement. Since 2017, Tefron has been reporting our environmental impacts through the Carbon Disclosure Project (CDP), demonstrating transparency and accountability in our sustainability efforts.

Our 2023 report provided insights that shape our ongoing work plan to enhance performance including specific targets for energy reduction, emission cuts, enhancing the sustainability of raw materials, reducing waste, and promoting circularity.

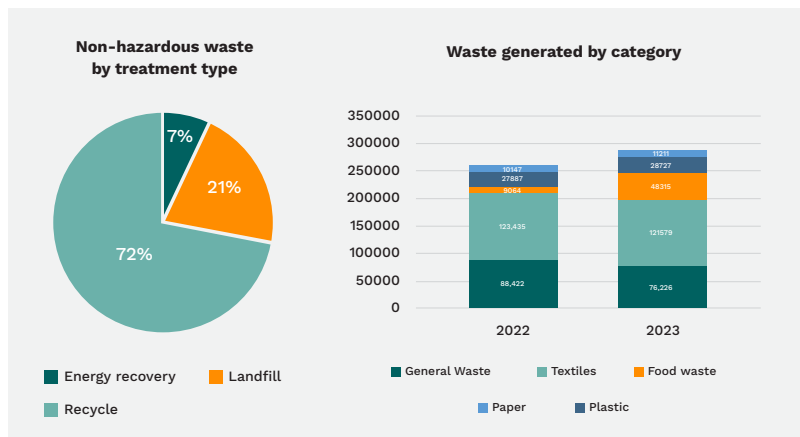


## Waste

Textile production is a significant contributor to global waste, and at Tefron, we are committed to reducing waste through comprehensive waste management policies that span the entire production cycle. Our primary waste source is residual fabric waste, which we address through a two-pronged approach: minimizing waste through thoughtful design and efficient production processes and diverting the remaining waste from landfills by repurposing or recycling fabric remnants whenever possible. In our Jordan facility, we actively collaborate with the government to develop effective recycling systems to manage textile waste. These efforts align with our ESG commitments, reinforcing our dedication to sustainable and responsible manufacturing practices.

### Resource Optimization

Tefron optimizes resources through well-engineered seamless garments, where strategic pattern planning maximizes yarn usage and utilization of fabric tubes. This precise approach results in fewer excess trims and fabric scraps, significantly decreasing our environmental impact. Moreover, these efficiencies reduce downstream production ensuring better resource management and a reduced ecological footprint. For example, by reducing the weight of fabric for dyeing which reduces the quantities of water and dyes used. Additionally, Tefron Jordan has implemented targeted policies to reduce manufacturing defects, further reducing waste and enhancing overall production efficiency. This effort is especially crucial since nylon and spandex, our primary materials, are difficult to recycle, due to their chemical structure and the challenges associated with their production processes.



2023 data for Jordan textile waste and domestic waste are partially estimated due to changes in data management.

The majority of the waste generated in our operations is non-hazardous. Hazardous waste is managed according to regulations and industry standards. It primarily consists of machine oils and used chemical containers, which are sent back to suppliers for reuse. In 2023, our facilities in Jordan handled 1,485 kg of such containers and contaminated waste, alongside 55,784 liters/kg of residual machine oils. At our headquarters in Israel, we track hazardous waste by unit, ensuring that all materials are appropriately managed and recycled. In 2023, 5 chemical containers were sent back to the suppliers for reuse.

Food waste in our factories has increased between 2022 and 2023. Throughout the year, our operations have expanded significantly, especially in Jordan, where hundreds of new employees were hired for our factories. While this by itself contributes to a rise in food waste, many new employees in Jordan are foreign workers who receive 3 meals per-day, marking a significant rise in the amount of food provided to Tefron employees.

### Case Study: Gravity Repurposing waste for a healthy environment and lifestyle

This upcycling project repurposes fabric tubes into home workout equipment. By transforming production waste into valuable products, we not only reduce waste but also create innovative solutions that benefit our customers.



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**Utilizing Digital Technologies and Virtual Spaces**



A key component of designing for long-term sustainability is our proprietary 3D mapping process. This software, developed by Tefron, enables us to confirm product dimensions through advanced digital models rather than the use of physical samples. This technology significantly reduces the textile waste resulting from the iterations inherent to a development process. It also has the added benefit of shortening lead times for customers, offering near-instant communication and feedback, and enhancing customer satisfaction.

Relatedly, our investment in virtual meeting spaces facilitates seamless communication across global distances, fostering a collaborative environment essential for the success of our operations. This digital approach streamlines our design process and strengthens our relationships with customers, enabling us to deliver high quality, on-trend products that suit their needs.

**Water**

Water is an indispensable resource in textile manufacturing, integral to various stages of production such as fiber processing, dyeing, and finishing. It is particularly crucial in the dyeing process to ensure even color distribution and in the finishing process to enhance the fabric's properties, such as softness and durability. Additionally, water is necessary for washing fabrics to remove impurities or residual chemicals, ensuring the final product meets high-quality standards.

We are committed to reducing the water use in our operations by deploying advanced water recycling systems, optimizing dyeing techniques, and maintaining strict management practices aimed at reducing our water footprint.

In Jordan, a country suffering from high water stress, water efficiency is a key focus for managing operations. We begin by meticulously measuring and tracking water usage to identify consumption patterns and develop effective reduction strategies. We are also exploring new technologies that could further decrease water use. This proactive approach is complemented by ongoing water efficiency measures, particularly in optimizing the dyeing process to use water more judiciously.





Our Jordan facility has significantly improved its water consumption ratios, moving from a 1:15 fabric weight-to-water ratio to a more efficient 1:10 ratio. Plans are underway to upgrade this facility to enable on-site water treatment and recycling, enhancing both operational efficiency and environmental stewardship.

In Romania, our water is sourced from specially built water wells that are not connected to the municipal water system. This water undergoes extensive filtration before use. It is primarily used for chiller systems that operate in a closed-loop circuit, allowing for continuous reuse. Any discharged water from these systems is minimal, clean, and safely released into municipal sewage systems.

**"Our environmental initiatives are important because we don't want to be the reason anyone is harmed. It's better for our people, our country, and our business."**

Ashraf – CEO of Tefron Jordan / Al Masera

### Water Effluents and Chemical Responsibility

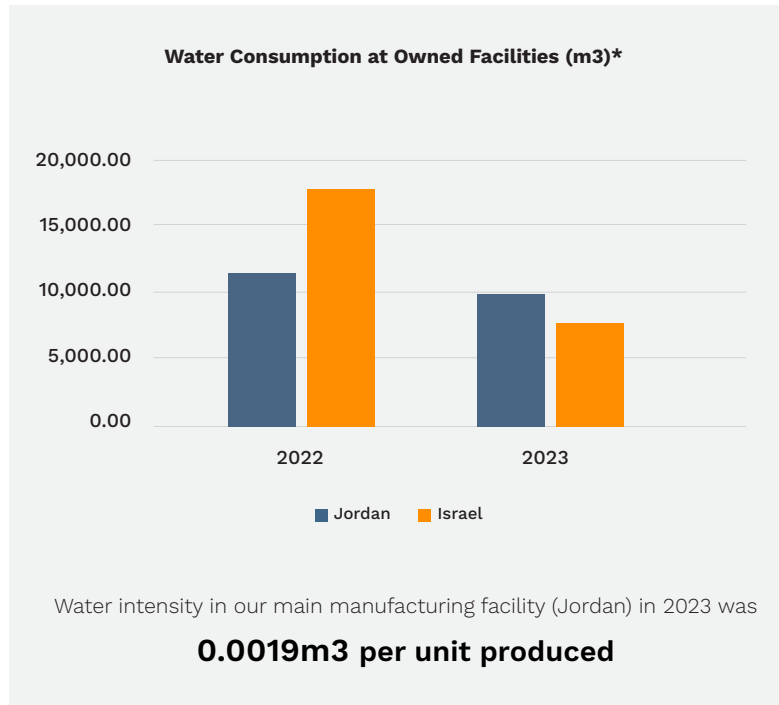
The management of chemicals and effluents is a critical concern in the textile industry. We are committed to responsible chemical management throughout our operations, especially in handling effluents from dyeing processes. Our dye houses adhere to strict protocols, testing wastewater discharges against the ZDHC Manufacturing Restricted Substances List (MRSL) to ensure compliance with regulations on restricted substances.

This rigorous approach helps prevent harmful substances from being released into the environment.

Furthermore, we increasingly utilize dope-dyed yarns, where pigments are incorporated during yarn production rather than through traditional dyeing. This method significantly reduces water and electricity consumption, as garments require only washing, not dyeing. Using dope-dyed yarns can save up to 75% of water and electricity compared to traditional dyeing methods.

Our Romanian factory has introduced an innovative dyeing technique that dyes the entire product after excess fabric has been trimmed, significantly reducing the water and dye required. This method not only conserves resources but also minimizes waste by preventing the risk of excess dyed accessories that may become surplus due to seasonal color changes.

**Approximately 60% of products manufactured in Jordan facility does not require dyeing and is washed only.**



\*The chart does not include the Romania plant which only began operations in August of 2023 and does not currently track water use. It is not connected to the municipal water supply but to specially dug wells



## Energy & Emissions

We primarily operate knitting and sewing machines for production, alongside supporting machinery such as chillers or compressors. Our machinery is mostly electric and pneumatic, generating no direct emissions. Nevertheless, we focus on reducing energy consumption by utilizing energy-efficient machines and choosing the more energy-efficient models whenever replacements are needed. In 2023, a third of the knitting machines in Jordan were labeled with the ACIMIT Green Label<sup>1</sup>, offering 15% higher energy efficiency than previous models, and half of the 399 sewing machines have already been replaced with newer, more efficient models.

We continuously seek ways to increase efficiency and minimize our environmental footprint. For example, our plans to upgrade our company-owned facilities in Jordan and Romania include upgrading machinery, generators, and compressors with more energy-efficient models. The refurbishment plan also incorporates energy efficiency systems and feasibility studies on installing solar panels as part of a long-term goal of using more renewable energy. Solar panels have already been integrated as a source of renewable energy for the worker dormitories in Jordan<sup>2</sup>.



As a global company manufacturing physical products for global customers, travel is inevitable. However, we strive to consolidate trips to reduce energy use and emissions wherever possible. Additionally, we also offset emissions from our business travel by donating benefit points accumulated from staff flights for conversion to Sustainable Aviation Fuel (SAF).

The use of shared virtual spaces for presenting product ideas in lieu of in-person meetings also helps lower the environmental impact associated with global production. Originally developed during the COVID-19 Pandemic, this solution allows us to continue collaborating without entirely losing the benefits of face-to-face interactions and hands-on product inspections. Even after the pandemic, we retained these spaces due to their evident value in customer communication. These virtual spaces are carefully designed to create an engaging atmosphere, and while they do not fully replicate in-person meetings, they effectively depict product concepts and dimensions while saving time, energy, and resources related to transportation and shipping, ultimately reducing our overall carbon footprint.

**1/3 of the knitting machines in Jordan are labeled with the ACIMIT Green Label<sup>3</sup>**

### GHG Emissions

	2022 <sup>1</sup>	2023
Scope 1	206	249
Scope 2	11316	12571
Total Scope 1+2	11522	12820

### Emission Intensity

	MT CO2e per unit produced
Jordan	0.00686
Romania	0.00062

<sup>1</sup>The ACIMIT Green Label aims to identify the energy and environmental performances of textile machinery. Manufacturers who wish to use the ACIMIT Green Label must comply with the sustainable technologies project and related rigorous compliance standards defined by ACIMIT, validated, and certified by RINA, an international certification body.

<sup>2</sup>Energy from worker dormitories is not included in this report since these are shared buildings. As data collection improves, we seek to determine energy attributed to us.

<sup>3</sup>The ACIMIT Green Label aims to identify the energy and environmental performances of textile machinery. Manufacturers who wish to use the ACIMIT Green Label must comply with the sustainable technologies project and related rigorous compliance standards defined by ACIMIT, validated, and certified by RINA, an international certification body.

<sup>4</sup>2022 includes data for Israel and Jordan. Romania site was not yet open. 2023 data includes all 4 regions. Romania began operations under Tefron in August of 2023



# HEALTH & SAFETY

As a global company, ensuring the health and safety of employees throughout our entire supply chain is a priority. We are committed to fostering a work environment that is safe and conducive to our employees' well-being, prioritizing compliance with our rigorous code of conduct as well as all laws and regulations designed to prevent accidents and protect health throughout the work process. We provide training, implement strong management processes and oversight, and ensure that employees have ready access to essential facilities to prevent accidents and address any hazards. Our management teams ensure that the premises offer a comfortable working environment, equipped with fire safety measures and providing ample lighting and ventilation.

Not only is the health and safety of our people a fundamental working condition, but it is also a pillar of our success and growth.

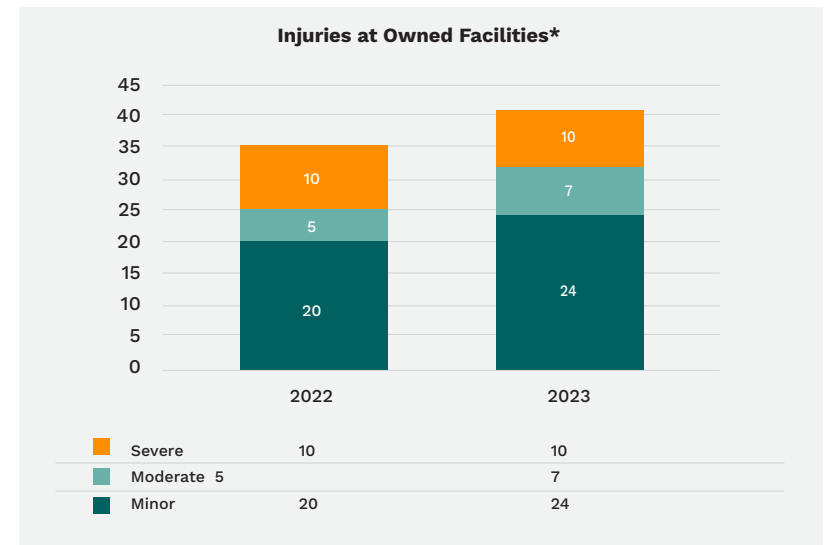
## EHS Management

Our clear Occupational Health & Safety Policy guides us in strictly enforcing all relevant occupational health and safety laws and regulations, as well as our own rigorous code of conduct. This policy, approved by senior management, includes a commitment to:

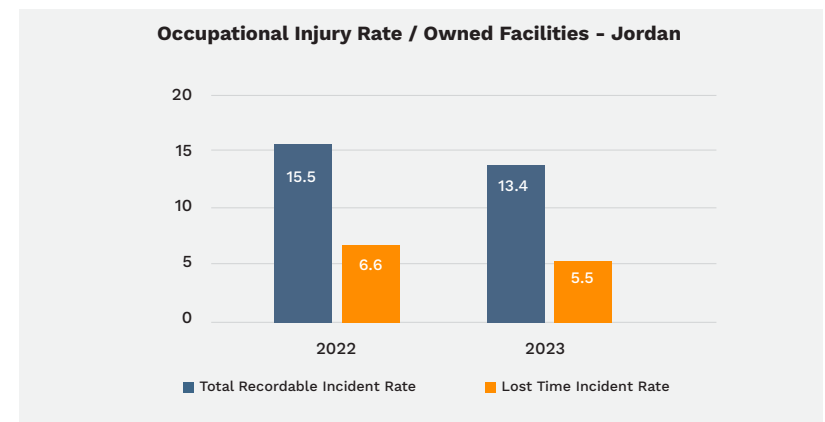
- Providing safe and healthy working conditions to prevent work-related injuries and occupational diseases.
- Meeting all applicable legal and other requirements.
- Reducing occupational hazards in the workplace.
- Continuously improving the occupational health and safety management system.
- Consulting and engaging with workers and their representatives.

Through audit programs and management processes, our senior management ensures that the program's performance is regularly evaluated, discussed, and reviewed to achieve health and safety objectives. The Compliance Team and Health and Safety Officers at our sites are responsible for implementing the policy, tracking performance, reporting to senior management, and making any changes based on audit results, risk assessments, and regular evaluation meetings.

To ensure effective implementation of the OHS management plan, we have defined specific objectives stemming from our policy as well as local regulations. Each of our sites has a dedicated health and safety representative who oversees the implementation of our health and safety policy and procedures, along with localized adaptations to meet site-specific requirements. These rigorous standards also apply to our subcontractor facilities, where we require compliance with OHS policies and procedures that meet or exceed our standards, ensuring a consistent and responsible approach to workplace safety throughout our supply chain.



\*Incidents classified as "minor" do not typically incur lost time.



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Working with specialized machinery in production processes can be inherently dangerous. We continue to monitor and improve our practices, striving for a supply chain free of serious incidents. The leading causes of workplace injuries at our facilities are slips and trips, accidental impact from objects, and sharp object injuries – most commonly needle punctures.

We are pleased to report that our facility in Romania has recorded zero incidents since joining Tefron in August 2023, demonstrating the effectiveness of our strict policies. The facility's Safety Officer ensures that all policies and procedures remain up to date and in full compliance. Periodic audits conducted in 2023 identified no significant findings.

At our main manufacturing site in Jordan, 41 work-related injuries were reported in 2023, over half which were minor. In an ongoing effort to minimize injuries, each incident was investigated, and adjustments were made based on our findings to prevent future occurrences.

To further support our workforce, the Tefron Global Compliance Team took decisive action by launching an initiative to address employee grievances. This includes the development of a dedicated policy complemented by training materials. These resources became the foundation of a comprehensive global training program spanning all our partner factories worldwide, from China and Vietnam to Bangladesh India, and Jordan. The initiative has garnered positive feedback from participants as an effective tool for strengthening a culture of accountability and providing employees with another avenue to have their voices heard. Its success marks yet another step toward preventing workplace health and safety incidents across our global facilities.



### **Personal Protective Equipment (PPE)**

At Tefron, all employees have access to personal protective equipment (PPE) tailored to their workstations, including gloves with metal shielding and protective earplugs. When working with hazardous materials and in places where powder dust is present, workers must use protective masks or masks with a carbon filter (respirators). Employees are thoroughly instructed on the proper use of their PPE to ensure safety. Clear signage is placed in areas where personal protective equipment is required, with signage being posted in all languages spoken by workers to avoid any misunderstandings and to promote safe practices.

### **Training**

Tefron conducts regular health and safety training at facilities worldwide to ensure adherence to our protective measures. This year, health and safety trainings included public safety training, security and information training, and a first aid course conducted in Israel and Jordan, ensuring our teams are prepared for emergency situations. Our subcontractors also receive technical trainings to operate machinery safely. All employees participate in basic safety training and additional training is offered in accordance with specific roles. In 2023, 1394 employees participated in 17-role specific safety-related trainings sessions. Safety training is refreshed annually to maintain high standards.

In 2023, employees at our owned facilities received approximately 6,240 hours of environment and health and safety training. This equates to at least 2 hours of training per employee in Jordan, and approximately 40 hours at the new site in Romania as part of part of the factory's integration into Tefron. Additionally, employees in Israel participated in a 4-hour training in emergency medicine, and 20 employees in Jordan completed a week-long course in first aid. We also ensure that subcontractor facilities have trained employees onsite who can act as first responders in the event of an emergency.

### **Chemicals**

In our operations, chemicals are primarily used in dyeing and garment finishing. At Tefron, we are committed to the proper handling, storage, and disposal of chemicals and hazardous substances, which is essential for ensuring the safety of our workers. All chemicals are accompanied by appropriate Material Safety Data Sheets (MSDS) available in the local language or a language understood by employees to ensure clarity and understanding. Employees undergo comprehensive safety training to minimize risks and accidents. Our



chemical storage systems are kept away from public access, with gas tanks stored externally and chemical containers equipped with spill-containment measures. These storage areas are clearly marked with signage, well-lit, well-ventilated, and include direct access to eye and body wash facilities.

This year, we have integrated the M3 SDS management software to strengthen our chemical management system and ensure stronger degrees of regulatory compliance. We also partnered with BHIVE, a digital chemical management evaluation system, to align with industry standards and improve the monitoring of our chemical inventories. Additionally, we conduct regular wastewater testing to meet global standards such as MRSL and ZHDC for our dye house, demonstrating our commitment to staying at the forefront of industry innovation and environmental responsibility.

### Quality Assurance

Maintaining the highest standards of quality throughout our production processes is a fundamental commitment at Tefron. Our approach prioritizes customer satisfaction while ensuring compliance with regulatory standards. This is achieved through comprehensive control measures implemented at each stage of production, including inspections of incoming goods, in-process monitoring, and final product inspections.

We employ Corrective and Preventive Actions (CAPA) processes to address any deviations from quality standards and to continuously enhance our operations. Our CAPA tools include regular factory audits, pilot runs, and pre-production meetings, all of which are integral components to our quality assurance procedures. Moreover, we leverage data-driven insights by monitoring detailed process data to identify trends, improve processes, and enhance product quality. Tefron adheres to the principles of leading certifications to ensure robust and effective quality management practices. By aligning our processes with these principles, we strengthen the effectiveness of our quality assurance measures. Our in-house lab conducts detailed inspections of every sample, as well as working with third-party testing companies to guarantee that each product meets our high standards for comfort, performance, and brand requirements.

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**It's obvious the attention to detail and quality that Tefron is doing compared to others. We do have our licensed brands, you can see the difference. Doesn't matter the item – quality first.**

Jillian Samis - SVP Global Marketing & Design

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### Quality Assurance at Sub-Contractor Facilities

Ensuring the highest quality across our supply chain is a top priority at Tefron. We align closely with our customers' needs and actively engage quality control (QC) representatives at subcontractor locations to consistently meet our stringent quality standards. Each Tefron location is staffed with trained and qualified QA and QC personnel who closely monitor our output. Additionally, we strategically pair our QA personnel with specific customer accounts, allowing customers to train and certify designated QA representatives at Tefron.

This close collaboration enables our QA teams to effectively represent our customers' best interests on the ground and approve final goods directly. This approach is central to our comprehensive quality assurance processes, ensuring the integrity and excellence of our products throughout our supply chain.



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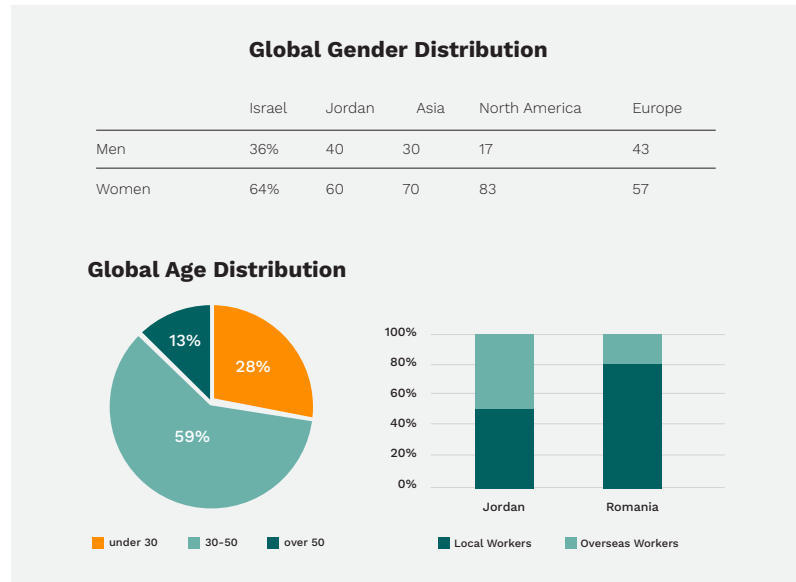
# ALL ABOUT THE PEOPLE





# TEFRON'S GLOBAL WORKFORCE

At Tefron, we recognize that the strength of our global operations comes from the creativity, dedication, and diversity of our team members across Israel, Jordan, Romania, United States, Canada, Vietnam, China, and India.



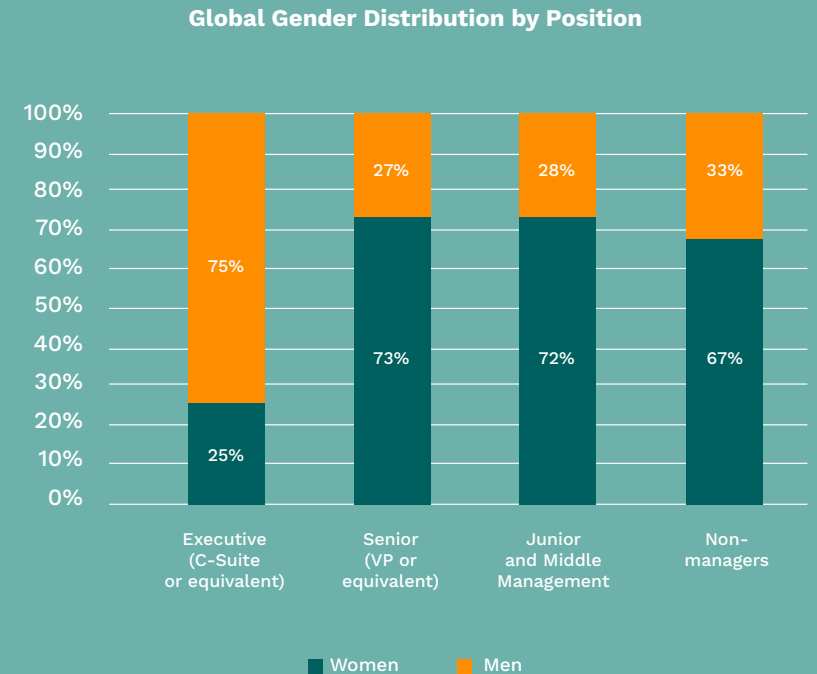
We recognize the importance of respecting and embracing local cultures while maintaining consistent standards for employee well-being and development. Guided by the principle of One Company, One Tefron, we strive to integrate global best practices with local cultural insights, ensuring that every member of our diverse team feels valued and supported. Values, policies, strategy, and planning are developed at our global headquarters, while local teams implement them with appropriate adaptation.

Regional teams collaborate closely through weekly meetings to uphold our One Company, One Tefron vision. We want our employees to feel engaged and take pride in being part of a truly global company. This approach ensures that employees' unique needs are met and that, even in times of challenge, such as recent global crises, we operate as a unified entity.

The overwhelming majority of our employees are employed full time on permanent contracts

At Tefron, women's leadership has a profound impact at every level of our organization. Women hold 60% of management positions at our Israeli headquarters and over half of the managerial roles globally, playing a vital role in our operations and reflecting our commitment to gender equality. Their strong presence of leadership not only drives business success but also strengthens employee engagement across the company. We are dedicated to fostering a culture of internal mobility and professional growth, ensuring that all employees have meaningful opportunities for advancement and success.

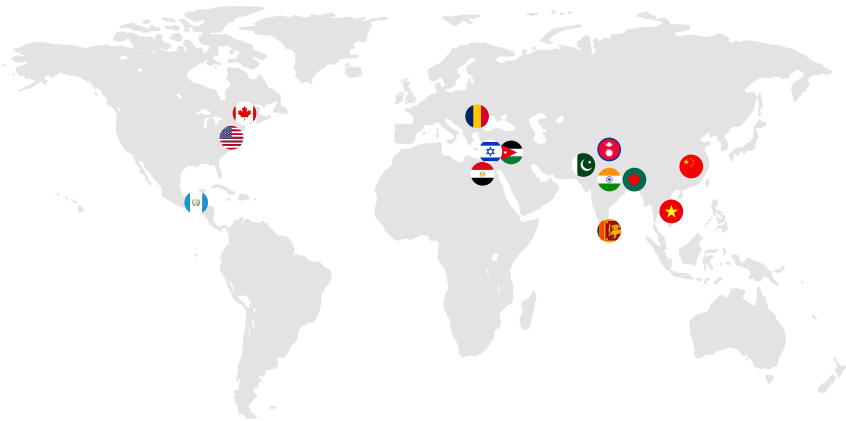
All 14 promotions made in the headquarters in Israel and North America were women



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# DIVERSITY IS IN OUR DNA



With team members from diverse religions and cultural backgrounds, we recognize the importance of honoring the traditions that shape who we are. At Tefron, diversity enriches our corporate culture and fuels innovation. We celebrate and support this diversity through various social, operational, and managerial initiatives, including recognizing significant cultural and religious holidays, adapting kitchen facilities to accommodate dietary requirements, and providing manager training on cultural differences and leading diverse teams. Additionally, we offer flexible hours and adjust shifts during significant cultural or religious events and allow modifications to our dress code to respect religious or cultural requirements.

By embracing our differences, we foster a more inclusive workplace and strengthen our collaborative spirit, which is essential to our global success. Tefron is committed to ensuring that employees from all backgrounds feel seen and valued. Worker committees provide a platform for employees to voice concerns, leading to meaningful changes, such as the changes made in our kitchens, to better support our diverse workforce.

## Wellbeing Amongst Foreign Workers

We recognize the unique challenges faced by our foreign workers and are committed to providing them with meaningful support. Each department has a dedicated on-site HR representative, preferably with relevant language skills, to

offer immediate assistance and foster an inclusive, supportive environment for those working far from their home countries.

We have partnered with Better Work, a comprehensive program that unites all levels of the garment industry to improve working conditions, uphold labor rights, and enhance business competitiveness within the apparel and footwear industry. Three years ago, we began collaborating with Better Work Jordan to address mental health among foreign workers. Today, we have established policies and procedures and a dedicated team focused on mental health. This initiative includes an in-house mental health professional and a dedicated space, known as the Happy Room, where employees can seek confidential support.



Better Work has provided foundational training on recognizing signs of stress and depression, as well as guidance on referring colleagues in need of support. High-risk cases are reported to Better Work, which operates a specialized clinic for these concerns. Additionally, a monthly support group allows employees to share their experiences with mental health in a safe space. The initiative's first mission has been to break the stigma surrounding mental health, fostering a more open and supportive environment workplace.

Better Work sponsors trainers for these programs. Currently, we have one counselor from Jordan and one from Bangladesh, with plans to hire a counselor for each nationality with a significant workforce presence. We actively track the number of employees and maintain an annual action plan to expand our mental health support efforts.

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# WORK ENVIRONMENT & WELLBEING

At Tefron, we are committed to upholding human rights and dignity for all employees. These rights are fundamental to every individual, encompassing respect for humanity, autonomy, and freedom of choice and action. Respecting others means honoring their values, beliefs, and personal boundaries. We strive to ensure that every employee, regardless of their role or location, works in an environment that honors and respects their autonomy, values, and beliefs. We recognize that our success is built on the strength of our people, and we are dedicated to fostering an inclusive, supportive, and enriching work atmosphere. Our values and commitments are outlined in our Ethics Code, which is available on our website.

## Commitment to Dignity and Human and Labor Rights

Tefron is committed to upholding the highest standards of human and labor rights across our operations and supply chain. We have rigorous due diligence processes in place to prevent forced or child labor and to support our employees' rights to freedom of movement and association. Currently, 60 employees at our headquarters, 90 at Tefron Europe, and 545 in Jordan are covered by collective bargaining agreements. These agreements, negotiated with local unions at each location, serve as essential frameworks to protect workers' rights and interests.

Beyond compliance, we prioritize working conditions that uphold the dignity of our employees. Tefron ensures that wages meet or exceed industry standards and local laws, defines reasonable work schedules, and guarantees rest periods to promote work-life balance. We are committed to job security, clearly outlining employment terms to provide stability and confidence. In Jordan, foreign employees have two- to three-year work contracts, ensuring clarity and peace of mind regarding their employment status.

Our fundamental belief is that every individual deserves to be treated with dignity and respect. We maintain a zero-tolerance policy for discrimination, harassment, or abuse of any kind, ensuring that all employees – whether direct hires or part of our supply chain- experience a workplace built on fairness, respect and integrity.

## Employee Benefits and Working Conditions

Tefron is committed to providing excellent working conditions, including a comfortable work environment and a sustainable schedule that supports a healthy work-life balance. Our working hours strictly comply with applicable laws and industry standards, ensuring at least one day of rest per week, with overtime strictly controlled and always voluntary.

Beyond fair compensation, we offer comprehensive benefits to support employees' well-being. Our benefits package exceeds industry standards, providing competitive salaries, monthly incentives, and comprehensive health care. Additional perks include transportation allowances, food vouchers, wedding gifts, and nursery provisions. To support continuous professional growth, Tefron covers the costs of specialized courses that enhance employees' skills. Our global standards ensure that all employees, regardless of location, receives the same high-quality working conditions and benefits.





Our commitment to maintaining excellent working conditions is validated through partnerships with respected international organizations:



promotes decent work standards



(Worldwide Responsible Accredited Production) certification, a leading social compliance certification program in the textile industry Social and Labor Convergence Program, which captures data about working conditions in our Chinese facilities.



A leading audit methodology that covers various aspects of responsible business conduct including labor practices.



Business Social Compliance Initiative, the European social monitoring system for ethical sourcing.



Facility Social & Labor Module, measures the social impact of manufacturing across areas such as wages, working hours, health and safety, and employee treatment.



Provides the tools to capture accurate data about working conditions in global supply chains.

## Grievance Management

At Tefron, we maintain a robust grievance system that is accessible to all employees. This includes a mobile app that allows concerns to be securely logged, directed to third parties. This system is a cornerstone of our commitment to open communication and proactive issue resolution. Employees can submit grievance anonymously through digital and physical drop boxes available in all facilities, which are regularly monitored by local HR teams. Additionally, employees have the option to submit complaints and grievances directly to the Head of HR.

The Tefron Global Compliance Team has developed comprehensive policies to ensure that every employee can voice concerns without fear of retaliation. This initiative has also supported a global training program that fosters a culture of accountability. Moreover, all subcontractors and suppliers are required to uphold similar standards, ensuring they, too, provide effective and accessible grievance mechanisms for their employees.

In 2023, no complaints regarding harassment or discrimination were reported. While employees have provided positive feedback on the system, we continuously monitor its effectiveness to ensure that all employees are aware and comfortable using this resource.

Additionally, 100 safety-related complaints were raised of which 40 were substantiated. These concerns were addressed with the necessary corrective measures and training to enhance workplace safety.

## Ethical Recruiting

In the textile and apparel industry, it is common for employees to work overseas, away from their homes and families. This employment structure presents unique challenges in ensuring both legal compliance and employee well-being. At Tefron, we are committed to ethical recruiting practices, particularly when hiring foreign workers. An HR representative personally meets with all prospective foreign employees before hiring, and remains involved throughout the entire recruitment process to ensure transparent communication and a mutual understanding of expectations. Through this process, we uphold strict verification procedures to prevent child labor and ensure that all hiring practices are fair and equitable.



We are committed to treating all employees equally and prioritize direct employment wherever possible, including for overseas workers. In Jordan, all foreign employees are hired as direct employees rather than contract workers, and we are actively working to expand this practice across all our locations.

## Empowering Employees

At Tefron, our goal is to foster a community where employees feel engaged, committed, and have a strong sense of belonging. Information flow plays a key role in creating this culture and atmosphere. In 2023, we launched an internal newsletter that shares news from across the company, including employee recognition, ideas, activities, and opportunities. It also highlights the values that guide our company, contributing to the culture we aim to build. Communication must be two-directional to drive real change, which is why we offer multiple avenues for employees to share their thoughts and ideas, such as engagement surveys, employee committees, topic-based steering committees, brainstorming sessions, and formal grievance or whistleblowing systems.

Our regular employee engagement surveys consistently indicate high levels of satisfaction and engagement across all worker categories. This positive feedback validates that our approach to employee well-being and workplace culture is effective. We conduct monthly job satisfaction surveys to accurately gauge employee satisfaction. This comprehensive approach to workplace well-being and employee rights has positioned Tefron as an employer of choice. In fact, one of our customers recently remarked during a visit that Tefron is “the company with the happiest people”.

Our commitment to employee development is reflected in our recognition programs, which include awards and incentives for outstanding performance. We are proud that many of our employees have made Tefron a long-term home and, we celebrate this through special events honoring long-term employees. We also prioritize advancement opportunities within the company. In 2023, 18 out of 120 positions were filled through internal promotions.

Throughout 2023, our teams grew with more people joining the company than leaving. Average monthly turnover rates at the different regions for 2023:

Region	Israel	Jordan	Asia	North America
Turnover rate	1.1%	2.1%	0%	1.9%

Tefron Europe was established in August of 2023 and is not included in these turnover rates. Most (90%) of the employees from the acquired company remained in their positions as of the acquisition.

## Wellness Initiatives and Community Building

At Tefron, we believe that a positive workplace culture goes beyond professional responsibilities to encompass personal well-being and community connection. Our wellness program spans multiple locations, with each site developing unique initiatives that reflect the local team’s interests, while being guided by values and policies set at the global headquarters. This approach allows us to create equity throughout Tefron, while also celebrating the uniqueness of each region.

A notable example of this local adaptation is the wellness training offered to employees in Israel in 2023. Titled "Practical Tools for Dealing with Anxiety and Stress and Creating Inner Resilience", this initiative was developed in response to the looming threat of war in Israel. The training equipped employees with practical tools to cope with the challenges they faced during this difficult time. In Jordan, resilience and mental health are supported through our ongoing collaboration with Better Work described above.

To promote health and well-being, we encourage our employees to stay through local sports and exercise initiatives. In Jordan, employees have formed a cricket group, bringing together colleagues from different departments for regular matches and practice sessions. This group provides a sense of connection for workers who are used to playing the game in their home countries. In 2023, Tefron's team proudly won first place in the Ramtha cricket tournament. Our Israel facility hosts weekly workout sessions, which promote physical health and team bonding. In China and Vietnam, team building is fostered through periodic dedicated events, while in Romania, we celebrated Christmas together.



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Personal milestones are important at Tefron, and we take the opportunity to extend appreciation to employees and their families during birthdays, holidays, and family days through gifts and celebrations. We also recognize important life events with thoughtful gifts for weddings and the births of children, reinforcing our commitment to supporting our employees through all of life's moments.

The diversity of our workforce is a valuable asset, enriching our company culture. We actively create opportunities for cultural exchange and connection through joint celebrations and regular team-building activities. These events all employees to share their traditions and customs, fostering mutual understanding and respect across our global team.



### Professional Development Programs

Our approach to professional development blends structured training with personalized growth opportunities, ensuring that employees have the tools they need to thrive. Recognizing the challenges of today's work environment, we've implemented comprehensive workshops focused on anxiety management and resilience, providing employees with practical skills for personal and professional success.

Our middle management training program enhances leadership capabilities across the organization, while regular annual employee reviews ensure continuous feedback and development.

### Employees participated in over 3,200 hours of personal and professional training in 2023

Professional learning at Tefron begins with a thorough new employee training program and continues throughout each employee's career. All employees undergo HR and safety training, ensuring they are well-equipped for their roles. In addition, we have introduced targeted language training programs to support cross-cultural communication, with emphasis on English proficiency for employees in international roles. Cultural competency is a key component of our training approach, with workshops and programs designed to improve cross-cultural collaboration. We also leverage the diversity of our global operations, sending employees to different locations to learn from colleagues and enhance their skills, supporting both their professional development and the growth of our company.

Type of Training	Number of Participants
Professional training	118
Manager's training & leadership	172
Computer tools and IT	108
Language & Culture	46
Personal developme	172

As part of our commitment to innovation and continuous improvement, we prioritize staying up to date on industry developments, trends, and emerging technologies. To support this, we regularly send employees to conferences and industry events worldwide, providing them with an opportunity to expand their horizons. A notable conference attended by our employees was organized by the Jordanian Ministry of Labor in collaboration with Better Work and the Chamber of Industry and Commerce to discuss work ethics, payroll, and improving of working conditions for employees.

We believe that with the innovative spirit and creativity of Tefron People, they will return from these events ready to integrate their new knowledge, contributing to Tefron's growth and enhance the products and services we offer our customers. Through these comprehensive programs, we continue to invest in our people, creating an environment where personal growth and professional advancement go hand in hand. Our commitment to employee development strengthens not only individual careers but also our entire organization, fostering a culture of continuous learning and achievement.

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**Over 2023, 30 employees attended 4 conferences and events on topics such as innovation and sustainability**

Training is tailored to the local context includes topics such as:



## Doing Good Together

At Tefron, we believe that the greatest impact is made when we work together for the common good. Our commitment to community engagement is reflected in how we encourage our employees to participate in charitable activities, both individually and as a team.

By fostering a culture of collaborative innovation, we drive ideas that not only benefit our company but also contribute positively to society and the environment. We are dedicated to creating a workplace where diversity and inclusion are celebrated, and where every team member feels valued and empowered to make a difference.

Tefron is dedicated to giving back to the communities it serves through financial support, clothing donations, and employee volunteer work. In Israel, the company carried out several initiatives, including donating 32 kilograms of clothing to a poverty-stricken area, supporting families in need, a local hospital, and the headquarters for kidnapped hostages. Tefron also partnered with Pitchon Lev, a nonprofit working to break the cycle of poverty, to help package and distribute food. Tefron regularly donates clothing to women's shelters in Asia and North America. Over the past year, employees contributed more than 100 hours of volunteer work during paid hours. Since 2019, Tefron has also proudly sponsored the Sketchers Pier to Pier Friendship Walk, which raises millions to support children with special needs and public education.

**Supporting Local Businesses and Families:** Tefron supported local businesses by purchasing goods from those affected by the conflict; boosting morale and providing financial support to those at risk. For families of employees called to reserve duty, Tefron organized the delivery of care packages and warm dinners on weekends, providing momentary relief and allowing families to focus on supporting each other.

**Aid for Displaced Families:** The war displaced many families from their homes, leaving them unprepared for extended periods of displacement and lacking essential items. With its headquarters in northern Israel, Tefron organized and delivered thousands of crates of clothing and other essentials to displaced families across the country. This commitment to community engagement and support is a core part of Tefron's identity as a global company.

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# RESPONSIBLE BUSINESS PRACTICES



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# A FOUNDATION OF ETHICS

In the modern textile industry, ethical business practices are not only a moral obligation but also a strategic necessity. As consumers increasingly demand transparency about the origins and impacts of their purchases, it is essential for textile companies to prioritize ethical practices to maintain their reputation and ensure long-term sustainability.

At Tefron, we uphold the highest standards of ethical business practices, which are reflected in our comprehensive Code of Conduct. This Code ensures that all aspects of our operations align with our core values of creativity, sustainability, and respect.

We extend these principles to our contractors and business partners, ensuring consistent adherence to ethical standards throughout our supply chain. By fostering an environment of ethical behavior, we aim to build lasting trust with our stakeholders.

## **Tefron's Code of Conduct**

Tefron fosters an ethical business culture for all employees and management. Our Code of Conduct outlines the ethical behavior expected of each employee and manager. Beyond legal obligations, the Code requires them to uphold high standards of ethical and environmental conduct in all interactions – whether with colleagues, the company and its owners, customers, suppliers, the public, the business community, government, or public bodies. The full Code, detailing these principles, is accessible in a dedicated section of our website.

- Key principles of Tefron's Code of Conduct include:
- Commitment to ethical conduct by all employees, demonstrating integrity and dependability in all interactions.
- Fundamental respect for human dignity, humanity, autonomy, and freedom of choice, ensuring respect for others' values, beliefs, and personal boundaries.

- Zero tolerance for child labor or forced labor, with clear requirements set for contractors and partners to uphold the same standards.
- Non-condonation of discrimination or harassment of any kind, promoting an environment of equality and mutual respect.
- Respect for employees' rights including reasonable working hours, fair wages, and the freedom to associate without fear of retaliation.
- Commitment to health, safety, and a safe work environment, complying with laws to prevent accidents and ensure well-being, including proper chemical management.
- Dedication to minimizing our environmental impact and promoting sustainability.

## **Upholding the Code**

The implementation and enforcement of our Code of Conduct are critical to its effectiveness. To ensure adherence to our ethical standards, we conduct comprehensive training programs covering human rights, labor laws, and health and safety practices which are incorporated into onboarding programs and refreshed regularly. We also understand the importance of giving workers and other stakeholders a voice and platform to raise concerns.

Therefore, we have established a grievance mechanism for employees to voice concerns, which is mirrored by similar mechanisms for all contractors, business partners, and suppliers. Our commitment to addressing these concerns with diligence and respect is unwavering, as evidenced by our track record of no discrimination or harassment complaints at our owned facilities.

## **External Validation**

We collaborate with industry bodies and certifications who help us define and maintain ethical standards in our operations and we extend these expectations to our subcontractors and suppliers. These organizations conduct their own audits and give our customers and their consumers' confidence in the results.



**Environmental Compliance:**



World known certification (with European focus) to guarantee product safety in terms of chemical safety. Both Tefron Ltd and Tefron Europe are certified and Tier 1 contractors must comply to work for Tefron.



Verifies and ensures accurate recycling content claims. Both Tefron Ltd and Tefron-owned facilities in Jordan are certified.

**HIGG FEM**

Tool to assess the environmental impact of product manufacturing at facilities, allowing us to trace supplier GHG emissions.



Widely recognized NGO that engages with workers, employers, and governments to improve working conditions. We have a close collaboration with the organization in Jordan.



A non-profit, multistakeholder governance group that promotes better standards in cotton farming across the globe. This is required for suppliers from whom we procure cotton.



The SLCP Program provides the tools to capture accurate data about working conditions in global supply chains. This multi-stakeholder initiative replaces the need for repetitive social audits by facilitating data sharing. This is used to support social compliance to our code among contractors and suppliers in Tefron activities in China.



BSCI (Business Social Compliance Initiative) is the European social monitoring system for ethical sourcing. Tefron Europe was audited for BSCI.



Sedex and SMETA - Sedex stands for Supplier Ethical Data Exchange, which is an online system that allows suppliers to maintain data on ethical and responsible practices and allows them to share this information with their customers.

SMETA was developed by SEDEX, SMETA audit covers topics such as labor standards, health and safety, environmental performance, and business ethics. We utilize this as another system for verifying compliance among contractors. Tefron Europe was also underwent a Sedex Members Ethical Trade Audit Report in 2023. There were no findings, and 2 "Good Example" points were identified.



BSCI (Business Social Compliance Initiative) is the European social monitoring system for ethical sourcing. Tefron Europe was audited for BSCI.

# RESPONSIBILITY IN OUR SUPPLY CHAIN

Tefron recognizes the significant impact our operations can have beyond our direct activities. Managing a responsible supply chain is crucial, and we are committed to addressing both environmental and social issues throughout. We recognize the importance of managing a responsible supply chain to ensure the resilience, transparency, and ethical standards of our production processes and those of our partners. We share this commitment, trusting that our partners will extend their ethical and quality standards up the supply chain. Each partner has detailed codes and manuals to ensure products meet their precise requirements, and we are diligent in communicating that to our manufacturing facilities.

As Tefron's operations have expanded over the years and the supply chain diversified, more structures have been put in place to ensure consistency throughout the company. Regardless of geographical location, a Tefron product must stand for the quality, performance, and ethical standards we uphold – Excellence with responsibility.

## Structure of the Supply Chain

Tefron's supply chain is structured into three tiers:

- Tier 1: Garment Manufacturing
- Tier 2: fabric Dyehouse & Finishing
- Tier 3: Yarn & Trims

Tiers 1 and 2 are primarily composed of contractors who produce garments based on our precise parameters. Tier 3 and above mainly consist of suppliers who provide the materials for making these garments.

Additionally, we have our own facilities in Jordan and Romania, where we manage both Tier 1 and Tier 2 processes. Our operations in China rely almost exclusively on contractors for manufacturing, and we have robust management mechanisms in place to ensure that we meet the Tefron standard expected elsewhere. Judging by revenue, approximately a third of Tefron's manufacturing is done in our owned facilities, and two-thirds by contractors.

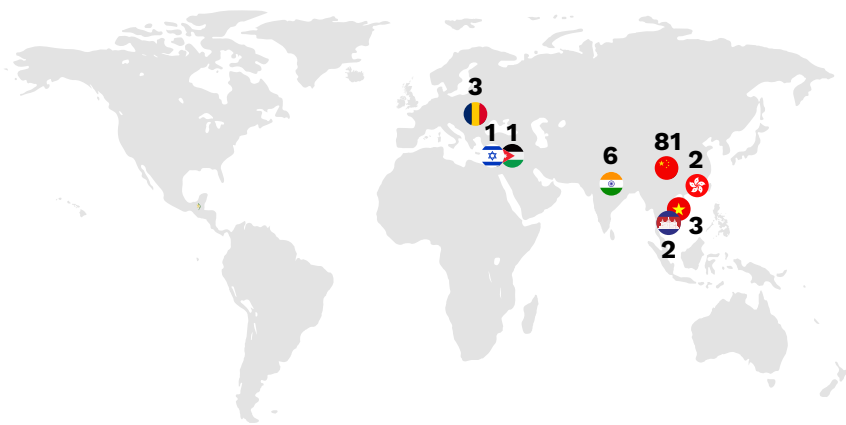
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Dyeing and washing sites hold particular significance in terms of worker health and safety and environmental protection, as the chemicals used at these sites have the potential to negatively impact the environment if not managed diligently. Therefore, at these sites especially, we require external certifications such as OEKO-TEX and adherence to platforms like Bhive for chemical management.

Suppliers for trims and accessories are often nominated by the brands we work with, so our efforts are focused on ensuring contractors meet the standards we set, as well as carefully monitor the yarns and dyes we use. Nonetheless, we do require all suppliers to uphold the standards outlined in our working agreements.

Our global supply chain includes contractors across multiple countries, enhancing the resilience and diversity of our operations:



**Management Structures**

At Tefron, we have established a robust compliance team to ensure adherence to our standards of ethics, quality, transparency, and traceability. This team is responsible for defining expectations, communicating them to contractors, and updating them when necessary. Each region has a local compliance manager, and together, they function as a global team to align, collaborate, and adapt practices to both global standards and local regulatory contexts, as well as the specific requirements of each customer. Necessary training is provided to supervisors in the factories, which is then extended to local workers to enforce standards comprehensively.

Audits are conducted for subcontractors periodically and as part of setting up new engagements. Our audits involve an accreditation process for contractors and business partners to ensure compliance with our Code of Conduct and other ESG criteria. We conduct our own assessment when onboarding new factories, and in certain areas, such as worker rights and chemical management, we accept evaluations from trusted third parties. All subcontractors pass audits conducted by us, customers who share our standards and values, or through certifications. Accepted third-party social compliance audits include WRAP, SMETA, ILO, and BSCI. Even in these cases, we strive to visit all factories at least once every two years. In certain areas, audits are conducted up to twice a year or as necessary.

We utilize both physical visits to the facilities and verification of documentation, evaluating management practices in theory and in practice. During these visits, we verify aspects such as whether workers know how to operate the machines, whether environmental management processes are enforced and verifying the availability – and use – of personal protective equipment.

**The Tefron Sustainability and Compliance Manual**

Tefron strives to do business with suppliers and contractors who adhere to our core values of creativity, sustainability, and respect. To ensure this, we developed the Sustainability and Compliance Manual, a comprehensive framework of policies and standards designed not only to establish ethical and equitable work conditions but also to commit to environmental sustainability. This Manual covers a wide range of issues, from promoting worker well-being to ensuring a safe workplace, fair compensation, and the right to associate freely. It also addresses concerns such as avoiding conflict minerals and ensuring all materials are sourced responsibly.

**Quality Assurance at Subcontractor Facilities**

Subcontractors adhere to detailed specifications provided by Tefron, which include both product specifications and environmental and social requirements. A Tefron representative is present on the production floor at all facilities to oversee and perform quality control, ensuring that in-line inspections are conducted daily, and a final inspection is completed before goods are released.



## Managing Environmental Responsibility

Aware of the textile industry's significant potential environmental impact, we strive to innovate and implement creative solutions to protect the environment while maintaining the high-quality standards our products are known for. Our environmental initiatives are designed to address a variety of concerns, focusing on sustainable practices that reduce our ecological footprint, including circular design, waste management and resource reduction.

To effectively fulfill our environmental goals, we closely collaborate with contractors and suppliers who are integral to our operations. The environmental topics we focus on are comprehensively outlined in our Sustainability and Compliance Manual, ensuring all partners adhere to these standards:

- **Formulating an Environmental Quality Procedure:** Developing standardized procedures to maintain environmental integrity across all operations.
- **Data Collection and Analysis:** Rigorously collecting and analyzing data on water usage, wastewater disposal, waste management, energy consumption, and greenhouse gas emissions.
- **Environmental Permits and Certifications:** Ensuring all facilities hold the necessary environmental permits and certifications as required by local authorities.
- **Higg FEM Self-Assessment and Verification:** Conducting annual self-assessment and third-party verifications of the Higg Factory Environmental Module (FEM) shared with Tefron representatives via the Higg platform within stipulated timelines.
- **Compliance with ZDHC MRSL:** For facilities that generate Industrial wastewater (from processes like dyeing and washing), ensuring compliance with the Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substances List (MRSL) guidelines, which includes testing water at least annually.
- **Chemical Management Compliance:** Facilities using chemicals must comply with relevant Restricted Substances Lists (such as REACH for

Europe) and the RSLs specified by our customers. Facilities producing for customers with mandatory Oeko-Tex requirements must obtain Oeko-Tex certification to ensure products are free from harmful levels of restricted substances.

By implementing these comprehensive policies and procedures, Tefron commits to reducing its environmental impact and promoting sustainability throughout its supply chain. These efforts align with global standards and reinforce our commitment to environmental stewardship, ensuring that our manufacturing processes are as sustainable as they are innovative.

### Transparency and traceability

To enhance the transparency of our supply chain, we utilize advanced management tools. These include a newly implemented product lifecycle management system and the Higg Facility Environmental Module (FEM), a platform developed by the Sustainable Apparel Coalition. This module assesses the environmental performance of our manufacturing facilities and requires all our contractors and business partners to complete an annual FEM self-assessment. Furthermore, third-party verification of these assessments is mandated by the second year to ensure compliance.

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**All Tier 1-2 suppliers disclose their performance on the system and 86% suppliers on the system are at least partially 3rd party verified**

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The Compliance Team utilizes the FEM data to comprehensively monitor the performance of all Tefron and its subcontractors' factories. It provides detailed statistics and identifies areas for potential improvement, enabling a holistic view of our environmental impact, and facilitating ongoing enhancements in our operations.

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**42 suppliers submitted Higgs FEM assessments**  
**46 Average score for verified submissions (36 suppliers – 86%)**

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## Managing Social Responsibility

At Tefron, ensuring social responsibility within our supply chain is paramount. We mandate that all manufacturing sites undergo annual social audits to guarantee compliance with our Code of Conduct. These audits serve as our primary method for monitoring suppliers' adherence to our ethical standards.

The Sustainability and Compliance Manual outlines our values and sets practical requirements for contractors, addressing critical issues such as human rights and working conditions. This includes specific expectations concerning the employment of migrant workers – a common practice in the textile industry.

Our process for monitoring compliance involves several key steps:

- **Initial Meetings:** Tefron representatives meet with contractors to discuss the terms outlined in the Sustainability and Compliance Manual.
- **Agreement:** Contractor and business partners are required to sign the Manual to initiate collaboration. The Manual must also be communicated to all their employees to ensure widespread understanding and compliance.
- **Annual Audits:** All manufacturing sites undergo annual audit. Audits are conducted by Tefron representatives or trusted third-party auditors. Occasionally, unannounced audits are performed to ensure ongoing compliance.
- **Additional Assessments:** When necessary, additional assessments or questionnaires are utilized, such as those covering conflict minerals, hazardous materials management, and organic materials.
- **Follow-Up:** If critical issues are identified, follow-up audits are conducted. If a contractor consistently fails to meet our standards, we may terminate our engagement.

We maintain a zero-tolerance policy towards forced labor, child labor, discrimination, abuse, and the practice of double payrolls. We strictly prohibit the employment of children under the age of 18 and diligently work to uphold

this standard across our supply chain. We know of no instances of forced or child labor among our suppliers in 2023 based on audit reports conducted by us and third parties.

### EHS and Worker Wellbeing at Sub-Contractor Facilities

The health and well-being of workers are critical to us. We set non-negotiable “threshold issues” on working conditions, including keeping overtime within legal limits, ensuring legally mandated rest days, and timely full payment of salaries. We also verify that appropriate safety measures, especially fire safety, are in place. In regions like China, where extended overtime is prevalent, our audits include a detailed review of timesheets.

During factory visits, our representatives engage directly with employees to get a clear understanding of what is happening on the ground, while also conveying our priorities. For example, if workers do not use PPE due to comfort concerns, we can address the issue and emphasize the importance of its use. We strive to maintain respectful and constructive conversations with both workers and managers. When issues are identified, contractors are given a timeframe to implement necessary changes, followed by a follow-up audit to confirm compliance.





We collaborate with various certification and social audit programs to ensure the fair treatment of employees, both at Tefron and at subcontractor facilities. We utilize SMETA, developed by the Supplier Ethical Data Exchange (Sedex), to monitor labor standards, health and safety, and business ethics. In China, we also participate in the Social and Labor Convergence Program, which facilitates data sharing and reduces the need for repetitive audits, though, regular audits are still conducted to maintain the highest levels of compliance.

In 2023, we enhanced our processes for assessing the effectiveness of the grievance mechanisms employed by our contractors and business partners. This ensures that all concerns raised by workers are addressed promptly and effectively, in line with the best practices outlined in our Sustainability and Compliance Manual.

To ensure social compliance, Tefron encourages subcontractors to participate in recognized social compliance programs. Our representatives are stationed daily at subcontractor facilities in China to monitor production processes and ensure that safety measures are consistently upheld. Non-compliance with the Manual may result in the termination of relationships with subcontractors, as we maintain zero-tolerance policy for safety violations and risks.

We provide our business partners with specific conditions and requirements that must be adopted to meet our health and safety standards. These include implementing safety procedures, conducting safety training, and establishing a dedicated safety manager at each facility.

To ensure we partner with suppliers who share our values, we utilize well-recognized third-party certifications and frameworks. While we accept these certifications in place of our own audits, we commit to visiting each facility at least once every two years or more frequently if past performance warrants.

Tier 1 suppliers are required to adhere to specific ethical standards to collaborate with Tefron. These standards include BSCI, WRAP, BetterWork, SMETA, and SLPC with third-party verification if requested by customers. These certifications are verified annually to ensure the standards are consistently maintained. A list of the certifications and standards we utilize is detailed in the section on Ethical Conduct.

## ABOUT THE REPORT

This is Tefron's inaugural Sustainability Report, offering a comprehensive overview of the company's efforts and accomplishments in promoting sustainable practices across our global operations. It underscores our commitment to transparency, accountability, and continuous improvement in addressing environmental challenges, enhancing social well-being, and maintaining high standards of corporate governance.

The scope of the report covers our global activities in 2023, providing insights into key initiatives, performance metrics, and strategic priorities in sustainability. Unless otherwise indicated, the quantitative data pertains to activities at wholly owned or operated facilities as of December 2023.

The report included several topics that Tefron chose to emphasize, but the inclusion of a particular detail in the report or the exclusion of other details does not indicate whether they are material or immaterial and does not constitute any representation on the part of Tefron regarding the entirety of its activities. It should be emphasized that the report is based on business data relevant to Tefron's activities and that the data therein is not intended to be a substitute for the data published in the financial statements of Tefron and other official reports issued by Tefron to the Stock Exchange. Accordingly, with regard to financial data or data regarding activity volumes, profitability, forecasts, and the like, only the data detailed in the financial statements are binding on Tefron, and in any case of contradiction, the data detailed in the financial statements and other official reports issued to the Stock Exchange shall prevail. This document contains no expressed or implied representation or undertaking and should not be relied upon as to the accuracy, completeness or correctness of the information or opinions contained therein.

Neither Tefron nor any of its employees or representatives shall be liable in any way (whether due to negligence or otherwise) for any loss arising in any way from the use of this document or its contents or in any other way in connection with this document. Tefron's future activities and the results of its operations are subject to risk and uncertainty that may lead to a material change in actual results compared to expected results. Accordingly, the information in this report should not be relied upon to predict what will be done in the future.

The topics included in this report align with our sustainability strategy, outlining the key sustainability issues facing the company, our management approach, and the impact we aim to make within the industry and with our stakeholders. Additionally, the report has been constructed in accordance with the Sustainability Accounting Standards Board (SASB) standard for Apparel, Accessories, and Footwear to ensure our stakeholders receive accurate and relevant information.

We have included case studies, performance data, and narratives that reflect our activities, aspirations, and progress. By sharing our journey, we aim to inspire and engage stakeholders, inviting them to join us in our pursuit of sustainability and positive impact.

We extend our sincere gratitude to our employees, partners, customers, and communities for their continued support and collaboration. Their contributions are vital to our continued success and the realization of our aspirations.

We welcome feedback from our stakeholders and appreciate your interest in Tefron's Sustainability and ESG journey. Please reach out to us with any questions or comments: contact Regina Kravitz at [kregina@tefron.com](mailto:kregina@tefron.com).

We look forward to your engagement and value your perspectives as we continue to advance our ESG initiatives.



## SASB Index: Apparel, Accessories & Footwear

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE	REFERENCE
Management of chemicals in products	Discussion of processes to maintain compliance with restricted substances regulations.	Discussion and analysis	N/A	CG-AA-250a.1	Designing for Sustainability – Page 25, 26, 32, 35 Managing Environmental Responsibility – Page 65
	Discussion of processes to assess and manage risks or hazards associated with chemicals in products.	Discussion and analysis	N/A	CG-AA-250a.2	Designing for Sustainability – Page 32, 35 Responsibility in our Supply Chain – Page 64, 65
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements.	Quantitative	Percentage (%)	CG-AA-430a.1	Sustainable Operations and Production – Page 31 Managing Environmental Responsibility – Page 65
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment.	Quantitative	Percentage (%)	CG-AA-430a.2	Managing Environmental Responsibility – Page 65
Labor Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor.	Quantitative	Percentage (%)	CG-AA-430b.1	Managing Environmental Responsibility – Page 65
	(1) Priority non-conformance rate and (2) associated corrective action rate for suppliers' labor code of conduct audits	Quantitative	Rate	CG-AA-430b.2	Responsibility in our Supply Chain – Page 64 Managing Social Responsibility – Page 66
	Description of the greatest (1) labor and (2) environmental, health and safety risks in the supply chain.	Discussion and analysis	N/A	CG-AA-430b.3	Designing for Sustainability – Page 26
Raw Materials Sourcing	(1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors and (4) management strategy for addressing business risks and opportunities.	Discussion and analysis	N/A	CG-AA-440a.3	Designing for Sustainability – Page 26 Health and Safety – Page 34
	(1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental or social standard, by standard.	Quantitative	Metric tonnes(t)	CG-AA-440a.4	Designing for Sustainability – Page 26, 27
	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1	Quantitative	Number	CG-AA-000.A	Responsibility in our Supply Chain – Page 64



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