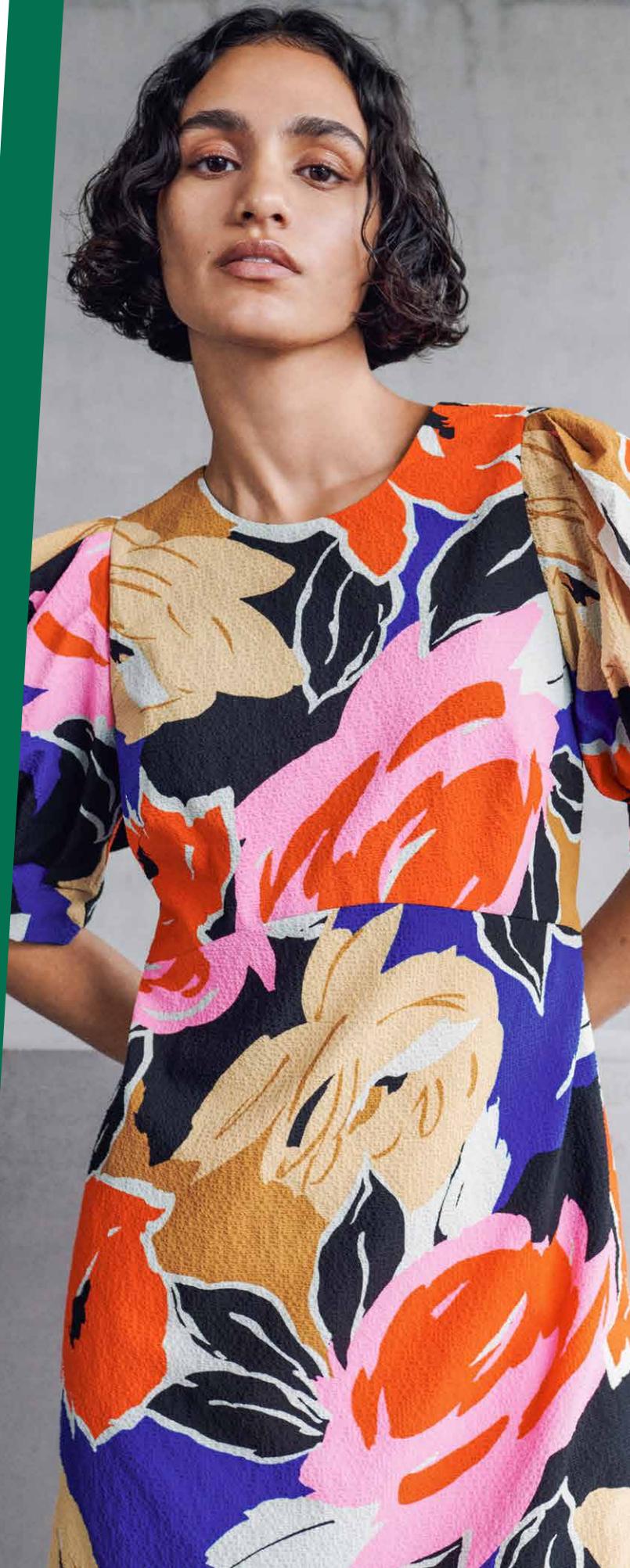




B E S T S E C R E T

Sustainability Report

**20
22**



About this report

The information presented in this report relates to BestSecret Group. BestSecret is headquartered in Dornach, Germany. Locations under operation include:

- The headquarters in Dornach near Munich, Germany
- A logistics center in Poing, Germany
- A premium and outlet store in Munich, Germany, a premium and outlet store in Dornach, Germany, an outlet store in Dresden, Germany, and a premium store in Vienna, Austria
- A Tech Hub Center in Granada, Spain

Data and information presented refer to the fiscal year 2022 (1. January 2022 – 31. December 2022) and refer to all locations under the operational control of BestSecret Group unless noted otherwise.



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About BestSecret

BestSecret is a leading members-only online destination for off-price fashion in Europe. With a focus on mid-market to luxury fashion, we provide our customers throughout Europe with exclusive access to a permanent assortment of more than 300,000 articles from around 3,000 international brands at compelling discounts. At the same time, we offer our brand partners an attractive opportunity to sell their overstock at scale through a discreet and controlled channel which protects their brand equity.

With a heritage of nearly 100 years in the textile industry, we have demonstrated an impressive growth trajectory and evolved from an offline retailer to a fast-moving, tech-driven online player with a wholesale and curated platform business. Our online offering is complemented by a select number of offline retail stores, with the premium stores designed to promote our brand image and the outlet stores maximizing the clearance rate of our inventory.



Our success is based on leveraging our deep and trusted relationships with our brand partners and customers. Our unique business model, entrepreneurial focus, diverse and experienced leadership team, and the continued expansion of our operational and technological capabilities have enabled us to successfully embrace the structural shift to online and adapt to changing consumer behavior and brand partner needs.

BestSecret Group generated revenues of EUR 1051 million in 2022 and employs approximately 1,900 people from over 90 nations. The Group today is owned by Permira Funds and the founding families Schustermann and Borenstein.

€ 1,051
million revenues
in 2022

~1,900
employees

~3,000
brands

available in
27
countries



Letter from Our CEO

2022 was a turbulent year for the online fashion industry. The rapid growth in 2021 fueled by the COVID-induced online boom leveled off and a short-term demand shock hit Europe on the heels of the outbreak of the Russian-Ukraine war. On top of that, global supply chain disruptions caused limited supplies and rising prices, which were further exacerbated by higher energy costs. Despite the challenging environment, BestSecret still had a successful year and showed resilience. We achieved a 11 % increase in revenue alongside a double-digit adjusted EBITDA margin of 13 %, a 14 % expansion in our active customer base, and a 13 % growth in our shipments. Overall, we were able to increase our market share and advanced on our path to achieving our vision to become the #1 online destination for off-price fashion in Europe.

Giving overproduced fashion items their first life is the core of our business model. Thereby we inherently contribute to more sustainability in the fashion industry. The goal of our Sustainability Program is to make what we sell and how we sell it as sustainable as possible. Although we adjusted the pace of our Sustainability Program in 2022 due to the more challenging business environment, I am proud to say we maintained our program and made progress in all of our six focus areas.

“Giving overproduced fashion items their first life is the core of our business model.”

We implemented an online product take-back program in partnership with Vite En Vogue/Buddy-&Selly to further reduce the number of discarded fashion items. To strengthen minimum sustainability requirements for our articles and promote human rights in our supply chains, we stopped sourcing real fur and exotic leather and developed a new Supplier Code of Conduct. In the area of waste minimization, we reduced the packaging material per shipment, particularly plastic and we were able to lower our Scope 1 and 2 greenhouse gas emissions by 55 % per unit of revenue. To advance our employee experience, we updated our annual performance review process, invested in pay equity, and increased our leadership training. In addition, we will pay all our permanent employees an inflation compensation premium of EUR 3,000



until the end of 2024 to support our workforce in turbulent economic times. Moreover, we were able to respond to major global and local challenges. BestSecret and its employees donated to aid organizations helping those affected by the war in Ukraine, and we provided almost 14,000 winter clothing items directly to Kyiv, the partner city of Munich, where our headquarters are located.

In order to be on the right side of history, there is much more we need to do to respond to the environmental and social challenges our world is facing. I am looking forward to continuing and further accelerating our Sustainability Program in 2023 and beyond.

Moritz Hahn, CEO





Our Sustainability Strategy



We believe our business model inherently contributes to more environmental sustainability in the fashion industry, as the biggest sustainability impacts occur during the production of garments. By focusing on overstock clearance, we help ensure that every piece of fashion that is fit-to-wear finds an owner and is not discarded as waste without ever being worn. Just as second-hand retailers provide products with a second life, we give fashion its first life.

Moreover, our online off-price model offers our customers a more sustainable alternative to shopping in remote outlet centers. Numerous studies have concluded that online shopping on average leads to lower carbon emissions compared to in-store shopping due to consolidated shipments, well-utilized infrastructure and avoidance of private transport by car.

In addition, we are further increasing the sustainability of our company through our own Sustainability Program, which is built around six focus areas that emphasize positive environmental and social impact. They were identified through a stakeholder analysis in 2021 that included the perspectives of our customers, employees, investors, and peers.

Our strategy is divided into two large areas: what we sell (our articles) and how we sell it to our customers (our orders).



Our Sustainability Program

Overview Sustainability Program

Overarching Program management

Current focus · Program direction (materiality assessment) · Overarching KPIs (esp. Scope 3 GHG data collection)

What We Sell – Our Articles

How We Sell – Our Orders

	What We Sell – Our Articles			How We Sell – Our Orders		
Focus areas	I Reduce the number of discarded fashion items	II Improve the sustainability of our supply	III Promote human rights in our community	IV Minimize waste per shipment	V Reduce operational greenhouse gas emissions	VI Care for our talent
Current focus	<ul style="list-style-type: none"> Product take-back program Pre-loved product offerings 	<ul style="list-style-type: none"> Supplier Code of Conduct Supplier risk analysis 	<ul style="list-style-type: none"> Human rights in the supply chain Donations 	<ul style="list-style-type: none"> Reduction of packaging and plastics Packaging size automation 	<ul style="list-style-type: none"> Energy efficiency Renewable electricity 	<ul style="list-style-type: none"> Employee Resource Groups Leadership trainings

Sustainability Program management

The Sustainability Program Lead coordinates initiatives across the company and different focus areas and advances overarching initiatives – such as KPI development – and steering the strategic direction of the program, directly. To ensure the Sustainability Steering Committee is informed on initiative progress and developments in regulations and stakeholder requirements, the Program Lead reports to the Committee quarterly.

The current focus of Program Management is to sharpen the strategic direction of the program and align it with upcoming regulations, such as the Corporate Sustainability Reporting Directive (CSRD). To achieve this, we will conduct our next materiality assessment in 2023. Another focus of 2023 will be enabling the data collection for our most relevant scope 3 greenhouse gas emissions categories. For more information on these efforts see the chapter [➤ REDUCE OPERATIONAL GREENHOUSE GAS EMISSIONS](#).

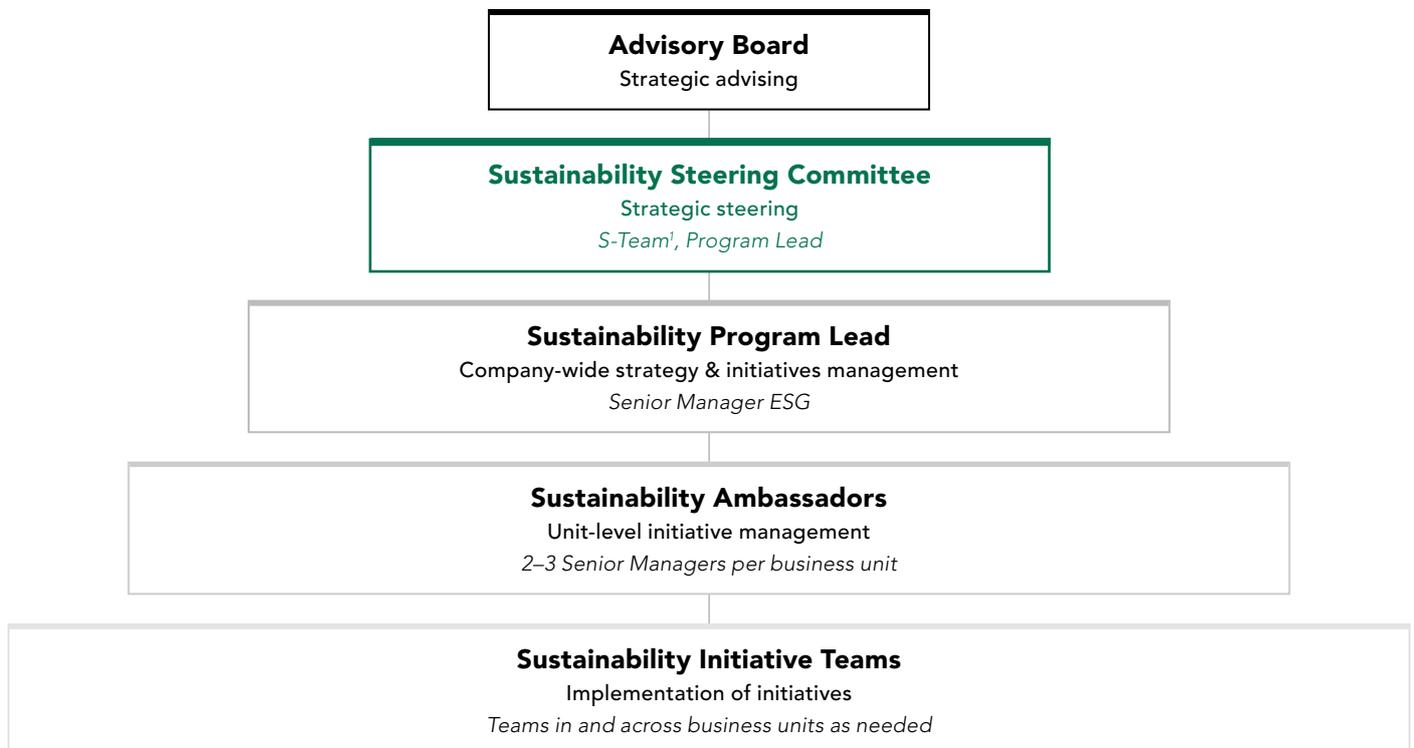


Sustainability governance structure

To ensure sustainability is anchored and lived throughout the organization, we established a clear organizational structure. BestSecret’s Sustainability Steering Committee, which is comprised of BestSecret’s Senior Leadership Team (S-Team)¹ and the Sustainability Program Lead, provides strategic oversight and ensures commitment from the Management Board and all senior leaders.

It convenes quarterly and regularly provides updates to our Advisory Board. Sustainability Ambassadors and their teams throughout our business units work on initiatives designed to promote progress toward our six focus areas and identify and fill existing gaps. They regularly meet with the Sustainability Program Lead and report to their respective Unit Owner.

Sustainability organization



¹ Includes BestSecret’s Management Board, Chief of Staff, General Counsel, selected Advisory, and all Unit Owners



Sustainability Ambassador Spotlight



Manfred Welt

Director of Retail Operations and Sustainability
Ambassador for the Business Unit Retail

What makes you passionate about sustainability?

I have always cared deeply about social issues and being a parent made me realize that climate change and resource scarcity can no longer be ignored. I'm convinced that if we don't act now, it will be too late. For my children's future, I want to do more than just reduce my speed on the highway and take action not only privately but also in the scope of my work. That's why I was quick to raise my hand to get engaged when we started our Sustainability Program in 2021. I'm passionate about advancing our initiatives alongside my business owner, my fellow Sustainability Ambassadors, and my teams on the ground.

Can you name a few examples of initiatives that you have been involved with so far?

There are quite a few actually. We optimized waste separation and recycling and switched to recycled hangers. We also addressed energy consumption in the stores, which was a somewhat more extensive initiative that is still ongoing. In addition to an energy consultation, we created training programs, handouts, and posters to get every single employee of the retail unit involved. This paid off at the onset of the energy crisis since our employees could apply the knowledge at home. We have also started to convert the lighting in all our stores to LED lamps and have installed motion sensors. In another initiative, we recently stopped handing out free bags to customers.



Why are you now charging for bags?

Let's start from the beginning: First, we decided to change our bags from plastic to paper and fabric bags. It was very important for us to only use paper from certified sustainable forestry. Sustainability means that you can use resources, but in a way that allows them to regenerate. However, producing bags still has environmental impacts. That's why we then began charging money for the bags – to incentivize customers to bring their own. By charging a small amount, we've been able to reduce consumption by about 28%. We decided to donate the money made locally to the Kinderhospitz München e.V., which provides hospice care for children and supports their families.

Wow, so both environment and people are benefitting.

Yes, that is why I have to say, so far this is my favorite project! I think if you want to act sustainably, you should do it holistically. We no longer have plastic bags, the new bags are made of renewable materials, we have substantially reduced consumption, and the proceeds go to a social project.

Are there other projects with a social aspect you realized?

Not me directly, but at the beginning of March last year, we received a request from Kyiv via the Mayor of Munich asking for donations of clothing on short notice. Our Business Unit Owner Gerald

Wallenberger led the coordination process with the management and the owner families of BestSecret. Once the decision was made, one of our teams got to work and identified, collected, and packed all goods for shipment. Everyone was immediately enthusiastic and supportive. It was a really great effort from everyone involved and the only way to send a huge donation of clothes to Ukraine within a few days.

Any other initiatives from your business unit you would like to highlight?

Of course, I'm not the only Sustainability Ambassador in my unit. My colleagues Christina and Luis implemented the biggest one, a take-back program for second-hand clothes, first with pop-up events at our stores but now also with a program for BestSecret's online business. Everything has been very well received by our customers.

With all the enthusiasm and great results, was there something that surprised you?

I was definitely surprised by the amount of positive feedback I got from my colleagues. Many of them told me they are passionate about the same issues and are very grateful we are pushing them within the company. My coworkers have given me so much in return, and it showed me that we are on the right track. I am super excited for 2023 and all the projects we will push forward with the same enthusiasm as last year.



What We Sell – Our Articles

By mainly selling overstock, we help ensure that every piece of clothing produced and fit-to-wear finds an owner who appreciates it. We thereby divert clothing from landfills, increase the use of produced garments, and avoid the environmental, societal, and economic impact of exporting products outside of Europe.

As part of our Sustainability Program, we aim to further promote sustainability in fashion by providing a high-quality and durable assortment of products that meets minimum environmental and social standards, maximize the life of our articles, and promote them in an inclusive way that reflects the diversity of the world we live in. We identified the following three focus areas to make “what we sell” more sustainable:

FOCUS AREAS



Reduce the number of discarded fashion items



Improve the sustainability of our supply



Promote human rights in our community



FOCUS AREA I

Reduce the number of discarded fashion items

The production of each fashion item results in carbon emissions, energy and water consumption, and ultimately waste. Therefore, each item produced should be worn. The fashion industry's long production lead times, and rapidly changing consumer trends accompanied by ambitious sales targets however make it difficult to accurately predict product demand. The result is unsold overstock. A significant portion of newly manufactured garments remains unsold and may be discarded or destroyed before ever being used.

BestSecret has worked to solve this problem for years. By focusing on the sale of our brand partners' overstock, we offer our members high-quality articles at great prices while ensuring they are not discarded. Our goal is to maximize the percentage

of overstock in our portfolio. However, since product availability fluctuates with global market trends we supplement our merchandise with evergreens, special productions, and in-season collections. This makes our overall portfolio more attractive to our members, which in turn allows us to clear out overstock more effectively and consistently. In 2022, we made around 70% of our revenues with overstock articles.

We work hard to ensure that we do not create an overstock problem ourselves and that all articles we source find an owner. In 2022, 99% of our articles¹ were sold within the BestSecret ecosystem of our online platform and retail stores¹. We only discard or destroy items if they are severely damaged or we are legally required to do so.

Reducing the number of discarded fashion items

	2022	2021	2020	Change 2022
# of second-hand items taken back from customers	8,592	738	not tracked	1,064%
Via online take-back program	5,665	–	–	n.a.
Via via pop-up events in stores	2,927	738	not tracked	297%
Share of BestSecret stock sold via our ecosystem¹	99%	99%	98%	–%

¹ KPI does not include articles sold by our brand partners via our Curated Platform.



We acknowledge that our responsibility for our articles doesn't end after they have been sold. After hosting successful product take-back events in our stores for a few years, one of our major initiatives in 2022 was the implementation of an online product-take-back program. It has been very well received by our members: Over 5,500 high-quality items have been sent in already and have been offered for resale by our partner Vite EnVogue. We also worked on a new second-hand article category, through which we hope to further extend the lifespan of articles. Beginning in early 2023, we kicked off a test pilot offering our customers pre-loved luxury articles as a more sustainable alternative to buying new items. Since luxury items tend to be high quality and very durable, they are particularly suitable for a second life. Depending on the success of this initiative, we will extend our pre-loved portfolio further.

Our goal with both initiatives is to contribute to the circularity of fashion. While the linear economy is essentially a one-way street, with resources being used only once and then thrown away, circularity is like a recycling loop, where resources are kept in use for as long as possible, with minimal waste and pollution. Through our pre-loved and product take-back programs, we are "bending" the linear process and preventing articles from ending up in landfills prematurely.

WHAT WE ACHIEVED IN 2022:

- Implemented an online product take-back program
- Held product take-back events in our stores
- Provided millions of garments with their first life by selling our brand partners' overstock
- Maintained the share of articles in our stock that could not be sold in our ecosystem at 1%

WHAT WE ARE WORKING ON IN 2023:

- Launching a pre-loved second-hand product category
- Implementing resale events in our stores



FOCUS AREA II

Improve the sustainability of our supply

The environmental and social impacts of fashion are significant, from fiber growing and sourcing to chemical dyes to labor conditions in the supply chain, to end-of-life disposal. To strengthen the minimum social and environmental requirements for our supply, we developed a Supplier Code of Conduct in 2022. From 2023 onwards, it will need to be signed by all suppliers alongside our terms of delivery. In addition, we implemented animal exclusion guidelines and are no longer sourcing real fur and exotic leather, even if it is overstock. We welcome the recent enactment of the German Supply Chain Due Diligence Act and are working to ensure full compliance by 2024. As such, we are establishing supplier risk assessments for human rights and environmental violations as well as all other provisions required by the Act. To learn more read the chapter [➤ PROMOTE HUMAN RIGHTS IN OUR COMMUNITY](#).

Consumers and brands alike however are increasingly looking to go beyond minimum requirements and toward more sustainable alternatives such as organic, animal-free, or recycled materials, and more ethical production practices. At BestSecret, we mainly sell overstock and focus on mid-market to luxury fashion, which is generally higher quality, more durable, and a better fit for a second life than most fast-fashion items. These products are inherently a more sustainable shopping choice than continuously buying the latest microtrend. Although our control over the production practices and the sustainability of the materials of the overstock items we sell is limited, we are working to address the impact of our articles by beginning to include second-hand articles into our portfolio and training our buyers on the CO₂ intensity of different materials and sustainable sourcing practices in 2023. In parallel, we will work on improving data collection to evaluate the carbon footprint associated with the production of our articles in more detail.



We have more control over our Private Label products. Initiatives in 2022 to increase the sustainability of those products, included a significant shift of shoe production – the largest product category of our Private Label business – from China to Europe. with 43 % of production occurring in Europe compared to 31 % in 2021. While production there is more expensive, environmental and social standards tend to be higher and transportation routes are shorter. In the second-largest product category, women’s wear, we significantly increased our efforts to source more sustainable materials, such as organic cotton, or more sustainably produced viscose.

We recognize the need to improve the labeling of more sustainable articles on our website. Our new ERP solution, which is planned for 2024, will allow us to do this comprehensively and in line with upcoming regulations. In 2023, we will evaluate temporary solutions with our existing systems while also working on the new system implementation.

WHAT WE ACHIEVED IN 2022:

- Developed a new Supplier Code of Conduct
- Stopped sourcing real fur and exotic leather
- Increased the share of private label footwear that is produced in Europe
- Increased the share of sustainable materials in our private label women’s line

WHAT WE ARE WORKING ON IN 2023:

- Ensuring compliance with the German Supply Chain Due Diligence Act by 2024
- Training buyers on climate-friendly and sustainable sourcing practices
- Strengthening criteria and transparency for more sustainable products



FOCUS AREA III

Promote human rights in our community

We are committed to safeguarding human rights throughout our company and across our supply chain. In addition, we promote diversity, equity, and inclusion (DEI) in the fashion industry and support humanitarian work and social causes through donations.

Human rights in our supply chain

The most significant human rights challenges in the fashion industry usually involve the production phase of garments. They include issues such as health and safety, poor working conditions, low pay, gender-based violence, and repression of unions and freedom of association. The industry's record on human rights is not acceptable – we all must increase our efforts.

As a fashion reseller in the off-price market segment, our direct impact on the supply chain of most items we sell is limited. However, we are committed to complying by 2024 with the requirements of the German Supply Chain Due Diligence Act (SCDAA), which regulates corporate responsibility for compliance with human rights in global supply chains. This includes, for example, protection against child labor, and the right to fair wages. To this end, we developed a separate Supplier Code of Conduct in the reporting year, which all suppliers will be asked

to sign beginning February 2023 prior to a new business transaction with us. It is based on national laws and regulations as well as international conventions such as the United Nations Universal Declaration of Human Rights, the Guidelines on Children's Rights and Business Practices, the United Nations Guiding Principles on Business and Human Rights, the International Labor Standards of the International Labor Organization, as well as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). It also includes a whistleblowing channel.

In 2023, we will work to ensure compliance with all other aspects of the SCDDA by 2024. As part of this, we will appoint a Human Rights Officer, identify, assess, and prioritize the risks in our supply chain and define measures to prevent or minimize violations of human rights and the environment.

Other efforts to promote human rights

Our company Code of Conduct, updated in 2022, reaffirms our respect for everyone's fundamental dignity and human rights. This includes but is not limited to ensuring equal opportunities, fair compensation, and health and safety. We do not tolerate any form of discrimination, harassment, child



and forced labor, or any other human rights violation by any employee or partner of BestSecret. In 2023, we will focus on ensuring that our own facilities are in full compliance with the SCDDA by 2024.

We also recognize that fashion is often presented in a non-inclusive way and reinforces stereotypes. In 2022, as part of our human rights focus, we continued our work to increase the diversity of the models presenting our articles and will continue to do so in 2023.

Donations

We are aware of our responsibility to support human rights, alleviate human suffering, and promote well-being beyond our business activities. Providing financial support during global crises is one of our main donation goals. The outbreak of the war in Ukraine in early 2022 was a shock to all of us. To help, we donated almost 14,000 winter clothing items directly to the Ukrainian capital Kyiv. Moreover, we financially supported the efforts of our logistics partner in Poland to help Ukrainian employees and their families affected by the war. In parallel, we ran a donation campaign for Doctors Without Borders and the UN Refugee Agency, where BestSecret matched every euro donated by our employees. As in past years, we donated 20%

of our proceeds from targeted product campaigns to Amnesty International and the Pink Ribbon Association to support LGBTQIA+ rights and women’s well-being.

WHAT WE ACHIEVED IN 2022:

- Updated our company Code of Conduct
- Developed a Supplier Code of Conduct
- Donated to people in Kyiv, war refugees, LGBTQIA+ rights, and breast cancer awareness

WHAT WE ARE WORKING ON IN 2023:

- Sharing our Supplier Code of Conduct with all active suppliers and requesting their signature prior to a new business transaction
- Identifying, assessing, and prioritizing the risks in our supply chain
- Defining measures to prevent or minimize supply chain violations to ensure compliance with the SCDDA by 2024
- Updating our whistleblower process



How We Sell – Our Orders



We believe our online model represents a more environmentally responsible alternative to shopping overstock in physical stores. Outlets are often characterized by an intentional physical distance from city centers and therefore require dedicated car trips, whereas transportation of goods via e-commerce can be achieved more efficiently. However, excessive packaging and numerous returns in online shopping can outweigh the overall positive impact.

We are thus continuously optimizing our processes to ensure we further improve our environmental impact. To be able to succeed as a sustainable company, the wellbeing of our workforce is just as important. We have identified the following three focus areas to increase the sustainability of “how we sell” our articles:

FOCUS AREAS



Minimize waste per shipment



Reduce operational greenhouse gas emissions



Care for our talent



FOCUS AREA IV

Minimize waste per shipment

Packaging materials used for shipping are the main source of waste in our operations and contribute significantly to global waste streams. Although packaging is critical to protect our articles during shipping from our suppliers to us or from us to our customers, we are constantly striving to minimize the resulting waste and its impact.

Our packaging

The vast majority of articles we sell arrive at our logistics center already packaged. The main materials we add include our BestSecret cardboard boxes and paper mailing bags, plastic poly bags, and filling materials. We closely track our use of packaging materials, regularly implement measures to reduce the weight and volume of our packaging per shipment, replace materials with environmentally preferable alternatives, and train our employees accordingly.

After a major packaging revamp in 2019 and 2020, which significantly reduced our average package sizes, we undertook another effort to lower the

impact of our packaging in 2022. In the second half of the year, we gradually switched to unbleached and lighter-weight cardboard boxes and drastically reduced our use of plastic filling materials such as bubble foil. We also switched to paper-based tape and continued our efforts to increase the share of shipments sent in our lightweight paper mailing bag.

As a result, packaging weight per average shipment decreased by 3%. The decrease in weight of plastic packaging material used per shipment was more dramatic: a 53% reduction, mainly a result of our reduced usage of filling material. We expect the reductions in paper and cardboard materials per shipment to become more visible in 2023 although our overall packaging consumption may increase alongside our continued business growth.

Initiatives to further increase packing efficiency for 2023 include the introduction of additional box sizes and the rollout of a dimensioning device that can automatically suggest the most efficient packaging container to our packers based on the dimensions of articles.

Our packaging

	2022	2021	2020	Change 2022
Total packaging material per shipment (in grams)	315	324	326	-3%
Total packaging material (in tons)	4,633	4,220	2,673	10%
Cardboard and paper	4,539	4,044	2,568	12%
Plastics	94	176	105	-47%
Shipments (in thousands)	14,720	13,024	8,188	13%

All data refer to all business-to-customer logistics, including outsourced logistics. Shipments processed and sent by brand partners via our Curated Platform are excluded.



Waste management

Most waste at BestSecret is our brand partners' packaging and is generated at our logistics center in Poing, Germany. Although we keep their original product packaging wherever possible, significant amounts of cardboard, plastics, and other materials must be disposed of. We adhere to the strict regulations of the German Commercial Waste Ordinance and separate all materials, so the vast majority of them can be recycled or reused. Only about 1% of our waste is sent to incineration or landfills. In 2022, total packaging waste at our main logistics center decreased by 0.6% despite sending out 13% more shipments than in 2021. The main reason for that

was a reduction in "other" waste, the bulk of which are wood pallets used to transport goods within our logistics center. In the reporting year, we maximized our efforts to repair and reuse these palets as often as possible, and to only dispose of those that were truly defective. As a result, wood waste decreased by 39%. In addition, we finalized construction work for the extension of our logistics center in 2021, which had been the main source of metal and bulky waste in previous years.

Although out of our direct control, we recognize that the packaging waste of our outsourced logistics partners is also part of our responsibility and that waste of our partner handling our returns is

Waste in our logistics center

	2022	2021	2020	Change 2022
Total packaging waste per shipment (in grams)	153	174	174	-12%
Total waste (in tons)	2,437	2,582	1,751	-6%
Packaging waste	2,253	2,267	1,422	-1%
Cardboard and paper	1,803	1,838	1,121	-2%
Plastics	450	429	301	5%
Non-packaging waste	184	330	341	-44%
Residual waste	8	15	12	-45%
Other waste¹	176	315	329	-44%
Shipments (in thousands)	14,720	13,024	8,188	13%

Data refer to our main logistics center in Poing, Germany. Returns and other outsourced logistics services are not included. Waste occurring there is managed by our partners.

¹ Includes wood, metal, and bulky waste, mainly related to the expansion of our logistics center in 2020/2021.



particularly relevant. In 2022, we undertook our first effort to collect and evaluate the data of the most significant partner sites. Our resulting estimates were that packaging waste generated by our return partner was 2,446 tons, and that our other logistics partners generated about 1,770 tons. All sites recycle their packaging waste.

WHAT WE ACHIEVED IN 2022:

- Switched to lighter and unbleached natural cardboard boxes
- Drastically reduced the use of plastic filling material
- Stopped adding paper advertising to our shipments
- Increased the use of lightweight mailing bags from 22% to 24% of all shipments
- Increased the reuse of our wood pallets
- Began charging for bags in our retail stores, with proceeds donated to a local charity

WHAT WE ARE WORKING ON IN 2023:

- Adding additional box sizes to allow for more efficient packing
- Rolling out the use of a dimensioning device, which will allow us to automatically suggest the most efficient packaging container to our packers based on the dimensions of articles
- Collecting waste data in our new logistics center, administrative offices and retail stores



FOCUS AREA V

Reduce operational greenhouse gas emissions

Climate change is one of the most pressing issues of our time. We have always operated our business with energy efficiency in mind, and began addressing our operational greenhouse gas emissions beyond that in 2021. We switched to renewable electricity at all our major facilities in Germany and Austria and published our energy consumption and basic carbon footprint data for the first time in our 2021 Sustainability Report. This included direct emissions from fossil fuel combustion and refrigerants (scope 1) and indirect emissions from purchased electricity and district heating (scope 2).

In 2022, we continued on this path, improving our energy efficiency further, and procuring almost all electricity from renewable sources. We also began looking beyond scope 1 and 2 and undertook a rough scope 3 analysis. Although we had to delay the installation of solar panels on the roof of our current logistics center due to supply chain disruptions and internal process changes, in 2023, we will evaluate different options for solar panels for both this and our new logistics center in Poland, which will go live early that year.

Energy consumption

	2022	2021	2020	Change 2022
Energy consumption per € million revenues (in MWh)	17.3	18.8	26.9	-8%
Energy total (in MWh)	18,223	17,767	16,596	3%
Electricity	11,052	10,239	10,664	8%
Share of renewable electricity	95%	55%	-%	73%
Natural gas	867	1,012	891	-14%
District heating	4,683	5,030	3,579	-7%
Motor fuels	1,620	1,486	1,461	9%
BestSecret Group revenues (in € million)	1,051	943	616	11%

Data refer to all facilities under operational control of BestSecret Group.



Energy consumption

While our overall energy consumption increased slightly over 2021 (partly due to the end of pandemic-related store closures), we were able to decrease our energy intensity per unit of revenue by 8%. This was mainly due to our efforts to lower consumption of both natural gas and district heating in our stores. We also improved energy efficiency through a continued switch to LEDs. The share of renewable electricity was 95%, up from 55% in 2021.

We expect our energy consumption to increase with the opening of our new logistics center in 2023. We will continue to regularly monitor our energy consumption, procure renewable energy, and implement efficiency measures at our facilities. The next energy audit for our facilities in Germany and Austria is scheduled for 2023.

95%
renewable
electricity used
in our facilities



Scope 1 and 2 greenhouse gas emissions

After a major decrease in 2021, our 2022 scope 1 and 2 emissions were again significantly lower. We achieved a 50% reduction in absolute emissions and a 55% reduction per unit of revenue over 2021. Compared to 2020 levels, these emissions were 81% lower. The main driver behind this success was the consumption of green electricity throughout the entire year, versus only for the second half of 2021. Emissions from heating were also lower due to our efforts to heat more conservatively in our stores.

50%

reductions in absolute scope 1 and 2 emissions

55%

reductions in scope 1 and 2 emissions per unit revenue

Scope 1 and 2 greenhouse gas emissions

	2022	2021	2020	Change 2022
Scope 1 and 2 emissions per € million revenue (in tons of CO ₂ e)	1.1	2.6	6.0	-55%
Total scope 1 and 2 emissions (in tons of CO ₂ e)	1,195	2,407	3,685	-50%
Scope 1	785	787	702	-%
Heating fuels	176	208	183	-15%
Motor fuels	428	395	392	8%
Refrigerants	181	183	126	-1%
Scope 2	410	1,621	2,983	-75%
Electricity ¹	137	1,173	2,632	-88%
District heating	273	448	351	-39%
BestSecret Group revenues (in € million)	1,051	943	616	11%

All data refer to all facilities under operational control of BestSecret Group. All carbon footprint data were compiled and calculated in collaboration with ClimatePartner, which follows the guidelines of the Greenhouse Gas Protocol.

¹ Scope 2 emissions from electricity were calculated using the market-based approach. Using the location-based approach, they would amount to 4,309 tons of CO₂e in 2022, 4,000 tons of CO₂e in 2021, and 4,166 tons in 2020.



Looking beyond scope 1 and 2 emissions

Emissions that are not caused by a company's own consumption of energy but indirectly through upstream and downstream business activities are referred to as scope 3. They are much harder to measure and control but for most companies, they account for the vast majority of emissions. In 2022, we undertook a rough scope 3 analysis for BestSecret. The analysis allowed us to identify the areas where we have the highest impact and hence opportunity to reduce emissions: the production of the articles we source, their shipping, and their use phase (customer washing and drying). Our next efforts will focus on measuring relevant categories more precisely and in a way that will enable us to define initiatives, set targets and track progress. Emissions caused by our products ("what we sell") will be tackled under our focus area **➤ IMPROVE THE SUSTAINABILITY OF OUR SUPPLY.**

Our biggest scope 3 category for us regarding "how we sell" is the emissions from product shipping. A relevant aspect we addressed in 2022 was our emissions from "unwanted returns". While returns are an inherent part of online fashion shopping that can't be avoided completely, we can prevent those due to incorrect product descriptions or product damage. We launched several initiatives

to address this, including ramping up our inbound audits to better detect faulty items before they are sent to a customer and implementing a new color correction tool. We also increased our efforts to detect items with high return rates early, and correct information where possible or take the articles offline and sell them at our stores. Our initiatives are already showing first positive results, and we will continue to monitor unwanted returns closely in 2023.

WHAT WE ACHIEVED IN 2022:

- Procured certified renewable electricity at all main facilities we operate in Germany and Austria (representing 95% of our total electricity consumption)
- Reduced scope 1 and 2 emissions per unit revenue by 81% compared to 2020 levels
- Reduced unwanted returns, by improving the quality of product information and increasing inbound audits, among other approaches
- Switched to LEDs in our retail stores and reduced heating

WHAT WE ARE WORKING ON IN 2023:

- Continuing to optimize our energy efficiency
- Improving emissions data collection from our shipments
- Working on a plan to install solar panels on the roof of our logistics centers



FOCUS AREA VI

Care for our talent

With our roots as a family-owned business it is important for us that our employees feel welcome, valued, and supported. BestSecret is growing quickly, and while this is a learning opportunity for all staff, it also means that we have to take special care of our employees during this process by building new support structures that fit our evolving company.

>50%
female
employees

Colleagues
from
>90
different
nations

Our employees

	2022	2021	2020	Change 2022
Employees (average headcount)	1,827	1,617	1,601	13%
Employees (headcount EOY ¹)	1,852	1,761	1,515	5%
New hires	464	676	220	-31%
Leavers	397	452	469	-12%

Employee figures do not include external staff, employees on long-term leave due to sickness or on parental leave. Hires and leavers only include permanent employees. Additional temporary subcontract workers, who help us manage peak times, vary throughout the year.

¹ EOY: end of year.



Employee engagement

Employee engagement and communication are critical, especially with most BestSecret employees now working remotely at least partially. Members of our Senior Leadership Team regularly host town hall meetings open to the entire workforce where employees are transparently informed and can ask questions about new business developments or other BestSecret-related topics.

In 2022, we were finally able to host these and other office and after-work events not only virtually but also in person, giving our employees the opportunity to connect and enjoy time together. In January 2023, we celebrated the launch of our company purpose statement, “Be part of something special”, with an event that also featured dedicated appreciations for the achievements of our many teams. In 2023, we will further foster our #BeSpecial culture and strengthen our sense of belonging with regular events and appreciation.

We continued with our biannual company-wide employee surveys in 2022. For both surveys, in March and October, we invited all employees (without operational logistics) to share their feedback anonymously. With a response rate of 75% in October –89% without operational retail – the surveys highlighted once again that employees appreciate opportunities for learning and making an impact at BestSecret. Well over 80% would

recommend their team to their colleagues and feel comfortable asking their lead for support. Compared to previous survey results, we improved in the area of work-life balance and workload, and we will continue to focus on doing even better here. The surveys also revealed that we can still improve in enabling cross-team collaborations, sharing information, and communicating our strategic direction. We have already taken measures to address this feedback, and have launched team, business-unit, and company-wide work groups to develop solutions.

WHAT WE ACHIEVED IN 2022:

- Held regular Town Hall Meetings hosted by Senior Leadership members
- Conducted two employee engagement surveys and two additional leader pulse checks
- Finalized our company purpose statement with involvement of various employee groups
- Held several office and team events to create a sense of belonging

WHAT WE ARE WORKING ON IN 2023:

- Fostering our #BeSpecial culture and strengthening our sense of belonging with regular culture events and appreciation
- Improving information channels to reach all employees
- Advancing the implementation of initiatives identified in the 2022 Employee Engagement Surveys



Talent growth

We are striving for a culture of continuous learning, growth opportunities, and positive employee experience. This is crucial for attracting, retaining, and promoting the best and brightest talent. With several required as well as elective training and development opportunities already in place, we worked on a more comprehensive and targeted talent growth strategy in 2022. In doing so, we particularly emphasized cultural and leadership values and leadership skills and also improved our offering of trainings available to all employees.

Initiatives of the year included the launch of brown bag learning lunches and the development of leadership trainings, such as on giving and receiving feedback, which will be conducted in 2023. We also strengthened our promotion and evaluation process and created promotion panels and salary bands, which allow for more objective and fair evaluations. In addition, we improved the process for our yearly growth conversations and provided extensive guidance for leaders conducting them.

WHAT WE ACHIEVED IN 2022:

- Introduced promotion panels and salary bands
- Implemented brown bag lunches and offered additional new trainings open to all employees
- Developed a leadership training program
- Implemented a development center for Area Managers and Seniors in logistics
- Further expanded our annual performance and development conversation process

WHAT WE ARE WORKING ON IN 2023:

- Introducing company core values and a leadership behaviors framework
- Strengthening performance review and promotion processes
- Offering monthly leadership trainings
- Expanding our virtual training offers



Diversity, equity, and inclusion (DEI)

BestSecret has a workforce that is 51 % female and employs colleagues from over 90 different nations. The fashion industry has traditionally been a career path for many women and minority workers (particularly in logistics), yet both remain underrepresented in leadership circles. This is also the case at BestSecret. In addition, we recognize that DEI goes far beyond male and female gender equity, ethnicity, or numbers. Achieving equity and inclusion for everyone is a journey, and we are all not there yet.

In 2022, we took first steps, developing gender-inclusive language guidelines and setting up a framework for Employee Resource Groups. Both will be launched in 2023. We also implemented a job grading system to further pay equity at BestSecret. Building on that effort, we will analyze our pay data in detail in 2023, also with regard to gender. Further, we will continue our efforts to strengthen our inclusive hiring processes.

WHAT WE ACHIEVED IN 2022:

- Over 50% of our employees were female
- Employees from over 90 different nations worked at BestSecret
- Implemented a job grading system as a foundation for equal pay
- Developed gender-inclusive language guidelines

WHAT WE ARE WORKING ON IN 2023:

- Launching our first Employee Resource Groups
- Implementing gender-inclusive language guidelines
- Conducting a gender pay gap analysis

**Gender diversity**

	2022	2021	Change 2022
Advisory Board			
Female	14%	14%	–%
Male	86%	86%	–%
S-Team (1st Management Level)			
Female	21%	17%	5%
Male	79%	83%	–5%
Senior Leadership Team (2nd Management Level)			
Female	37%	40%	–3%
Male	63%	60%	3%
All employees			
Female	51%	52%	–1%
Male	49%	48%	1%

Based on year-end headcounts



Health and safety (H&S)

Ensuring the health and safety of our employees is one of our utmost responsibilities. This is particularly relevant in our logistics center. As part of the logistics onboarding process, each employee receives general occupational health and safety training for the site. Further instructions, such as the handling of forklifts, conveyor technology, and correct and safe picking and packing, are also held in the departments.

In 2022, we began designing a new certifiable system environment H&S program based on ISO 45001, which will allow us to further professionalize our accident management while ensuring full data protection and all other legal requirements. All reporting trainings and prevention measures will then be organized in one platform. We will fully implement the system in the first half of 2023, beginning with trainings after implementation. Topics will include general instructions, behavior in case of fire, personal protective clothing, safe lifting and

0 significant occupational accidents

carrying of loads, ergonomics at the workplace, first aid, health and safety in the home office, and more. In addition, we will reorganize our H&S organization and increase the size of our team.

We monitor occupational accidents closely. There were no significant occupational accidents in 2022 or in the last four years. Most accidents in 2022 were related to workers accidentally bumping into obstacles, leading to bruises. To avoid this, we regularly work to diffuse or cushion prone areas. Another risk is goods that arrive at our logistics center moldy. We always aim to redirect such goods early, ensure they are disposed of appropriately, and provide protective gear where necessary.



Health and safety

	2022	2021	2020	Change 2022
Reportable accidents	25	18	12	39%
Lost days	388	520	133	-25%
Fatalities	0	0	0	-%

All data refer to permanent employees and reportable incidents with at least three days lost only.

WHAT WE ACHIEVED IN 2022:

- Began designing a certifiable system environment H&S program based on DIN45001 for our logistics operations
- Integrated new H&S guidelines into the update of our Code of Conduct
- Worked to harmonize H&S management between Germany and Poland, the site of our second logistics center, which will go live in 2023

WHAT WE ARE WORKING ON IN 2023:

- Fully implementing the certifiable system environment H&S program based on DIN45001 for our logistics operations
- Updating and intensifying training and instruction activities through the new H&S platform
- Investing further in health and safety, for instance by increasing team size

Imprint

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