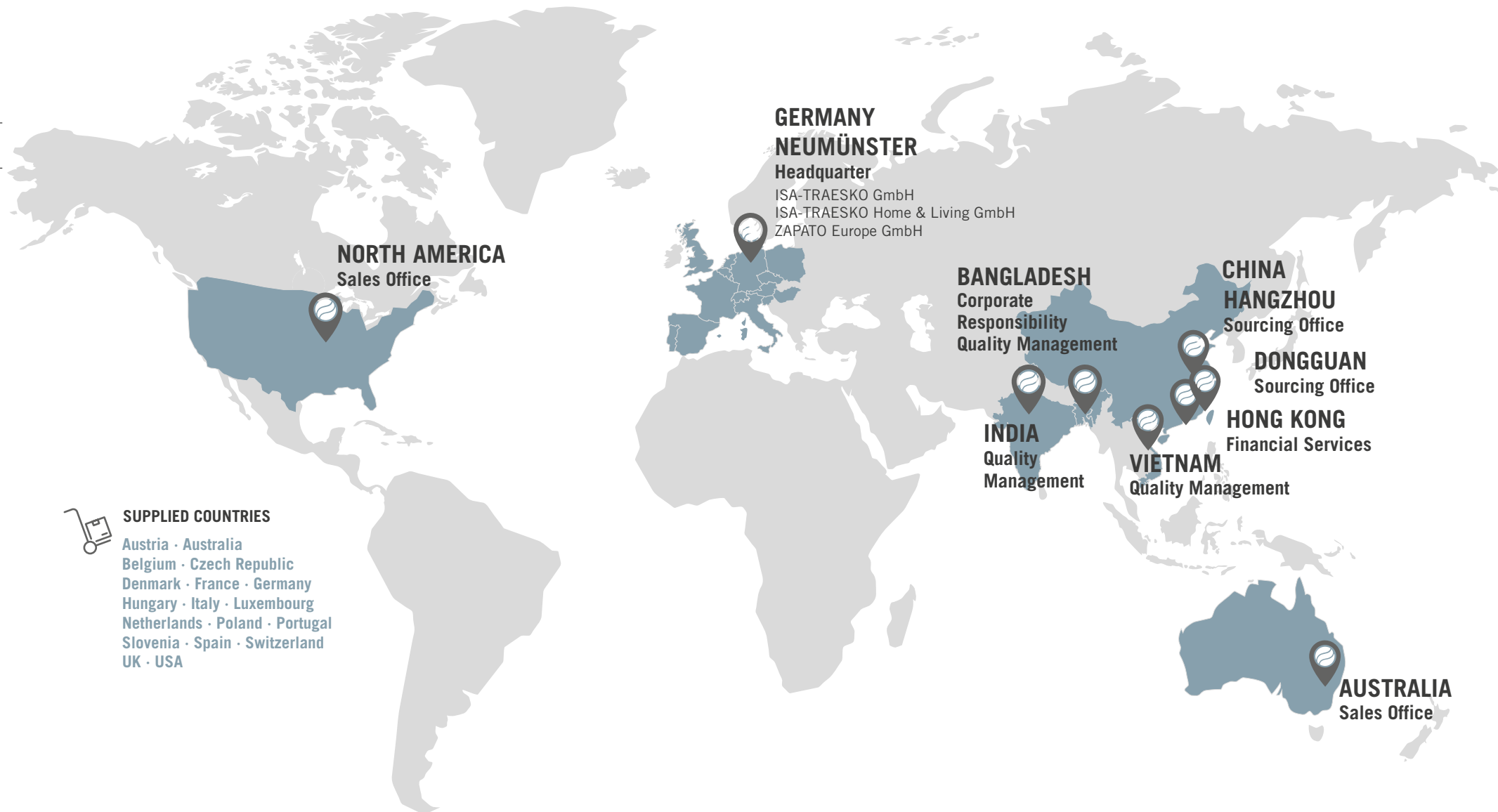




Responsibility Report 2020/2021

PURE STEPS – GOING FORWARD

ISA-TRAESKO 
lifestyle & fashion



“WE ARE COMMITTED TO TRANSPARENCY AND SUSTAINABILITY”

Dear partners and friends of ISA-TRAESKO,

The recent years governed by the pandemic have had both a severe impact on our lives as well as on our business: our sourcing markets were profoundly challenged and our supply chain partners – from small material suppliers to large logistic conglomerates – struggled to honour their commitments. The fashion industry was severely impacted by the pandemic and the majority of the industry's sustainability and social fairness programmes came to an involuntary halt. This standstill was of course a major setback for all parties involved – including ISA-TRAESKO. We know that ISA-TRAESKO and the industry as a whole still have a long way to go, but trust in us all applying ourselves with more conviction and drive than ever before to ensure that future generations will still be able to enjoy the vast possibilities that our world has to offer.



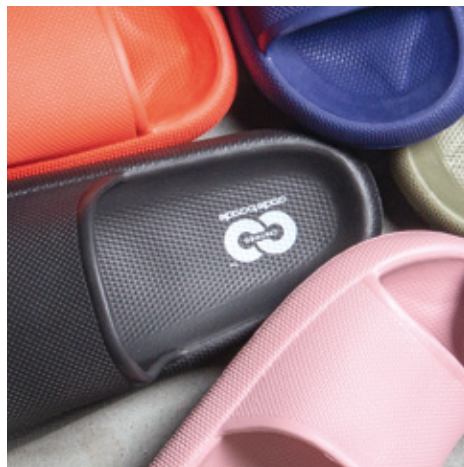
◀ **CARSTEN HEINZ,**
MANAGING PARTNER

We have always worked in a rapidly changing business environment that has forced us to adapt our business strategies day by day. But the last two years presented unknown challenges to us as well as our factory partners and customers around the globe. We strongly believe that our corporate responsibility work on social and environmental standards and especially our transparent supply chains helped us to get through these challenging times. Which makes it more certain than ever before: investing in a strong CR setup in our headquarters and in our sourcing countries was not only an ethical choice, but also essential on a risk and strategy level.



◀ **FLORIAN STARMANN,**
MANAGING PARTNER

ISA-TRAESKO has always been proud of its values and commitments: commitment to quality, commitment to our family values and commitment to all of our employees and partners around the world. And even though we had to make concessions on various levels during the pandemic, we were able to stay true to our core identity – and our commitments. During these challenging times, we didn't let go of any employees, didn't cancel a single order and were able to ensure that the goods got to all our customers. To us, this is what our ISA business and our sustainability strategy is all about.



WHO
WE
ARE



The ISA-TRAESKO GmbH: a major international trading company

“FAMILY BUSINESS WITH COURAGE AND TEAM SPIRIT”

5

ISA-TRAESKO is a family business based in northern Germany, which has developed and produced shoes and accessories for our business partners for almost 50 years. Our business models, production partners and customers have evolved and changed over these years. But our passion for innovative products, uncompromising quality and utmost reliability has remained the same.

► MILESTONE 1: From wooden shoes to global retail chains

A business that started as classic direct distribution of shoes to German department stores and specialist retailers with Danish wooden clogs from Nørremark in 1974 has developed to become a complex global production and trade network that encompasses the entire shoes market today. The Scandinavian big sellers soon included western boots from Spain and casual shoes from Portugal, too. In 1990 we were already shipping first pumps from Thailand and winter boots from Taiwan to our European customers, which, like today, included superstores and discounter markets. We now produce our products with highly specialised production partners in Asia and eastern Europe. No matter where and with whom we forge our ideas for our products – the basis for working together is convincing quality and utmost reliability when it comes to supply and performance.

► MILESTONE 2: Family business with courage and team spirit

ISA-TRAESKO has always been a family business. This applies especially to the first years during which Gerhard and Karin Heinz ran the company from their family home and the clattering telex machine woke the family up on Saturday mornings. Or to when the whole family worked night shifts in the harbour of Hamburg to make sure that the first big deliveries from Asia would reach their customers in time. When their children Ulrike and Carsten officially joined the company in the late 1980s, ISA-TRAESKO continued to live up to its name as a family business, preserving the team spirit and the values of their early years right up to the present day. Although the ISA-TRAESKO family has meanwhile spread over four continents, Carsten Heinz still runs his company with an entrepreneurial spirit and an impeccable sense for marketing just like in the early days

► MILESTONE 3: Towards a sustainable future

The shoe business has always been subject to change, meaning that over time our business model adapted to meet the changing market requirements, too. The traditional shoe re-

tail that we started with gradually became a global production and import business. You could not place an order with just a handshake any longer and be sure it would all go well. New global partners produced our orders around the world, which became a challenge for our quality assurance. This challenge was the foundation upon which we build today's quality claim. We are especially proud of our corporate responsibility team, which is digging deeper and deeper into our supply chains, improving social and environmental standards and – as a member of relevant industry initiatives – working towards a better fashion industry.

► MILESTONE 4: New paths with new brands

Over the last years, we have included an intriguing new section to our Design and Collection Development division, the centrepiece of our company. By entering the Brands and License business, we were able to complement our many years of experience in developing private labels with an innovative added value for our customers. We want to create products that are fun – and help our customers set themselves apart from the rest of the market. By doing so, we remain true to our ISA-TRAESKO DNA as well as to our commitment to quality – lifting our collection to entirely new heights in the process.



◀ **JULIANE MICHEL,**
HEAD OF CORPORATE RESPONSIBILITY

About this report

“ONE STEP FURTHER”

After defining our official sustainability approach in 2016, our corporate responsibility team decided to record ISA-TRAESKO's sustainability efforts in an ongoing internal report. While the initial review and our first report were only shared with our employees and partners, we opted to take the 2017 report one step further and officially publish it in 2018. We originally planned to publish the following report in 2020, but while dealing with the global pandemic, most long-term projects had to be postponed. We are happy to be able to publish it now in 2022, because we believe that transparency plays a crucial part in each transformation process, especially in our industry with its highly complex supply chains.

As a worldwide operating company, we've decided to follow the Global Reporting Initiative (GRI) standards. The report covers the financial year of 2020/2021 and will be continuously updated every two years. It is guided by the core principles of the GRI. In our materiality analysis led by our top management, we've carefully examined the 33 GRI sustainability topics to identify all relevant impacts on both our business and that of our internal and external stakeholders. After careful consideration, we've clustered our 17 relevant GRI aspects into five topic areas: the report covers the ISA-TRAESKO GmbH and our

Chinese daughter company ISA-TRAESKO Far East Trading Ltd. ISA-TRAESKO has no legal ownership over any production facility. Yet as we maintain close business relations with our manufacturers and consider the social and environmental compliance of our manufacturing partners a crucial part of our business, we've included detailed supply chain information in this report.

To the best of our knowledge, we are proving an honest and thorough account. The continuous GRI process has made us aware of both the knowledge gaps we still have to tackle and those topics we are already confident in. The years of the pandemic slowed down some of our efforts, but we stay committed to all goals and policies that were formulated in this and any previous reports.

We welcome all feedback and will surely be able to cover even more content in the reports to come.

Neumünster, July 2022

Juliane Michel

Head of Corporate Responsibility



Social compliance in our headquarters

- » Diversity and equal opportunity
- » Occupational health and safety
- » Non-discrimination
- » Training and education
- » Anti-corruption

Environmental compliance in our headquarters

- » Energy
- » Water
- » Emissions



Product responsibility

- » Customer health safety
- » Materials



Social compliance in our supply chain

- » Child labor
- » Freedom of association and collective bargaining
- » Human rights assessment
- » Supplier social assessment
- » Forced or compulsory labor

Environmental compliance in our supply chain

- » Energy
- » Water
- » Emissions
- » Effluents and waste
- » Supplier environmental assessment



GRI Sustainability reporting standards glossary

Indicator		Short description	Page
UNIVERSAL STANDARDS			
GRI	1.01	Foundation	3
GRI	1.02	General disclosures	3
GRI	1.03	Management approach	5
TOPIC SPECIFIC STANDARDS			
GRI 2.00 Economic			
GRI	2.01	Economic performance	5
GRI	2.02	Market presence	5
GRI	2.05	Anti-corruption	8-9
GRI 3.00 Environmental			
GRI	3.01	Materials	13-19
GRI	3.02	Energy	11, 24
GRI	3.03	Water	11, 24
GRI	3.05	Emissions	11, 13, 24
GRI	3.06	Effluents and waste	24
GRI	3.08	Supplier environmental assessment	13, 21, 24
GRI 4.00 Social			
GRI	4.03	Occupational health and safety	23
GRI	4.04	Training and education	8-9, 23
GRI	4.05	Diversity and equal opportunity	8-9, 23
GRI	4.06	Non-discrimination	8-9, 23
GRI	4.07	Freedom of association and collective bargaining	8-9, 23
GRI	4.08	Child labor	8-9, 23
GRI	4.09	Forced or compulsory labor	8-9, 23
GRI	4.14	Supplier social assessment	8-9, 23
GRI	4.16	Customer health safety	23-24



OFFICES

PRODUCT

SUPPLY CHAIN

Social responsibility at ISA-TRAESKO

“OUR EMPLOYEES ARE THE CORNERSTONE OF OUR GROWTH”



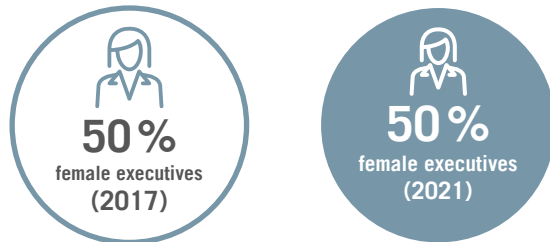
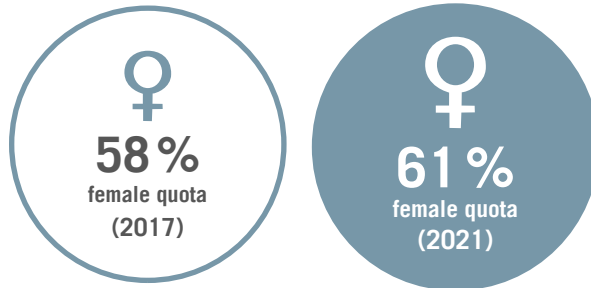
As a family-owned company, our employees are more than just valuable assets; they are cornerstones of our growth and history. And this is of course especially true for all of the young talents who joined ISA-TRAESKO in the past years – as trainees who will stay with us for the course of their three-year apprenticeship, as dual students who chose ISA-TRAESKO as their business partner over the course of their studies or as young professionals who are just starting out. We pride ourselves in the high number of young people who choose the ISA-TRAESKO team to grow on both a professional and personal level. That is why we’ve made sure that all those in leadership positions at ISA-TRAESKO understand their role as mentors to our young people as an integral part of their position.

Our published Code of Conduct is of course not only applicable to the working conditions in our global supply chains but is obviously also valid for our own offices: ISA-TRAESKO is strictly against any form of discrimination and believes that a diverse workforce is a crucial part of our success. No qualified person should be excluded from our team based on gender, age, religion, colour, disability, sexual orientation or any other personal characteristics. And just as we promote ethical and incorruptible behaviour along our supply chain, we still equally adhere to the traditional Hanseatic trade values of honest merchants in

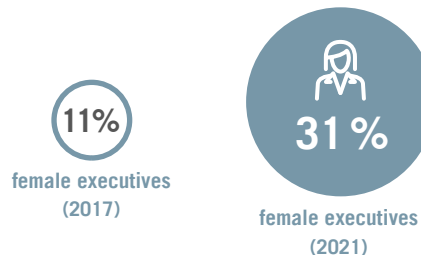
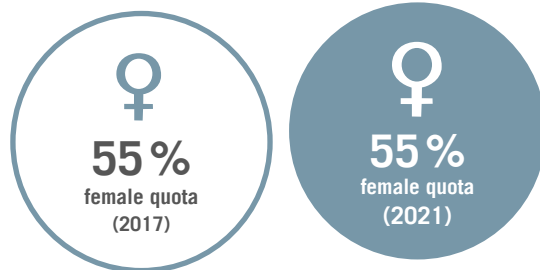
all parts of our business. Each new employee is made aware of our Code of Conduct in general and ethical business practices in particular.

ISA-TRAESKO values gender equality. In Germany, 50 per cent of our management staff and 61 per cent of our employees are female, and ISA-TRAESKO is co-founded by a woman. In China, 36 per cent of the management staff is female as are 58 per cent of the employees overall. We encourage women to take leading roles in our company and have focused on improving the female management ratio in our Chinese office in the past years, especially through the recruitment process. As we usually don’t have a lot of fluctuation within our Chinese staff, this is of major concern for newly created posts. When we first started to look into the gender pay gap in our company, the average salary of women was still 8.97 per cent less than that of their male colleagues. Based on this figure, our top management decided to create a task force to establish the root causes of these differences, and we are striving to further close that gap. Overall, there is still a gender pay gap of 6.69 per cent at ISA-TRAESKO in 2021. While we managed to even out the salary of all general employees with women now earning 3.25 per cent more than their male colleagues, there is still a large pay gap at management level of 14.97 per cent in

Germany



China



favour of male managers. As our German management team is fairly small with seven men and seven women, two highly-paid male employee are tipping the scale significantly. The pay gap is thus not a reflection on our general salary policy but rather based on two unique management positions within our organisational set-up. We also believe that our employees shouldn't be lost to the talent pool if they choose to start a family. This is why we try to create part-time jobs wherever possible – 17 per cent of our staff is currently choosing to work on just that model – and we are hoping to establish the necessary structure and support to allow this for men and women in leadership positions as well.

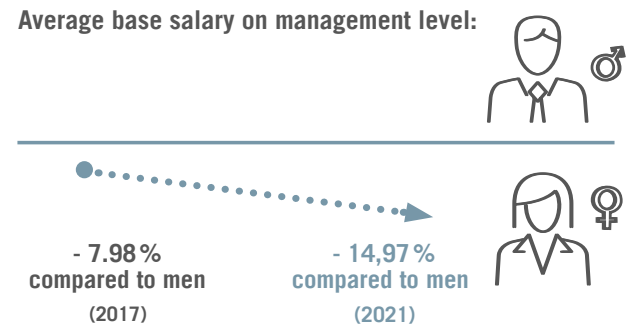
Something that has always been one of our German employee's favourite assets is our own canteen, with one of the best parts here being the organic meat from Breeder's Pride Beef. The certified Bioland farm (DE-ÖKO-006) belongs to our former managing director Michael and is home to Luing and Highland cattle herds, which are allowed to roam freely on their pastures in Schleswig-Holstein. A vegetarian option is available every day, too, and there is a full veggie day for all twice a week. The company supplies all employees with fresh fruit snacks and filtered water for a healthy working day.

Our team keeps busy and participates in various athletic activities. For example, each year, ISA-TRAESKO takes part in the *Stadtradeln* city cycling competitions in Neumünster with a highly motivated (and yes, slightly competitive) team: for three weeks we aim to take the bike for as many daily routes as possible to raise awareness about the environmental and health benefits of biking. During the pandemic we switched to remote work and home office for as many employees as possible. While this created a lot of possibilities and benefits for our employees and their families, we realised how difficult it was to keep up the team spirit and to make new employees feel integrated within our team structures. So while upkeeping the remote work possibilities for parts of the week, we welcomed everyone back to the office and restarted various team events like a regular yoga class, team dinners and of course our famous summer and Christmas parties.

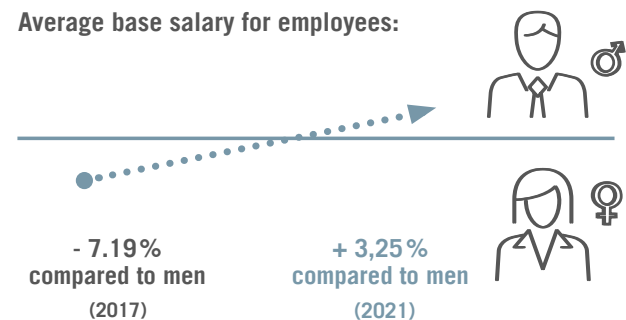
Average base salary at ISA-TRAESKO:



Average base salary on management level:



Average base salary for employees:

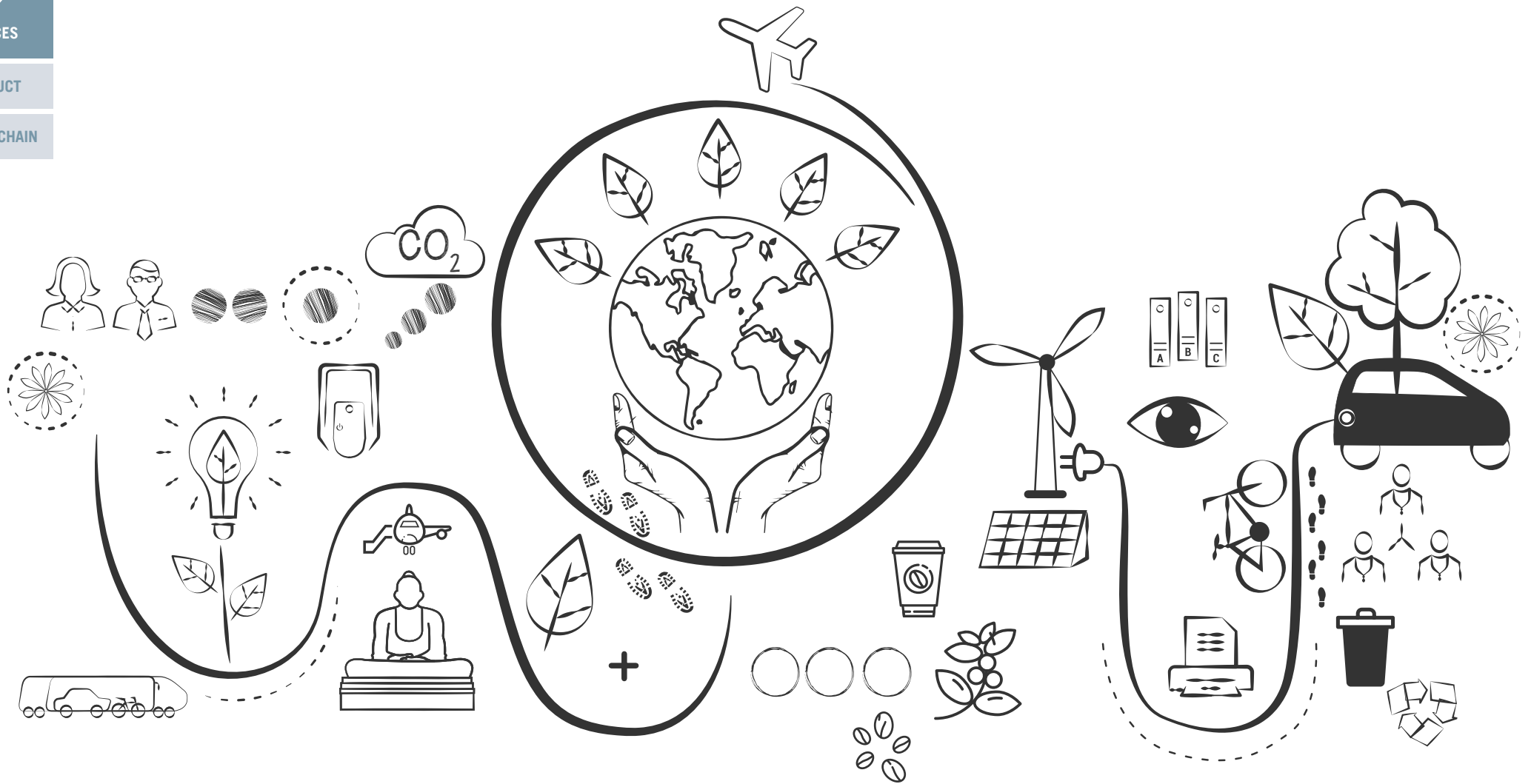




OFFICES

PRODUCT

SUPPLY CHAIN



“WE PURSUE A GREEN OFFICE MISSION”

The end of 2016 marked a major step towards our goal to minimise our corporate carbon footprint. We were glad to join forces with atmosfair,¹ a German climate protection organisation, which is regularly ranked as a top offset provider. It actively protects the climate, reduces CO₂ emissions and supports sustainable development by transferring technology and combatting poverty. 90 per cent of atmosfair's carbon offset projects adhere to the CDM Gold Standard, the strictest standard available for climate protection projects.

In accordance with our partner atmosfair's guiding principle: “Avoid – Reduce – Offset”, we challenged ourselves to avoid and reduce as many CO₂ emissions as possible. In 2020, we refined our strategy by aligning it with the Science Based Targets Initiative (SBTI).² Science-based targets provide a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping to prevent the worst impacts of climate change and to provide future-proof business growth. With 2017 as the baseline year, we committed to reduce our emissions by 19 per cent by 2022, which fulfils the business ambition level for a 1.5 °C future. An integral part of this strategy is the conversion of our office lighting system to a sustainable, energy-saving alternative, which will be finalised by the end of 2022. Three young ISA trainees who participated in the governmental qualification programme *Energie-Scouts* developed the concept and successfully pitched the idea to our top management.

During this process, we encouraged all of our colleagues to participate in our sustainability challenge to utilise our company's full innovative potential. Everybody was welcome to propose alternative sustainability solutions to existing workflows, techniques or utilities. We believe that every small change counts, so no feasible proposal was dismissed. Our green office mission is an ongoing project for all of our employees. Exceptional ideas are awarded twice a year during our office festivities. While we focused on transforming our German headquarters first, we also challenged ourselves to start a sustainable transformation in our Chinese office. This process was slowed down during the pandemic, but has been picked up again by our Chinese CR team and a group of highly motivated colleagues.

In the past, we printed out most of our daily communications and filed these printouts in folders. Together with our IT team we are now looking to transform ISA-TRAESKO into a paper-free office. Next to new software tools that enable convenient digital organisation, we want to raise awareness about the amount of paper and energy that each printout costs our environment: we chose PaperCut, a desktop widget that each employee has access to, which draws users' attention to the impact their printing has and allows them to benchmark their usage. Through more awareness and our employees' innovations, we were already able to cut our paper consumption by half since 2017 and strive to further halve this amount by 2024 with a targeted top management leadership approach.

An integral part of our reduction strategy is our fleet management and its transformation into e-mobility: with four additional e-chargers, we hope to encourage our employees to shift towards eco-friendly cars in the long run, and we plan to fully transform our company car pool by 2024. It is currently made up of two electric cars and three hybrid models in contrast to eight diesel cars. Charging a car at our e-station is free – and as we receive 100 per cent green energy for all energy demands that can't be met by our own solar panels, charging at ISA-TRAESKO is especially eco-friendly.

All scope one emissions that couldn't be eliminated or further reduced were compensated from January 2017 onwards. Including all business travel, we compensated for 208,932 kg CO₂ in 2021. In comparison to 2017, this showcases a significant yearly reduction of almost 600,000 kg. But as air travel made up 86 per cent of our CO₂ load, the drop must be largely accredited to the global travel restrictions during the pandemic. We expect the travel emissions to rise again in the coming years, but as we have made permanent adjustments to our travel policies, they will definitely stay lower than before. With ISA-TRAESKO's contribution, atmosfair is financing a CDM Gold Standard project in India. The biomass plant project in Rajasthan has been running successfully since 2007 and not only provides green energy for 80,000 households but has also created new jobs and extra earnings for farmers in several locations.

¹ <https://www.atmosfair.de/en/>

² <https://sciencebasedtargets.org/>

OFFICES



PRODUCT

SUPPLY CHAIN



RECYCLED PET
2.5 BOTTLES
for a pair of shoes



certified by CU 1003066
"We are GRS certified. Only the products
which are covered by a valid transaction
certificate are GRS certified."



{ PETA - APPROVED
VEGAN }



The mark of
responsible forestry
FSC® C134589

SUPPORTING THE



COTTON
MADE IN
AFRICA
INITIATIVE



PIÑATEX

OUR SUSTAINABLE MATERIAL INNOVATIONS

With more and more sustainable features becoming part of our collections, we decided to bundle all of our efforts into our own sustainable line *Pure Steps*. By defining clear sustainability standards for this line and each of the integrated concepts, we found a way to focus and streamline our sustainable material efforts. We only allow our partners to advertise our products as sustainable if they include our verified, certified and meaningful sustainability features.

In general, we strive to reduce all production emissions as much as possible when cooperating with our production partners. All remaining CO₂ emissions from production and logistic processes are offset through a climate-positive compensation project in China, which supplies clean and independent biogas energy for farmers. We work closely with our partner Climatepartner³ to calculate accurate supply chain data and make an impact with both our reduction strategies as well as our compensation projects.

All of our products come with a sustainable packaging concept based on FSC® certified paper with high percentage of recycled material: we nominated two trusted and audited packaging companies in China to supply all of our production partners with sustainable paper and ink options to reduce the environmental impact of our packaging. Together with our quality and design team, we worked for months to reimagine our traditional packaging concepts to minimise material consumption and replace all remaining plastic components.

As a general rule we try to use as many natural materials as possible, while still assessing the environmental impact they

have in detail. For all synthetic materials – especially in the sport style lines – we use 100 per cent recycled polyester fibres, which we source from verified and controlled supply chains. Our company and our factories and material suppliers are audited once a year by the Global Recycled Standard (GRS)⁴ to make sure every single recycled material is accounted for from the collection point until it reaches the end consumer. We were especially excited to introduce recycled outsole materials from EVA and TPR material, which allow us to save 50 per cent of virgin material per outsole. We also exchanged all of our textile backings for our leather-like materials to 100 per cent recycled fibres.

The natural fibre we use most frequently is cotton. While cotton has excellent durability and decomposition qualities, it also comes with severe environmental and social risks in its supply chain. That is why we decided to switch our cotton source to Cotton made in Africa (CmiA). You'll find more details on this partnership on page 16.

We also love to explore bio-based materials as vegan alternatives to leather. But while many of the new options made from cactus, grapes or apples promise to be healthy alternatives, most of them rely on vast amounts of chemicals to achieve their material qualities. For us, the most promising development was Piñatex®.⁵ The raw material that forms the base of Piñatex® is a by-product of the pineapple harvest and the use of pineapple leaf fibre, an agricultural waste product, provides the opportunity to build a scalable commercial industry for developing farming communities with minimal environmental impact.

All of our non-leather products can be labelled as PETA approved vegan with our PETA (People for the Ethical Treatment of Animals)⁶ membership. As we have such a strong control over all materials used in our shoe supply chain, we can guarantee that no animal-based products like glues or primers are used in our factories. In summer 2019 ISA-TRAESKO committed to a joint licensing agreement with the animal welfare charity PETA. We hope to raise public awareness about vegan shoes by using the PETA-Approved-Vegan labels and are grateful to have such a strong ethical partner at our side.

All our leather is sourced from Leather Working Group (LWG)⁷ certified tanneries and can be produced as a chrome-free tanned option. The LWG is a not-for-profit community organisation dedicated to driving excellence in sustainable leather production. ISA-TRAESKO joined LWG as a member in 2016 and is using the LWG Leather Manufacturer Audit for 100 per cent of our nominated tanneries to assess the performance of leather manufacturing facilities against environmental, social and governance metrics.



³ <https://www.climatepartner.com/en>

⁴ <https://textileexchange.org/standards/recycled-claim-standard-global-recycled-standard/>

⁵ <https://www.ananas-anam.com/>

⁶ <https://www.peta.de/veganleben/peta-approved-vegan/>

⁷ <https://www.leatherworkinggroup.com/>

Design at ISA-TRAESKO

“SUSTAINABILITY STARTS WITH THE FIRST SPARK OF OUR DESIGN PROCESS.”

After almost 40 years in business, we are still just as passionate about shoemaking as we were at the beginning. Our goal is – just as it has been all these years – to deliver high-quality products to our customers. Our focus on quality has never changed, but the definition of product quality has certainly made a fundamental shift over the last years.

We will let the discussion that our head of design Inka had with our material sourcing manager Eva highlight our value of a strong design mindset and a globally sustainable approach. Our design processes have been subject to profound changes since Inka took over the department in the summer of 2019 and transformed the design department into the innovative, forward-thinking and sustainable heart of our company.

INKA: I was just reviewing the new season's water-based leather-like material swatches and I can't believe how fantastic these materials look nowadays. I still remember the first developments, which looked so much worse than the traditional solvent-based polyurethane (PU) options – we thought we would never sell any of those products. But I was so impressed with the ISA management's decision to switch 100 per cent of their PU to the more sustainable alternative without toxic solvents.

EVA: It certainly was quite the struggle! But it was amazing to see what can be achieved once companies like ISA-TRAESKO decide to invest in sustainable material innovations. The com-

pany had to absorb the majority of the development costs and it was hard to convince our customers to switch to the new prices and designs. But in the end, most of our customers could be won over, even though the innovation costs still make the material more expensive! Today, 85 per cent of our PU orders are sold with water-based materials. Such a major win! But of course we use other materials as well ...

INKA: Right! We had many great sustainable material innovations lined up, but our way of doing business changed a lot in the past two years of the pandemic. I used to travel every few weeks to Dongguan and we would source new materials, discuss innovative projects with our factory partners and find inspiration at fairs such as Lineapelle. And suddenly we had to develop from home – during a time when customers were trying to save as many costs as possible. Not a good time for sustainable innovation projects ...

EVA: But it is very interesting to see how the trend is now on the rise again! The industry always used to sell the outsole cutting waste – the failed outsole styles and stock orders – to waste companies for cheap prices without knowing what they would do with it. This waste material is now repurposed as recycled material for new outsoles and we have fantastic qualities with 50 per cent recycling percentages for EVA and TPR outsoles, which additionally serve as a sustainable waste prevention option.

INKA: I love the momentum recycled materials have anyway. Especially for all of our polyester materials, which we use as shoe uppers or linings: there is absolutely no difference in the quality and design – even when using 100 per cent recycled materials! I just don't understand how anyone would still buy virgin polyester, if you can reduce your environmental impact so drastically by using fully recycled options. And since we started to monitor these recycling streams with the GRS standard in 2020, we can now guarantee full transparency and true recycled content in these material chains. We really hope to convince our customers to switch to 100 per cent recycled polyester materials by 2024, but the upcharge is still stopping many of them. Perhaps our new strict internal tender policy will help achieve the desired outcome, as we now offer an additional mandatory sustainable quotation for each tender we receive.

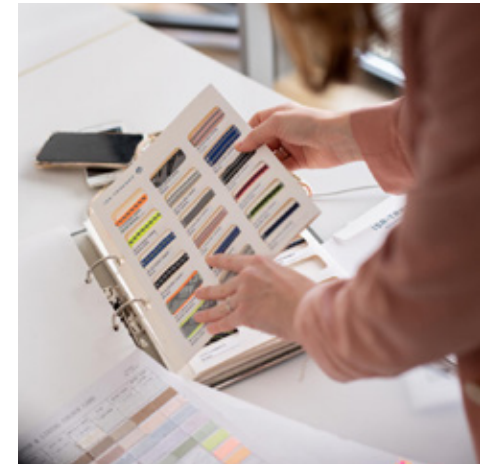
EVA: Absolutely! And especially since we're now explaining all of the benefits that come with sustainability to the buyers with our ISA Sustainability ABC. It is so easy to understand our sustainable options with explanations for each style – all they have to do is choose! We're ready to go with a great deal of sustainable options: from bio-based materials to our fantastic closed-loop product take-back system. And we won't stop promoting these till our sustainable projects take over the traditional market.



Inka, Head of Design



Eva, Material Sourcing Manager



OFFICES



PRODUCT

SUPPLY CHAIN

Sustainable cotton

“SMALL STEPS, LARGE IMPACT”

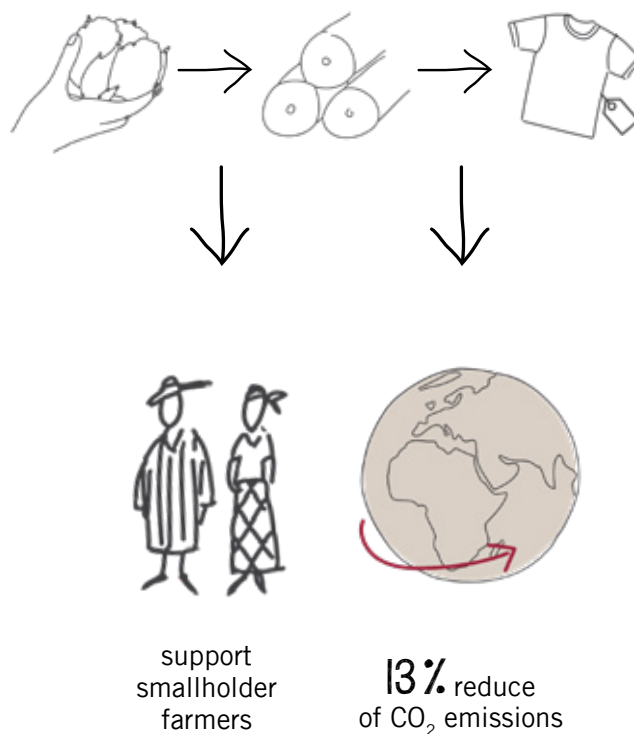


Rethinking our environmental impact along the supply chain always starts with material innovation: as part of our sustainability journey, we began to look into each main material and its environmental impact. Cotton as a natural material, which scores high in its end-of-life characteristics, surprised us with its massive environmental footprint during the cultivation stage: on average, one kilogramme of conventional cotton needs 1,563 litres of fresh water to grow. So, we started to look into more sustainable cultivation alternatives and found Cotton made in Africa (CmiA),⁸ which is also able to reduce the CO₂ emissions in cultivation by 13 per cent and renounces genetic engineering.

ISA-TRAESKO has already worked with Cotton made in Africa for a few selected customers in the past, but in January 2021, ISA-TRAESKO finally signed the official partnership to supply CmiA products to its wide range of customers. Every year we work with around 410,000 yards of cotton textile as a main material. From June 2022 onwards, ISA-TRAESKO committed to only using CmiA-verified cotton in its supply chains and has already implemented this into its sourcing strategy. ISA-TRAESKO works with Cotton made in Africa following the mass balance system. The transformation is posing a challenge to the company due to the price fluctuations in the world markets for cotton. Most of our customers are not willing to



SUPPORTING THE COTTON MADE IN AFRICA INITIATIVE



GROWING COUNTRIES IN AFRICA



pay occurring price changes – yet we stay committed to our cotton strategy and are paying the upcharges from our internal CR-project funds.

Cotton made in Africa, an initiative of the Aid by Trade Foundation, is one of the world's leading standards for sustainably produced cotton. Its goal is to help people help themselves, via trade rather than donations, in order to improve the living and working conditions of smallholder farmers in Africa and to protect the environment. CmiA also works to promote gender equality, dignified labour conditions and respect for the rights of children. It facilitates access to high-quality equipment and

is actively helping to improve productivity, fibre quality and overall living conditions.

“We are happy to cooperate with ISA-TRAESKO to further expand our activities in our partner countries in Africa and make an essential contribution to better living conditions and environmental protection while designing innovative products.”

Christian Barthel, Head of Business Development
Aid by Trade Foundation

⁸ <https://cottonmadeinafrica.org/en/>

OFFICES



PRODUCT

SUPPLY CHAIN

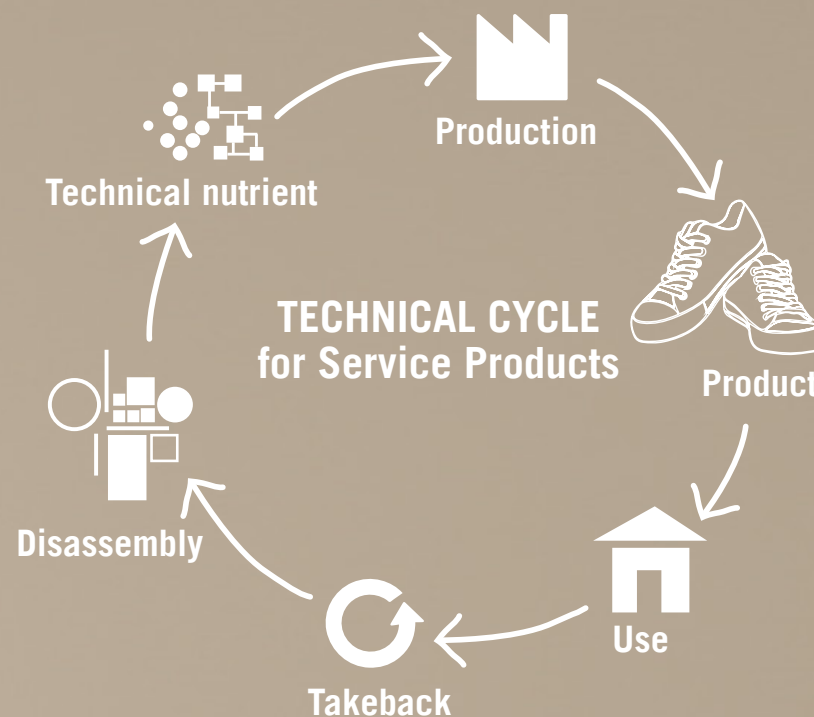
“ISA-TRAESKO is committed to take a safe and circular economy journey. By conducting research on take-back systems and consumption behaviour, they innovate on their business model and pave the way for a future-oriented shoe industry.”

Ana Vergara, EPEA GmbH – Part of Drees & Sommer

wup

by ISA-TRAESKO

CREATED TO BE RECREATED
The fully reusable and traceable
synthetics by ISA-TRAESKO.
Ethically sourced and traded, endlessly
reusable, purely comfortable.





Cradle to Cradle

“A NEVER-ENDING LIFECYCLE FOR OUR SHOES IS THE ULTIMATE GOAL”

19

Even with all the ecological material improvements and innovations we've been working on over the last years, we are very much aware of the fact that the majority of our current raw materials are ultimately finite. As a family-owned business, we believe that future generations should have equal rights to our world's resources. This is why recycling and the improvement of recyclability became an important topic to ISA-TRAESKO in 2016. Since then, we are experimenting with different raw materials that are certified according to the Global Recycle Standard to minimise our virgin raw-material input as well as our ecological footprint. But what happens at the end of our shoes' lifecycle? We have to face the uncomfortable truth that the vast majority of shoes eventually ends up in landfills or in waste incineration. We as an industry need to take on this responsibility and work on sustainable options to create products out of materials that can be reused again and again.

For this reason, we partnered up with EPEA GmbH – Part of Drees & Sommer.⁹ The Hamburg-based company was founded in 1987 by Prof. Michael Braungart and is an international innovation partner for environmentally-friendly, safe and healthy products and processes. Prof. Michael Braungart is the co-founder of the Cradle to Cradle® design principle, and

EPEA uses the Cradle to Cradle® assessment methodology as a tool to implement a circular and environmentally safe economy in all industry sectors. We are happy to have EPEA at our side while being on our circularity journey.

In 2019 we started to identify possible shoe projects that could be transformed into a technical recycling process. We based our decision on the complexity of the shoe materials and the impact we would have on both the shoe industry as a whole and our business in particular. In the end, we decided to start with our garden clogs and swimming slippers that are made out of EVA (ethylene-vinyl acetate), a light, soft and flexible synthetic rubber-like material. ISA-TRAESKO produces around five million pairs of these styles per year while the overall market figures for garden clogs alone reaches quantities of over 30 million pairs per year.

The Cradle to Cradle® design concept is inspired by nature: the aim is not only to minimise negative influences but also to leave a positive ecological footprint. As a result, products and processes will emerge that are safe for humans, healthy for the environment and successful for business. These products are already optimised during the design and manufacturing process as material resources for their next service life as new products. Components can be sorted according to their constit-

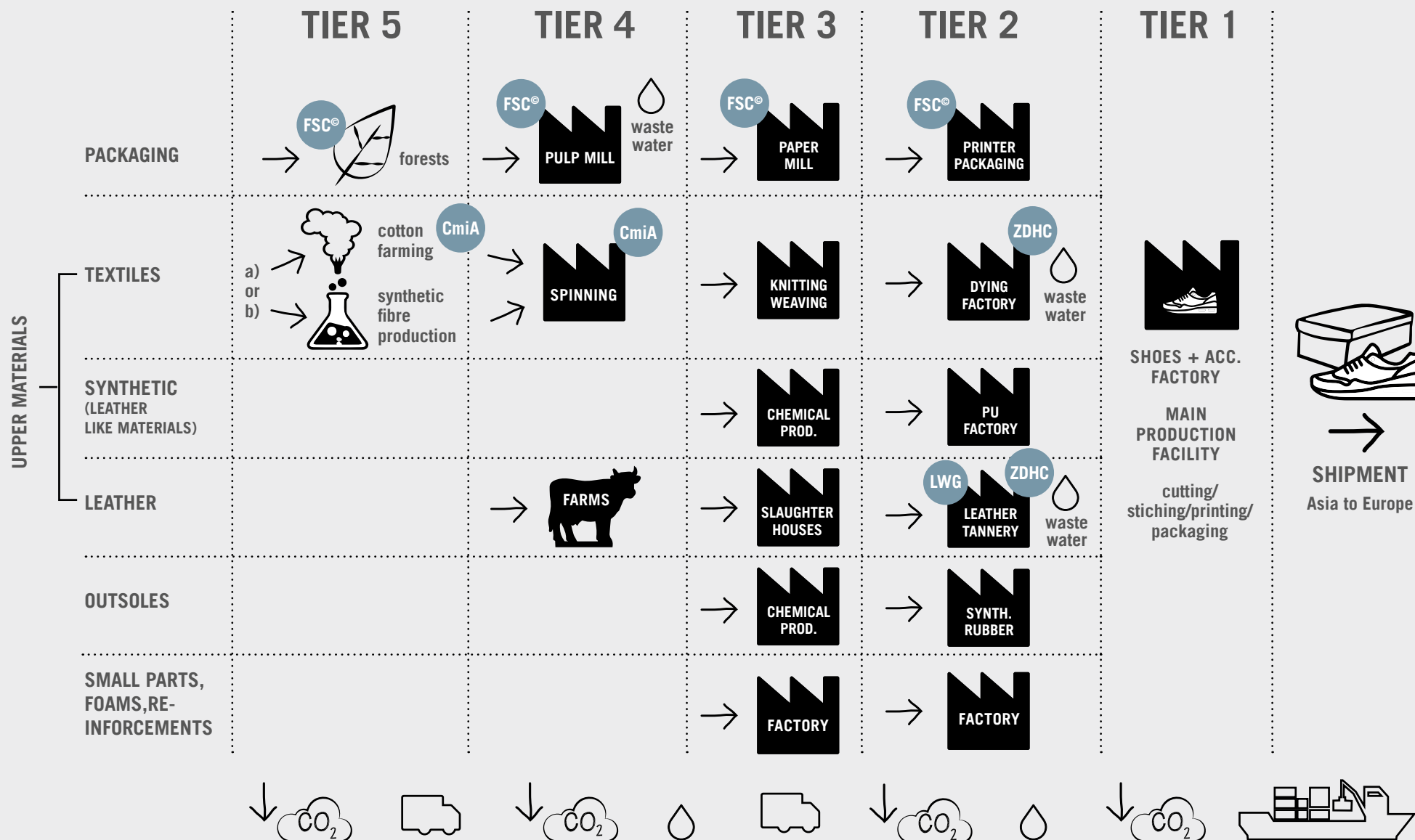
uent materials after use and then reintroduced to a technical cycle. Thereby, high material quality is maintained and down-cycling can be prevented while being completely ecologically safe during production, use and after-use scenarios.

EPEA, ISA-TRAESKO and a long-time production partner successfully achieved such a technical cycle for these special EVA products at the beginning of 2022.

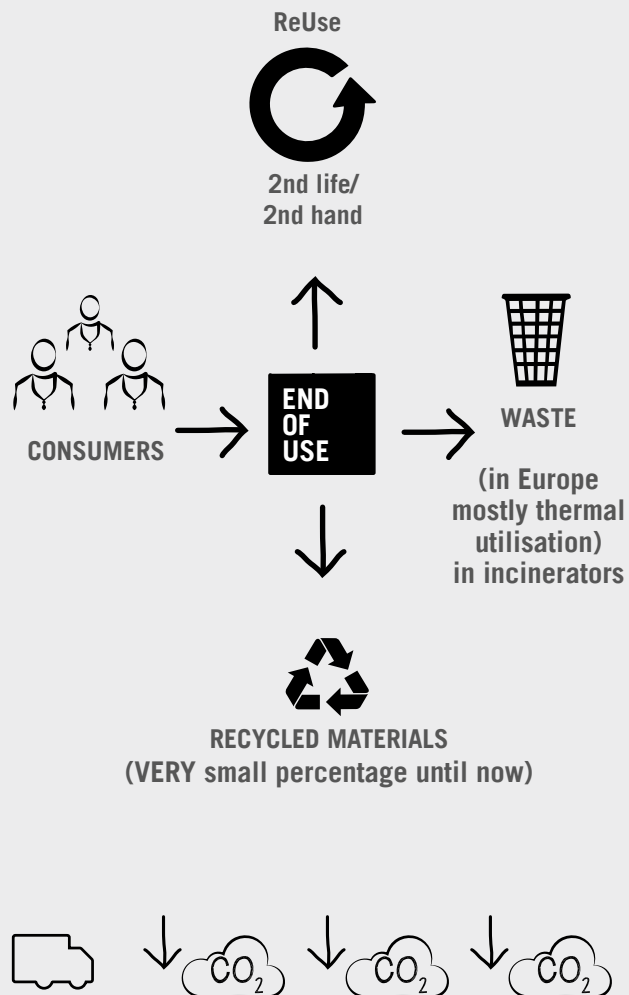
All partners were fully committed to turning this process into a successfully certified product and worked hard to create solutions that would ensure the certified product became the best possible version. Our main challenge was the take-back system, i.e. the return of our improved material into the material stream after the shoes have been worn for a couple of years. As we don't have any points of sale by ourselves, we started thinking about new ways to get them back to ISA-TRAESKO, of collecting the products from our base in Neumünster and together with our recycling partners finally transforming the EVA back into a valuable raw material for the next generation of products. As there is a general lack of information on shoe lifecycles after they are handed over to consumers, we plan to conduct research on usage behaviour as part of our development project.

⁹ <https://epea.com/>

OUTSOURCED MANUFACTURING ACTIVITIES



WHAT HAPPENS NEXT?



Our supplier pool

“RETHINKING SUPPLY CHAIN CONTROL”

In order to strengthen the control over our supplier pool, ISA-TRAESKO decided to restrict the number of manufacturing partners in 2016. We analysed the existing factories to determine long-time key suppliers, strategic partners for specific styles and factories where our production makes up more than 50 per cent of their overall capacity. Factories with none of these traits were gradually phased out. The remaining manufacturing sites were introduced to our capacity-building programme and are expected to support us on our way to meet today's challenging market requirements. Production facilities that show little or no willingness to adapt to the new challenges are given a two-level warning before being removed permanently from the supplier pool. To prevent the supplier pool from being filled up with new factories each season, we introduced an official onboarding procedure, which is controlled by the CR team.

The expectations of an ISA-TRAESKO supplier can be broken down into four parts: reliable and professional production planning, adherence to our quality standards, environmental and social compliance, and a transparent and strict control over their supply chains. Our business relationship is usually directly with the factory, except for the cases where our business partner is managing several factories at the same time.

With our inspectors regularly performing quality control during production and our CR team providing periodic assessments and visits throughout the year, we exercise close control over

all of our tier one suppliers. We additionally expect the full disclosure of all involved material producers and monitoring of all main material producers on tiers two and three. On the material supplier levels, our control distinguishes between dry and wet production facilities, as wet production poses greater environmental risks and needs additional control measures like regular chemical sampling and analyses of the wastewater and sludge. Through a partnership with the Italian B Corp company The ID Factory¹⁰, we are now able to trace each batch of our materials from the material factory to our production partners. This way we can guarantee that our healthy materials are actually used for our production after investing so much time, knowledge and money to develop them. We are currently working on extending this control even further down the supply chain.

For the last two years of the pandemic with whole countries shutting down, logistics processes interrupted for months on end and material costs growing exponentially, we saw our factories struggle like never before. We are proud to say that we didn't cancel one single order and supported our partners with pre-payments and loans during this difficult time. Nevertheless, some of the factories and material factories in our supply chain closed down, changed their business model or had to significantly raise their prices, which forced us to look for more new factory partners than anticipated. All of them are now part of our supplier training programme and will be built up to become long-lasting supply chain partners.

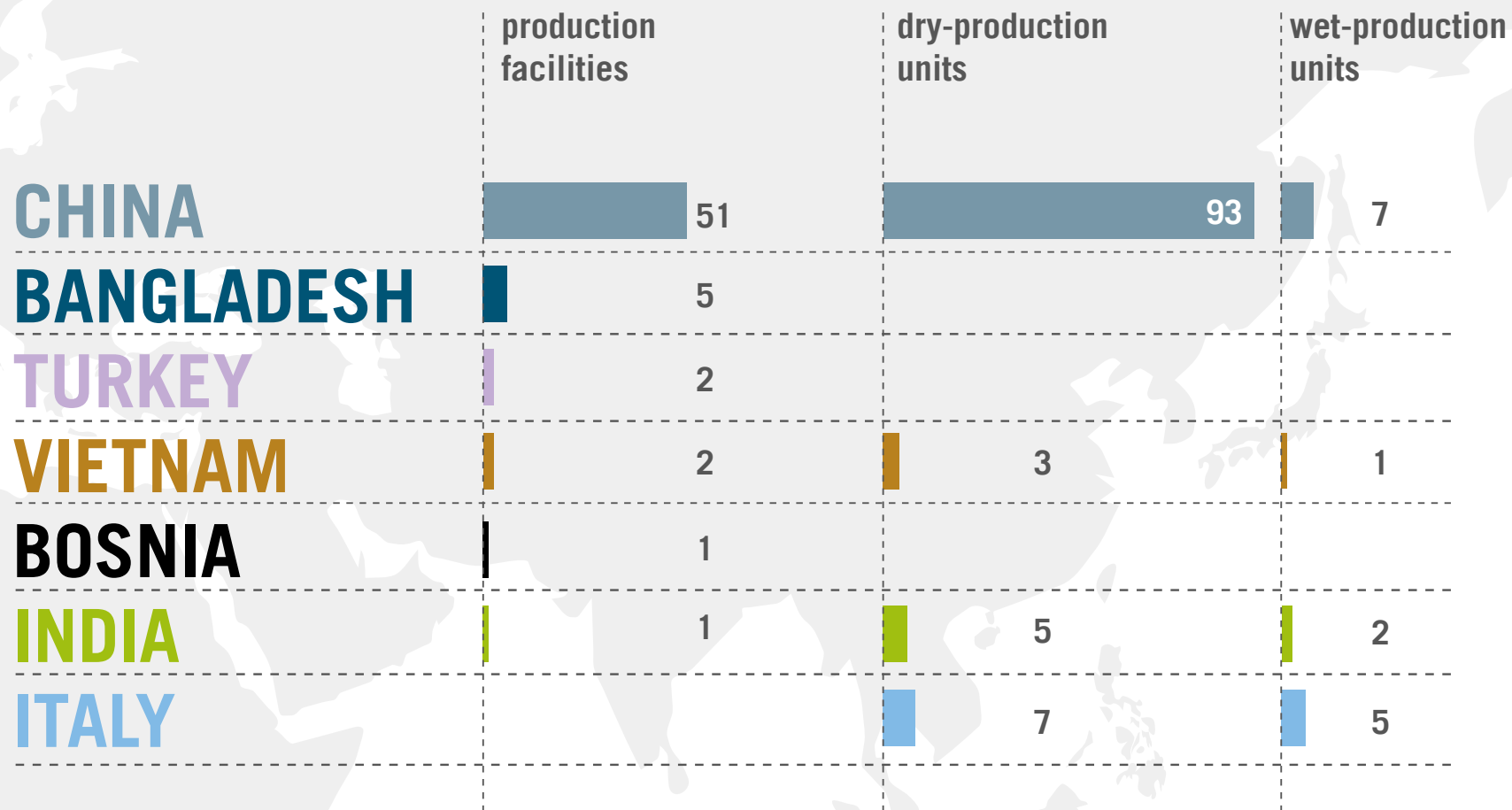
¹⁰ <https://theidfactory.com/>

OFFICES

PRODUCT



SUPPLY CHAIN



“OUR OWN ISA SOCIAL STANDARD BASED ON TRANSPARENCY AND TRUST”

The experience and knowledge we were fortunate enough to gain from over 25 years of doing business in China and Southeast Asia is reflected in our way of choosing our business partners. We believe that only trusting, long-term relationships can guarantee the kind of commitment we need to ensure the standard that our customers have become accustomed to. This especially applies to the field of social compliance. We believe that certain mindsets and beliefs can only be changed through continuous training and control, and not by issuing an inspection certificate once a year.

We do understand our customers' request for official third-party inspections though, and certify 100 per cent of our tier one suppliers. 98 per cent of our shoe factories are audited via the amfori Business Social Compliance Initiative (BSCI).¹¹ This social standard focuses on the improvement of working conditions in factories worldwide and, for example, verifies the factory's adherence to all legal requirements for the field of workers' health and safety. ISA-TRAESKO became a member of BSCI in May 2008 and has fulfilled its five-year goal to exclusively produce in factories that obtained an acceptable BSCI audit result back in 2014. The remaining factories are certified through the similar standards of the Social Accountability Initiative's SA8000 certificate or through a SMETA audit from the SEDEX membership organisation.

The need for continuous training and control consequently led to the start of our own ISA-TRAESKO Social Assessment

(ISA) at the end of 2015 and our ISA Capacity Building Program in March 2016. The ISA Capacity Building Program is based on our initial assessments and is followed by training sessions and continuous control visits throughout the year.

When we started back in 2015, we initially focused on all key suppliers of ISA-TRAESKO and from 2017 onwards we expanded our strict internal monitoring system to more and more of our manufacturers. Since 2018 all of our factories receive an ISA assessment on a regular basis and get on-boarded to their respective capacity-building measures. Our social standards are based on transparency and trust and are continuously being improved. They reflect the high expectations ISA-TRAESKO holds not only of our suppliers but of ourselves as well. Based on our years of experience we developed a detailed catalogue of measures to advance workers' rights, expand control over subcontracting and home working processes, identify health and safety issues with a special focus on fire safety and build up digitalised and detailed recording systems for working hours, wages and incidents.

One of the key aspects of our social compliance efforts is the wage of the factory workers in our supply chain. While we could guarantee that each worker in our factories earns at least the correct and legal minimum wage, we didn't have sufficient data and the means to understand if our production partners pay living wages. In 2019, together with Dr Stephanie Schrage from the University of Hamburg (now Technische

Universität Hamburg), we performed a field study on living wages in the footwear industry in China to better understand the details of the wage systems. Together we conducted interviews with workers, factory owners, traders and our colleagues to compile comprehensive facts and background information. Using the Anker method to calculate the detailed living wage for each province, we found that all of our workers did in fact earn a monthly living wage. But through our internal assessment we have very transparent access to working hours and were able to identify that once you calculate an hourly living wage, most workers didn't receive a living wage. The discrepancy between the two findings lies in the number of overtime hours any typical Chinese worker conducts per month. We know that we can't change the wage system as a single company – but we strongly believe that no brand should just accept the given situation. We therefore support joint industry and country efforts to raise wages across Asia. What we are able to change is the workers' awareness and understanding of wage regulations and the inclusion of this awareness in all our factory training sessions. We also include management training on the topic as we have realised that a lot of the issues we identify in our factory assessments are actually related to lack of knowledge in the HR and finance departments of our factories.

We know that we still have a long way to go, but we feel confident that we have chosen the right approach to initiate meaningful and long-lasting change.

¹¹ <https://www.amfori.org/content/amfori-bsci>



Environmental compliance in our supply chain

“A HIGH LEVEL OF COMMITMENT FROM ALL INVOLVED PARTNERS”

While we do see the importance and benefits that the sustainability approaches in our headquarters generate, we acknowledge that the main part of our product's carbon emissions and environmental impact is generated along our supply chain. As stated before, we don't have legal ownership over any production facilities, but feel the responsibility to exert our influence to promote sustainability along our supply chain. The main environmental issues connected to the shoe sector are chemical pollution during material production as well as greenhouse gas emissions from logistic processes between the different production sites and the delivery from the production sites to the end consumers around the globe.

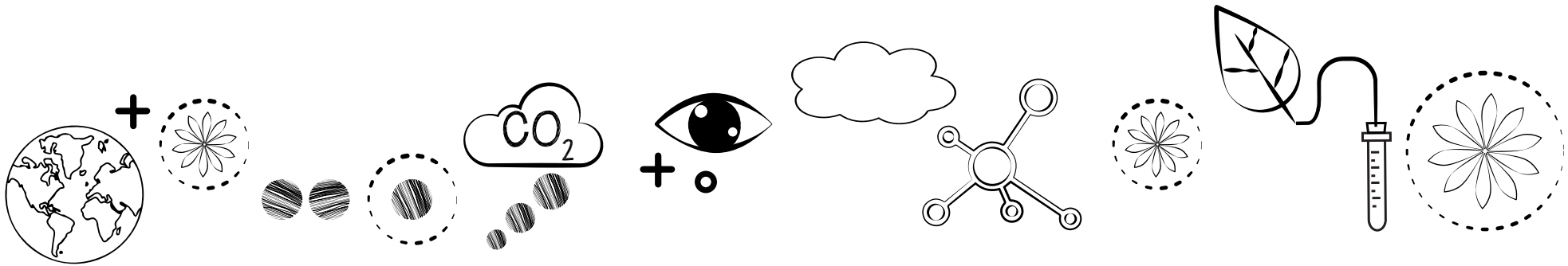
To manage the variety of management aspects connected to the topic of chemicals in the shoe sector, we developed our own DETOX roadmap in 2015, which was updated and adapted in 2017. The elimination of non-cooperative partners and a strict concentration on key factories and material suppliers has become crucial for each of our approaches. Together with Systain Consulting, a leading German CR consultancy, we developed a chemical management handbook for the shoe

sector as baseline for the use of chemicals and our chemical training measures. All of our tier one suppliers received a targeted training and our local capacity building team will continue to work with them on their improvements. We extended this training to all of our nominated material suppliers in 2018 and will continue to include all of our production partners along the supply chain in our training scope. We further expanded our chemical control by creating a digitalised chemical management system for our material suppliers through our partners at The BHive™, which allows us to track the monthly chemical consumption and identify possible risks in specific chemicals. Our chemical testing teams work relentlessly to detect the core reasons behind raw material and production fails and regularly start investigations into specific processes together with our production partners and external experts.

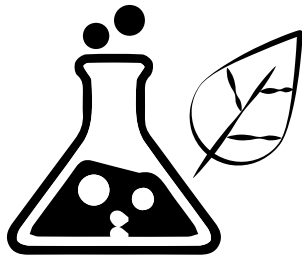
We have officially expressed our commitment and willingness to participate in large-scale shoe and textile sector projects that aim to transform the sector's environmental impact. This is most notably shown in our commitment to the Zero Discharge of Hazardous Chemicals (ZDHC) programme: in September 2019

ISA-TRAESKO was the first importer to join the ZDHC Foundation as a Friend of ZDHC.¹² The ZDHC Roadmap to Zero Programme is a coalition of fashion brands, value chain affiliates and associates. Together they empower the global textile, leather, apparel and footwear value chain to substitute hazardous chemicals for safer ones in the production process. Their concept relies on three pillars: input – with safer chemicals for a clean start of the production, process – with better chemical management for smart production choices, and output – with cleaner products that are safe for both people and the planet.

Our detailed analyses of wastewater test results, product test results, chemical inventories, factory assessments and sector-wide cooperation projects have allowed us to develop a strategy that guarantees safe and clean production and which will over time lead to full chemical control along our whole supply chain. The implementation and execution of the mentioned measures require a high level of commitment from all involved partners in our supply chain. We in turn have to guarantee a high level of reliability and hope to receive equal commitment from our customers to achieve genuine improvements in our sector.



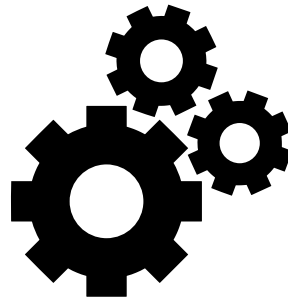
INPUT



SAFER CHEMICALS

**A good start
for a clean
supply chain**

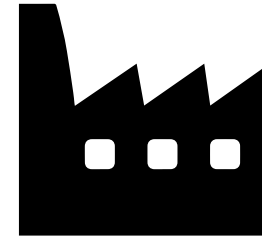
PROCESS



BETTER MANAGEMENT

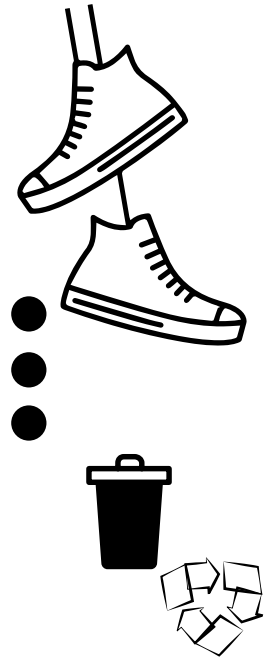
**Chemical
management for smart
production choices**

OUTPUT



CLEANER PRODUCTS

**Safe for both
people and
the planet**





GOING FORWARD



The publication of this report surely marks another milestone for ISA-TRAESKO while also highlighting the road that lies ahead of us. Throughout the years of the pandemic and even more so today, we remain fully committed to our sustainability approach and all the challenges that come with it. The highlighted strategies for our **offices**, our **product** and our **supply chain** will require us to work even harder in the years to come, but we trust that our customers will reward our sustain-

ability efforts in today's decidedly competitive and price-sensitive market. A reliable and sustainable production network can only function with a joint and committed strategy between ISA-TRAESKO and our business partners. We welcome the new German and EU legislations on supply chain due diligence and hope that they will strengthen the efforts of companies like ours and lead to a fair market, where sourcing from safe supply becomes the governing principle.

NEXT STEPS – COME CLOSE THE LUUP WITH US.

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lifestyle & fashion

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