

Designing a Sustainable World

DELTA GALIL ESG SUMMARY REPORT 2021



Our commitment to ESG -

A MESSAGE FROM OUR CEO

Dear Stakeholders,

I am delighted to present you with Delta Galil's ESG Summary Report for 2021. We are proud to be among the top companies that have been leading the way for well over a decade in terms of commitment to ESG and full transparency. This report continues in that transparent tradition, presenting our stakeholders with the progress we have made to date, as well as setting out our goals going forward.

Greater understanding of the challenges of climate change means that the world expects action from businesses if we are to collectively reduce our environmental impact on the planet, and the long-term consequences for all of humanity. We apply leading practices to lower our footprint, have set environmental goals to ensure we reduce our greenhouse gas emissions (GHG) per ton of product, and have already seen great results.

Innovation is a key strength at Delta Galil. We continue to find and adopt more environmentally-friendly production methods, as well as expand our portfolio of products with environmental attributes. We work with various groups and startups to develop sustainable solutions for dyeing, textile recycling and more. We are also strengthening the transition to digital retail platforms and digitized product design, and are restructuring our operations for greater efficiency.

Alongside promoting our environmental responsibility policy, we are proud to continue providing a stable and forward-looking work environment for our more than 24,700 associates. They really are the backbone and

source of our strength at Delta-Galil. We strive to create a healthy, safe and inclusive environment for all our employees, prioritizing their personal and professional development, as well as their welfare and wellbeing. Cultivating our longstanding tradition of inclusion, diversity and equity is important to us, as is improving the lives of people in our local communities.

Looking forward, we strive to continue to grow our business sustainably, respecting our commitment to our shareholders and stakeholders, and acting as a responsible corporate citizen. We will continue to provide our customers with products and services representing not only the best quality, innovation and style, but also positive environmental and social impacts.

Thank you for your partnership.

Yours sincerely,
Isaac Dabah
Chief Executive Officer



“ Innovation is a key strength at Delta Galil. We continue to find and adopt more environmentally-friendly production methods, as well as expand our portfolio of products with environmental attributes. ”

A message from our DIRECTOR OF CORPORATE COMMUNICATION



Welcome to our ESG Summary Report for 2021. Our last report disclosed our ESG activity during 2019-2020 and we intend to continue publishing a full, biennial report that meets international standards, as we have been doing since 2007.

In order to share our frequent achievements and progress with our varied stakeholders, however, we have decided going forward also to publish an annual ESG Update.

We are proud of the progress we have made across numerous aspects of environmental sustainability and innovation, promoting the health, safety, wellbeing and professional and personal development of our employees, as well as our culture of inclusiveness.

I would like to take this opportunity to thank all the internal partners who take an active part, on a daily basis, in promoting ESG and making Delta Galil a better global citizen.

We are committed to expanding our ESG practices, and will continue to disclose our progress in future reports and updates.

Please do feel free to get in touch for any further information – feedback and ideas are always welcome.

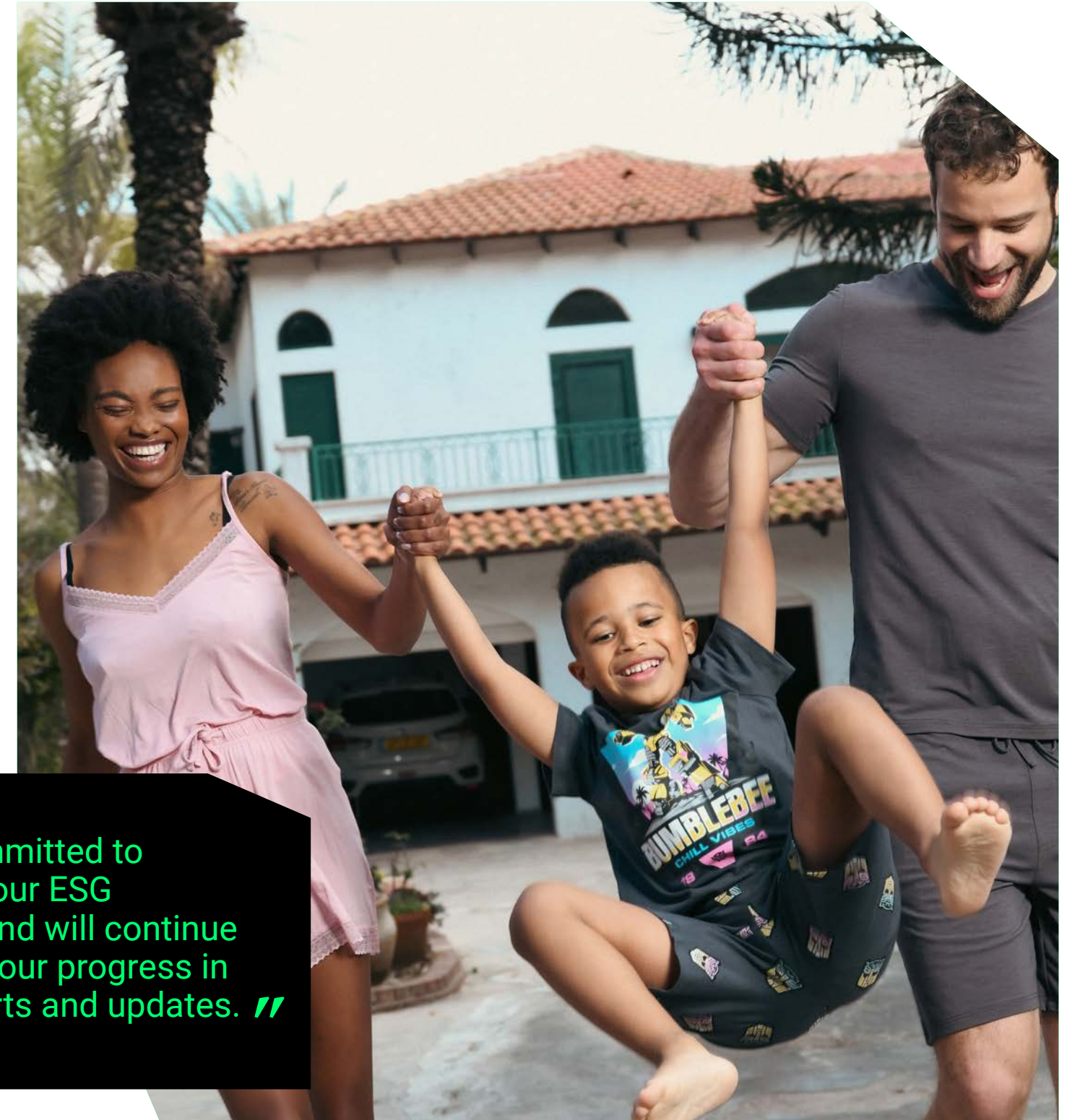
Wishing you a pleasant reading,

Hila Ephrati Halper

Director of corporate communication

Please contact: Hila.EphratiHalper@deltagalil.com

// We are committed to expanding our ESG practices, and will continue to disclose our progress in future reports and updates. //



Please note:

This update does not include information regarding retail activities or marketing offices, unless expressly stated. It also does not include activity in our joint ventures in China and Bangladesh. All data in this update is collected through direct measurement unless stated otherwise. We only mention the names of subsidiaries abroad when we describe the activities that take place in those companies. Environmental data analysis is done through a third-party consultancy.

The data in this update corresponds with other reports issued and information presented by Delta Galil Group in past years. This update is not part of the Group's financial statements, Immediate Reports or Periodic Reports, and in the unlikely event of any discrepancy, the version in the financial statements is binding.



About Delta Galil

ABOUT *Delta-Galil*

Delta Galil is proud to be a leading global manufacturer and marketer of brands and private label apparel products for men, women and children. Since the creation of our company in 1975, we have established strategically located design, development and manufacturing centers across four continents. We serve dozens of industry-leading customers in the US, UK, Europe and Israel.

Our Mission

Delta Galil's mission is to continue our tradition of global leadership in high quality apparel, helping people feel stylish, comfortable and special at any age. We aim to integrate our approach to designing and producing products, focusing on innovation and advanced technologies. We are committed to exceeding our customers' expectations, and enabling them to be more competitive in the market place.

We are proud to be a multi-cultural, global firm that employs individuals all over the world. We believe in mutual respect and co-existence, and are committed to being a safe and healthy workplace. We provide employees with the opportunity to grow and develop, while considering our corporate, social and environmental responsibilities at all times.

Our Values

In 2016, we carried out a company-wide review of our core values, vision and mission. These values are as relevant today as they were then, and are a part of the Company's DNA.



In anticipation of new fashion trends, we develop in-house, cutting-edge technologies and innovative fabrics, building on our more than 45-year tradition of uncompromised excellence and expertise in manufacturing, marketing and service.

We design and develop our products primarily in Israel, Germany, France, Switzerland, the US, China and Hong Kong. We manufacture about 30% of our products in owned facilities, and also operate logistics centers, offices and retail stores all around the world - in Israel, Egypt, Turkey, Vietnam, The United States, Bulgaria, Thailand, Czech Republic, Switzerland, Germany, France, United Kingdom, Italy, Belgium, Netherlands, Denmark, Austria, China, Myanmar, Hong Kong and Brazil.

In mid-2021, we changed the company's organizational structure and now operate under 5 business segments, as follows:

1.

Brands

Leading owned and licensed intimate apparel and home wear brands.

2.

Private Label

Fully vertical from innovative design to manufacturing for private label customers (brands and retailers).

3.

Delta Israel

The leading Israeli intimate apparel company for the family and teenagers, with 200 stores, digital and wholesale channels.

IPO on March 2021 (TASE: DLT).

4.

7 For All Mankind

The founder of American premium denim, the brand that forever changed the way people think about denim; marketed through DTC and wholesale channels globally.

5.

Online Retailer

Independent digital platform (Bare Necessities), the largest US online intimate apparel marketplace, offering over 160 leading brands and private label.

24,700

employees world wide as of end 2021

Our business model includes both:

\$710,797K

private label products representing 39% of 2021 sales

and

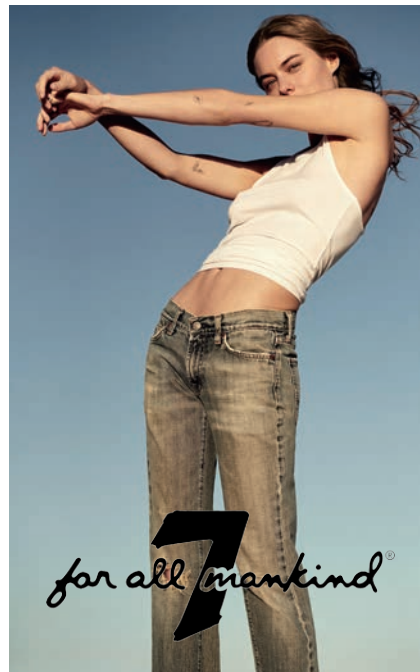
\$1,127,000K

branded products representing 61% of 2021 sales

DELT

Delta Galil shares are publicly traded on the Tel Aviv Stock Exchange

Our Own MAJOR BRANDS



Our product category includes Lingerie, Activewear, Shapewear, Brassiere, Men's underwear, Socks, Kids, intimate apparel, Tops, Sleepwear and athleisure, Denim and Fabrics.

Licensed Brands

LEADING PORTFOLIO OF GLOBAL BRANDS



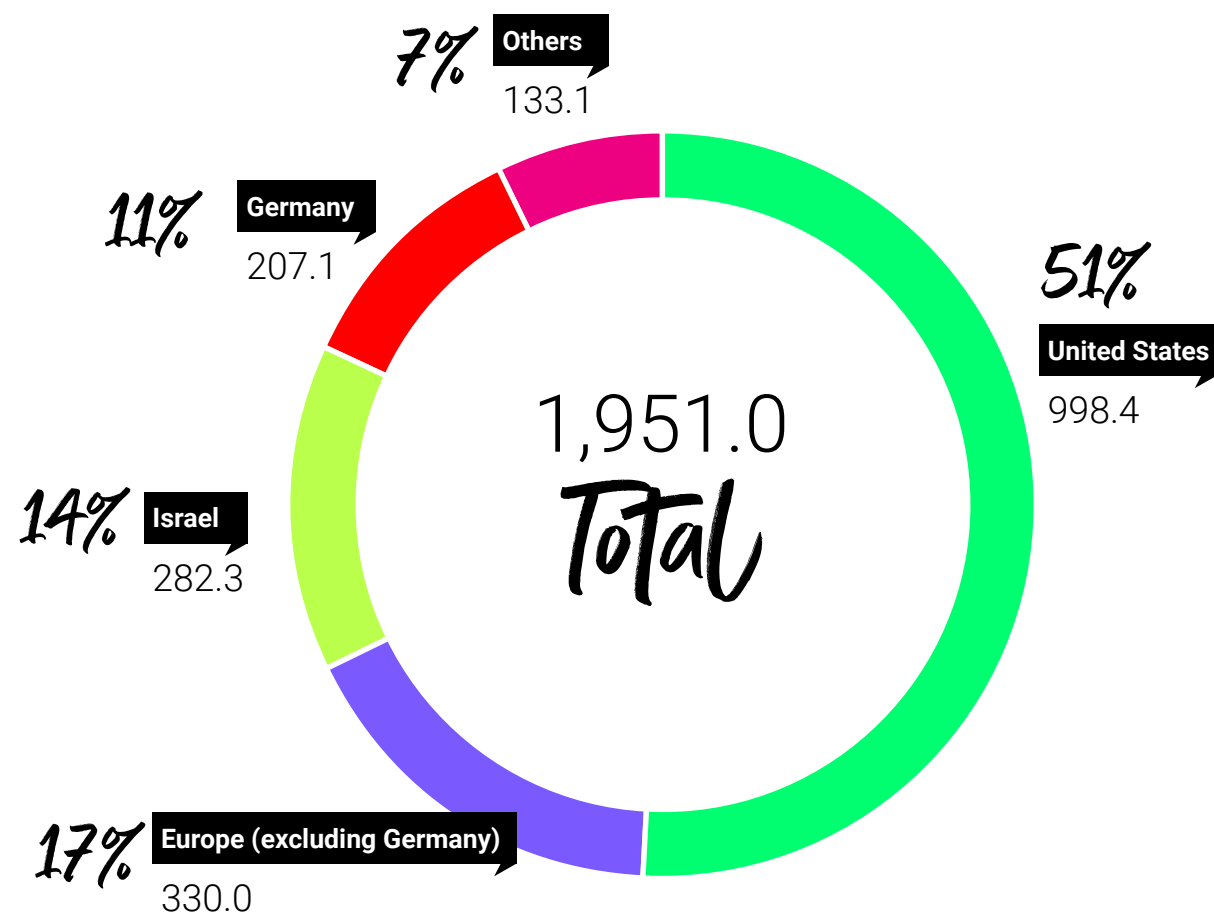
Strategic Brand Partnerships

PARTNER OF CHOICE



Our Global IMPACT

Breakdown of Company Sales by Geography, in \$ millions*:



* Some of the data in the table have been rounded up or down.

Our Economic IMPACT

The textile and apparel industries are the world's oldest consumer goods manufacturing sectors. These industries are among the key drivers of economic and social development for many developing and emerging countries, and are an entry point to global supply chains and export markets.

We are proud to report that our net profit in 2021, excluding non-core items, increased to \$124.2 million compared to our prior record year, 2019. We ended 2021 with a strong operating cash flow of \$166 million. Hence, we increased the dividend to \$10 million, or \$0.39 per share in 2022.

Our Economic Value (\$ Millions)	2016	2017	2018	2019	2020	2021
Direct economic value generated: Net Sales	1,179.2	1,368.1	1,498.4	1,690.2	1,446.2	1,951.0
Economic value distributed						
Total operating costs/ expenses in respect to payments to suppliers, rent and others	811.3	956.6	1,032.6	1,107.1	892.4	1,343.4
Total payments to employees including wages and benefits (pension, social security, etc.)	231.1	279.0	312.5	381.7	348.0	423.4
Total amount paid to shareholders as dividends (*)	14.1	14.0	14.1	11.1	6.5	17.1
Total financial expense, net (**)	17.4	18.8	21.4	27.6	27.6	27.4
Total expense for income taxes	16.0	16.8	11.1	9.9	(4.1)	30.4
Charitable donations	0.4	0.4	0.4	0.6	0.6	1.1

(*) Including dividend for minority for Delta Israel Brands during 2021

(**) Excluding interest payments due to IFRS 16

For additional economic data – see our [financial annual reports](#).

Engaging with our Stakeholders

on ESG MATERIAL TOPICS

We see great importance in ongoing, transparent, open and mutual dialogue with our varied stakeholders, and devote considerable resources to increasing communications with them. We truly believe that this is essential to Delta Galil's continuous growth. It enables us to understand the needs, desires and expectations of our stakeholders, as well as offer them targeted and accurate solutions.

We have identified ten different groups of stakeholders, with whom we maintain ongoing communications: associates (employees), suppliers, customers, consumers, local communities, authorities, civil society, shareholders, investor representatives and analyst firms.

In recent years, we have identified key issues of interest to each stakeholder group. We have built a materiality matrix by using a third-party organization which conducted a company-wide external stakeholder assessment survey, as well as a study of Delta Galil's media coverage for final validation. This reflects the importance of numerous topics to Delta's Board of Directors and management, and to the rest of our stakeholder groups.

Our material topics include: material use, chemical use management, energy, water, air emissions, innovation, diversity and equal opportunity, and occupational health and safety.







Aligning with THE SDGs AND UNGC

As a leading company in our industry, and as part of the global community, we have expressed support for the United Nations' Global Compact (UNGC) initiative and we work to promote them in all of our operations.

As this evolved into the Sustainable Development Goals (SDGs), we continue to incorporate these topics into our ESG activities. Each and every SDG provides an opportunity for businesses to thrive, and we believe that every business – including Delta Galil - has a responsibility to play its part in achieving these goals and creating a better world for all.

We have identified the SDGs on which we believe we can have the greatest impact (3, 4, 8 and 12) and the SDGs that our ongoing projects support (5, 6, 7, 13 and 14).

The following table provides an overview of the SDGs we focus on:

SDG	Why is it important to Delta Galil?
	We recognize and take responsibility for our influence on the health, safety and wellbeing of people, directly through employment conditions and product quality, and indirectly through environmental impacts.
	Learning is crucial for organizational development and success, and is beneficial for both employers and employees. We invest in our human capital, both in personal and professional development. As it is important for us to reduce academic and social gaps within society, we invest in the skills development of young people through our community programs in all our locations, and provide our employees with continuous opportunities to improve their skills for their current and future employment. By developing the capacity of future employees, we are building a more diverse employee pipeline that feeds our company's creativity.
 	The textile industry requires large amounts of water for production. At the same time, it involves the use of chemicals, which may reach the environment and cause water pollution. With more and more countries experiencing water stress, alongside the need to reduce pollutants in wastewater, we recognize our responsibility to use water responsibly and prevent water pollution in all our locations.
 	On the one hand, the fashion industry is a major consumer of energy and a major contributor to GHG emissions. On the other hand, it is also at risk of suffering the effects of climate change through effects on supply chains and material resources, such as cotton. We recognize that our business can only gain from increasing our use of renewable energy and enhancing our energy efficiency.
	As a global company, Delta Galil is responsible for employing many people around the world. Taking care of our employees' health, welfare and personal development is one of our main objectives. This is in line with our aim to promote and uphold equal opportunities and employment diversity.
	The world in which we live and operate has limited resources. For this reason, we conduct our business with the understanding that protecting the environment is critical for each and every one of us as individuals, as well as for long-term business sustainability and success.

ESG Highlights 2021

Focusing diversity & inclusion and community investment

77%

women in our work force

52%

women at management level

38%

women in senior management roles (6/16)

13%

of our workforce is composed of employees over the age of 50

\$1.1 Million

invested in the community and donations to educational institutions, culture and welfare organizations.



We continue to give prominence to diverse populations in **advertising**, while promoting diversity in **community initiatives**



Diversity in Advertising' Award

Winner of Maala's 'Diversity in the spirit of the Convention for the Representation of Israeli Diversity in Advertising' Award - this deals with equal and non-stereotypical representation of all population groups as part of the diversity competition in marketing and advertising, organized by Maala, the Israeli Marketing Association and the Israeli Advertising Companies Association.

Environmental sustainability metrics for Delta Galil owned sites

25%

of our raw materials were from recycled sources

48%

We are proud of achieving 48% of our 2025 target to reduce 25% of our energy intensity¹

Zero

Discharge of Hazardous Chemicals (ZDHC)

33%

We achieved 33% of our 2025 target to reduce 25% of our waste

Zero

fines or non-monetary sanctions for non-compliance with environmental laws

68

Water consumption in m³ per ton product has decreased from 79 in 2020 to 68 in 2021

3.61

Our scope 1 + 2 GHG emissions in MTCO₂e per ton product were reduced from 4.26 in 2020 to 3.61 in 2021



Upholding Ethical Conduct

No reported

- Material ethical violations
- Incidents of health and safety impacts of products
- Breaches of our online information systems or customers' databases



7 Biennial Reports

published since 2007, reflecting our ESG progress


ESG Ratings 


We participate in ESG ratings:


- Since 2009, we have been reporting on our environmental impacts to the Carbon Disclosure Project (CDP) supply chain initiative
- Since 2006, we have been participating in the Maala index (Israeli ESG ranking)

Innovation at Heart

Promoting innovative applications with start-ups, our R&D activity and by open dialogue with our employees, customers and other stakeholders, focusing on Environmental impact reduction. For example:

 **Twine** helps us minimize the need for water, reduces logistics and reduces waste production.

 **Sonovia** helps us minimize chemical use while embedding particles of different properties into textiles.

 **Algalife** natural dyeing - turning algae into bio-fibers and healthy friendly dyeing.

¹ Past years are re-calculated to exclude sold facilities in Slovakia and Romania and to include some data corrections. 2019 data for two recently acquired Brunet facilities is extrapolated based on production volumes and 2021 environmental data.



Our Environmental Impact

Promoting OUR ENVIRONMENTAL TARGETS

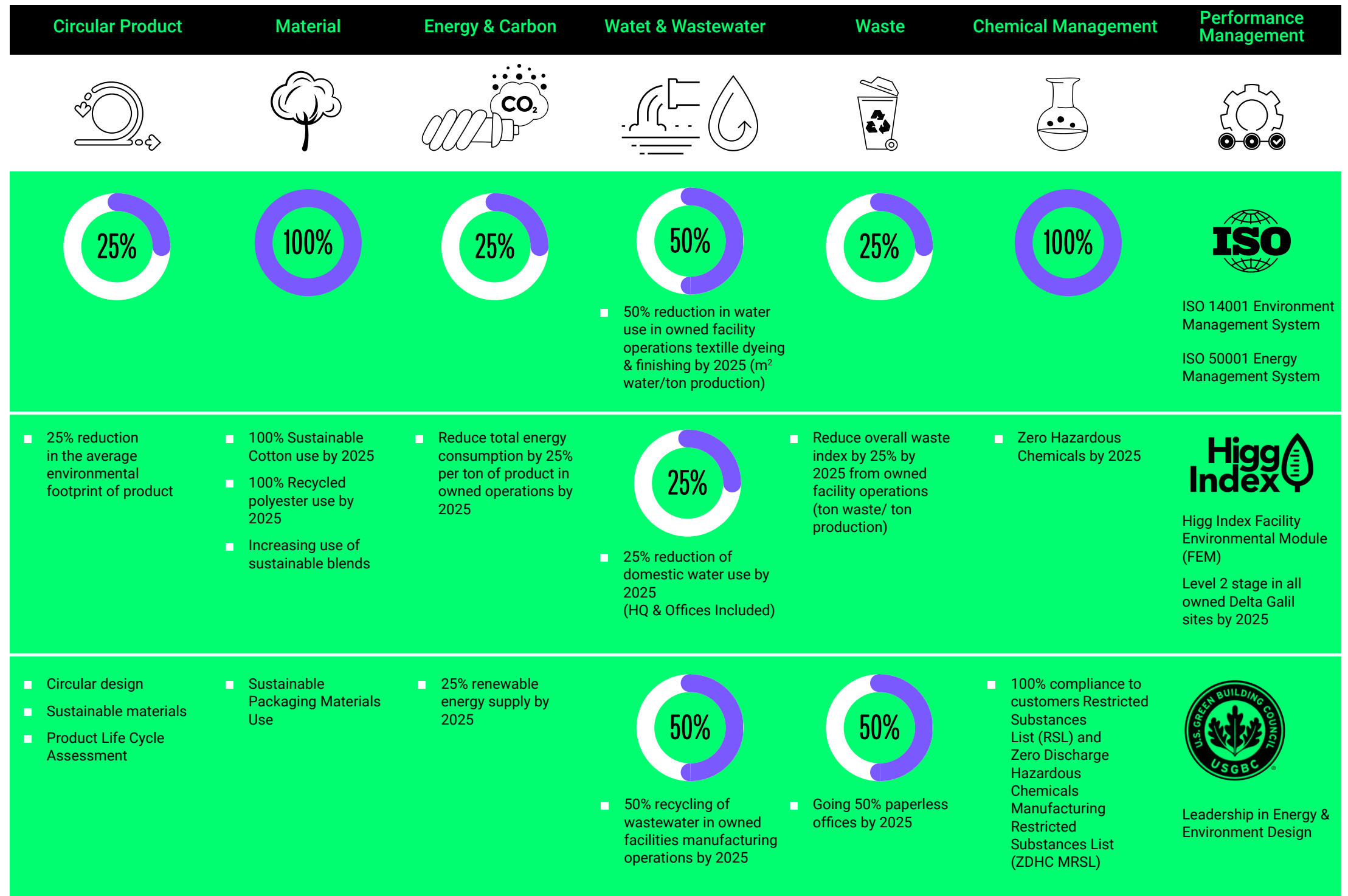
From mitigating global warming, through safeguarding water quality, to responsible sourcing of materials, our industry has an important role to play in making sure that future generations can live a good life on earth. At Delta Galil, we seek to employ our innovative spirit to improve our environmental performance, and have been incorporating sustainability into our company objectives since 2007. Our main environmental impacts are closely tied to the raw materials we source (primarily cotton and synthetic fibers), the chemicals we apply, the water we consume and wastewater we release, energy consumption and greenhouse gas emissions, and waste created as part of our activities.

We monitor and promote new, innovative sustainable solutions to ensure we continuously improve our environmental impact while complying with the law. **During 2021, no significant fines or non-monetary sanctions were received for non-compliance with environmental laws.**

We also focus on developing more sustainable products with positive environmental and health attributes. We have developed various innovative sustainable technologies, which are grouped into four sustainability pillars: **Healthy, Long-lasting, Energy saving, and Resource efficiency.** These technologies enable us to provide customers with a diverse selection, addressing consumer demand for products that are fashionable, comfortable, high quality, and environmentally friendly.

We have set environmental targets for 2025, including energy consumption, renewable energy use, water use, and waste production. We plan to set science-based targets for the reduction of greenhouse gas emissions, in line with industry leaders. We are also closely following developments regarding mitigating carbon emissions.









Delta Galil Industries Environmental Sustainability Targets 2020-2025



The above targets refer to 2019 as the base year. They cover all of Delta Galil's fully owned production facilities, as well as several offices and distribution centers².

² Excluding the plants in Romania and Slovakia, which were part of the Group during 2019 but have since been sold. Base year data for two recently acquired Brunet facilities is extrapolated based on production volumes and 2021 environmental data.

The table below highlights the improvements we have made on our environmental metrics:

Target	2021 performance compared to base year (2019)	% of target achieved	Status
 25% reduction in energy consumption intensity (GJ / ton product)	-12%	 48%	Underway
 25% renewable energy supply	10%	 39%	Underway
 50% reduction in water use intensity (m ³ / ton product)	-4%	 7%	Underway
 25% reduction in waste production intensity (ton waste / ton product)	-8%	 33%	Underway



EHS Management APPROACH

As an international player, we use our size and reach to try to eliminate any negative impacts from our production. We do this by carefully selecting suppliers with whom we work, through the design and research and development (R&D) of our products, and strictly controlling any chemicals used in production. We also take preventive measures to ensure human safety and environmental protection, such as:

- Integrating the Higg Facility Environmental Module (FEM) into our fully owned facilities - for measuring their environmental sustainability performance. All of our fully/partially owned sites undergo external verification of their Higg reporting.
- Oeko-Tex® Standard 100 certification.
- Continuous improvement of chemical management - Manufacturing Restricted Substances are checked within the framework of ZDHC MRS L guidelines and customer standards. Some of our sites (Vietnam, Egypt, Turkey, China) have integrated an online chemical inventory program into their onsite chemical management. We continuously look for solutions and alternatives for better chemical management.
- Upholding Customer Restricted Substances List (RSL) requirements.
- Upholding REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) requirements.
- Integrating the ECO-OS data management platform – for better monitoring and control of environmental metrics.
- Certification of facilities according to GRS (Global Recycling Standard). Our Vietnam and Egypt facilities are already certified.

Our local social compliance teams are responsible for environmental matters at each of our sites. These teams produce a complete picture of environmental impact and activity at each site, assess solutions and potential alternatives, and create work plans and targets for individual sites. The local teams are in contact with headquarters and with managers at the plants, and they help to raise awareness and implement needed environmental measures and environmental management system requirements.

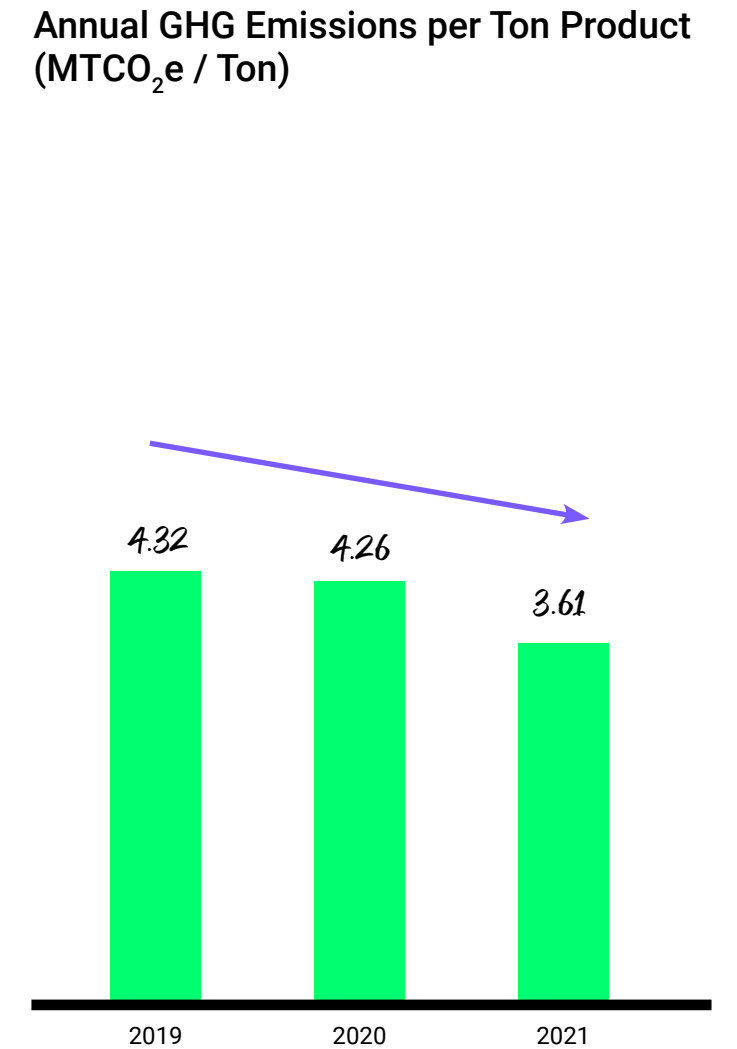
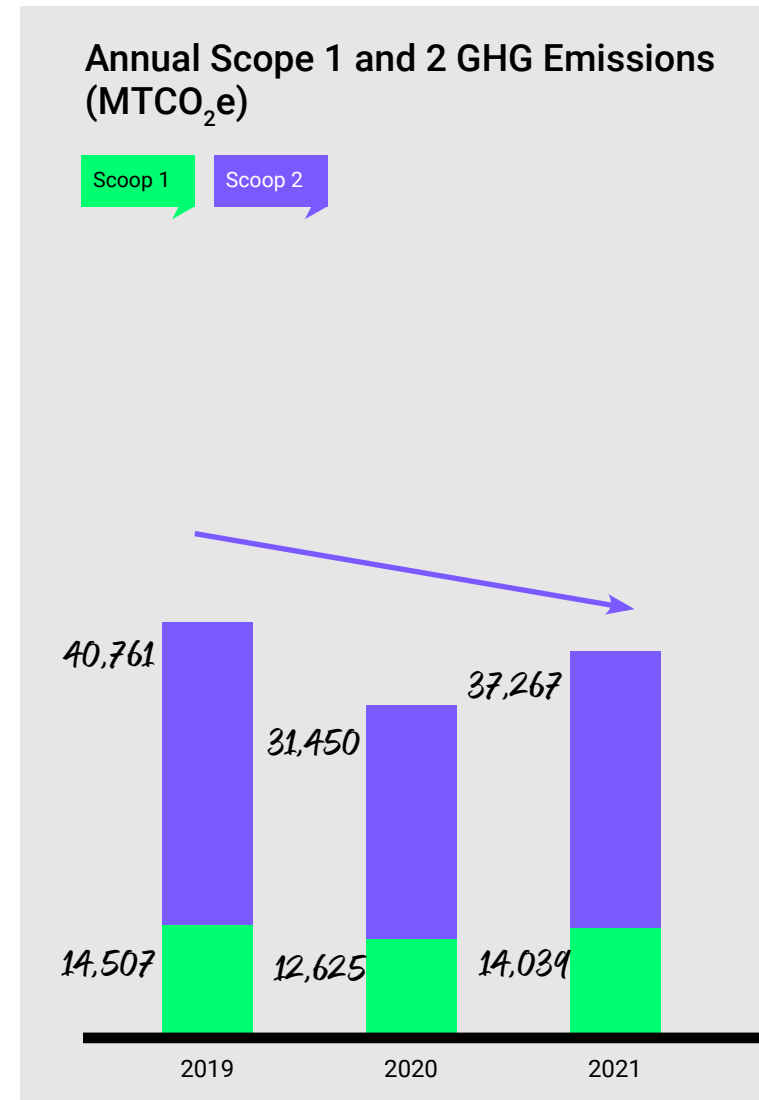
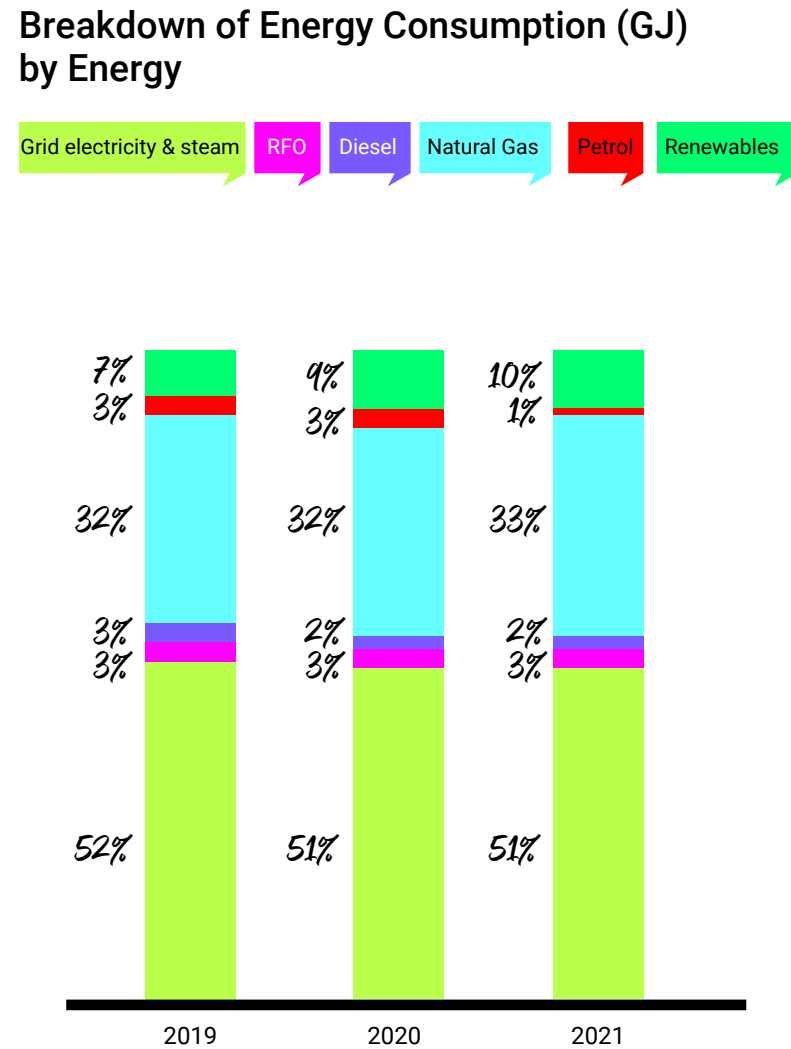
At Delta production facilities, we follow respected standards in order to reduce environmental impacts, beyond what is required by laws and regulations. We strive to eliminate issues through continuous improvement efforts. Delta Turkey, Bulgaria, Vietnam, Egypt and China facilities have all achieved ISO 14001 Environment Management System (EMS) certification, and our Thailand facilities are undergoing certification. We are also continuously improving our energy performance by implementing the ISO 50001 EMS, and our Delta Turkey, Bulgaria and Vietnam facilities have all achieved this certification.

Reducing ENERGY USE AND GHG EMISSIONS

We are committed to reducing our energy consumption and GHG emission by investing efforts in promoting our targets.

Delta Galil's greenhouse gas emissions comprise emissions from fuel combustion for manufacturing, transportation and electricity.

Our total energy consumption increased from 512,574 GJ in 2020³ to 601,971 GJ in 2021, mainly due to increased production. Energy consumption in GJ per ton product decreased from 49.60 in 2020 to 42.32 in 2021. This is due to energy efficiency measures taken, as well as to fluctuations in product types. As seen above, we are on course to meet our 2025 target for energy reduction. Furthermore, the charts below show how our annual energy consumption and energy breakdown have changed over the past years⁴.



Our total scope 1 + 2 greenhouse gas emissions were 51,305 MTCO₂e during 2021, which was an increase from 44,074 in 2020³. Around 73% of the emissions are Scope 2 emissions.

Our scope 1 + 2 GHG emissions in MTCO₂e per ton product were reduced from 4.26 in 2020³ to 3.61 in 2021.

We are continuously seeking to reduce energy consumption, use better fuels and improve equipment. Since 2009, we have been reporting on our impacts on climate change to the Carbon Disclosure Project (CDP) supply chain initiative, and in the near future we intend to set Science Based Targets (SBTs) for our GHG emissions. The charts below show how our annual emissions have changed over the past years⁴ and how the 2021 emissions are divided according to site.

³ Re-calculated to exclude sold facilities in Slovakia and Romania and to include some data corrections.

⁴ Past years are re-calculated to exclude sold facilities in Slovakia and Romania and to include some data corrections. 2019 data for two recently acquired Brunet facilities is extrapolated based on production volumes and 2021 environmental data.



Over the years, Delta Galil sites have taken various measures to reduce energy consumption. These range from routine maintenance and prevention of unnecessary energy consumption, to systematically switching to energy-efficient systems and machinery. During 2021, for example, our activities included installing insulation in the roof at our Bogart facility in Thailand, installing an energy saving system in the chiller in Vietnam, and replacing machine motors at our facility in Thailand with more efficient models. We installed a 750KW PV system on the roof of our Schiesser shipping building, adding to the previously installed system on the roof of our Schiesser distribution center.

Responsible use of MATERIALS AND CIRCULAR ECONOMY SOLUTIONS

Delta Galil strives to use more sustainable materials and promote circular economy solutions, as part of the industry's efforts to find responsible ways to operate.

Our products are produced from a large variety of materials and accessories, but the main raw materials we use include cotton yarns, cotton blends, and man-made and synthetic fibers. In addition to the raw materials used in manufacturing the garments themselves, we also use various packaging materials (mainly cardboard boxes and wooden pallets).

We are increasing the use of preferred recycled and biodegradable yarns from a variety of sources. During 2021, **25% of our raw materials were from recycled sources** in our fully owned sites. In addition, we do everything we can to minimize landfill waste and increase the volume of by-products that can be reused and/or recycled.

We continuously seek opportunities to further develop methods that support the **circular economy**. Together with American and European partners, we are taking part in an innovative project to shred and recycle post production wastes. We call it RCS (Real Circular™ Solutions) using production fabric waste to re-generate a new fabric.

So far, through our R&D projects, we have developed 10 new fabrics, which are made from 80% organic cotton and 20% regenerated modal from our factory in Egypt.

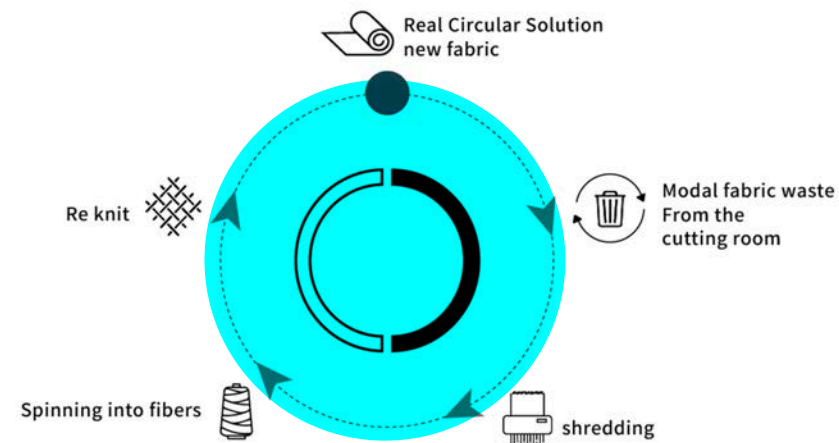


100% Circularity = Zero Waste

As part of our ongoing efforts to reduce the negative impact of the textile industry and our genuine desire to innovatively utilize materials that were previously going to landfill as much as possible, we have developed a new process that uses leftover fabric, reject knitting fabrics and cutout scraps, to create new fashion products.

The new process – RCS - helps us make environmental and economic savings, without impacting production. We have reduced the cost of new threads, with 20% of new threads in the RCS process coming from our waste sources. The re-used fabric is not only 'green' and cost effective, but also has a unique look, which does not require dyeing.

RCS has evolved from previous ventures based on a circular economy approach, in which we took raw material scraps and found ways to reuse them. Our new process was recently introduced to customers and was received with great enthusiasm, and we are currently in advanced stages of incorporating the re-used fabric into Delta brands, as well as those of a number of our leading customers.



We have reduced the cost of new threads, with **20%** of new threads in the RCS process coming from our waste sources.

Responsible use of CHEMICALS

In 2016, we began to streamline and unify our chemical management procedures and policies in order to achieve **Zero Discharge of Hazardous Chemicals (ZDHC)** in all fully owned operations. We have integrated ZDHC MRSL (Manufacturing Restricted Substances List) and Wastewater requirements in our operations, together with the Higg FEM Chemical management tool.

Most Delta owned sites carry out chemical management and wastewater studies and carry out dedicated training to employees. Products are sent to third party labs to test for any presence of RSL chemicals.

Delta sites have started to integrate an online chemical inventory management tool, which is a ZDHC recognized digital solution. This software helps us to sustainably manage chemical inputs - against MRSL, RSL, regulations and requirements. Our Delta Vietnam, China, Turkey and Egypt production sites track chemical management performance with a monthly released InCheck report produced by the software.

With our spirit of innovation, we continually seek new technologies that will enable the use of safer chemistry in production. For example, we are collaborating on a **textile dyeing process using natural materials, such as the process we are doing with Algalife.**

Responsible WATER USE AND WASTEWATER MANAGEMENT

The textile sector requires large amounts of water, a key input of production. At the same time, the industry uses chemicals that ultimately reach the environment and can cause water pollution. This includes process chemicals, such as dyes and detergents, as well as chemicals required for raw material production, such as pesticides used for growing cotton.

Delta Galil, like other companies in the textile sector, faces significant challenges in reducing the amount of water required for production and improving the quality of wastewater. Many of our factories' activities have been modified in recent years, as detailed in previous reports. We look for innovative solutions in the field,

including increasing the use of raw materials that have a lower water impact, such as organic or BCI (Better Cotton Initiative) cotton.

Total water withdrawal at our sites, including distribution centers (DCs) and offices, was 963,981 m³ in 2021. This is an increase compared to 816,995 m³ withdrawn in 2020⁵. The difference stems mainly from increased production volumes. **Water consumption in m³ per ton product has decreased from 79 in 2020 to 68 in 2021.** This is due to water use reduction measures taken, as well as fluctuations in product types. We are on course to meet our 2025 target for water withdrawal.



Water consumption in m³ per ton product has decreased from **79** in 2020 to **68** in 2021.

Reducing WASTE

Our commitment to environmental protection includes responsible disposal of our waste. Most of the waste generated by our facilities (such as textile waste, plastic, metal and cardboard) is collected and sent for recycling by licensed contractors.

In addition to improving our methods for managing waste, we are working to reduce the amount of waste produced by our manufacturing activities. For example, we have been integrating digitized systems for product design, which save sample production and associated waste. We look for ways to increase material use efficiency, for instance in knitting and cutting operations. We are also adding recycled materials, such as nylon and polyester, to our portfolio of raw materials. Furthermore, our local offices and retail stores are implementing initiatives to reduce waste, for example introducing recycled paper in kitchens and removing single use plastic cups.

Our total waste production during 2021 was 6,462 tons, an increase compared to 5,646 tons during 2020, which is mostly due to increased production. **Ton waste per ton product has decreased from 0.55 in 2020 to 0.45 in 2021.** We are on course to meet our 2025 target for waste reduction.

0.45

Ton waste per ton product has decreased from 0.55 in 2020 to 0.45 in 2021.

⁵ Re-calculated to exclude sold facilities in Slovakia and Romania and to include some data corrections.

Case Study

Paperless testing

Paperless testing – for products and raw materials

We found that many of our quality tests were being performed on paper in an outdated manner. All our factories filled in paper reports and sent them to the labs (internal and external).

So, as part of our commitment to reducing paper use, during 2021 we completed the process of transforming these paper reports into a digital, paperless testing method. No paper is now being used for Delta Galil product testing submissions, and our new process has received recognition, such as from 3rd party testing company SGS.



Case Study

SCHIESSER
NATÜRLICH. ZEITGEIST. SEIT 1875



SCHIESSER's production factory (Czech Republic) certified for green production

We are proud of our Schiesser's production operation site, which has been awarded the STeP ('Sustainable Textile and Leather Production') certification by Oeko-Tex. STeP is an independent certification system for production facilities within textile and leather supply chains that wish to ensure, and transparently communicate, their environmentally friendly production processes and socially responsible working conditions. The fully vertical Schiesser production operation in the Czech Republic, which includes knitting, dyeing and sewing, received a Level 3 STeP certificate, the highest possible rating.

STeP examines six modules: chemical management, environmental impacts, environmental management, social responsibility, occupational health and safety, and quality management. The certification holder commits to meeting requirements such as monitoring chemicals used in facilities, compliance with the MRSL, regular chemical handling training, and compliance with specified waste water levels, emissions, carbon footprint reductions, and ensuring occupational safety.

MADE IN GREEN by OEKO-TEX® is a traceable product label for all types of textile and leather products, which have been produced at environmentally friendly facilities using 'green' processes, under safe and socially responsible working conditions. The individual components must be made from materials tested for harmful substances. At present the SCHIESSER program Personal Fit and the program Modal Essentials (tops) meet the requirements of "Made in Green" and are labeled accordingly. It is planned to expand the product range labeled with "Made in Green" gradually.

In addition, for Spring – Summer 2023, Schiesser has developed lingerie and swimwear series, which include recycled material in the main fabric and lace.



Sustainability Focused INNOVATION

We use our innovative processes, culture and co-operation with innovation partners, to find ways to lower our environmental impact. Two of our new innovative collaborations with start-ups are:

Case Study



Algalife: Eco Friendly dye process based-on Algae

Algaeing™ is a startup company with a patented, award-winning, disruptive technology that converts algae into bio-fiber and eco-friendly dye.

Algaeing™ formulates scalable, drop-in solutions, all in a 100% closed system, both for dyeing and fabrication processes that can be used with existing factory machinery.

In addition to being an innovative sustainable solution that reduces the use of clean water, creates biodegradable materials and produces minimal waste, it is also good for the skin by allowing us to create healthy products that leverage the botanical benefits of algae and are chemical/allergen-free.

Case Study



Browzwear – 3D design simulation that offers greater efficiency

Using Browzwear 3D simulation helps us save time, money, and materials. Moving into digital samples we remove productive barriers, speed up time to market and enhance sustainability. For example:

1. During pre-development stages, no sewing is necessary as the tool allows us to communicate product ideation from scratch to fit, internally and externally. Designs are demonstrated on the Browzwear Avatar with no need for an actual sample. We save work, energy, sample shipments and time.
2. Greater efficiency in sample development stages:
 - Reducing the number of physical prototype iterations
 - Reducing physical salesman samples colorway development
3. Better results in fabric and trim development

Case Study



Sonovia's anti-viral and anti-bacterial textile

We continue to collaborate with **Sonovia** – a start-up that developed a novel, anti-viral and anti-bacterial, permanent textile.

'Sono' finishing technology uses ultrasound waves to physically embed particles of different properties into textiles, without using chemical binders.

This technique is expected to cut energy by reducing the need for chemicals and wash cycles during product use.

Case Study



Twine helps us minimize the need for water, simplify logistics and reduce waste production.





Our Innovative Practices

Incorporating INNOVATION

At Delta Galil we promote Innovation, creating and developing the next generation of high-quality products.

Innovation is one of our core company values. We strengthen this by adopting a culture of innovation in our day-to-day life. We have defined 'Innovative Thinking' as a central component in our recruitment, feedback and evaluation processes, and we give recognition to creative thinking and innovative breakthroughs.

Innovation is also at the heart of our business offering to customers. As a global fashion company in a highly competitive market, innovation for Delta is the X Factor. We have been able to thrive and grow over time because brands choose us as a strategic supplier, recognizing our ability to find innovative solutions for their needs.

Our Business Philosophy

Body Before Fabric™

This is the vision behind our innovation approach. We examine human physiology, the body's interaction with different textiles, and people's changing lifestyles. This helps us to deliver products that are both fashionable and comfortable, that can be worn day and night, when active or relaxing.

We strive to maintain our position as a global leader in the field of high-quality apparel. Led by the desire to support our customers, we aspire to fulfill and exceed their expectations through continuous, on-trend innovation and creativity. We do this while staying true to our universal social and environmental ideals.

Our Method

Implementation Model

We carry out design and development work using the **SIP – Systematic Innovation Process**. This is designed for innovative thinking and creating groundbreaking products for our customers. The process integrates work across all disciplines - design, marketing, development and technology; from research to design, development, and collaboratively reaching conclusions with the customer.



46

Years of on trend innovative solutions

\$55M

Total revenue is invested yearly in R&D

350

Highly qualified R&D and design personnel

7

Centers of excellence

11

Registered patents and 11 patents pending

3

R&D Centers

Our R&D Center cooperates with our Global Centers of Excellence. These provide knowledge and expertise across numerous categories, as well as innovative manufacturing methods, and this enables us to continue to support our customers as the market leaders in their field.

Innovating with

OUR CLIENTS

We invest significant resources in the development and design of products in order to provide customers with unique innovative designs, to enable penetration to new markets, and preserve our competitive advantage. We believe that the comprehensive package of services we offer to our customers is a significant factor in maintaining their partnership with us and cultivating our longstanding relationships.

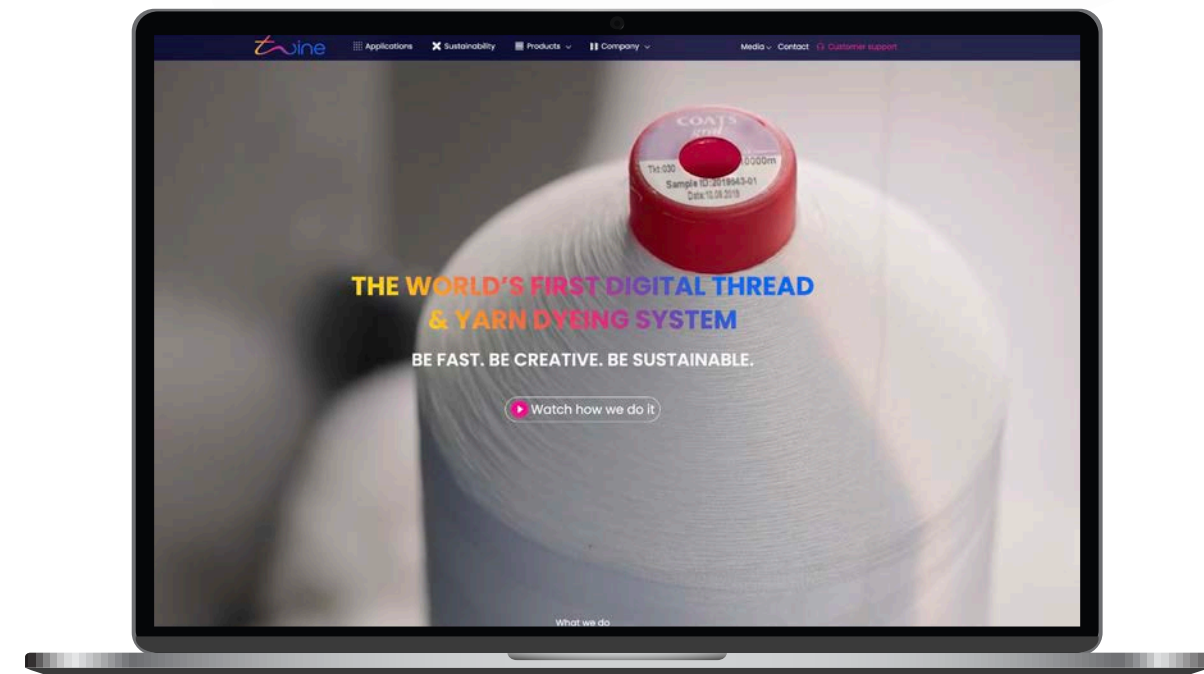
We believe in transparent working relationships with our customers regarding all aspects of our corporate social responsibility performance. Customer audits are conducted at our finished goods suppliers. In addition, some of our customers audit our environmental performances via evaluation surveys sent to their vendors.

Collaborating with

START-UPS

As part of our open innovation culture and our desire to find the next best thing, we have joined forces with select startups that are helping us to decrease our environmental impacts and offer new innovative fabrics. For example, **Twine** helps us minimize the need for water, simplify logistics and reduce waste production. **Sonovia** helps us minimize chemical use, while embedding particles of different properties into textiles to provide enhanced properties.

Read more on collaborations with start-ups in 'our environmental impact' chapter > [Sustainability focused innovation](#)





Becoming AN EMPLOYER OF CHOICE

Our people are the most important element in our success and continuous growth as a global leader. In accordance with our Code of Ethics and Code of Conduct, we aspire to treat each and every employee fairly, equally, and respectfully, and provide them with tailor-made tools for personal and professional growth.

We foster excellence and innovation among our employees, with an emphasis on engagement and dialogue. Across the world, we also employ local management and employees, empowering the communities in which we operate.

Building a culture that creates and sustains micro-competitive advantages allows us to be fast-moving, agile and highly opportunistic. We have built our Human Resources Model with the goal of becoming an employer of choice. This model comprises three components: Growth and Development, Wellbeing, and Experience of Success. As we are a company that spans numerous cultures, we encourage localization of our programs to meet the needs of local employees.

Employer of Choice - "Tailored For You" Being a Magnet for Great People, Who Choose to Make the Delta, Everyday.



Occupational Health and Safety Management

Taking care of our employees' health and welfare is one of our main objectives. We strictly enforce all health and safety laws and regulations, and provide a safety handbook containing relevant rules and regulations, including local, Delta and customer requirements.

All of our owned sites run a health and safety program and have a Health and Safety Officer trained in the relevant local and international laws and regulations. All our sites also have a formal Health and Safety Committee, run jointly by managers, supervisors and production workers.

We take necessary steps to prevent accidents and injury arising out of, linked with, or occurring in the course of our work, or as a result of facility operations. We also employ systems, such as risk assessments and internal audits, to identify and reduce potential risks to health and safety (covering 85% of our workers).

We are committed to continue investing in the health and safety of our employees.



promoting

EMPLOYEES WELLBEING

Delta Galil gives great importance to the welfare, satisfaction and wellbeing of employees. Our Wellbeing program is part of our employee welfare strategy. We focus on offering a choice to our many employees, who come from diverse backgrounds, are at different stages of life, and work in different occupations.

We continue to broaden the implementation of our leading program in the field with local adaptation, which has four key components:

- A progressive working environment compatible with employee needs;
- A benefits package, including health insurance, periodic health checks, and a variety of social and welfare activities for the whole family, including family trips and picnics, summer camp and scholarships for employees' children, and in Israel we also run an employee purchasing club;
- A variety of welfare activities, such as cooking classes via Zoom, parenting, cyber security and financial tools; and
- Healthy lifestyle activities, including our 'Be Yourself' program.

We emphasize flexibility in working days and focus on family and work-life balance, while developing a concept of personalization to best suit our solutions to the needs of our employees. We also encourage our managers to have an open dialogue with their teams. To this end, we have a platform for employees' annual performance reviews - Time2Talk.



Supporting

EMPLOYEE'S GROWTH AND DEVELOPMENT

Our employees leverage our vast, expert knowledge base and core manufacturing skills. This enables us to deliver comprehensive solutions to address dynamic changes in the industry.

We invest in developing our people by organizing courses and learning programs to strengthen leadership. Our training and organizational development concept is built on three main pillars:

- 1. Management skills and knowledge:**
For example, new management tools, understanding our competitive industry and global trends.
- 2. Professional:**
Based on each profession, updated tools, new methods etc.
- 3. Work and Life skills:**
For example, Excel training, presenting by Zoom, body language, English.

In order to maintain and develop our innovation culture among our employees, we utilize learning forums and collaboration platforms for our associates to share and explore ideas, anticipate trends and eventually pass on best practices about our successes.



DELTA GALIL GLOBAL LEADERSHIP
DEVELOPMENT PROGRAM FOR SENIOR LEADERS

'Lead for Growth'

During 2021, we initiated a global leadership and development program designed to develop and strengthen the community of Delta Galil's senior leaders. The program's goal is to accelerate organizational impact and develop leadership mindset and skillset, in light of our disruptive reality. The program is made up of two components:

- **Quarterly virtual mini conferences** – lectures by keynote speakers on different themes for inspiration and exposure to relevant topics for the business;
- **Leadership workshops** – 6 sessions to enhance skillset and mindset in small groups.

The program was designed and facilitated with the Institute for Quality Leadership and will continue with updated themes during 2022.

Focusing on DIVERSITY AND INCLUSION

Delta Galil employs individuals from all over the world. We are proud of being a multicultural global firm and believe in mutual respect and co-existence within the Delta Galil family, and in the communities and environments in which we work. Everywhere we operate, we also seek to engage local employees and managers.

We continue the legacy of our founder, Dov Lautman, and see diversity as an inseparable part of equal and fair employment. In line with our [Code of Ethics](#), we oppose any form of discrimination on the grounds of race, skin color, sexuality, gender, religion, nationality, age, disability, or any other characteristic.

Our policy encourages diversity in our workforce, and we must not discriminate on any basis during the employee recruitment and screening process. We encourage people all around the world to bring different angles and different points of view to the table. Every individual's personal and unique experiences build the story of our entire Delta community, underline our strengths and authenticity, and teach us all to listen to one another. Through our numerous programs, we have built a diverse and equal community, and through our network we're striving to inspire others.

During 2021, no significant complaints or incidents of discrimination or harassment were recorded.

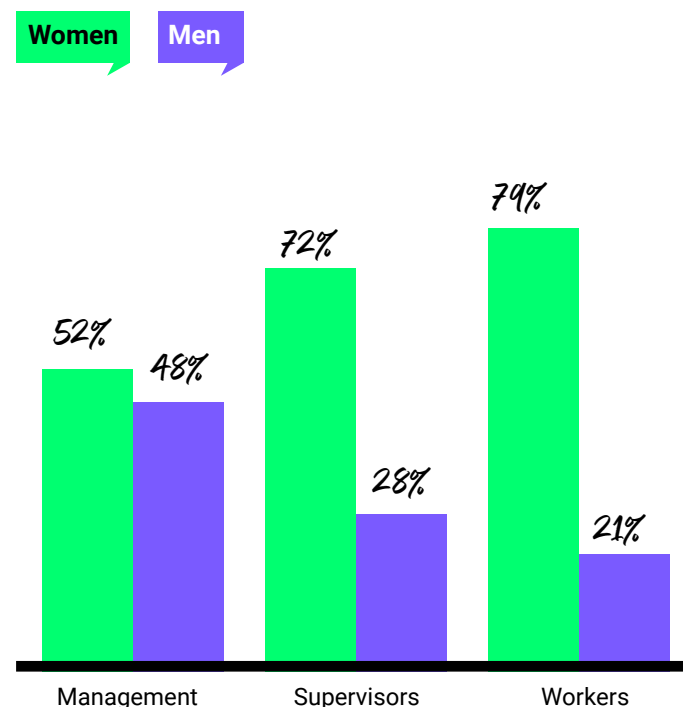
We strive for gender equality and promote opportunities for all, set goals for hiring from social minorities, and recognize seniority regardless of background.

Gender equality

Women make up the majority of our workforce, and we are proud to provide women across the world with employment opportunities. At the end of 2021, **77%** of our employees were female, with **52%** of our management level comprised of women.

We are also proud of having **38%** of women in Senior management roles (6/16).

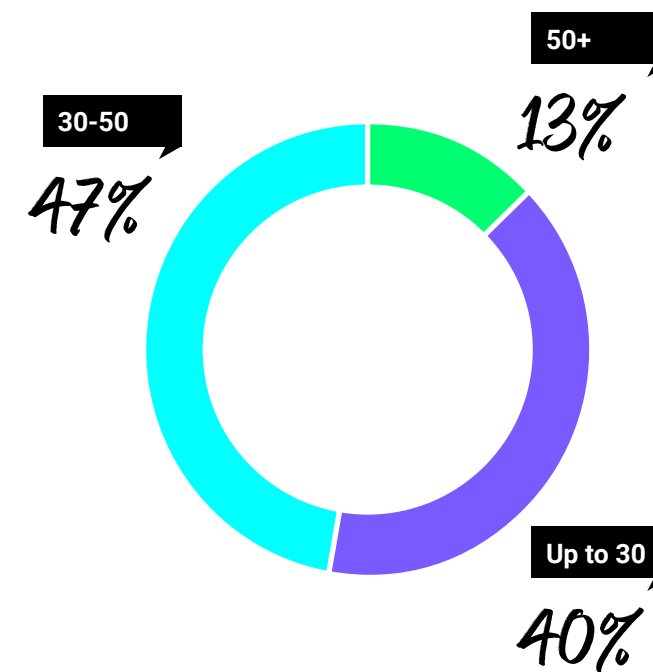
**Total Employee Breakdown by Role
2021**



Employment at any age

We promote the employment of professional workers of all ages, without discrimination on the grounds of age. We are proud of the fact that **13%** of our workforce is composed of employees over the age of 50.

**Total Employee Breakdown by Age
2021**



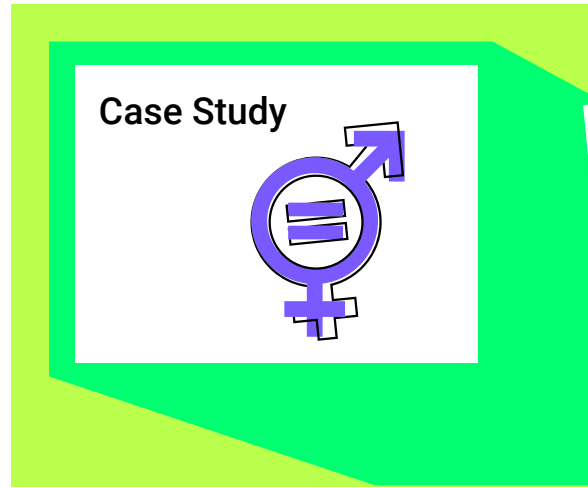
Case Study

Make your voice count
CREATE YOUR DELTA.

'Make Your Voice Count'

In 2021, we launched our third round of this program, which is dedicated to our women associates in Israel. The program offers women, from various roles and positions, the opportunity to take part in workshops aimed at giving female voices a platform. It provides practical tools for building a career in an enabling environment such as Delta Galil, but also in employment in general. During the workshops, the participants study with a community of leading women, refine and create an understanding of barriers and challenges that they may encounter, and receive support and mentoring.

The program is designed to enable women to invest in themselves; to influence, receive inspiration and practical tools for developing themselves.



Gender equality recognition in Turkey

Women make up **47%** of our work force at our sock production site in Turkey. However, most of them work in production and only a few women are in senior or mid-management. That is why we designed new initiatives, policy and procedures to support the promotion of women in the organization, to give them practical tools and empower them.

We introduced dedicated women leadership programs and training. All our employees on site received specific training on gender equality. We also gave special attention to addressing the local challenges they face, such as conducting training about women's rights - as part of the International day for the elimination of violence against women. And we have many more personal development programs on the way.

As a result of this substantial investment, in 2021 our site received 'Equality for Women at Work' certification.



Delta Israel – A Brand with a Purpose



As a company that creates thousands of fashion photos every year, we understand our responsibility and the role we can play to ensure fair representation. We use our campaigns to ensure both women and men, in all sizes and colors as well as those with special needs are seen in the public space.

In our photo shooting and advertising campaigns, people with and without special needs together model the brand's collections. This is part of our agenda and purpose of integrating people with special needs into our day-to-day work.

We have also initiated a long-term collaboration with the 'Krembo Wings' youth movement for young people with and without special needs. This includes young members of the movement participating in Delta fashion shoots, as well as selling products in our stores with proceeds going toward movement activities and the opening of new branches of 'Krembo Wings' around the country.

Supporting LOCAL COMMUNITIES

Delta Galil strives to promote community resilience as part of our core values, our spirit and drive for growth.

The beneficiaries of our donations and various volunteer programs are people who generally need our help the most – children, teenagers and young people with special needs. By investing in young people, we believe we are contributing to the future. We assist by providing educational activities, teaching empowerment, personal responsibility and leadership. We believe that by doing so, we provide equal opportunities for the next generation.

At every site in which we operate, we contribute to local employment and are involved in local projects whenever possible. In 2021, Delta Galil donated approximately **\$ 1.1 million** to educational institutions, culture and welfare organizations.

Delta Galil donated approximately

\$ 1.1 million

to educational institutions, culture and welfare organizations.

Case Study



Shaping the future of our industry

Since 2014, we have collaborated with the Shenkar College of Engineering and Design. This partnership has been strengthened further following our investment in renovating the Textile Design Department, which has been named in honor of the late Mr. Dov Lautman, Delta Galil's founder.

Our yearly donation includes scholarships to students studying in the textile and fashion design departments, as well as supporting activities in the field of textile innovation. Our employees also get involved in the program, by working with students participating in summer internships, and holding innovative classes in the faculties of Textile and Fashion Design. These serve to build our next generation of designers by emphasizing innovation, technology and fashion.

Case Study



'The Delta Project' at Haifa University Continues

In 2013, Delta Galil Industries partnered with Haifa University to launch the Delta Project, a program designed to support the academic success of students from the Ethiopian community in Israel.

Each year, approximately 60 first, second and third-year students participate in the program. These students receive an annual scholarship and individualized training in English, learning strategies, leadership and personal empowerment, effective communications, resumé writing and interviewing, financial management, career development, and other skills. The program is one of several community outreach projects that Delta Galil supports in order to promote diversity and equality.

In August 2021, Haifa University presented Delta Galil Industries CEO, Isaac Dabah, with an honorary Doctor of Philosophy degree in recognition of his managerial commitment to integrity, creativity and innovation; his longstanding support of students of Ethiopian origin at the university; and his steadfast belief that higher education is an engine for growing and strengthening Israeli society.



COVID-19 Response

Over the past two years, we have focused on the safety of our employees and community support. We have adapted our business to the COVID crisis - both in providing digital services and in adapting our products to changing needs. Despite the difficult period that all the world went through, we also found an opportunity for internal efficiency through a change in our organizational structure, we opened new channels with consumers, and increased our dialogue with our key stakeholders.

Throughout the COVID-19 pandemic, we continued our priority community investment initiatives, while also addressing additional local community needs. One of the outcomes of the COVID-19 outbreak has been a strengthened sense of community, and a connection between our activities and the local communities in which we operate. As a large employer with global reach, we are committed to using our presence and influence for the benefit of our local communities.

Going forward, we hope that this period will be behind us, and that we will all be strengthened, healthier and more attentive to the needs of humanity and the planet.



Our Governance Conduct

Conducting our BUSINESS RESPONSIBLY

As a global company, Delta Galil is committed to conducting business in a responsible and appropriate manner. We believe that it is the personal responsibility of each member of our Group to respect our high ethical and legal standards, and uphold this behavior every single day.

Proper decision making requires people to be aware of the situations and dilemmas which could potentially result in unethical behavior. That is why Delta Galil has a [‘Code of Ethics’](#) and a [‘Code of Conduct’](#), offering a compass to employees and business partners, clarifying their responsibilities and expected conduct.

We have a formal procedure for reporting illegitimate or unethical behavior to our Ethics Compliance Director. All ethics issues are handled without delay, in a thorough, fair and discreet manner. During 2021, **no significant ethical issues were raised** in these channels and via our ‘Ethics line’.

Towards the end of 2022, we will begin to implement, in stages, a new whistleblowing platform, making it even easier for each associate to feel empowered to speak up.

Our Responsible Supply Chain

Our supply chain is vast and includes a large number of partners, factories, suppliers, and distributors. We believe in reliability, integrity, fairness and responsibility to ensure we buy only from responsible, high-quality suppliers. We strive to ensure fair working conditions and respect for human rights in our supply chain. Close dialogue and cooperation with our suppliers are necessary to achieve this, as outlined in the following sections.

New suppliers must meet our requirements regarding product quality, timetables and working conditions. We ensure we work responsibly with our suppliers by following our Suppliers Policy, and through supply chain questionnaires, which have been carried out every two years.

Before we enter into procurement agreements, we conduct a preliminary audit to check production capacity and quality, compliance with applicable social and environmental laws, and the principles set out in our Code of Ethics and Code of Conduct. These statements are then confirmed through annual supplier compliance audits.

Suppliers are also audited regularly by our customers, by 3rd party auditors, and/or by Delta’s Global Compliance Team / Elevate Responsible Sourcing Assessment (ERSA audit) with regard to human rights, environmental and social compliance. Where applicable, we also use the Social & Labor Convergence Program (SLCP), Sedex (SMETA) audit, Worldwide Responsible Accredited Production (WRAP), and Business Social Compliance Initiative (BSCI) audits.

We adhere to specific customer standards, including ethical, environmental, product safety and Customs-Trade Partnership Against Terrorism (C-TPAT) requirements. Our Compliance team has created its own audit protocol to check supplier factories, based on factory risk.

Case Study



Our suppliers are requested to sign our Code of Conduct and Purchase Terms and Conditions, which encompass ethics, fair employment practices, and sustainability in our supply chain.

We have also been uploading supplier data to the FFC (Fair Factories Clearinghouse) sharing platform - a tool that promotes transparency and helps focus efforts on high-risk facilities.

In addition, internal audits are performed at some manufacturing sites, in parallel with globally recognized supplier audits. In 2021, the Delta Galil compliance team and Elevate carried out **10 Delta-initiated audits**.

Better for All Mankind

We are proud that 7 fam, our premium denim brand, has committed to ensuring over 80% of its products will have sustainable properties by 2023. The brand also introduced a new global platform to track progress in materials, manufacturing, and more – the ‘Better for All Mankind’ platform.

The brand focuses its sustainability efforts on reducing the impacts of: Materials, Manufacturing and Mankind (people). The new initiative takes immediate action to help improve our materials and manufacturing processes, and creates a new go-forward approach to help our products and practices become more earth-friendly.


This program is a culmination of a 9-month extensive review of our materials, supply chain, internal operations and processes, and offers a transparent look at our new approach while continuing to offer premium products and innovation that distinguish our brand.


7 For All Mankind has been accepted as a member of the Better Cotton Initiative (BCI), as more sustainable cotton will play a larger role in its efforts. Additionally, the company is focusing on suppliers that have the greatest impact on the environment, including mills, laundries, and dye-houses, and requires these strategic suppliers to submit to the Higg Facilities Environmental Module (FEM) and go through 3rd party verification, which collects and measures supplier’s environmental impacts across seven impact areas. In addition, the brand reduced its in-house footprint (green offices), receiving LEED certification at its California headquarters.



Case Study

Digital
Color Supply





Color Supply Management

Color transportation from Asia to overseas can involve challenges like travel bans, restrictions and manual work, which may cause a delay in supply. That is why we have collaborated with Natic and CSI to digitize our entire color management process.

As a result, our swatches no longer need to be sent to customers. Instead, we read the color in a data spectrophotometer and upload it to our cloud-based systems so that our customers are able to receive real-time data.

The new process has improved the decision-making process, and also helped our entire supply chain to become faster and more efficient.

Our Risk Management Policy

Risk management is carried out in accordance with our Risk Management Policy, which is set by our Board and senior management. Potential risks identified are discussed at meetings of the Board. Our internal auditing team is then responsible for implementing risk management processes, which includes conducting risk surveys. Analysis of the factors affecting the company and an assessment of the extent of their influence can be found in our [Annual Financial Report](#).

Respecting Customers' Data Privacy

The protection of our customers' and consumers' personal and financial data is a priority for us. That is why we strive to have **zero breaches of our systems** and follow all relevant laws.

To ensure proper data security, we use a multi-layered firewall and various information security systems and safeguards. As an additional layer of assurance, we conduct awareness training, tests, anti-phishing assessments and monitoring by third-party experts, to verify the alertness of our employees to data breaches and incidents in our systems.

During the reporting period, there were **no reported breaches of our online information systems or customers' databases**.

Anti-Bribery and Corruption

Delta Galil strives for **zero corruption and bribery**. We therefore address sourcing issues both individually (by auditing supplier factories), and collaboratively (through work with industry associations). Delta Galil has put in place various internal controls to continually mitigate against fraud and improper acts by our employees.

Product Quality, Safety and Consumer Health

Product quality and safety are two of the key elements that we consider when developing a new product, when choosing materials and technologies for that product, and when marketing, manufacturing and distributing our products. In fact, one of our top obligations is to provide our customers and consumers with high quality, safe and innovative products that comply with the highest standards and are most suited to their needs.

We do this through our strict procedures, specifications, system controls and precise use of raw materials.

During 2021, **none of our customers reported any incidents of health and safety impacts of products**.



For more information...

Thanks for reading Delta's 2021 ESG Summary Report.

We would welcome any comments, suggestions or feedback. For more information, please contact:

Hila.EphratiHalper@deltagalil.com