

WE CARE

DELTA GALIL ESG REPORT 2019-2020



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WELCOME FROM OUR CEO

Dear Stakeholders,

I AM DELIGHTED TO PRESENT TO YOU DELTA GALIL'S ESG REPORT FOR 2019-2020. AT A TIME OF GLOBAL TURMOIL, OUR COMPANY STANDS STRONG AND CONTINUES TO ADVANCE ITS APPROACH TOWARDS SUSTAINABILITY AND SOCIAL RESPONSIBILITY. IN THIS REPORT, WE SHARE WITH YOU OUR PROGRESS ACROSS BOTH THESE FIELDS.

As I write this letter to you, many regions in the world are still dealing with the impacts of COVID-19. Alongside the difficulties experienced by our colleagues and partners, we have also found opportunities for new and positive developments at Delta Galil in response to the pandemic. In the report, you can read about our shift towards digital retail platforms, digitized product design, our re-structuring and moves towards more efficient operations.

2019 was marked by significant growth for Delta Galil, through our acquisition of the Bogart Group. Even during the COVID-19 crisis in 2020, Delta Galil maintained its financial strength. While cutting back on some activities, we saw growth in other areas, such as our athleisure and PJ categories. We are proud to continue providing a stable and forward-looking environment for our more than 23,000 employees.

We remain steadfast in our commitment to finding innovative solutions to protect our planet, cultivating our longstanding tradition of inclusion, diversity and equity, and improving the lives of people in our local communities – especially women and children.

OUR RESPONSIBLE SUPPLY CHAIN

We demand ethical behavior from all our employees, as well as from subcontractors and suppliers with whom we work. This is centered around our Code of Ethics and Code of Conduct, and we work to prevent discrimination and harassment, and encourage integrity, fairness and transparency.

As our company grows, we continue to evolve our approach towards implementing our policies. In 2020, our Compliance Team created a Compliance Program Strategic Plan for 2020 and 2021. This covers activities from risk assessment and audits, to response and prevention. We also began to upload supplier data onto the FFC (Fair Factories Clearinghouse) sharing platform, a tool which promotes transparency and helps focus efforts on high-risk facilities.



THE IMPORTANCE OF ENVIRONMENTAL SUSTAINABILITY...

Innovation is a key focus and strength at Delta Galil, and we continue to develop our environmental product portfolio. We work with numerous groups and startups to develop sustainable solutions for dyeing, textile recycling and more.

2020 was the target year for our previous environmental key performance indicators (KPIs), set against a 2017 baseline, and we saw some positive trends. For example, we met our target for greenhouse gas emissions per ton of product, which was a very positive achievement considering the climate crisis.

Our energy consumption was reduced compared to the 2017 baseline, but not as much as needed in order to reach our target. And our water consumption and waste disposal per ton of product increased. This is serving as a motivator to increase our efforts going forward in these areas. In 2020, we set new, broader environmental targets for 2025, and we continue striving to minimize our environmental impact while making our processes more environmentally-friendly.

...AND OF SOCIAL SUSTAINABILITY

Our people are our most valuable resource, and we strive to create a healthy, safe and inclusive environment for all our employees. We prioritize their

personal and professional development, as well as their welfare and wellbeing.

We continue to work within our communities through making philanthropic donations and organizing volunteering activities. During 2019-2020, these included, for example, volunteering with young people in need, and supporting young designers, as well as breast cancer patients.

The COVID-19 pandemic brought about the need to support our local communities in new ways. For instance, we focused on providing facial protective masks during the first months of the outbreak. We worked to protect the health and safety of employees and their families, while also developing ways to stay connected and provide emotional and material support where needed.

Looking forward, we strive to continue to sustainably grow our business, respecting our commitment to our shareholders, 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



ABOUT THIS REPORT

WE ARE PLEASED TO PRESENT DELTA GALIL'S 7TH ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG) REPORT.

This report has been prepared in accordance with the GRI Standards: Core Option. Our last report was published in 2019, covering the years 2017-2018. We intend to continue to publish a full report every two years, as we have been doing since 2007.

The report summarizes our activity in the areas of the economy, environment, society and corporate governance in 2019 and 2020. Unless otherwise indicated, it covers 100% of Delta Galil's production, manufacturing and logistics sites.

The report does not include information regarding small local retail outlets or marketing offices, unless expressly stated. It also does not include activity in our joint ventures in China and Bangladesh¹.

All data in the report 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 report corresponds with other reports issued, and information presented, by the Group in past years. This report is not part of the financial statements of the Company or Immediate Reports or Periodic Reports of Delta Galil, and in the unlikely event of any discrepancy, the version in the financial statements is binding. Good Vision of the Fahn Kanne-Grant Thornton Group in Israel has executed an external review process based on the principles of materiality, comprehensiveness and inclusivity. The contents of the report are also published on Delta Galil's Corporate Social Responsibility website – <http://www.csr.deltagalil.com/> and on the company's main website- <https://www.deltagalil.com/Content/Index/33>



INCORPORATING THE SDGS

AS A LEADING COMPANY IN OUR INDUSTRY, AND AS PART OF THE GLOBAL COMMUNITY, WE HAVE FOLLOWED THE UNITED NATIONS' GLOBAL COMPACT INITIATIVE. AS THIS EVOLVED INTO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS), WE CONTINUE TO INCORPORATE THESE TOPICS IN OUR SUSTAINABILITY AND SOCIAL RESPONSIBILITY ACTIVITIES.

The UN Global Compact is a framework for businesses, outlining ten principles in the areas of human rights, labor, the environment and anti-corruption. We have expressed support in GRI reports for the [10 Principles](#) and work to promote them in all of our operations. We have aligned our compliance with the GRI standards and with the UNGC principles, as outlined in the GRI content index on page 166.

The SDGs comprise 17 interconnected goals addressing the three dimensions of sustainable development – social, economic and environmental. Each and every SDG provides an opportunity for business 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.

In 2019, as part of our ESG strategy, we identified several SDGs where we believe we can create positive impacts. These




issues were not new to Delta Galil, and had already been embedded in the Company's DNA for many years. These include Goal 3: Good Health and Well-being, Goal 4: Quality Education, Goal 8: Decent Work and Economic Growth, and Goal 12: Responsible Consumption and Production.



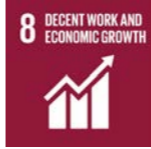



In addition to our identified priority goals, our ongoing projects also support several other sustainability goals. For example, Goal 5: Gender Equality, is supported in our day-to-day life as seen in the Diversity chapter. Our water saving activities, discussed in the Water and wastewater chapter, support Goal 6: Clean Water and Sanitation. Our renewable energy projects, covered in Energy and climate chapter, support Goal 7: Affordable and Clean Energy, as well as Goal 13: Climate action. And our work to select the most environmentally friendly chemicals for our production, supports goal 14: Life Below Water.

¹ 102-45,102-49

The following table provides an overview of our contributions to the SDGs so far:

SDG	Why is it important to Delta Galil?	Read more in these sections
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>We recognize and take responsibility for our influence on the health, safety and well-being of people, directly through employment conditions and product quality, and indirectly through environmental impacts.</p>	<ul style="list-style-type: none"> ■ Social Risks and Opportunities ■ Upholding Human Rights Along the Supply Chain ■ Chemicals ■ Wellbeing ■ Health and Safety
 <p>4 QUALITY EDUCATION</p>	<p>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.</p> <p>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.</p> <p>By developing the capacity of future employees, we build a more diverse employee pipeline that feeds our Company's creativity.</p>	<ul style="list-style-type: none"> ■ Global Presence ■ Human Capital ■ Delta Galil and the Surrounding Community ■ "Employer of Choice"- Tailored for You
 <p>6 CLEAN WATER AND SANITATION</p>	<p>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, and with aquatic life suffering the results of pollution, we recognize our responsibility to use water responsibly and prevent water pollution in all our locations.</p>	<ul style="list-style-type: none"> ■ Environmental Sustainability: Materials Use, Chemicals, Water and Wastewater
 <p>14 LIFE BELOW WATER</p>		

SDG	Why is it important to Delta Galil?	Read more in these sections
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>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.</p>	<ul style="list-style-type: none"> ■ Environmental Sustainability: Energy and Climate Change
 <p>13 CLIMATE ACTION</p>		
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>As a global company, Delta Galil is responsible for providing employment to 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.</p>	<ul style="list-style-type: none"> ■ Global Presence ■ Vision, Mission, and Values ■ Responsible Supply Chain ■ Social Responsibility ■ Diversity
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>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.</p>	<ul style="list-style-type: none"> ■ Environmental Sustainability

BUILDING DELTA GALIL'S MATERIALITY MATRIX

IN RECENT YEARS, WE HAVE IDENTIFIED OUR KEY STAKEHOLDER GROUPS². THESE INCLUDE: EMPLOYEES, SUPPLIERS, CUSTOMERS, CONSUMERS, SURROUNDING COMMUNITIES, AUTHORITIES AND VARIOUS CIVIL ORGANIZATIONS. WE ENGAGE WITH THESE GROUPS ON A REGULAR BASIS, WHICH HAS HELPED US IDENTIFY KEY ISSUES OF INTEREST FOR EACH GROUP.

As part of our preparations for writing this report, we conducted a company-wide external stakeholder assessment³ survey, based on the GRI Sustainability Reporting Standards. This was performed by a third-party organization to help facilitate an independent valuation of the process, and identify the most relevant issues. To validate our list of topics, we incorporated a study of media coverage of Delta Galil and the apparel industry in the Israeli and global media.

We also compiled a summary of all stakeholder comments, recommendations and thoughts, and

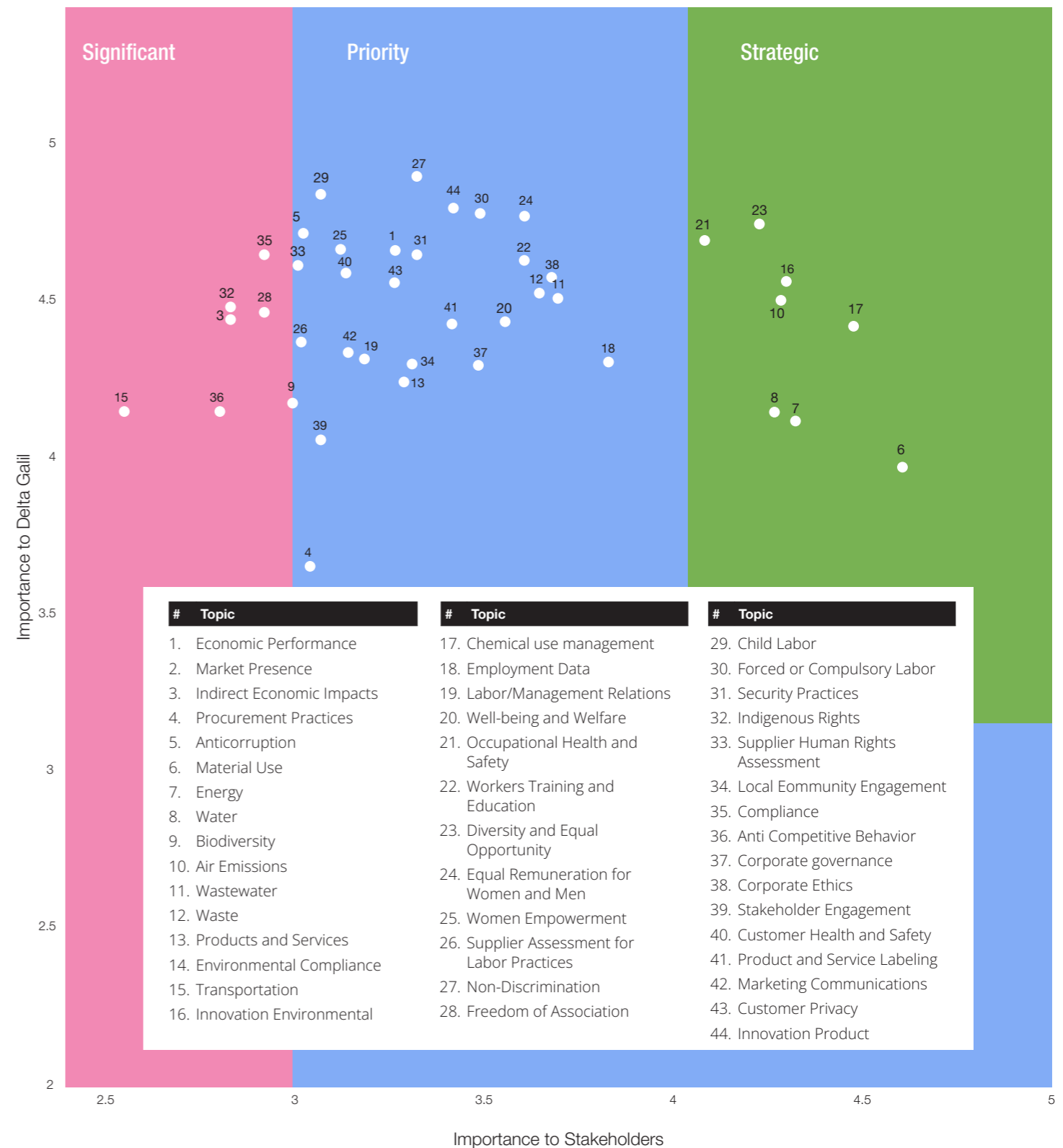
reviewed our key interest topics and sub-topics⁴. Using this information, we aimed to create a broad list of topics, including all those important to our stakeholders. A number of topics were set apart as material issues that are important to Delta Galil, such as material use, diversity and equal opportunity⁵.

Based on the list of topics, we composed a survey which was shared with our stakeholders. This was sent to the Board of Directors, associates, customers and suppliers, and to representatives of social and environmental organizations. Respondents were asked to rate every topic according to its level of importance to them. We weighted the scores of the different stakeholder groups and used them to build a materiality matrix, reflecting the importance of the different topics to Delta's Board of Directors and management, and to the rest of the stakeholders. The matrix was approved by Delta Galil's Management and includes 44 issues worthy of reporting within the framework of this ESG report. We have divided our matrix into four areas, as seen in the diagram to the right, and assigned a priority of reporting to each one: 8 strategic topics (reported fully), 28 priority topics (a large number of which are reported in summary) and 8 significant topics.

The strategic issues and their boundaries are described in the table below⁶:

Topic Name	Reporting Boundaries
Material use	Within the organization
Chemical use management	Within the organization
Energy	Within the organization
Water	Within the organization
Air emissions	Within & outside the organization
Innovation	Within the organization
Diversity & equal opportunity	Within the organization
Occupational health & safety	Within the organization

DELTA'S MATERIALITY MATRIX



² 102-40,102-42 ³ 102-46 ⁴ 102-43 ⁵ 102-46 ⁶ 102-46, 102-47, 102-48, 103-1

OVERVIEW OF DELTA GALIL





BUSINESS PROFILE

DELTA GALIL IS PROUD TO BE A LEADING GLOBAL MANUFACTURER AND MARKETER OF BRANDED 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.

Delta Galil shares are publicly traded on the Tel Aviv Stock Exchange (DELTA). During 2020, trading in the Company's ADSs on the OTC Pink List was discontinued, and the Company's ADS program was canceled. The number of Company employees has increased significantly during the reporting period, mainly due to our acquisition of the Bogart Group. At the end of 2018, we employed approximately 13,260 people worldwide. At the end of 2019, we employed 25,685 employees and at the end of 2020, 23,100 employees. We serve dozens of industry-leading customers in the US, UK, Europe and Israel.

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 in manufacturing, marketing and service. With our capability stretching from concept to manufacturing, our customers benefit from our deep knowledge base and experience in knitting, dyeing and finishing, as well as cutting, sewing, seamless and molding.

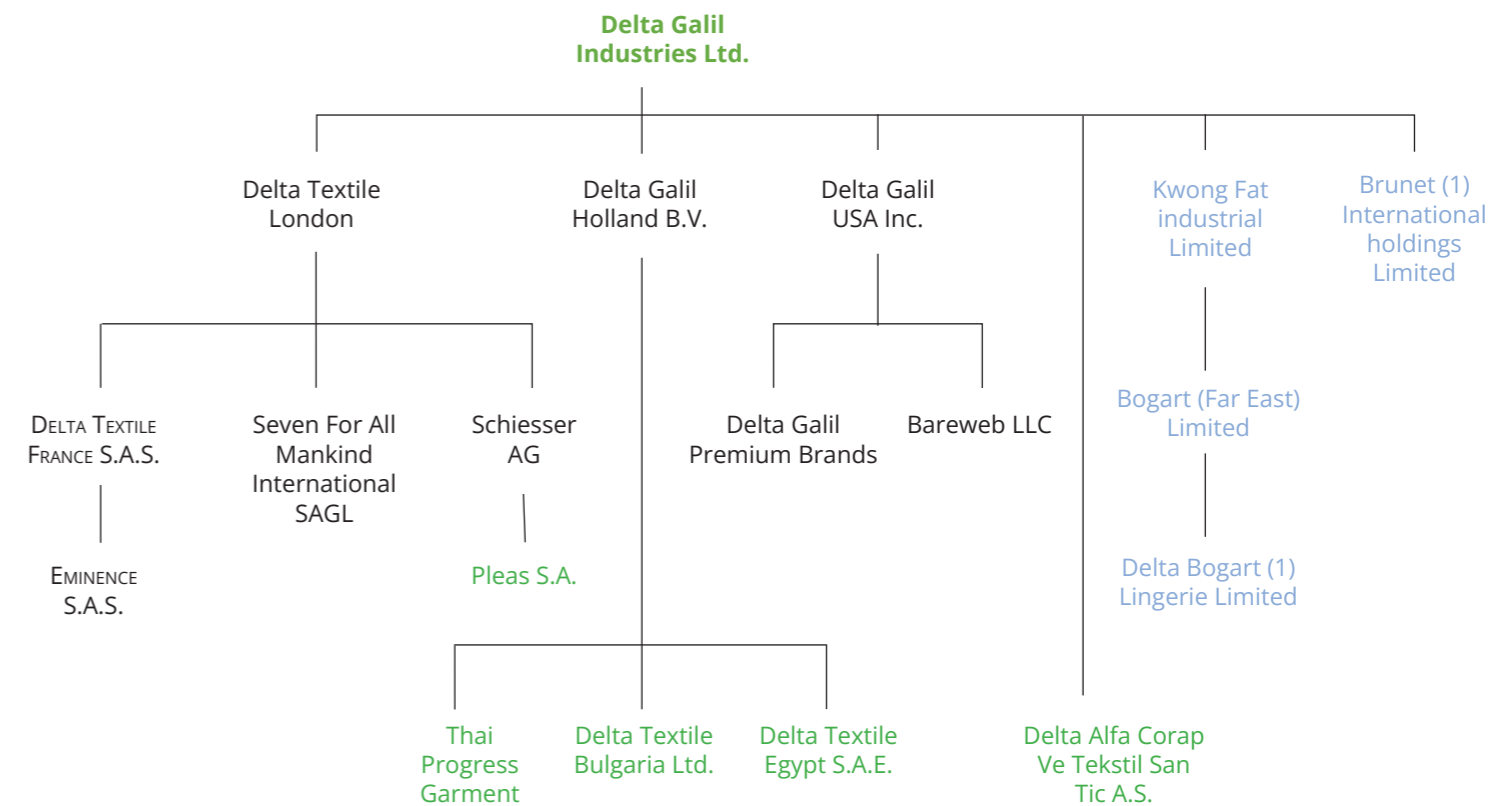
Our business model includes both private label products (37% of 2020 sales) and branded products (63%). We work with retailers, through licensees and our own brands, enabling us to serve our customers, and to reach and provide for the needs of multiple markets, with minimal risk.

OUR ORGANIZATIONAL STRUCTURE

Since 2008, Delta Galil has been led by Mr. Isaac Dabah - our Chief Executive Officer (CEO). As of the end of 2021, Mr. Dabah holds 48.8% of the shares in the Company, both through the GMM Capital LLC

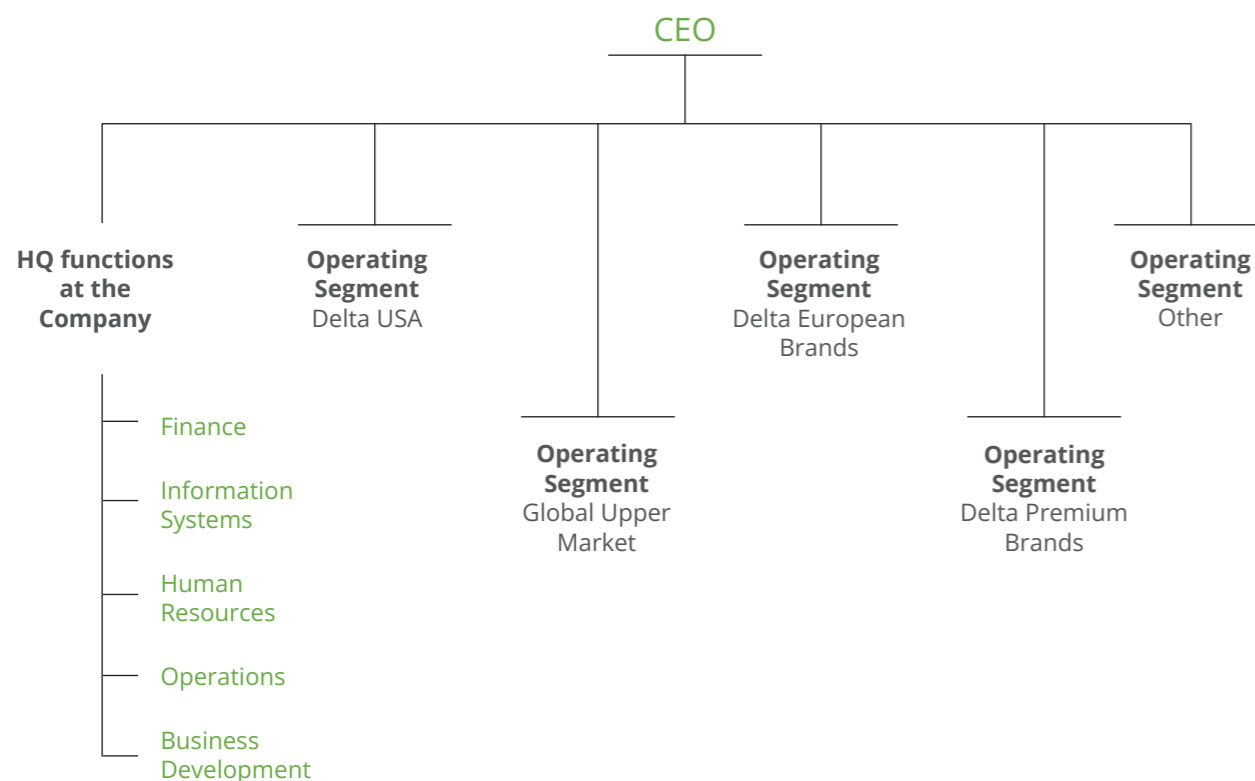
fund and directly. Mr. Noam Lautman, the son of the late Dov Lautman, Delta Galil's founder, is chairman of the Board and holds 9.9% of company shares. The remaining shares (41.3%) are publicly traded.

The following chart shows the structure of the Company's holdings in the key companies, as of December 31st 2020:



■ Some of the companies in the Bogart Group
 ■ Manufacturing companies
 (1) These companies hold all the stakes in subsidiaries in which manufacturing operations are carried out in China, Thailand and Myanmar.

Organizational Structure*



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

<p>Branded Leading owned and licensed intimate apparel and home wear brands.</p>	<p>Private Label Fully vertical from innovative design to manufacturing for private label customers (brands and retailers).</p>	<p>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: DLTI).</p>	<p>Seven 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.</p>	<p>Online Retailer Independent digital platform (Bare Necessities), the largest US online intimate apparel marketplace, offering over 160 leading brands and private label.</p>
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SOME OF OUR RECENT DEVELOPMENTS...

During the reporting period, Delta Galil has undergone significant changes. We have expanded considerably through acquisitions and have also undertaken a re-structuring. The following section describes some of the key developments during the years 2019-2020. We also discuss our activities in relation to the COVID-19 pandemic extensively on page 62.

In July 2019, we acquired the Bogart Group, which became part of Delta Galil's Global Upper Market segment. Bogart's operations consist of developing and marketing intimate apparel, mainly brassieres and swimwear for private brands of leading customers in the upper market segment in the US and Europe.

In 2019, 7 For All Mankind launched the Jen7 brand, under which quality products are sold at lower prices, directed at the mid-market segment. In the same year, Splendid launched the Sundown brand, which is also sold at lower prices.

At the end of 2020 and during the 1st quarter of 2021, we sold our manufacturing activities in Romania and Slovakia respectively, while shifting production to other sites.

ONLINE RETAIL

COVID-19 led to the acceleration of online shopping. We operate a number of websites through which some of our branded products can be purchased on the brand's own websites.

At the end of 2020, we acquired Bare Necessities, a leading U.S. e-commerce company that markets branded intimate apparel and offers over 160 leading brands and 6,400 styles in the intimate apparel and swimwear categories. These include products for women, shapewear, sleepwear and socks.

Staying up-to-date on market trends and consumer behavior, we view e-commerce as a growing segment, and invest in its infrastructure and in hiring skilled employees.



The activity of the Delta Israel operating segment (except Puma) was transferred on March 5th, 2021 in effect from September 30th, 2020 to the subsidiary Delta Israel Brands Ltd. and in March 2021, Delta Israel became a public company (TASE: DLTI).

OUR OPERATIONS

We provide our customers with a broad array of high-quality products in accordance with their specific requirements, and at competitive prices. 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 purchase the remainder from subcontractors worldwide, including various suppliers with whom we have strategic long-term relationships.

We are not dependent on any one subcontractor in particular, and there were no significant changes in the pool of subcontractors during 2019 and 2020.

As of the end of 2020, we had five main operating segments⁷:

DELTA GALIL USA (DGUSA)

Where we engage in the development, design and marketing of intimate apparel, socks and active wear for private labels for men, women and children, sold to the largest retail chains in the United States, as well as labels for which we have received a license. Additionally, this segment includes UK intimate apparel activity.

GLOBAL UPPER MARKET (GUM)

Where we develop, design, manufacture and market intimate apparel for men and women, socks and activewear. This is sold to retail chains and leading labels in Europe and the United States. The marketing and distribution are performed by Delta Galil Israel, and the manufacturing is carried out in our factories in Egypt, Bulgaria, Thailand, Turkey, Vietnam and China, through joint ventures in China, as well as by subcontractors in the Middle East and Asia. From July 2019, this operating segment also includes the Bogart Group's operations, which consist of developing and marketing intimate apparel, mainly brassieres and

swimwear for private brands of leading customers in the upper market segment in the US and Europe. Design activities are carried out in Hong Kong and development activities are carried out in China. Production activities are carried out by subsidiaries in China, Thailand and Myanmar.

DELTA EUROPEAN BRANDS

Where we develop, design, manufacture and market branded intimate apparel for men, women and children, as well as active wear. The products are sold under the Schiesser brand, to customers in Germany and in other Western European countries, and following the acquisition of Eminence in July 2018, also under the brands "Eminence", "Athena" and "Liabel", sold to customers in France, Italy and other countries in Western Europe. Sales are carried out wholesale for retail chains, and through the Schiesser and Eminence chain stores and websites. During the reporting period, products were manufactured at our production sites in the Czech Republic, Slovakia, France and Romania, as well as through subcontractors. We sold our subsidiaries in Romania and Slovakia at the end of 2020. In addition, we operate a buying office in Hong Kong.

DELTA PREMIUM BRANDS

Where we develop, design, market, distribute and sell premium products. These include the leading global denim label "7 For All Mankind", and leading American clothing label "Splendid". These brands are sold through our retail chain in the United States and Europe, globally through e-commerce, and wholesale at retail marketing chains. Manufacturing of products sold in the United States is carried out by subcontractors in Mexico and the United States, while the manufacturing of products sold in Europe is largely carried out by subcontractors in Italy, Turkey and Eastern Europe.

DELTA ISRAEL

This segment includes the Company's operations in Israel. This involves the development, design and marketing of labeled undergarments for women and men, leisurewear, active wear, socks and footwear and children's clothing, mainly under the brands "Delta" and "Fix". These are distributed via our stores in Israel, as well as wholesale for Israeli retail chains and e-commerce. Most of the Delta and Fix products that are marketed, are purchased from vendors in Asia. The activity of this operating segment was transferred on March 5th, 2021 to the subsidiary Delta Israel Brands Ltd.

OTHERS

This includes the independent digital platform Bare Necessities, the largest US online intimate apparel marketplace, offering over 160 leading brands and private labels and 6,400 styles. Bare Necessities has excellent operational and market expertise in intimates, and a best-in-class in-house e-commerce development team. It also has a leading in-house team of Bra Fit Experts who provide real time recommendations on fit and styling through phone, chat and email. The platform maintains long term vendor relationships with leading brands and enjoys 1.5 million visitors each month.



⁷ As of mid-2021, Delta Galil operates in a different business structure, based on five main business segments, as mentioned in the chapter "Organizational Structure" above.

A GLOBAL COMPANY, A GLOBAL PRESENCE



Across the world, we employ local management and employees, empowering the communities in which we operate. If local staff do not have the professional skills required to manage a site, the company's management hires an external manager to work alongside local management. In places where manufacturing skills may be lacking, we provide full training. In doing so, Delta Galil provides new employment opportunities in these locations.

Israel

Headquarters, fabric development and R&D, warehouses and logistics center, national retail chain

Egypt

Knitting, cutting and sewing plants, offices, warehouses, dyeing plant

Turkey

Sock manufacturing plant

Vietnam

Cut and sew, seam free and sock manufacturing plant

Canada

Sales office

United States

Warehouses and logistics centers, show rooms, offices and retail chain

Bulgaria

Sock manufacturing plant

Thailand

Cutting and sewing plant, lace factory, offices and warehouses

Czech Republic

Knitting, cutting and sewing plant, warehouses and offices

Switzerland

Offices and retail stores

Slovakia

Sewing facility (sold during Q1 2021)

Germany

Warehouse, logistics center, offices and retail chain

France

Cutting and sewing plant, offices, warehouses, logistics center and retail chain

United Kingdom

Marketing offices and retail stores

Romania

Sewing plant (sold at the end of 2020)

Italy

Offices, warehouses and retail chain

Belgium

Retail stores and marketing offices

Netherlands

Retail stores and marketing offices

Denmark

Retail stores and marketing offices

Austria

Retail stores and marketing offices

China (Bogart and Joint Venture)

Manufacturing of socks and knitting operations, cut and sew plants and offices

Myanmar

Cutting and sewing plant

Hong Kong

Offices

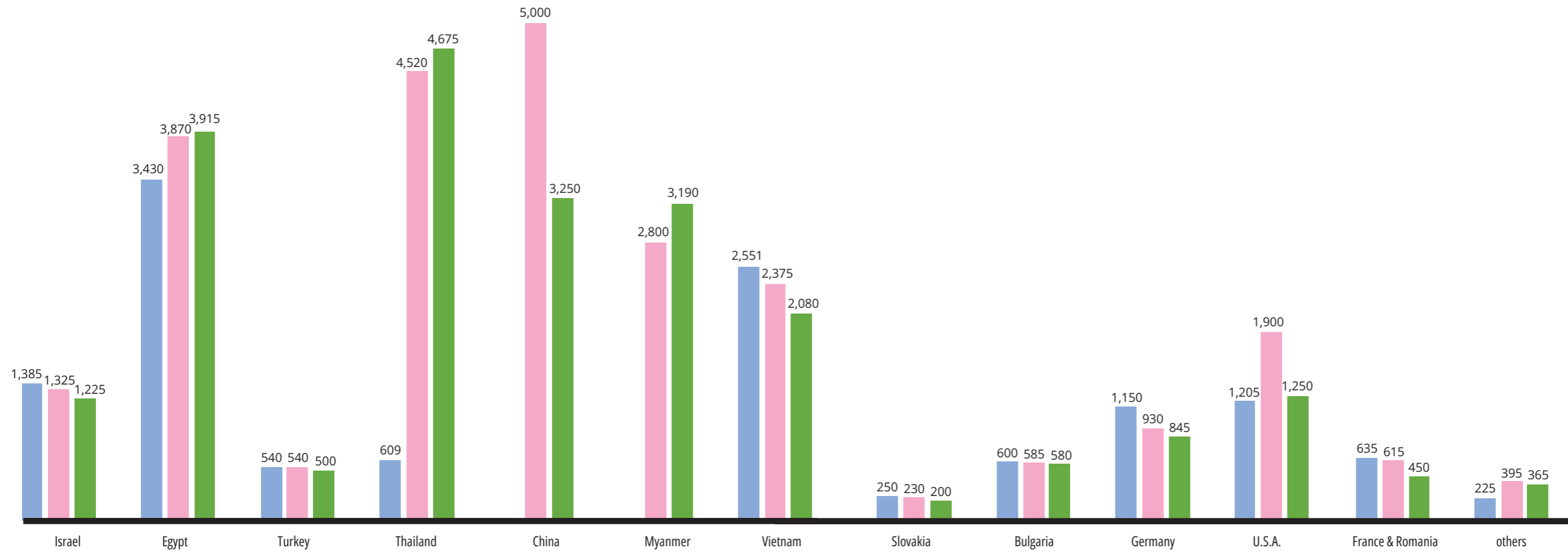
Brazil

Offices and retail stores



Delta Galil Annual Workforce Breakdown by Country

■ 2018 ■ 2019 ■ 2020



Note: Our Asia data during 2018 included mainly Thailand and Vietnam. In 2019 and 2020, it includes the Bogart Group, with locations also in China and Myanmar.

PRODUCTS & MARKETS

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.

Alongside development and production as a private label, acquiring franchise rights, purchasing and developing licensees and our own brands are central to our growth. This strategy increases our market share as a brands company, as well as a franchise producer for leading global brands.

OUR PRODUCT CATEGORIES



LINGERIE

Ladies underwear items, including panties, seamless products, shapewear and bras, using of fabric expertise for extremely delicate light feminine fabrics.

ACTIVE WEAR

Professional active wear for leading brands, as well as active wear for 'soft sports' – yoga, studio. The active wear category is a strategic one for Delta Galil and an area of growth.



SHAPEWEAR

Delta Galil's fabrics are breakthrough developments in the field. We offer extremely light yet powerful fabrics for ultimate comfort and ease. Delta Galil is a world leader in the design, development and production of shapewear, using state-of-the-art technologies.



BRASSIERE

Delta Galil manufactures bras for various leading brands in the brassiere market.



MEN'S UNDERWEAR

Underwear for men and teens. Delta Galil has been the leader in the men's underwear category since its early days, producing products with a focus on comfort, fit and functionality.





KIDS INTIMATE APPAREL

Underwear and apparel for boys and girls.



SOCKS

Socks for men, women and kids in dress, casual and sporting styles, as well as performance socks. Delta Galil is one of the leading companies in the world in the socks segment. The technological level and innovation have turned Delta Galil into a leading partner for top global sporting brands.



TOPS

Taking advantage of our unique fabric development capabilities enables Delta Galil to expand its range to offer tees and tops, to be 'worn to see'.



SLEEPWEAR AND ATHLEISURE

Increasing our market presence through two growing categories, which have become 'natural to wear' all day long.



DENIM

Delta Galil designs, develops, markets and sells branded denim apparel under the brand "7 For All Mankind" and its sub brand "Jen 7".



FABRICS

Delta Galil Labs™ utilizes the most advanced technologies to create innovative fabrics and garments. Over the years, we have launched numerous genuinely innovative projects that have impacted their respective categories and demonstrated advances in textile development, manufacturing processes and products. These include: Real Cool Cotton, Real Lasting Cotton and Real Lasting Softness and more.

PRODUCT CATEGORIES

LADIES **54%**

OF 2020 TOTAL SALES

MEN **24%**

OF 2020 TOTAL SALES

SOCKS **12%**

OF 2020 TOTAL SALES

KIDS **11%**

OF 2020 TOTAL SALES



CUSTOMERS & LICENSES

EVER AWARE OF THE FAST-CHANGING MARKETPLACE, DELTA GALIL IS DEPENDED UPON TO LEAD APPAREL DESIGNERS AND RETAILERS WORLDWIDE. WE HELP OUR CUSTOMERS INTRODUCE NEW PRODUCTS AND INNOVATIVE MANUFACTURING SOLUTIONS, HELPING THEM TO GROW THEIR MARKET SHARE BY MEETING CONSUMER DEMANDS.

We are proud to have contributed to the success of Walmart, Hema, Carrefour, JC Penney, Target, Nordstrom, Neiman Marcus and Bloomingdales, as well as leading fashion brands such as Calvin Klein, Nike, Spanx and Victoria's Secret. We also sell our products under brand names licensed to the company, such as Wilson, Columbia, Penguin, Calvin Klein, Tommy Hilfiger and more.

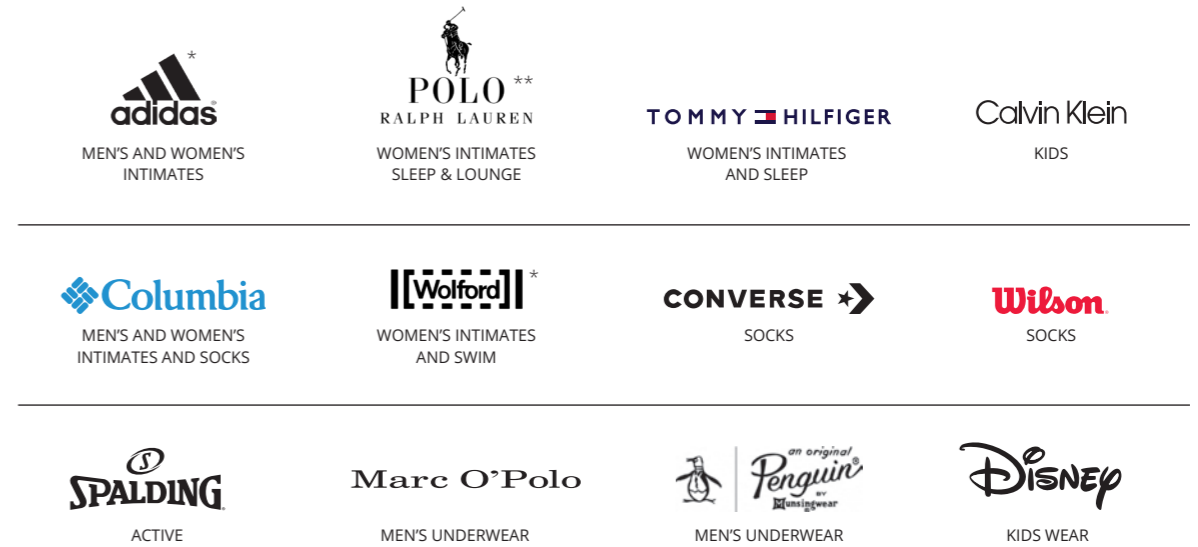
We invest significant resources in the development and design of products in order to provide customers with uniquely innovative designs, to enable penetration of new markets and to preserve our competitive advantage.

Cultivating longstanding relationships, our development and design experts work closely with customers in designing and developing products. Our development and design teams prepare presentations for customers that include anticipated trends, and analyses of successes and failures from previous seasons. We also work with customers to develop products' basic concepts and packaging, according to their needs. We believe that the comprehensive package of services we offer to our customers is a significant factor in maintaining their partnership with us.

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 suppliers.

LICENSED BRANDS

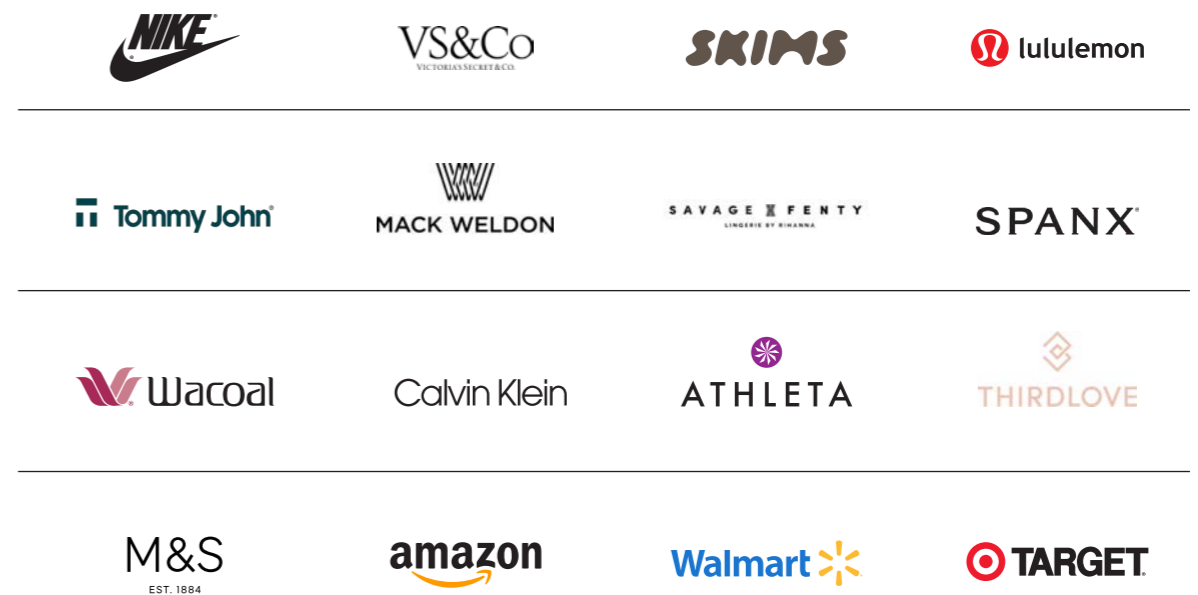
LEADING PORTFOLIO OF GLOBAL BRANDS



* from 2022 ** from 2023

STRATEGIC BRAND PARTNERSHIPS

PARTNER OF CHOICE



OUR BRANDS

WE SELL PRODUCTS THROUGH COLLABORATIONS WITH THE BIGGEST RETAILERS IN THE WORLD, UNDER LICENSED BRANDS AND UNDER OUR OWN BRANDS. AT THE END OF 2020, OUR BRANDED ACTIVITY ACCOUNTED FOR AROUND 63% OF OUR TOTAL SALES. DELTA GALIL'S PRIMARY OWNED BRANDS ARE: DELTA (IN ISRAEL), SCHIESSER (IN GERMANY AND OTHER WESTERN EUROPEAN COUNTRIES), EMINENCE (INCLUDING ATHENA AND LIABEL), SPLENDID, P.J. SALVAGE, AND 7 FOR ALL MANKIND.



DELTA ISRAEL

The original brand, known as Delta, has been a household name throughout Israel for decades. Its products are always innovative, stylish and comfortable. It is distributed and sold through the country's major retailers, as well as through Delta's 204 stores and on-line store⁸. All garments are sold and promoted either under the Delta brand name or the names of local affiliate brands, such as Delta, Yodfat, Matchtonim, Fix and others. In addition, the Company signed license agreements to receive rights for the use of Disney, Wilson and other brands, which it uses in the intimate apparel, socks and children categories.



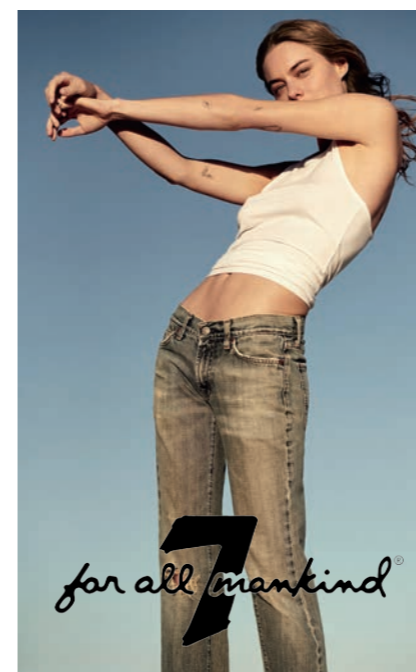
SCHIESSER

Purchased by Delta Galil in 2012, Schiesser holds Germany's top market share for men, as well as solid shares for the women and children segments. The company also carries a youth line called "Schiesser-Uncover", and a trendy retro collection, "Schiesser-Revival". All Schiesser brands are sold in department stores, specialty stores, and in company-owned stores located throughout Germany. Other key markets include Belgium, the Netherlands, Switzerland, Austria and Italy.



P.J. SALVAGE

This brand was acquired by Delta Galil in 2015. It is one of the leading manufacturers of fashionable pajamas, loungewear and women's intimates, and is Hollywood's go-to purveyor for fashion pajamas, loungewear, and intimates.



7 FOR ALL MANKIND

This brand was acquired by Delta Galil in 2016. Based in LA, it is a pioneer in American premium denim, associated with celebrities and fashion icons who seek its signature style. The brand is marketed through DTC and wholesale channels globally.



SPLENDID

This brand was purchased by Delta Galil in 2016. It is known for comfort, soft materials and great style, and offers versatile apparel, accessories and footwear. With the motto "make the world a cozier place" Splendid emphasizes color, softness and playfulness in all its products.



EMINENCE

Founded in 1944, acquired by Delta Galil in 2018, and based in Aimargues, France, this brand manufactures and markets men's underwear, t-shirts, pajamas, and socks. It is considered a premium brand and the number one men's intimate brand in France, with products ranging from undergarments, polo and technical shirts, to Eminence Tech+.

⁸ 164 are operated by Delta Galil and 40 are operated by licensors.



ATHENA

A brand by Eminence. Purchased by Delta Galil in 2018, this brand was established in 1962, inspired by a simple concept of offering men comfortable and easy to wear underwear. In 1999, the brand created dedicated lines of sports underwear, and it now offers a range of comfortable and modern men's underwear, including briefs, boxers, panties, t-shirts and tank tops. It is known as a sporty and athletic, mass market brand that is modern and cool.



SECRET BY ATHENA

Athena's women's brand offers beautiful lingerie created to meet the expectations of women looking for comfort, support and femininity, and at the same time to indulge themselves with beautiful, quality lingerie at affordable prices. The brand is designed and developed in France and is distributed in hypermarkets, lingerie stores and on internet sales sites.



LIABEL

Purchased in 2018 by Delta Galil, this Italian brand, founded in 1851, stands for heritage and tradition. It enjoys strong brand awareness as a mass market t-shirt and underwear brand for the entire family. The range includes knitwear, briefs, underwear, lingerie and nightwear, as well as outdoor clothing.





MEMBERSHIP OF ASSOCIATIONS AND INITIATIVES

WE ARE A MEMBER OF NUMEROUS INDUSTRY ORGANIZATIONS THAT HELP TO ENSURE RESPONSIBLE BUSINESS PRACTICES:

FAIR LABOR ASSOCIATION (FLA)

Delta Galil is a member of the FLA and also represented on its Board of Directors. The FLA mission is to combine the efforts of business, civil society organizations, and colleges and universities to promote and protect workers' rights. It also seeks to improve working conditions globally through adherence to international standards.

CARBON DISCLOSURE PROJECT (CDP)

Since 2009, we have been reporting on our direct and indirect impacts on climate change to the Carbon Disclosure Project (CDP) supply chain initiative. The Supply Chain Questionnaire is designed to help the requesting companies assess climate change risks and opportunities embedded in their supply chain.

MANUFACTURERS ASSOCIATION OF ISRAEL

The Association promotes economic independence and security. It influences decision-making at the macro-economic level. This includes labor and foreign trade, and deals with proposed parliamentary legislation, as well as the execution of laws.

MAALA - BUSINESS FOR SOCIAL RESPONSIBILITY

Delta Galil has been a member of Israel's leading non-profit organization for corporate responsibility since its establishment in 1998. We receive updated professional information and are connected to a local and international network of socially responsible companies. Membership is a declaration of our support for corporate responsibility. Each year, we participate in the Maala Index for Social Responsibility and have maintained our "Platinum" status for the past few years.

MINISTRY OF ENVIRONMENTAL PROTECTION'S (MEP) VOLUNTARY NATIONAL GREENHOUSE GAS (GHG) REGISTRY

In 2010, Delta Galil joined Israel's MEP voluntary registry for reporting GHG emissions. Through the initiative, participating companies provide an annual report on their GHG emissions.

SOCIAL & LABOR CONVERGENCE PROGRAM (SLCP)

The SLCP's Mission is to implement a Converged Assessment Framework (CAF) that supports stakeholders' efforts to improve working conditions in global supply chains, by sharing comparable and verified high-quality data and increasing transparency. Delta Galil signed on to SLCP as a manufacturer in early 2017 and support using the SLCP tools and system.

AMERICAN APPAREL AND FOOTWEAR ASSOCIATION (AAFA)

AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its nearly 4 million US workers, and its contribution of more than \$400 billion in annual US retail sales. AAFA members are key decision makers who make up the apparel, footwear, accessory, and retail supply chain - from manufacturers and retailers to textile suppliers, testing labs, and more.

DELTA GALIL'S MISSION



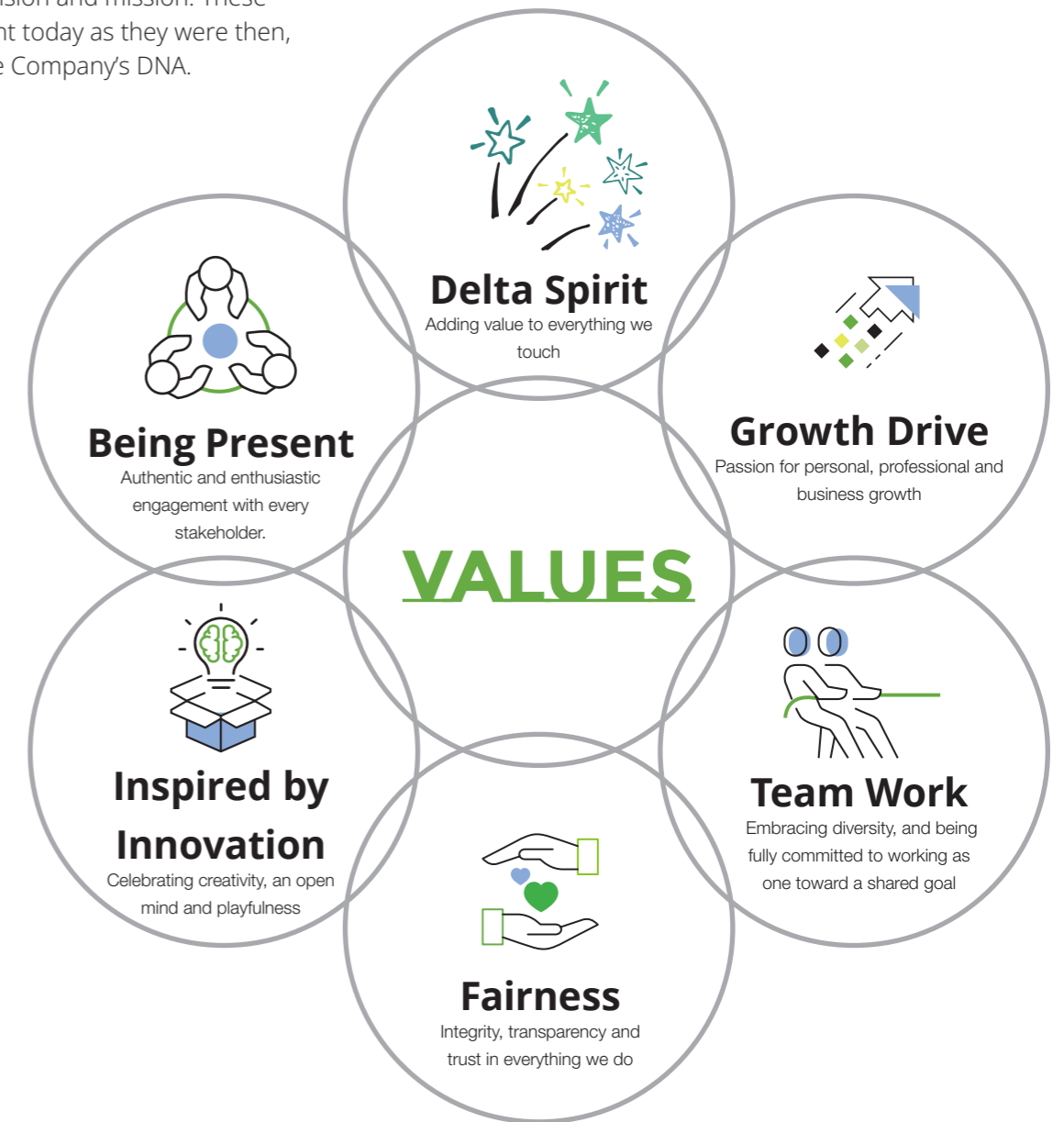
Delta Galil's mission is to continue our tradition of global leadership in high quality apparel, helping people feel stylish, comfortable and special at any age. We aim to integrate our approach to designing and producing products, focusing on innovation and advanced technologies. We are committed to 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.

DELTA GALIL'S VALUES

THE THREAD THAT LINKS
OUR BUSINESS ACTIVITIES

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.



WE BELIEVE THAT THESE SIX VALUES, WHICH OUR PROFESSIONAL AND PERSONAL CONDUCT MUST REFLECT, ARE A FUNDAMENTAL STRENGTH OF OUR BUSINESS. FROM 2017, THESE VALUES WERE INCLUDED AS CRITERIA IN HIRING NEW RECRUITS AND USED IN EMPLOYEE ANNUAL ASSESSMENTS. OUR DAILY ACTIONS ARE GUIDED BY THIS SET OF PRINCIPLES.

A CULTURE OF INNOVATION

CREATING AND DEVELOPING THE NEXT GENERATION OF HIGH-QUALITY PRODUCTS

45

YEARS OF ON TREND INNOVATIVE SOLUTIONS

3%

OF 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

Innovation is in our DNA and is one of our core Company values. We strengthen this value 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 to their needs.

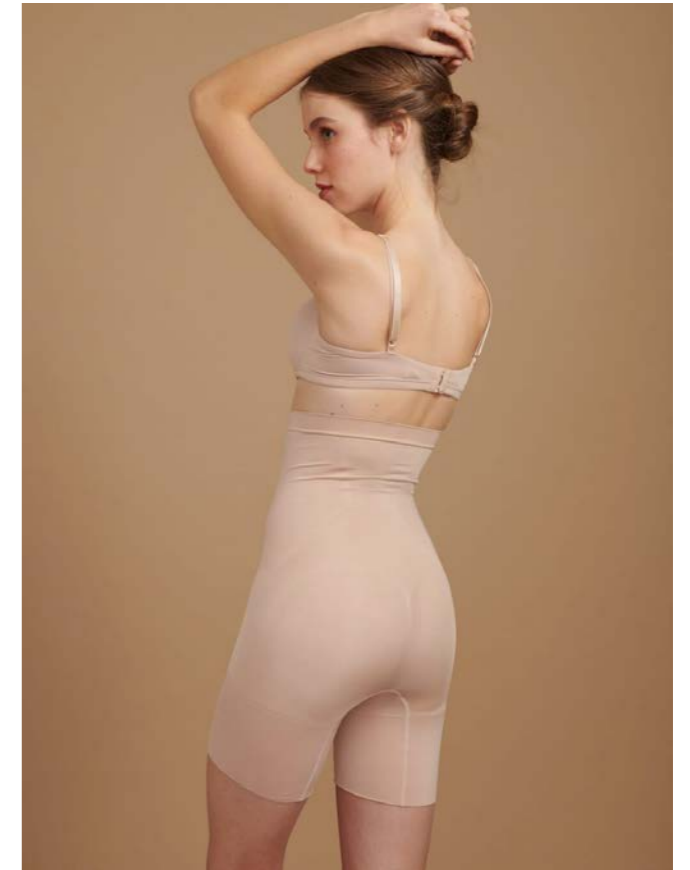


OUR BUSINESS PHILOSOPHY - BODY BEFORE FABRIC™

Body Before Fabric™ – this is the vision behind our innovation approach which examines 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.

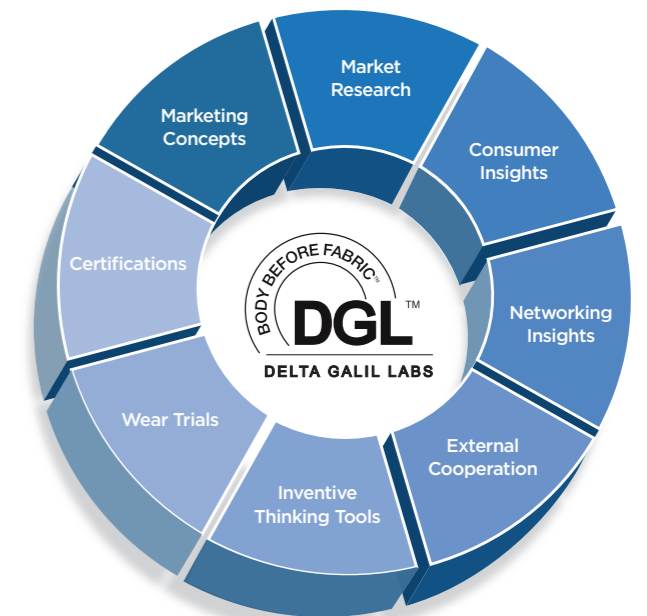


SO, HOW DO WE MAKE THIS HAPPEN?

Our people’s broad range of expertise and long years of know-how, together with our cutting-edge processes, machinery and equipment allow us to anticipate the future and create solutions that meet customers’ expectations and needs.

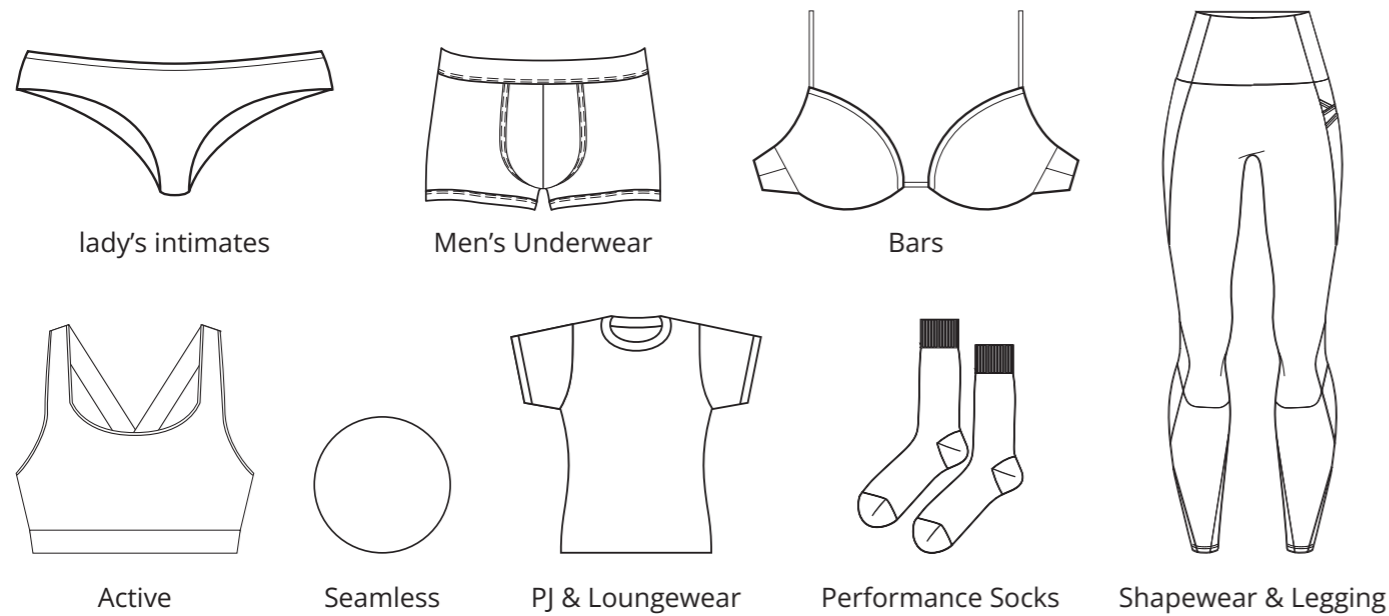
We carry out design and development work using the SIP – Systematic Innovation Process. This method is designed for innovative thinking and the creation of groundbreaking products for our customers. The process integrates work across all disciplines – design, marketing, development and technology; from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

SYSTEMATIC INNOVATION PROCESS



OUR R&D CENTER

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

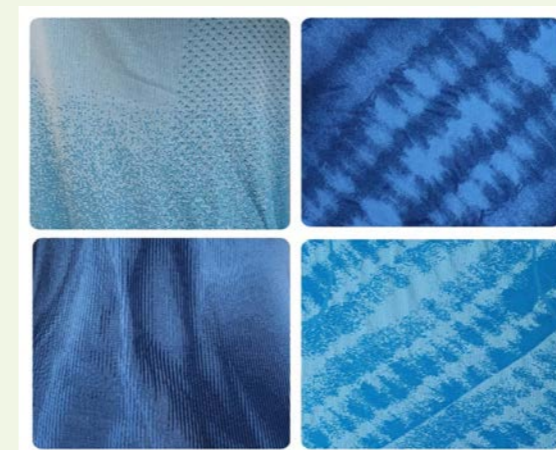


With advanced raw materials serving as the basis of all our products, our R&D unit in Karmiel dedicates extensive efforts to introducing innovative and sustainable materials and processes into the Company's portfolio (see more on page 102). This includes a special fabric development center that adds value in product development, a sock development center specializing in professional sports socks (Performance), and a seamless development center specializing in shapewear and activewear for men and women. Our bra centers of excellence in China and New Jersey also serve the whole Company. And our digital team integrates new tools and methods into our development processes for garments, such as computational design, virtual fashion collections, virtual fit and 3D printing elements.

A MORE SUSTAINABLE TIE AND DYE EFFECT THROUGH COMPUTATIONAL DESIGN

Our new computational design tool, developed by Delta Galil and implemented at Delta Galil Vietnam, creates a more sustainable tie and dye effect in knitting, cutting polluting processes that were traditionally used.

The new tool enables our designers to develop an accurate visual before knitting, using dyed yarn for a tie-dye look, which saves the tie and dye process. By doing so, we minimize the need for water and chemicals.

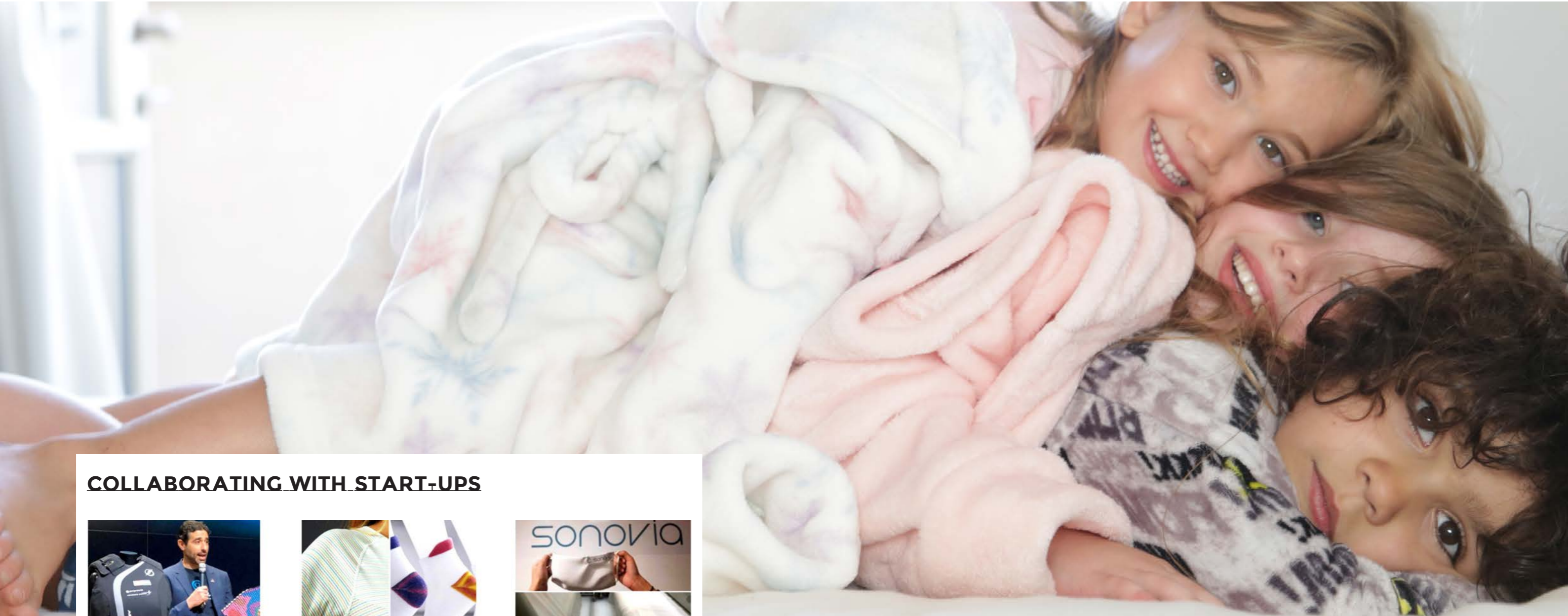


OUR MAIN RESOURCE IS OUR PEOPLE

From yarn, fabric, seamless, dyeing and finishing technologists through pattern makers, digital experts, bonding experts, fashion, textile, graphic and various designers, our people work in collaboration to bring valuable, innovative and sustainable solutions to our numerous brands and customers. Our diversified teams from all around the globe – spanning different cultures, languages, knowledge and experiences – all add a wonderful and unique spice to our innovation culture.

In order to maintain and develop this culture, we utilize learning forums and collaboration platforms for our associates to share and explore ideas, anticipate trends and eventually elaborate our successes.





COLLABORATING WITH START-UPS



As part of our open innovation culture and our desire to find the next best thing, we joined forces with three startups and came up with three innovative solutions:

Twine – a proprietary, revolutionary digital thread dyeing system, Twine eliminates water consumption and reduces thread waste, by dyeing only what is needed using a waterless process. See page 104, for further details on our continued collaboration.

Sonovia – this 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. See page 104.

Stemrad – Delta is excited to collaborate with the company behind the Astro-Rad vest, a personal protective item for astronauts. During 2022, a trial will be conducted on the Axion Space Mission.

LEVERAGING OUR INNOVATION

WE ARE ALWAYS LOOKING TO INCREASE OUR COMPETITIVE ADVANTAGE THROUGH INNOVATION. LOOKING TOWARD THE FUTURE, WE CONTINUE TO:

- Create sustainable products through novel processes and materials
- Advance our culture of out-of-the-box thinking to develop new intellectual property (IP)
- Expand cooperation with external academic, health and research institutes
- Explore and deepen our collaboration with start-ups
- Advance the use of digital tools (3D, Digital Fit and more)
- Leverage our existing IP to develop products of the future
- Invest in the next generation of textile and fashion designers, in partnership with leading fashion institutes, and
- Cooperate with young influencers (generation Z) to develop products anticipating their needs and considerations.

CORPORATE ETHICS

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.

DELTA GALIL'S CODE OF ETHICS

In 2002, we first introduced our [Code of Ethics](#). This outlines the Company's principles for ethical and proper behavior and is based on our vision and values. The Code is periodically updated and was most recently reviewed at the end of 2019. It applies to all Delta Galil employees and business partners, has been introduced to the majority of our businesses, and we are in the process of introducing it to recently acquired subsidiaries.

The Code is available in several languages and covers numerous topics, including preventing discrimination and harassment; integrity, fairness and transparency; preventing conflicts of interest; our prohibition on bribery, including giving or receiving gifts and benefits; the necessity of accurate and on-time financial reporting, giving back to the community and environmental protection.

In 2020, we updated our courseware, which is used to train our employees and managers on the main principles of the Code of Ethics. The new courseware is structured in a more user friendly and accessible way, and global training will begin again in 2022.

At our Israeli sites, new recruits sign their consent to follow the Code of Ethics and report violations from the beginning of their employment. This procedure will be implemented in business units abroad as well.

We take measures to ensure compliance with our Code of Ethics. All employees and business partners are asked to report illegitimate or unethical behavior to our Ethics Compliance Director. They can do this via e-mail or through our discreet "ethics line". The ethics line is also used to ask questions and talk about dilemmas. Its contact details are available within the Code of Ethics, and are included as part of our courseware. All ethics issues are handled without delay, in a thorough, fair and discreet manner. During 2019-2020, no significant ethical issues were raised in these channels.



OUR CODE OF CONDUCT

Delta Galil's Code of Conduct defines the behavior that we expect from all suppliers in their relationships with their workers, and the behavior that we expect from all Delta Galil managers in their relationships with their employees. It reflects our commitment to respect all workers throughout the supply chain and is based on global standards that protect the rights of workers. These relate to child labor, discrimination, forced labor, freedom of association and collective

bargaining, women's rights, harassment and abuse, work hours and wages, as well as a healthy and safe work environment. All our supplier factories are required to sign their understanding of, and compliance with the Delta Code of Conduct.

Our Code of Conduct is available [here](#).

STAKEHOLDER ENGAGEMENT

WHO ARE OUR STAKEHOLDERS, AND WHAT MATTERS TO THEM?

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

We have identified eight different groups of stakeholders: our employees, suppliers, customers, consumers, local communities, authorities, civil organizations and our shareholders⁹. We conduct our business in a collaborative and transparent manner. Our methods of communicating with stakeholders are many and varied¹⁰ and are set out in the following table:

Stakeholders	Key Topics of Interest	Dialogue Channel	Frequency
EMPLOYEES	Transparency, corporate governance, business successes, financial stability, labor conditions, employee welfare and wellbeing, employee development, employment stability	Surveys, round tables, town hall meetings, feedback meetings, educational programs, managerial courses, internal digital communication and social channels	Ongoing
SUPPLIERS	Business and ethical conduct, financial stability, supplier screening	Periodic face-to-face or zoom meetings, second and third-party compliance audits	Annual and periodical
CUSTOMERS	Transparency, regulatory compliance, environmental compliance, business and ethical conduct, competitiveness, service, product quality and safety, product comfort, innovation, value for money, labor conditions, supplier screening	Periodic face-to-face or zoom meetings, periodical reports submitted by Delta Galil, ongoing mutual dialogue	Periodical
CONSUMERS	Transparency, service, product quality and safety, product comfort, branding, value for money,	Focus groups for products, questionnaires, wear trials, customers' feedback, sales, customer club, social media	Periodical

Stakeholders	Key Topics of Interest	Dialogue Channel	Frequency
LOCAL COMMUNITIES	Transparency, regulatory compliance, environmental compliance, social contribution	Social media, informal & formal dialogue with local managers and the Director of Corporate Communication	Periodical
AUTHORITIES	Transparency, regulatory compliance, environmental compliance, corporate governance, business and ethical conduct	Financial reviews, updates upon request, meetings	Periodical & upon request
CIVIL SOCIETY	Transparency, business and ethical conduct, business success, innovation	Disclosures and feedback	Periodical
SHAREHOLDERS	Transparency, regulatory compliance, environmental compliance, corporate governance, business and ethical conduct, competitiveness, business success, financial stability, branding, labor conditions, supplier screening	Annual shareholder's assembly, quarterly reports	Quarterly
INVESTOR REPRESENTATIVES AND ANALYST FIRMS	Transparency, regulatory compliance, environmental compliance, corporate governance, business and ethical conduct, competitiveness, business success, financial stability, branding, labor conditions, supplier screening	Quarterly report, quarterly face to face or zoom meetings and one-on-one meetings with the CEO & CFO	Quarterly & upon request

Topics of interest have been selected according to the interest of the majority of each stakeholder group. This is part of our commitment to transparency and acts as a basis for informed dialogue. Examples of stakeholder dialogue and its outcomes can be found throughout the report¹¹.

CREATING AN OPEN DIALOGUE WITH OUR STAKEHOLDERS

On Delta Galil's website, we offer insight and transparency into what goes on inside our Company - the people, products, processes and more. This type of information can also be found in our owned brands' social channels. Stakeholders can easily find information about what is happening inside the Company, which encourages involvement¹². To learn more about us, visit our website at: <http://deltagalil.com>.

We maintain our Instagram and Facebook social channels and our Corporate Social Responsibility (CSR) website, as well as our Circle of Life webpage. These platforms feature news stories, updates and featured articles about our community programs, environmental efforts and so on. We invite you all to join us on our [CSR webpage](#), [Facebook page](#) and Instagram: [DeltaGalil](#).

⁹102-40,102-42; ¹⁰102-43,102-44; ¹¹102-4 ¹²102-43

COVID 19

RESILIENCE IN THE FACE OF THE PANDEMIC

SINCE THE OUTBREAK OF COVID-19, THE ENORMOUS EFFECTS OF THE COVID-19 PANDEMIC HAVE BEEN FELT ACROSS THE WORLD. THE CORONAVIRUS HAS BROUGHT MUCH PERSONAL DIFFICULTY AND SORROW TO MANY OF OUR STAFF, BUSINESS PARTNERS AND CONSUMERS. ISOLATION DUE TO QUARANTINE, LOSS OF INCOME, AND PERSONAL LOSSES HAVE TAKEN, AND CONTINUE TO TAKE, A TOLL. WE OFFER AS MUCH SUPPORT AS POSSIBLE TO OUR COLLEAGUES AND COMMUNITIES.

Throughout the pandemic we have sought to balance simultaneous challenges – working hard to keep our employees and their families safe, providing them with continued employment as much as possible, maintaining a strong financial stance, and contributing to the global effort to fight the disease.

As reported by McKinsey & Company¹³, the fashion industry faced huge losses in 2020, suffering its worst year on record, with almost three quarters of listed companies losing money. Consumer behavior shifted, supply chains were disrupted, and further waves of the virus' variants continue to spread, causing ongoing disruption.

Despite the difficulties, the outbreak has offered opportunities for positive developments at Delta Galil. We re-examined the way we work, and underwent re-structuring and a move towards more efficient

operations. Our e-commerce sites saw a significant increase in activity and we have increased our focus on digital sales platforms. We also made a move towards more digitized product design and the pandemic has been a time of accelerated learning and development for us.

In addition, during 2020 we achieved record cash flow from operations. With the focus of people's lives shifting more towards home, we are well positioned to continue to grow our athleisure and PJ categories. Overall, throughout this crisis, Delta Galil has maintained a high level of liquidity and financial strength, giving us the ability to face future challenges.



HOW THE PANDEMIC HAS IMPACTED DELTA GALIL

The disruption caused by COVID-19, related business closures and public quarantine measures resulted in decreased sales volume, primarily with several major DGUSA and DGPB customers, and lower retail sales due to store closures. These were partially offset by higher web and e-commerce customer sales. In an effort to reduce operational costs and strengthen financial flexibility, the Company quickly implemented a number of initiatives, including:

- a companywide hiring freeze, 10%-20% reduction in salaries of senior management until the end of the third quarter 2020, furlough and reduced working hours

- elimination and/or reduction of marketing travel spend and consulting fees
- tightly managed working capital items
- negotiated reduction in rental costs
- suspension of quarterly cash dividend for remainder of 2020, and
- receipt of government-supported loans of \$46 million during the second and the third quarters of 2020, under attractive terms.

¹³ McKinsey & Company, The State of Fashion 2021, <https://www.mckinsey.com/-/media/McKinsey/Industries/Retail/Our%20Insights/State%20of%20fashion/2021/The-State-of-Fashion-2021-vF.pdf>

We estimate that the spread of the coronavirus deducted approximately \$340 million from sales in 2020. This constitutes approximately 19% of total sales expected in this period, and this decrease is reflected in all of our operating segments and sales markets. The decrease in operating profit for 2020, is estimated to be approximately \$75 million.

Between the end of 2019 to the end of 2020, we reduced the number of employees in our global operations by 2,585, representing a 10% reduction in staff.

PRODUCTION

The pandemic affected production at our Group factories, as well as the activities of some of our suppliers and subcontractors who had to take extended holidays. Delta Galil undertook a restructuring plan (see below), which included reducing the headcount in our various facilities, closing some of the Company's production sites, and on the other hand expanding our two main production hubs in Egypt and Vietnam.

SALES

In order to prevent the spread of the virus, countries around the world have taken various measures, including the closure of stores and shopping centers, manufacturing plants and workplaces. Global travel restrictions have significantly affected markets in which we operate. These measures have impacted sales in our various channels: company stores, wholesale customers and online.

On several occasions, in line with local authority instructions, our stores were closed temporarily or operated at limited capacity. In Israel, sales in stores decreased in the months in which closures were imposed, and increased upon their removal due to high demand and also due to a decrease in passenger travel abroad. In our Delta Premium Brands operating segment, we saw a decrease in sales in stores, mainly during periods when they were closed, but also due to a decrease in tourism and a general slowdown in consumption. In our Delta European Brands operating segment, we saw a decrease in sales during periods when closures were imposed, in the various countries.

As a result of the pandemic, the financial situation of a number of our customers in the US and Europe has deteriorated and some have even gone bankrupt. Some of our customers have announced the postponement of orders and, in some cases, even their cancellation due to decline in short-term demand. In addition, some of the Company's customers unilaterally announced the extension of credit terms.

On the other hand, some of our collaboration with our major customers has grown during the pandemic. For example, with Nike, Walmart, Target, Costco, TJM and Fabletics, while the Company's exposure to department stores has been minimal.

E+COMMERCE

Our e-commerce sites have operated throughout the entire pandemic period, in full accordance with the instructions of the national authorities around the world, regarding the manner of delivering orders to customers. The significant increase of 130% recorded in e-commerce partially compensated for the harm to our sales in the other channels.



OUR ACTIONS

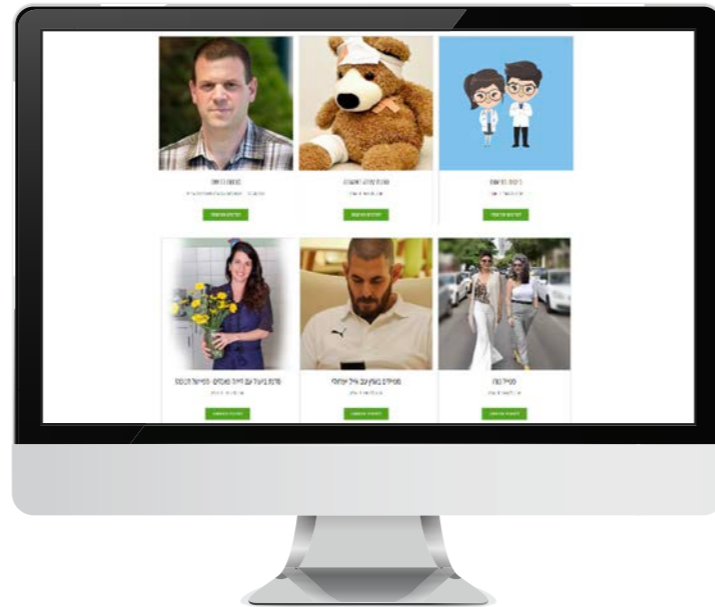
PRIORITIZING EMPLOYEE SAFETY AND WELLBEING

From the onset of the coronavirus, we have worked to protect the health and safety of employees, while continuing the Company's activities to the greatest extent possible. At all times, we operate in accordance with local guidelines, in order to maintain a protected work environment for employees at all our sites.

Our facilities supplied disinfectant and surgical masks for employees' families and sent notices to workers and their families explaining how to prevent contracting the virus. We continually communicated with all associates in order to maintain ongoing contact despite the situation.

Our HR team maintained contact with all managers regarding any need for financial or social assistance. In Israel, for example, we offered a mental health support line to all associates, as needed. Our managers held weekly calls to keep in touch with their teams, keeping updated on progress and on the wellbeing of associates.

We also looked for ways to enable employees to stay connected, feel supported and continue with their personal development. Numerous activities and lectures were made available to employees and their families in Israel, through our "Be Yourself" online platform. Activities covered topics such as life skills, first aid, health insurance, the dangers of the world wide web, and wellbeing. Online sessions included DIY and cooking classes for the whole family, pilates, and parenthood. Learning and Enrichment topics included how to use Zoom, how to present through screens, body language, developing a growth mindset, reading financial reports, and post-COVID consumer trends.



At Delta Galil USA, we conducted Town Hall meetings via online platforms. For Wellness Weeks, digital classes were held to support mental well-being. These featured titles such as "Better Balance, Better You", "Gratitude - a How to Guide", "Stress Management Made Simple", "Heart Health 101", "Ergonomics", "Healthy Holiday Guide", "Stretching at Your Desk", "Productivity 101", meditation, reflexology, self-defense, and even Zumba, Yoga and Cardio Kickboxing classes.

7 For All Man Kind also held virtual activities, including during Mental Health Week, Physical Health Week, Benefit Fair, a Halloween party, and virtual end-of-year games.

In Israel, USA and other regions, the Company assisted workers who needed financial help either through grants, loans or vouchers. On holidays we also sent food packages to those in need.

SUPPORTING OUR LOCAL COMMUNITIES

During the first half of 2020, as the crisis unfolded, Delta Galil responded to requests from local governments, as well as hospitals and emergency services, to help provide protective facial masks which were in dangerously short supply at the time.

Our subsidiaries rapidly reengineered production lines. In cooperation with local supply partners and other industry colleagues, Delta Galil facilities in France, Eastern Europe and Asia were able to increase production capacity to produce hundreds of thousands of urgently needed masks each month.

In addition to fulfilling orders for masks from various organizations, Eminence also donated hundreds of masks to charities serving citizens in need, and to police stations, hospitals and fire departments. In Slovakia, Gemtex donated protective masks to police officers, health workers and firefighters. Masks were also donated to retirement houses and hospitals all over the Košice region.

Employees in our Thailand TPG plant, producing masks:



Employees in Eminence France producing and distributing masks:



Cartoons at our Eminence France site:

"On the other hand, if you could adapt the cut a little..."



ENHANCING OUR OPERATIONS

Delta Galil has taken measures to reduce expenses across all operating segments, including reducing the activity of our headquarters and subsidiaries, putting employees on unpaid leave, and the graded lowering of salaries for the period between April and October 2020.

Striving toward continuous improvement in flexibility and operational efficiency, in the second quarter of 2020 we decided on a comprehensive restructuring plan. This included reducing and/or closing some of our production activities in China, Turkey, Egypt and Eastern Europe, as well as reducing overheads at our headquarters in the United States, Europe and Israel. At the same time, the plan included adapting work processes to industry trends; among them, strengthening the selection of online sales and incorporating technological improvements into our sales and development processes.

DIGITIZATION AND COMMUNICATING IN THE VIRTUAL WORLD

One positive outcome from the pandemic has been the rise of digital communication tools to replace travel. We have implemented such tools in several aspects of our daily operations: product design (see page 54), online commerce (see page 10) and work meetings.

Bogart Lingerie, for example, has made use of tailor-made software, to show innovation and future trends in live, yet remote meetings with customers' designers. The tool has been highly praised by our customers and continues to be used as a powerful way of communicating, even without COVID lockdowns.

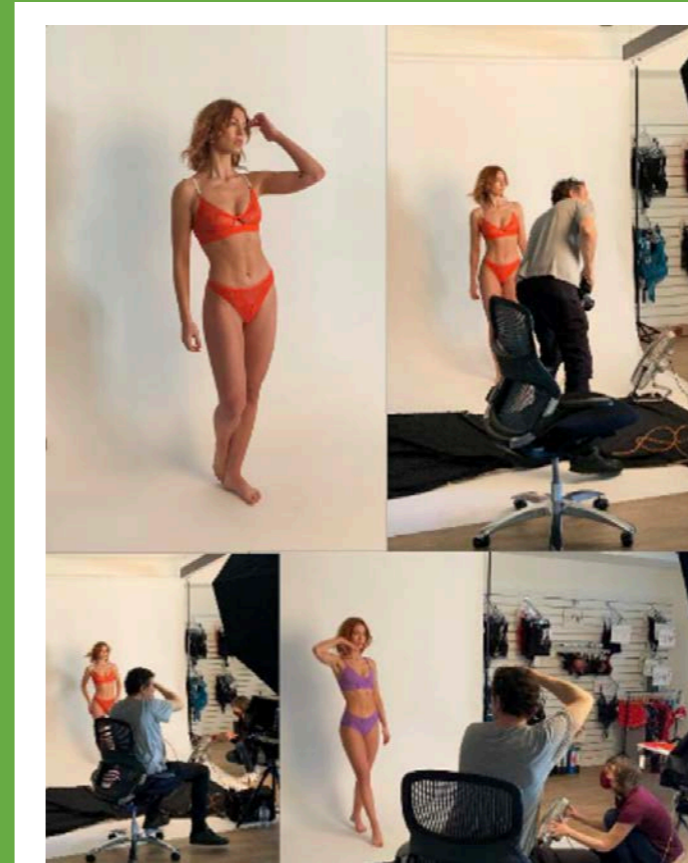
Interestingly, interacting with our colleagues and partners while working from home has introduced a more personal facet to our relationships, as interacting with people in their home environments breaks down many of the boundaries associated with offices.

RESPONDING TO CONSUMER DEMAND FOR OUR PRODUCTS

Due to the coronavirus, we've seen that consumers' preferences have changed. With video conferencing software framing us from the chest up, the need for dressing up formally has diminished and the desire to dress comfortably has risen.

We witnessed an increased demand for household products and collections (home wear, loungewear and pajamas), bras without wires, and products with stretchy fabrics. Following the rise in pregnancies during the 1st wave of COVID, there was increased demand for pregnancy products – maternity, sports and home wear. In addition, the demand for active wear increased due to the time people spent at home and around the neighborhood, exercising in the house, hiking or cycling.

►
BUSINESS MUST GO ON – AND WE CONTINUED TO WORK AND PHOTO SHOOT AT OUR DELTA LONDON OFFICE



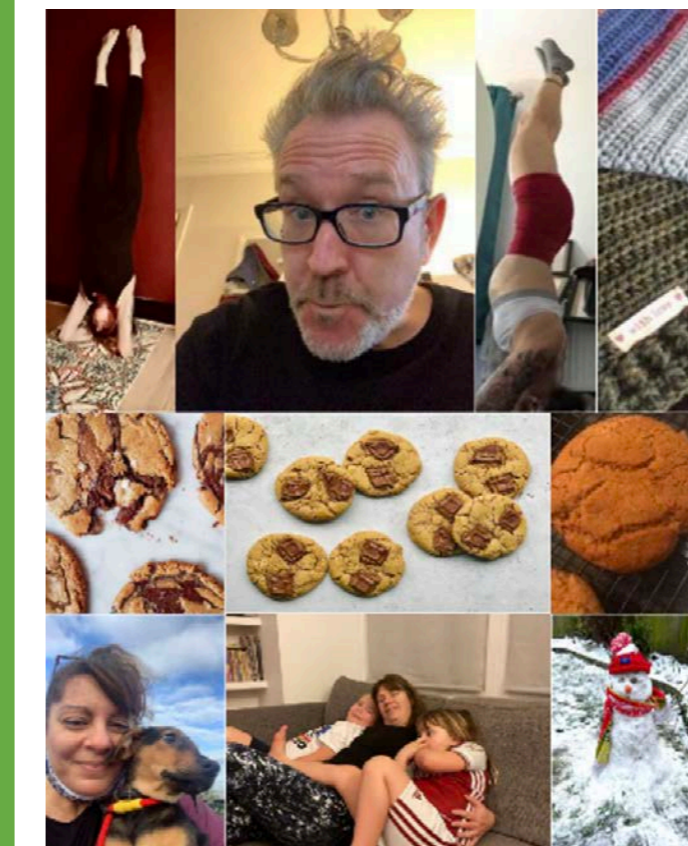
SOCIAL DISTANCE PHOTOSHOOT

ELLE

LOCKDOWN LONDON

DELTA GALIL
LONDON
SUBSIDIARY OF DELTA GALIL INDUSTRIES LTD.

►
KEEPING IN TOUCH – AN INTERNAL COMMUNICATION BETWEEN OUR LONDON OFFICE ASSOCIATES



LOCKDOWN LONDON

LETS GET CREATIVE

HEADSTAND TO HAIR STAND

KNITTING WITH LOVE

BAKING AWAY THE BORDOM

MAKING FRIENDS WITH NEW FACES

CUDDLING ON THE COUCH

EVERYDAY IS A SNOW DAY

DELTA GALIL
LONDON
SUBSIDIARY OF DELTA GALIL INDUSTRIES LTD.

ECONOMIC SUSTAINABILITY

STRENGTH

ECONOMIC PERFORMANCE

AS WE WRITE THIS REPORT, THE WORLD IS STILL UNDERGOING TURBULENT TIMES. WE HAVE BEEN FACING THE CHALLENGES WITH A SOBER BUT ALSO AN OPTIMISTIC APPROACH, AND WILL CONTINUE TO HARNESS ALL OF OUR INVENTIVENESS TO GIVE AS MUCH STABILITY AND SUPPORT AS POSSIBLE TO OUR EMPLOYEES, CUSTOMERS AND SURROUNDING COMMUNITIES.



Delta Galil managers and employees, like so many others, have felt the heavy weight that comes with workers going on furlough or being laid off, and with reduced salaries for senior and mid management. In 2020, our sales amounted to \$1,446 million – the first in many years in which sales decreased compared to the previous year. And yet, in 2020, we have achieved record cash flow from operations.

We can celebrate the integration of new brands in our family, such as the Bogart Group and the recently acquired Bare Necessities online retail platform, which strengthen our position. We can also look back to a successful IPO of Delta Israel Brands, our Israeli subsidiary (initiated in 2020). We took the opportunity to innovate as we looked for ways to provide customers with tools that would serve their new needs, such as online shopping and digital design tools. Going forward, we are best positioned to continue to grow our athleisure and PJ categories, and are confident that the coming years will see continued growth for Delta Galil.

Throughout the outbreak of the pandemic, we have pursued our social and environmental trajectories, as corporate social responsibility continues to increase in importance to our stakeholders.

The table to the right highlights our financial performance. For more information, please see our annual and quarterly financial reports.



Delta Galil's HQ, Caesarea

Financial performance 2015-2020

(\$ millions)¹⁴

	2015	2016	2017	2018	2019	2020
Net Sales	1,080	1,179	1,368	1,498	1,690	1,446
Operating Profit*	75.5	83.2	87.4	98	106	49.3
EBITDA*	95.3	107	115.9	129.9	195.6	144.0
Net income attributed to company's shareholders*	48.3	47.1	50.7	60.5	60.4	4.5
Operating cash flow	70.5	76.6	74.7	22.4	155	218
Charitable Donations	0.36	0.36	0.37	0.43	0.58	0.62

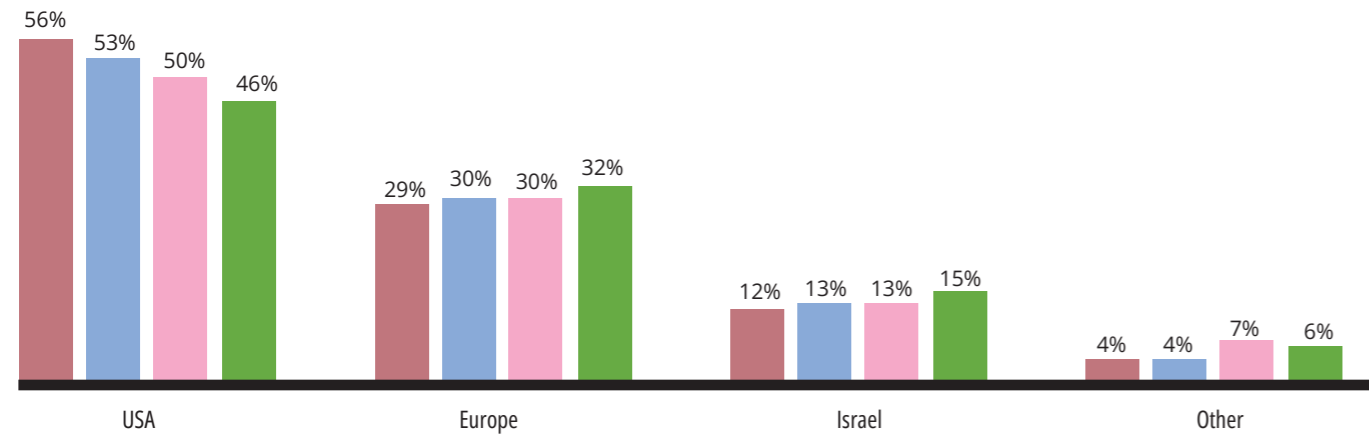
* Excluding non-recurring items

¹⁴ All numbers are based on IFRS.

Sales Breakdown by Geographic Region

(%)

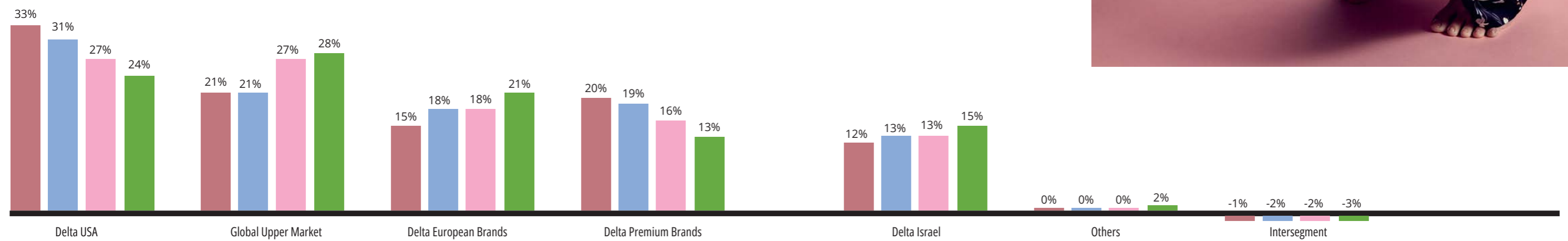
■ 2017 ■ 2018 ■ 2019 ■ 2020



Sales Breakdown by Business Segment

(%)

■ 2017 ■ 2018 ■ 2019 ■ 2020



As a public company, we maintain uncompromisingly rigorous standards regarding records and reports released to our stakeholders, the public and various authorities. All our published financial reports and business data accurately and wholly reflect transactions and events associated with our activities, in compliance with conventional accounting standards, legal regulations, and our internal control protocols.



¹⁴ All numbers are based on IFRS.

RISKS AND OPPORTUNITIES

As exemplified by the global COVID-19 crisis, the industry in which we operate faces a variety of risks. The current situation highlights the industry's sensitivity to the economic state of our target markets and the associated reduced consumption, which can be influenced by health-related emergencies or by other causes. Additional risks related to the current situation include the Company's ability to purchase raw materials and products, their prices, and our ability to produce and sell products regularly. Recently, and in the wake of the coronavirus crisis, there has been a significant rise in maritime transport costs in light of the shortage of cargo ships carrying goods from Asia.

In addition to COVID-related risks, the Company is exposed to regular risk factors, including changes in consumer fashion preferences, increased labor and other input costs, changes in exchange rates and target market economies, and defense and political situations.

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

We regularly invest in examining local and global fashion trends and work on the development of new and special fabrics, using high-quality and versatile materials to provide state-of-the-art finished goods. This includes "sustainability focused" innovation, such as integrating recycled materials into our portfolio, see chapter "A culture of innovation", page 27.

Despite the difficulties caused by COVID-19, we can confidently say that the pandemic has also been a time of renewal at Delta Galil and an opportunity to re-examine our operations. This resulted in a re-structuring and a move towards more efficient operations. The Company's e-commerce sites have operated in full during the entire pandemic period. The significant increase recorded in this activity partially compensated for the harm to the Company's sales in the other channels. We see the online shopping trend as a continually developing opportunity. Another major change was related to digital tools in the design and sales area – new tools that shorten the waiting time for customers and development, to save costs as well as reduce the environmental impacts of our activities.



ECOLOGICAL RISKS AND OPPORTUNITIES

As a global corporation, Delta Galil is subject to international and local environmental regulation and we conduct risk assessments on the impact of climate change. We keep up-to-date with the relevant regulations and legislation for every market in which we operate. In Israel, for example, we joined the voluntary reporting platform to prepare for upcoming carbon reporting legislation. Our decisions are also based on dialogue with stakeholders, market analyses and benchmarking on environmental issues within the textile industry.

We have set environmental targets for 2025 for energy consumption, renewable energy use, water use, effluent production and waste production. We also closely follow developments regarding mitigating carbon emissions. Since 2009, we have been reporting on our impacts on climate change to the Carbon Disclosure Project (CDP) supply chain initiative. We will also be setting science-based targets for the reduction of greenhouse gas emissions, in line with the leaders of our industry.

The key risk that Delta Galil faces from climate change and extreme weather patterns is the sensitivity of cotton, which is our principle raw material. Most of the cotton sourcing countries (India, Bangladesh and Pakistan) have been severely affected by droughts in recent years, which influenced the price of cotton. The same weather patterns are expected to be dominant in the coming decades. To protect our Company against this risk, we diversify and work with suppliers from different regions. We also develop fabrics from different yarns in order to offer alternatives to cotton, including the use of recycled materials.

Other risks from climate change that we have identified include possible increases in our input costs, such as the costs of electricity, fuel or water consumption.

We have also recently begun to investigate the influence of water-related risks on our business and surrounding communities. Notably, as global demand for freshwater increases, when a factory uses water, this reduces the amount of clean, potable water available to workers, the community, and the environment. Much of the world's water supply is drawn from stressed water basins. The potential lack of water creates a risk for business, as well as the community and planet on a broader scale^{15,16}.

In addition to the monitoring of water demand and effluent amounts created in our facilities through the years, we have recently begun tracking the topic of water risk through the HIGG Facility Environmental Module (FEM). We have recently completed the CDP water security questionnaire for the first time, for the year 2020.



¹⁵ Higg Facility Environmental Module (Higg FEM): How to Higg Guide, Version 3.2, November 2019
<http://howtohigg.org/wp-content/uploads/2019/10/Higg-FEM-How-to-Higg-Guide-2019-FINAL.pdf>

¹⁶ Thomas Hundertmark, Kun Lueck, and Brent Packer, Water: A human and business priority, McKinsey Quarterly, May 2020
<https://www.mckinsey.com/~media/mckinsey/business%20functions/sustainability/our%20insights/water%20a%20human%20and%20business%20priority/water-a-human-and-business-priority-final.pdf?shouldIndex=false>



RIO PRINCIPLE

Set by the United Nations, the precautionary principle is to be applied as a preventive measure in order to reduce the environmental impact of products, and ensure consumers are protected from possible harm.

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

- Oeko-Tex® Standard 100 certification
- Commitment to zero discharge of all hazardous chemicals – we are looking for solutions and alternatives to any hazardous chemicals in use
- Customer Restricted Substances List (RSL) requirements
- Upholding REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) requirements, and
- Integrating the Higg FEM into our facilities.

SOCIAL RISKS AND OPPORTUNITIES

RESPECTING CUSTOMER PRIVACY

The protection of our customers' and consumers' personal and financial data is a priority for us. 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.

We strive to have zero breaches to our systems, by complying and taking into consideration different regional privacy laws and regulations. These include, but are not limited to, Israeli privacy law requirements, the General Data Protection Regulation (GDPR) guidelines, CCPA and implementing information security best practices.

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

MARKETING COMMUNICATIONS AND LABELING

Increasingly, consumers want to know about the sustainability impact of products and services (both positive and negative) to make informed purchasing choices. We take a number of steps to facilitate this, and follow the principles of integrity, transparency and tailored messages in our communications.

Our products are labeled to show where they were manufactured, the materials they are made from (including the percentage of each material in the product), together with instructions for optimal washing, tumble-drying and ironing. No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling were recorded during the current reporting period.

ANTI-CORRUPTION

Emerging economies offer a new frontier in the highly competitive apparel industry. However, they also open up potential reputational risks if suppliers, who are often thousands of miles away, don't abide by laws such as the Foreign Corrupt Practices Act (USA), Bribery Act 2010 (UK), or EU anti-corruption laws. Corruption, including bribery, raises the costs and risks of doing business. It has a corrosive impact on both market opportunities overseas for global companies, and the broader business climate.

Delta Galil strives for zero corruption and bribery, and therefore addresses sourcing issues both individually, by auditing supplier factories, and collaboratively, through work with local governments and groups like the International Labor Organization (ILO).

Our Ethics Compliance Director oversees the following initiatives to mitigate the risk of fraud, corruption and bribery:

Our policy and procedures

Delta Galil has a number of policies and procedures regarding the prohibition of receiving and giving gifts and benefits, preventing conflict of interest and guidelines for engaging with related parties and suppliers. We continuously strive to integrate our policies into all Delta Galil subsidiaries.

When the Company is notified of, or suspects, a case of unethical conduct, it is treated seriously and immediately. Lessons learned are extracted and integrated into our procedures, in order to avoid any potential re-occurrence of such a case.

Ethical Code and training

We work hard to avoid even the remotest possibility of any perception of improper behavior. Please see details about our Code of Ethics and the related training program on page 58.

Internal controls and audits

Delta Galil has put in place various internal controls to continually mitigate against fraud and improper acts by our employees. We abide by the rules and enforcement policies outlined by the ISOX Rules¹⁷.

In addition, the Company HQ has appointed an internal enforcement committee. It gathers once a year and is responsible for establishing policies and procedures relevant mainly to securities, corporate governance, and other related rules and regulations. Policies established by the committee have been integrated and periodically audited in the main business units of the Company.

Our internal auditors conduct audits at our various business units and prepare audit reports. These reports are submitted to the company's management, as well as the Delta Galil's BOD Audit Committee, which meets four times a year. Whenever the audit reports reveal a substantial improper issue, it is addressed by the Company management, who also formulate a correction plan. This plan is then reviewed for approval by the Audit Committee.

Our "Ethics line"

Questions or reports about any suspected unethical behavior can be sent to our Ethics Compliance Director via email or via our discreet "ethics line". See further details on page 58.

¹⁷ Israeli Securities Regulation (Periodic and Immediate Reports) (Amendment) of 2009 regarding the evaluation of the effectiveness of internal control over the financial reporting and disclosure and the provision of management's declaration and disclosure.

CONSUMER HEALTH AND PRODUCT SAFETY

Since textiles and clothing are the consumer's second skin, the need for product safety and quality is paramount. We are committed to the health and safety of people wearing our garments. Our Code of Ethics explicitly states that **"At Delta, quality and safety 'are always in fashion' "**. It is our policy to provide customers with high quality, innovative and safe products that comply with the highest standards. Our service, safety and quality objectives are achieved through a number of measures:

Procedures

Establishing suitable procedures to guide all employees in meeting our objectives.

Specifications

Formulating specifications for product safety, compatibility, manufacturing, composition and performance, in order to meet the conditions required for the product's use.

System controls

Ensuring that tasks are performed accurately and on time.

Precise use of raw materials

Ensuring the consistent manufacture of quality products that meet high standards of safety, appearance and performance.

Delta Galil implements a product safety procedure, which eliminates the possibility of unwanted metal, glass, or long threads and loops in finished products that could be harmful to the end user. Health and safety impacts of our products are assessed at different stages of their life cycle. Products are laboratory tested to ensure they do not contain hazardous substances. Certain products, mainly children's and sleep wear, are tested for flammability.

Chemical testing is carried out on raw materials and/or finished products to ensure the absence of dangerous substances, as defined in the REACH Directive and customer Restricted Substances Lists (RSL).

We ask our main raw material suppliers to obtain OEKO-TEX Standard 100 approval of their products.

Periodic customer and third-party audits are carried out to ensure compliance with customer standards and procedures. In the event that a customer complains about product health and safety, a full investigation is carried out. If necessary, procedures are reviewed and actions taken to prevent future occurrences.

During the reporting period, no incidents of health and safety impacts of products were reported by customers.



ENSURING THE HIGHEST PRODUCT QUALITY

Product quality is one of the key elements which we consider when developing a new product, when choosing materials and technologies for that product, as well as when manufacturing, distributing and marketing our products. One of our top obligations is to provide our customers and consumers with high quality and safe products, which are most suited to their needs.

In order to meet these premium standards, we implement measures at every stage of development and production. We employ quality assurance (QA) teams to examine the products throughout the process, and maintain a close dialogue with our customers at every step of design and development, production and distribution, in order to meet their high expectations.

Quality at Delta Galil incorporates:

- Self-accreditation and compliance at every site
- QA professional presence at all our production sites globally
- Inspection of incoming raw materials specifications
- Systematic sampling of work while in process, and
- Pre-delivery inspection of finished goods.

Prior to working with suppliers, we conduct a preliminary audit. We check production capacity and quality, and do not engage suppliers who do not meet our quality standards.

TAKING PRODUCT QUALITY MANAGEMENT TO THE NEXT LEVEL

One of our goals is agile manufacturing – responding fast to customer requests and to quality issues. Over the past three years, we have been integrating the Inspectorio software into our quality management process. Inspectorio is a cloud-based platform focused on creating a dynamic and risk-based quality and compliance program, with the ultimate vision of generating more sustainable and transparent supply chains. The software is currently in use at several of our owned facilities, and at all the subcontractors across our businesses. It records information about quality inspection of our products based on the AQL methodology. The system enables us to bring our different business units and inspectors across the world onto the same platform. This means that different business units can review and openly share the analytics with their respective partners (suppliers and vendors) and create a "quality driven culture". The system saves time and allows QA personnel to perform more inspections. Strongly focused on advanced analytics and machine learning, it provides us with statistics and enables us to formulate corrective actions. During 2019-2020, our integration of this software has advanced considerably, and we continue to integrate the system into further operations. We can now perform advanced risk assessments using the software for all new projects, including onboarding new clients. We are able to share real time data with our factories, and work together with them to eliminate any potential risks and improve our overall quality.

RESPONSIBLE SUPPLY CHAIN

SMART

OUR SUPPLY CHAIN

THE TEXTILE AND APPAREL INDUSTRIES ARE THE WORLD'S OLDEST CONSUMER GOODS MANUFACTURING SECTORS. THEIR COMPLEX STRUCTURE COVERS THE ENTIRE PRODUCTION CHAIN OF TRANSFORMING NATURAL AND SYNTHETIC FIBERS INTO FINISHED GARMENTS, AND IS WIDELY DISPERSED GEOGRAPHICALLY. 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. THEY PROVIDE EMPLOYMENT OPPORTUNITIES TO MILLIONS OF WOMEN AND MEN, AND HAVE HELPED LIFT MILLIONS OUT OF POVERTY. NEVERTHELESS, THE GROWING ENVIRONMENTAL FOOTPRINT AND PREVALENCE OF POOR WORKING CONDITIONS IN SOME FIRMS AND COUNTRIES PRESENT ONGOING CHALLENGES^{18,19}.

The market faces chronic downward price pressure, international sourcing, high product variety, high volatility and low predictability. As a result, retailers have to work hard to ensure that their corporate standards for safety, labor, sustainability and product quality are maintained throughout their global supply chain. The Bangladesh Rana Plaza disaster in 2013 is often described as a catalyst for transformational change across the garment supply chain. Since then, we have enhanced our enforcement efforts with suppliers, particularly focusing on countries defined as higher risk in terms of factory employee health and safety.

Our supply chain is vast and includes a large number of partners, factories, suppliers, and distributors. We source a variety of raw materials - including cotton and synthetic yarn, other materials such as elastic bands, lace, and other textile components and finished products.

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.



¹⁸ https://ec.europa.eu/international-partnerships/system/files/european_commission_study_on_background_analysis_on_transparency_and_traceability_in_the_garment_value_chain.pdf

¹⁹ https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/publication/wcms_669355.pdf

PROCUREMENT AT DELTA GALIL

Our procurement activity can be divided into four main groups:

- Strategic sourcing - procurement of materials, accessories, packaging and chemicals used in manufacturing (PI)
- Sourcing of production/manufacturing services - such as dyeing, finishing, printing, sewing
- Finished goods sourcing - procurement of end products, and
- Operational sourcing - purchasing items and services that are not used for production (Non-Production Items - NPI), including procurement of general consulting services and fixed assets acquisition.

Part of our procurement is done in a centralized manner. We have a sub-division, which is responsible for locating suitable suppliers, screening vendors, requesting proposals, conducting negotiations, contracting with suppliers and managing ongoing relationships. Our subsidiaries currently handle their own procurement.

The majority of our products are manufactured by external subcontractors in our facilities in the Middle East, Eastern Europe and East Asia. Due to our diverse portfolio, each operational segment operates individually and manages data internally.

New suppliers must meet our requirements regarding product quality, timetables and working conditions, as well as winning the approval of the end customer. We ensure we work responsibly with our suppliers by following our Suppliers Policy, and through supply chain questionnaires which are carried out every two years.

DELTA GALIL'S SUPPLIER POLICY

We strive to work ethically and responsibly, and with suppliers who share our values. We are committed to operating according to local law, international and customer labor standards and to Fair Labor Association Principles. We strive to mitigate human rights violations in our operations and in those of our suppliers.

Our procurement policies ensure we select and enter into a commercial arrangement in a way which brings the best value to the Company. We do this while adhering to a high level of ethical, environmental and international quality standards, as well as compliance with laws and regulations. Each supplier engagement process requires verification that the supplier complies with our codes, in addition to months of product development and quality checks.

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 (ERSA audit) with regard to human rights, environmental and social compliance.



Every supplier must:

- Commit to operating according to local law, international and customer labor standards, Delta's Code of Conduct and Fair Labor Association Principles
- Provide certified confirmation that they do not work with prohibited chemicals, according to the REACH regulation
- Sign our Code of Conduct and Purchase Terms and Conditions, which encompass ethics, fair employment practices, and sustainability in our supply chain, and
- Commit not to use material or labor associated with Xinjiang province in China.

Delta Galil believes in doing business with those who embrace and demonstrate high standards of ethical business behavior, and we do not knowingly engage with suppliers who operate in violation of applicable laws or regulations, including local environment, employment and safety laws.

Suppliers are asked to acknowledge that Delta Galil is committed to responsibly managing any environmental impacts, wherever it operates around the world. We also encourage all our suppliers worldwide to take steps to create a positive environmental impact.

UPHOLDING HUMAN RIGHTS ALONG THE SUPPLY CHAIN

WHILE PRIMARY RESPONSIBILITY FOR ENFORCING INTERNATIONAL HUMAN RIGHTS STANDARDS LIES WITH NATIONAL GOVERNMENTS, CORPORATIONS ALSO HAVE A VITAL ROLE TO PLAY IN THIS ENDEAVOR.

AS PART OF OUR RISK ASSESSMENT, WE EMBED HUMAN RIGHTS IN OUR BUSINESS OPERATIONS, SUCH AS HUMAN RESOURCES AND PROCUREMENT.

We also seek to apply these human rights and responsible work principles throughout our supply chain, which is spread out in different markets and comprises thousands of suppliers of goods and services. Delta Galil's compliance systems are being applied throughout the Tier 1 suppliers and partially through Tier 2 suppliers. We are in the process of mapping our supply chain down to the Tier 4 level, as a preliminary step to implementing our compliance systems throughout the supply chain.

Below are the subjects covered in our Delta Code of Conduct, which summarizes our responsible policies and the expectations we have of our suppliers:

- Legal obligation
- Transparency
- Employment relationship
- Non-discrimination
- Forced labor
- Child labor
- Freedom of association and collective bargaining
- Harassment and abuse
- Work hours and rest
- Compensation
- Health and safety
- Environment & security
- Women's rights

The complete Code of Conduct can be found on [our website](#).



OUR COMPLIANCE STEERING COMMITTEE

As our Company continues to grow, so do the outreach and responsibilities of our compliance officers. We have therefore established a global Compliance Steering Committee. This consists of regional compliance managers, who hold a monthly conference call as a platform for consultations, updates and discussions.

The committee's remit includes planning the global compliance department, mapping new functions, creating uniformity in policies and work procedures, indicating how to rank non-conformities and hazards, and developing strategy.

In 2020, the committee created a Compliance Program Strategic Plan for 2020 and 2021. This Plan is organized into the following activities:

- Risk Assessment
- Audits
- Training
- Monitoring
- Policies and Procedures
- Lines of Communication
- Oversight and Responsibility
- Response and Prevention

CONDUCTING SUPPLIER AUDITS

As a responsible business that is continually working to improve sourcing, it is essential that we assess and analyze supplier workplace conditions.

Delta Galil's supplier audits are based on the Delta/ERSA (Elevate Responsible Sourcing Assessment). Where applicable, we also use the Social & Labor Convergence Program (SLCP), Ethical Trading Initiative (ETI), Worldwide Responsible Accredited Production (WRAP), and Business Social Compliance Initiative

(BSCI) audits. In addition, supplier factories may undergo customer Brand 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.

We inspect the different entities that comprise our supply chain regularly, to ensure that our business partners do not violate any laws, particularly employee rights, health and safety and environmental protection laws.

Delta Galil has zero tolerance for human rights violations. The majority of our first-tier, and some of our second-tier, suppliers undergo human rights screening as part of international human rights initiatives.

If any adverse human rights impact is found to be connected to our activities, we acknowledge that it is our responsibility to provide a remedy. We ensure that those with whom we work do not employ anyone under the legal age of employment, employ forced-labor or use corporal punishment to discipline their employees, among other standards that we inspect.

We inform our business partners of our expectations and perform audits at their sites of operation. Compliance with local law is the minimum requirement. Each of our business partners receives the Delta Galil Code of Ethics and Code of Conduct and is required to comply with the Codes and/or local law - whichever is the stricter. In addition, internal audits are performed at some manufacturing sites, in parallel with globally recognized supplier audits. In 2019 and 2020, the Delta Galil compliance team and Elevate carried out 13 Delta-initiated audits (6 in 2019 and 7 in 2020).

WE PARTNER WITH THE FOLLOWING ORGANIZATIONS TO MAKE SURE THAT OUR ASSOCIATES' RIGHTS ARE UPHELD:

FLA - Fair Labor Association

<http://www.fairlabor.org/>

Since 2013, Delta Galil has been a Participating Supplier Affiliate of the FLA, with the aim of improving worker conditions at Delta Galil-owned factories, by complying with the FLA's Principles and Code-of-Conduct. Our customers, such as Nike, PVH, Columbia, LuluLemon and Hanes Brand, are also FLA members. Audits carried out by the FLA, as well as follow-up and constant monitoring, help us maintain high factory standards. We support our suppliers in addressing any problems that arise, in order to ensure their sites are safe and properly managed, and comply with relevant standards and all legal requirements.

ETI - The Ethical Trading Initiative

<http://www.ethicaltrade.org>

This brings together a wide range of organizations working to promote and improve the implementation of corporate codes of practice for working conditions. The Base Code consists of 13 principles that ensure certain worker rights, including prohibiting discrimination, preventing harsh or inhumane treatment, while guaranteeing that living wages are paid, and working hours are not excessive.

BSCI - Business Social Compliance Initiative

<http://www.bsci-intl.org>

This organization unites over 1,500 companies worldwide around one common Code of Conduct. The organization supports companies in their efforts toward building an ethical supply chain, by

providing them with a step-by-step development-oriented system, applicable to all sectors and sourcing countries. BSCI is a leading business-driven initiative for companies committed to improving working conditions in factories and farms worldwide.

WRAP - Worldwide Responsible Accredited Production

<http://www.wrapcompliance.org/>

This not-for-profit organization was founded by companies in the global fashion and clothing industry. It monitors and certifies clothing manufacturing facilities' compliance with workplace regulations, human rights, health and safety, environment and customs. The WRAP Certification Program's objective is to independently monitor and certify compliance with these standards.

SLCP - Social & Labor Convergence Program

<https://slconvergence.org/>

The Social & Labor Convergence Program offers the tools and system to measure working conditions in global supply chains. This multi-stakeholder initiative includes data sharing, and replaces the need for repetitive social audits.

MITIGATING CHILD LABOR

We have several mechanisms for preventing child labor, such as requiring age verification through official documentation (ID, birth certificate, school certificates etc.) as part of employment procedures.

We monitor supplier factories, ensuring that no child is employed, and that there is no presence of a child in the factory that could be interpreted as child labor.

Monitoring could be in the form of a third-party audit carried out by a reputable audit company, a Delta Galil customer audit, or a Delta-initiated audit.

For factories that have been found to use child labor, we will support them in implementing a program for the child as follows:

- The underage employee will be removed from the workplace
- Adequate financial and other support will be provided to enable the underage employee to remain in school until the age of 16
- The company will continue to pay the underage worker's wage until he/she reaches age 16
- Upon reaching the age of 16, the employee should be given the opportunity to be re-employed by the company, and
- The underage employee will be removed from the workplace into the care of his/her parents. If the underage employee's parents choose not to return the child to school, the financial compensation will be forfeited and this decision must be documented.

During the reporting period, no cases of child labor were identified at the monitored suppliers.

COMBATING FORCED LABOR

We do not tolerate slave or forced labor in our supply chain. Delta annually discloses a public statement in response to the California Transparency in Supply Chains Act (SB 657), the UK Modern Slavery Act of 2015, and the Australia Modern Slavery Act 2018. This statement can be found on the [Delta Galil website](#).

In keeping with Delta's policies and actions relating to slavery, human trafficking, and the worst forms of child labor in the supply chain, we refrain from sourcing materials that are suspected of being grown or mined using forced labor, such as cotton grown in Uzbekistan and Turkmenistan, and metals mined in the Democratic Republic of Congo. Cotton from Xinjiang Province in China was added to this list during the reporting period.

In order to ensure zero use of Xinjiang cotton in products produced for Delta customers and for Delta owned Brands, we implement guidance provided by the Fair Labor Association (FLA), the American Apparel and Footwear Association (AAFA), an international trade-related legal and consulting service, and other stakeholders. We are mapping our supply chain and asking suppliers to commit in writing to not use cotton that originates or has any other connection to Xinjiang Province. Documentation is used to verify the source of cotton and subsequent processes in the manufacturing of yarns and fabrics used in finished garments.

We have been collaborating with the FLA and AAFA, of which we are an active member. Together, we are working to remediate some of the root causes of forced labor in Malaysia that were reported in 2018. Our activities include government lobbying and implementing International Organization for Migration programs for approving recruitment agents in workers' home countries. Delta is a signatory to the FLA and AAFA Commitment to Responsible Recruitment, which can be read on the [AAFA website](#).

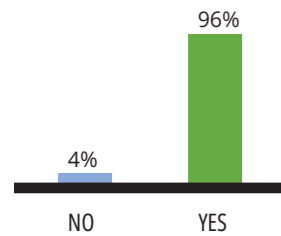
ENGAGING OUR SUPPLY CHAIN

In addition to the communication tools mentioned above, for over a decade, an increasing number of our suppliers have been completing a questionnaire outlining their practices. This enables us to monitor their performance in areas such as management systems, energy and water consumption, waste management, safety, and worker's rights.

Our supplier survey includes detailed questions concerning the manner and management level of social and environmental issues. In 2020, the responses received were thorough and reflected the willingness of suppliers to adhere to our social and environmental practices. It also illustrated that there is a heightened awareness of environmental issues and social responsibility. An excerpt of our supply chain questionnaire analysis is presented below²⁰:

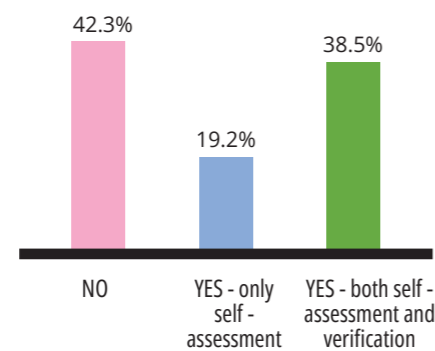
Nearly all of responding suppliers reported that they have assigned a sustainability and/or social compliance manager

Assigned sustainability and/or social compliance manager



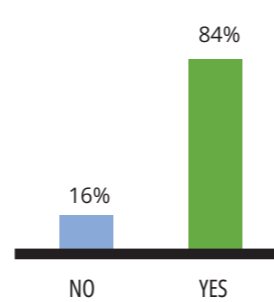
58% of responding suppliers reported that they submit data to the Sustainable Apparel Coalition's Higg Facilities Environmental Module (FEM)

Higgs FEM



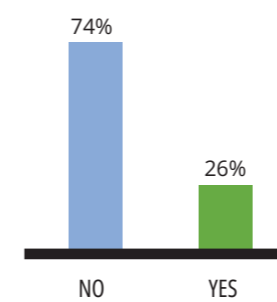
84% of responding suppliers reported that they have committed to a long-term policy or strategy on environmental management

Long term environmental policy



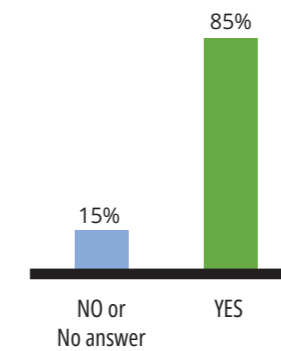
26% of responding suppliers reported that they submit to the Carbon Disclosure Project (CDP)

Submit to CDP



85% of responding suppliers reported that they have a third-party certification for one or more of the following social compliance programs: SA8000, BSCI, SMETA, WRAP, WCA, SLCP

3rd party certification



As we are a vendor to numerous companies, we are part of our customers' supply chains. Among our longstanding customers are world leaders in the field of corporate responsibility. We are required to report to them on our environmental and social performance, and actions taken to improve our performance. This enables us to pass on what we learn from our customers to our suppliers, creating a continuous learning network.

²⁰ Results do not refer to Delta Galil USA which performed an independent survey of key suppliers.

LEEF



ENVIRONMENTAL SUSTAINABILITY

SUSTAINABILITY AT DELTA GALIL

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.



Back in 2008, we began incorporating sustainability into our company objectives, and worked to identify Delta Galil's and our subsidiary sites' environmental impacts. Our main environmental impacts are closely tied to the raw materials we source - primarily cotton and synthetic fibers - 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 deal with these and other issues, at each of our sites on a regular basis, to ensure

we continuously and fully comply with laws and regulations. During the reporting period, no significant fines or non-monetary sanctions were received for non-compliance with environmental laws.

We also focus on developing 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 that addresses consumer demand for products that are fashionable, comfortable, high quality, and more environmentally-friendly.

A local team is responsible for environmental matters at each of our sites. The team produces a complete picture of environmental impact and activity at each site, assesses solutions and potential alternatives, and creates 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 Delta Galil's Environmental Policy and environmental management system requirements.

ENHANCING MANAGEMENT OF OUR ENVIRONMENTAL PERFORMANCE DATA

In recent years, we have been enhancing our management of environmental performance data. We have adopted the Higg Facility Environmental Module (FEM) tool for measuring environmental sustainability performance in our facilities. In addition, we have integrated the ECO-OS data management platform (see below). These tools together are helping us move forward on our environmental journey.

The Higg FEM, developed by the Sustainable Apparel Coalition, is gaining wide acceptance across our industry. The module provides a platform on which to gather environmental performance indicators for each facility, guiding data collection through a series of questions and comparing performance against specific targets. In this way, facilities get a clear picture of their environmental impacts and progress. The tool helps identify and prioritize opportunities for performance improvements, offering a standardized approach.

The baseline for our environmental data in the Higg FEM is 2019. All of our owned

facilities, joint ventures and some of the strategic subcontractors use Higg FEM, and we are gradually introducing all other remaining sites to the system. Most of our sites undergo external verification.

At the end of 2019, we began to integrate a new tool into our environmental data management process. The platform, called [ECO-OS](#), is an advanced tool for ESG data management. The tool is customized for Delta Galil sites, including manufacturing sites, distribution centers and offices. It allows us an aggregated view of the Delta Galil Group's environmental performance.

We held a series of webinars with our sustainability team across the globe to introduce them to the new tool, and transferred all our data collection and past years' data to the new system. When integration is complete, we look forward to a streamlined and accessible reporting system, which will be available at a corporate as well as site level.

We continue to implement a Lean Culture. This enables us to eliminate waste, minimize environmental impact and maximize financial growth by cutting costs. Through our Lean journey, we have managed to create standardization and sharing between our sites. Lean culture has improved our control and reduced WIP (Work In Process), leading to better results, flow of materials and information.

Our Lean team members are trained, supported and encouraged to lead improvement projects and to take ownership of different processes. This has led us to many fruitful social projects, which support the environment as well as our local communities.



OUR ENVIRONMENTAL KPIs

OVER THE YEARS, WE HAVE SET ENVIRONMENTAL TARGETS A NUMBER OF TIMES. THE LAST CYCLE OF TARGETS BEGAN IN 2017 AND ENDED IN 2020. THROUGH OUR LOCAL SUSTAINABILITY TEAMS, WE SET SITE TARGETS FOR ENERGY EFFICIENCY, WATER CONSUMPTION AND WASTE TREATMENT, AS WELL AS DETAILED WORK PLANS FOR ACHIEVING THESE GOALS. COMPANY-WIDE GOALS WERE DEVELOPED FROM THE TARGETS AT INDIVIDUAL SITES.



During 2020, we started a process to set new environmental sustainability targets for 2025. Overarching targets were set and shared with our sites, and we began talks with them in order to establish site-specific targets, taking into account existing initiatives and challenges. Going forward, we will support sites in developing their implementation plans so that they can meet their targets.

Our 2025 targets include additional topics compared to our 2020 targets. These can be seen in the graphic below. The targets address circular material flows, use of sustainable raw materials, energy efficiency and the use of renewable energy, water efficiency and water recycling, waste reduction, exclusion of hazardous materials from production processes, and implementation of environmental management systems.

DELTA GALIL INDUSTRIES ENVIRONMENTAL SUSTAINABILITY TARGETS 2020-2050

Circular Product	Material	Energy & Carbon	Water & Wastewater	Waste	Chemical Management	Performance Management
25%	100%	25%	50% 50% reduction in water use in owned facility operations textile dyeing & finishing by 2025 (m ³ water/ton production)	25%	100%	ISO 14001 Environment Management System
25% reduction in the average environmental footprint of product	+ 100% Sustainable Cotton use by 2025 + 100% Recycled polyester use by 2025 + Increasing use of sustainable blends	Reduce total energy consumption by 25% per ton of product in owned operations by 2025	25% 25% reduction of domestic water use by 2025 (HQ & offices included)	Reduce overall waste index by 25% by 2025 from owned facility operations (ton waste/ton production)	Zero Hazardous Chemicals by 2025	Higg Index Higg Index Facility Environmental Module (FEM) Level 2 stage in all owned Delta sites by 2025
+ Circular design + Sustainable materials + Product Life Cycle Assessment	Sustainable Packaging Materials Use	25 % renewable energy supply by 2025	50% 50% recycling of wastewater in owned facilities manufacturing operations by 2025	50% Going 50% paperless offices by 2025	100 % compliance to customers Restricted Substances List (RSL) and Zero Discharge Hazardous Chemicals Manufacturing Restricted Substances List ZDHC MRSL)	ISO 50001 Energy Management System

The above goals cover 95% of our owned production facilities.

Delta Galil's performance regarding reduction targets for the four main KPIs included in our 2020 targets is detailed in the table below²¹. We have met our target for greenhouse gas emissions per ton of product. We reduced our energy consumption compared to our

2017 baseline, but not as much as needed in order to reach our target. Our water consumption and waste disposal per ton of product increased during this time.

KPI	Target - reduction from 2017 baseline	2020 Performance compared to 2017 baseline
Water consumption (m ³ /ton product)	10% reduction	+3%
Energy Consumption (GJ/ton product)	15% reduction	-10%
GHG Emissions (MTCO ₂ e/ton product)	15% reduction	-20%
Waste Disposal (Ton waste/ton product)	10% reduction	+13%

The reasons for increased water withdrawal and waste production are partly associated with our acquisition of 7 new Bogart factories, which took time to integrate into our environmental operations. They are also partly associated with changing operational requirements of our existing facilities, with some product types associated with higher environmental impacts. Despite this, we consider our environmental performance to be a priority, and are working to improve our performance in these areas. We are in the process of integrating the Higg FEM in our production facilities and some of our strategic subcontractors. Our results are outlined in the chapters that follow.

As our operations across the Group vary widely, we evaluate data for water, energy and emissions using a system of intensities, measuring performance per ton of product.

We also gather data to assess Key Performance Indicators (KPIs) from our five largest logistics centers- one in Israel, three in the United States and one in Germany - with their performance measured by Million Distribution Units (MDU). Even though their impact is relatively low, we also include data from our production/warehouse offices (in Israel, the US and Germany).

GREEN BUILDINGS AT DELTA GALIL

In addition to the environmental impact of our actual operations, we also take responsibility for the performance of the structures in which we operate. Delta Galil sites now include several buildings with a Leadership in Energy and Environmental Design (LEED) certification. The first building, built in 2014, is at our Bulgaria site. This building has a silver certificate. Three of the buildings are located in Egypt: Delta Textile Egypt Industrial Free zone, (score is in progress), and two buildings in Delta Textile Shamal El Saeed, El Menya, level: certified.



The following Delta Galil sites reported environmental KPIs for 2019-2020^{22,23}:

ISRAEL
HQ, Distribution center, R&D and production site

GERMANY
Distribrution center and Schiesser Office

USA
3 Distribution centers and DGPB Office

TURKEY
Production site

VIETNAM
Production site

EGYPT
3 Production sites

BULGARIA
Production site

CZECH REPUBLIC
Production site

SLOVAKIA
Production site

THAILAND
3 Production sites

CHINA
3 Production sites

MYANMAR
Production site

HONG KONG
Office

FRANCE
2 Production sites, DC and Eminence Office

ROMANIA
Production site



Our environmental performance reflects the organization's impact and does not include upstream or downstream environmental data collection.

²¹ Targets have been re-calculated based on data corrections that were made for the baseline year, 2017.

²² At the end of 2020, the subsidiaries in Romania and Slovakia were closed.

²³ The Brunet facilities, one in Thailand and one in China, began reporting KPIs in 2020 upon establishing data collection.

OUR RESPONSIBLE USE OF MATERIALS

Global fiber production has almost doubled in the last 20 years, increasing from 58 million tonnes in 2000 to 109 million tonnes in 2020, and is expected to increase another 34 percent in the next 10 years. The growth in fiber production has significant impacts on people and the planet^{24,25}.

We want to play our part in the responsible use of resources and to decouple growth from resource consumption. So we are constantly exploring and adopting different types of sustainable fibers and materials, as well as ways to minimize depreciation

and byproducts of processes. 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.

In recent years, we've seen an increase in demand by our customers for sustainable materials. We are happy to work hand-in-hand with our suppliers and leading customers to develop sustainable products for their brands.

Global awareness and climate change have created a reality of limited sources for organic and Better Cotton Initiative (BCI) cotton (the largest cotton sustainability program in the world.) Due to the limited sources, we anticipate an increase in costs, which could create a challenge to introducing sustainable sourcing programs.

In 2019, we used 8,730 metric tons of yarns and fabrics, 22% of which came from recycled synthetic fibers. In 2020, we used 8,958 metric tons of yarns and fabrics, 21% of which were recycled synthetics.

We are increasing the use of preferred recycled and biodegradable yarns from a variety of sources, such as Refibra and yarns made with a percentage of natural shredded materials, BCI cotton, and GRS (Global Recycled Standard) materials.

In addition, we do everything we can to minimize landfill waste and increase the volume of by-products that can be reused and recycled. Our innovation work focuses both on product quality and on environmental performance.



DELTA GALIL GIVES COTTON WASTE A NEW LIFE

Our collaboration with Lenzing began in 2018, and has been evolving ever since. Lenzing's Refibra, produced from cotton scraps and wood, is the first cellulose-based fiber featuring recycled material on a commercial scale. We have expanded the use of Refibra, which is now used not only in fabric but also in seamless production. Since the beginning

of our collaboration, we have produced 52 tons of Refibra-containing yarns. We now also contribute to the production of this fiber by providing Lenzing with cuttings from our factories, which would have otherwise been treated as waste. So when we buy Refibra fibers they have "Delta inside".

NOT JUST A SOCK

Our Delta Alfa factory in Turkey has developed a sock with a history. This sock is made from 100% recycled materials: 80% recycled polyester from post-consumer waste plastic bottles (rPET) and 20% post-manufacturing waste from the Delta Alfa facility. It is sold under the Delta brand, offering not only a soft, comfy feel but also a lower environmental impact.

Polyester, derived from fossil fuels, is an important raw material for textile manufacturing as well as other uses. 70 million barrels of oil are used for polyester production every year. By using recycled PET, we save non-renewable resources and associated pollution, as well as the impacts of waste disposal.



²⁴ https://textileexchange.org/wp-content/uploads/2020/06/Textile-Exchange_PREFERRED-Fiber-Material-Market-Report_2020.pdf

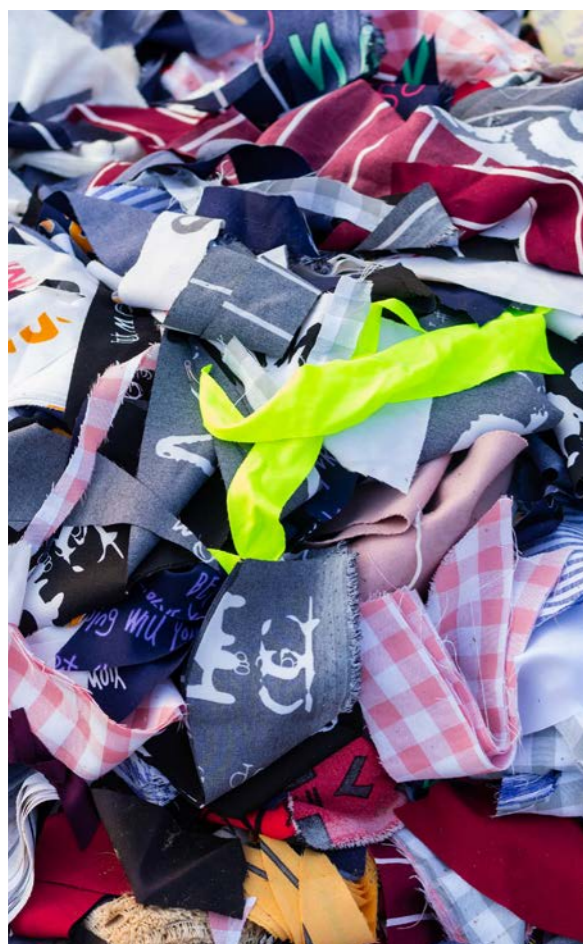
²⁵ https://textileexchange.org/wp-content/uploads/2021/08/Textile-Exchange_PREFERRED-Fiber-and-Materials-Market-Report_2021.pdf

We continuously seek opportunities to further develop the circular economy. Together with American and European partners, we are taking part in an innovative project to shred and recycle post-consumer products and production wastes.

So far, through our R&D projects, we have developed 4 new fabrics, which are made from 80% organic cotton and 20% regenerated modal from our factory in Egypt.



LESS WASTE, MORE VALUE



We are currently working with Sonovia's innovative technology that utilizes ultra sound-waves to embed finishing material in the textile. This technique provides active protection against odor, viruses, bacteria and fungi. It will not wash off and is expected to reduce the need for chemicals and wash cycles, cutting energy. This is a further step along our path to extend product shelf life and offer enhanced properties.

In parallel to this new technique, we continue to produce our REALASTING COTTON fabrics, which retain their fresh new look after repeated washes. Ensuring garments and intimate apparel remain as good as new, even after many washes, allows the consumer to reduce the frequency of buying new garments and disposing of old ones.

Another ongoing innovation project is our collaboration with "Twine Solutions" for digital dyeing of thread. This disruptive technology not only offers design flexibility and personalization, but also has the potential to eliminate the need for colored thread stock, dramatically reduce logistics, and reduce production of wastes such as dead stock. During 2020, we produced a first commercial batch of socks using the Twine technology for one of our customers, a leading sports brand. This was a successful trial and we expect to continue our journey with Twine, with an upgraded machine that can increase production capacity.

CHEMICALS

We take special care to ensure the safety of our people, consumers and the environment through proactively understanding and prudently selecting every chemical and raw material used within Delta Galil.

In 2016, we began to streamline and unify our chemical management procedures and policies in order to achieve Zero Discharge of Hazardous Chemicals (ZDHC). We continue to work toward this goal. We have integrated ZDHC MRSL (Manufacturing Restricted Substances List) and Wastewater requirements in our operations.

We have adopted the Higg Facility Environmental Module (FEM) tool for measuring sustainability performance in our facilities. This includes the Higg FEM Chemical section regarding chemical management, which also integrates ZDHC program requirements and supports the sustainable improvement of chemical management.

Each site adheres to a strict code of practice to ensure that no materials, dyes or chemicals present an unacceptable risk to health or the environment during their manufacture, use or disposal. This includes compliance with local regulations, customer requirements, and ZDHC MRSL (for chemical inputs) and Wastewater Guidelines (for output chemicals).

Most Delta owned sites carry out chemical management and wastewater studies within the Zero Discharge Hazardous Chemicals Roadmap to Zero scope²⁶. Chemical management studies are performed according to Chemical Management Procedures. All chemicals in the production line are listed in the Chemical Materials Inventory and regularly updated. We train all employees in our chemical management teams about the ZDHC Chemical Module.

Each year, we request a ZDHC MRSL commitment from all our chemical suppliers. We prefer to use ecofriendly products, such as GOTS²⁷ and bluesign²⁸, Ecolabel certificated ones and ZDHC positive list

chemicals, which have a lower environmental impact. Before purchasing any new chemical, our Social Compliance Team checks compliance for health and safety, environment and ZDHC MRSL²⁹ and customer MRSL lists. In Turkey, Bulgaria, Delta Textile Egypt, and Vietnam, this system works within the scope of an ISO 14001 Environmental Management System.

Whereas the MRSL serves as a checklist for chemical management during the planning phase of production, we have also created a Restricted Substances List (RSL), for checking chemical composition of products after production. Products are sent to 3rd party labs to test for any presence of the RSL chemicals. The list consists of the ZDHC MRSL²⁹ chemicals and some additional chemicals referred to as 'Research List' (chemicals that have irreversible impacts, either on humans or the environment). Furthermore, most of our customers demand compliance with their RSLs, which also restrict the use of dangerous chemicals in garments, and our biggest hubs, in Egypt and Vietnam, are OEKO-TEX certified.

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 process for dyeing textiles using natural materials, and seek both production and dyeing techniques with a lower environmental impact.

All dyes and chemicals used in our manufacturing are accompanied by a safety data sheet from the supplier warning of any hazards, and advice on appropriate measures for its safe storage, use and disposal. Some of our facilities purchase dyes from suppliers who are members of the Ecological and Toxicological Association of Dyes and Organic Pigment Manufacturers (ETAD). This aims to minimize any adverse impact of colorants on health and the environment.

²⁶ The sites of the Bogart and Eminence groups began to implement the program in 2021.

²⁷ <https://www.global-standard.org/>

²⁸ <https://www.bluesign.com/en>

²⁹ ZDHC MRSL v02

Chemicals and hazardous substances that are required for operations at Delta Galil sites around the world are stored and used in accordance with all relevant legal requirements.

Hazardous chemical waste is transferred to authorized sites for treatment, in accordance with all legal requirements, and all shipments of garments to the European Union comply with REACH and ADR standards.

Local teams participate in ZDHC chemical and wastewater training and also attend customer green chemistry and chemical management training sessions. This training is provided to all team members who work closely with chemicals in our operations. Going forward, we will continue to improve our capabilities in the field of chemical management and look for further opportunities for improvement.



ENERGY AND CLIMATE CHANGE

SINCE THE 1880S, THE AVERAGE GLOBAL TEMPERATURE HAS RISEN BY ABOUT 1.1 DEGREES CELSIUS. THIS IS DUE TO GREENHOUSE GAS (GHG) EMISSIONS CAUSED BY HUMAN ACTIVITIES, MAINLY THE USE OF FUELS TO PRODUCE ENERGY. CLIMATE CHANGE IS ALREADY HAVING SUBSTANTIAL PHYSICAL IMPACTS AT A LOCAL LEVEL IN REGIONS ACROSS THE WORLD. THE AFFECTED REGIONS WILL CONTINUE TO GROW IN NUMBER AND SIZE. THEY WILL EXPERIENCE EFFECTS, SUCH AS INCREASED INCIDENCE OF DEADLY HEAT WAVES, REDUCED FISHING REVENUES DUE TO OCEAN WARMING, AND INCREASED INFRASTRUCTURE DAMAGE COSTS³⁰.

The fashion industry is a major consumer of energy and a major contributor to GHG emissions, with figures such as 4%³¹ or 10%³² of annual global carbon emissions stated in different sources. On the other hand, it is also at risk of suffering the effects of climate change, along with the rest of our global economy.

Stability of supply chains, and availability of raw materials, are examples of factors that are expected to be influenced by the climate crisis. Cotton is a particularly important example in this context, with crops being sensitive to droughts and to scarcity of water for irrigation, as well as other climate extremes³³.

We aim to reduce energy use and GHG emissions from our activities, for the sake of society, the environment and our business success.



³⁰ McKinsey Global Institute, Climate risk and response: Physical hazards and socioeconomic impact, January 2020, <https://www.mckinsey.com/~/media/mckinsey/business%20functions/sustainability/our%20insights/climate%20risk%20and%20response%20physical%20hazards%20and%20socioeconomic%20impacts/mgi-climate-risk-and-response-full-report-vf.pdf>

³¹ McKinsey & Company, Global Fashion Agenda (GFA), Fashion on Climate, 2020, <https://www.mckinsey.com/industries/retail/our-insights/fashion-on-climate>

³² The World Bank, How Much Do Our Wardrobes Cost to the Environment? 23.9.2019, <https://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente.print>

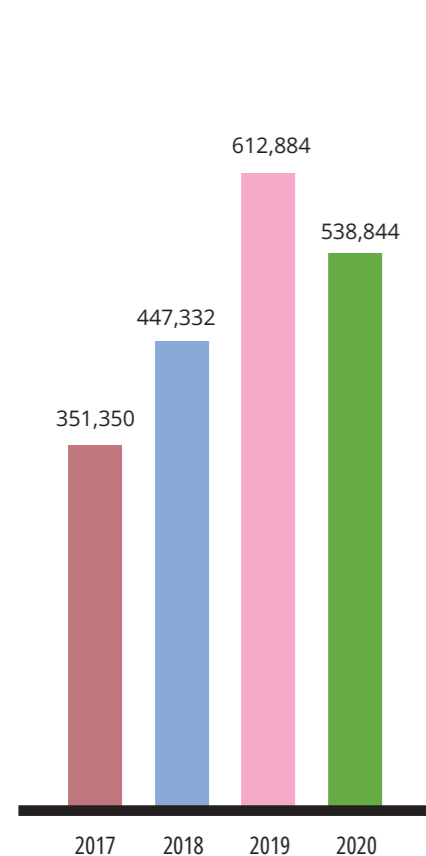
³³ Zahid et al., Dissection of Drought Tolerance in Upland Cotton Through Morpho-Physiological and Biochemical Traits at Seedling Stage, Front. Plant Sci., 12 March 2021, <https://doi.org/10.3389/fpls.2021.627107>

OUR ENERGY USE

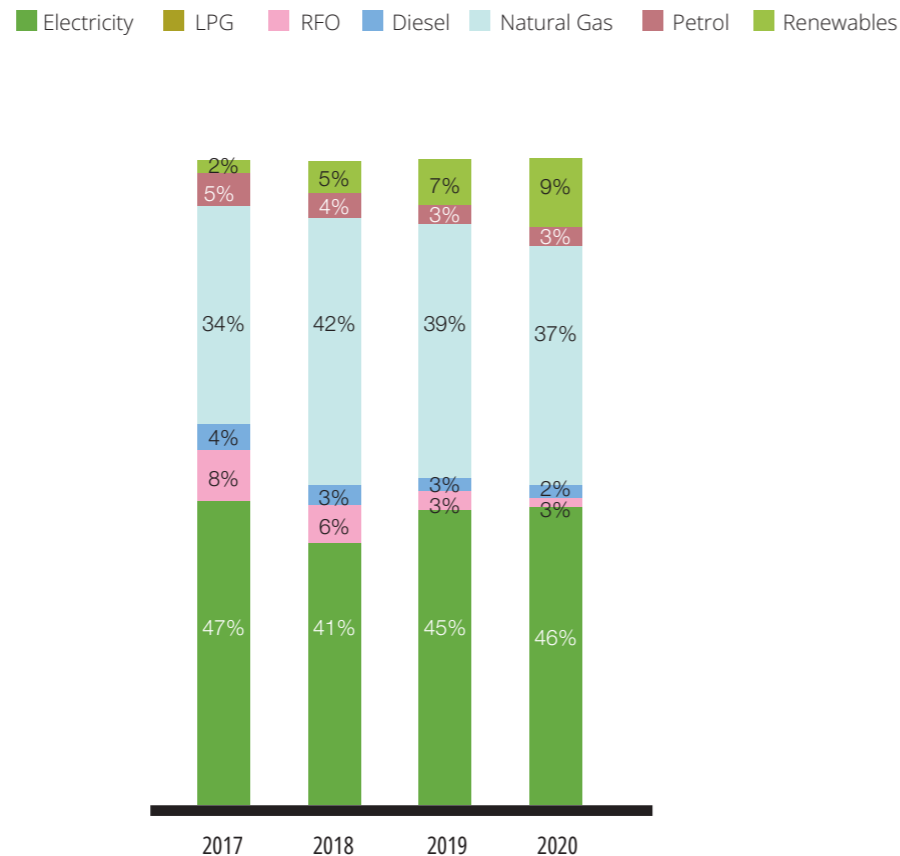
Our total energy consumption during 2019 was 612,884 GJ, a 37% increase compared to 2018³⁴. This increase is largely due to an increase in production (25%), reflecting to a large extent the addition of the Bogart³⁵ and Eminence groups to our Company.

During 2020, energy consumption was 538,844 GJ, a 12% decrease compared to 2019, mainly due to a cut in production caused by the COVID-19 outbreak (-11%).

Annual Energy Consumption (GJ)



Breakdown of Energy Consumption (GJ) by Energy Source



³⁴ Some changes occurred in figures that were reported previously due to an updated data management and calculation system as well as some data corrections.

³⁵ 2019 data does not yet include the Brunet facilities in China and Thailand, which began tracking environmental KPIs in 2020.

Over the years, Delta Galil sites have been taking various measures to reduce energy consumption. These range from routine maintenance to prevent unnecessary energy consumption, to systematically switching to energy-efficient systems and industrial machinery. Here are a few examples of measures taken during the reporting period 2019-2020:

In Delta Alfa Turkey, the specific electricity consumption for sock production dropped from 0,223 to 0,205 KWh/pair with energy efficiency projects.

The Pleas facility in the Czech Republic has replaced its boiler system, with savings of natural gas expected to reach 4-6%.

Our Vietnam site has taken various steps, which have the potential to save 1400 MWh of electricity annually. These include adjusting the boiler function, installing an air compressor equipped with an inverter, installing an inverter in the waste water pump, and additional equipment upgrades, along with use of natural lighting in some areas, sensor systems for automatic shutdown of lights, and raising awareness. Lastly, the site has changed the size of the rice husk that is used as boiler fuel, resulting in a calculated savings of 436 tons of rice husk each year.

Sites in France, Germany, Bulgaria, Vietnam, Romania, the Czech Republic and Hong Kong have replaced parts of their lighting with efficient LED lights. In Vietnam, we've found that using 1,546 LED lights at our production facility and warehouse site saves 237,943 KWh per year compared to fluorescent lights.

At the Bogart Hong Kong office, the temperature of the air-conditioner has been set to an energy-efficient level at 25 °C, and appliances are powered off whenever possible. When buying new electrical appliances, we select efficient energy grades.

ADOPTING RENEWABLE ENERGY AT DELTA GALIL

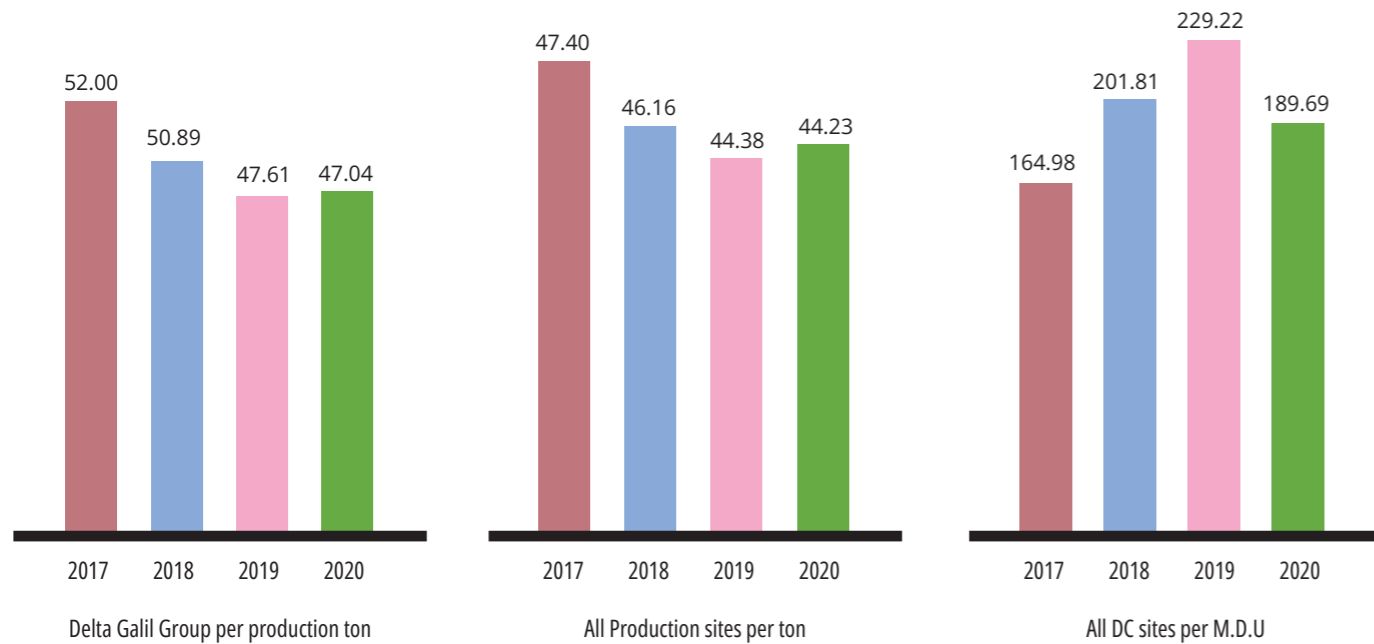
We are pleased to report that a number of our sites have installed photovoltaic systems and are producing solar energy. During 2020, our factory in Bulgaria installed a 195KW solar panel system on its roof. In April 2020, our Schiesser facility in Germany installed a photovoltaic system on the flat roof of the office building, and by the end of the year, the system had produced 75,129 kWh. Our Eminence site at Aimargues, France has been renting out rooftop space to a third party for the production of solar energy for a number of years. Eminence also uses solar energy to light the company's parking lots. For a couple of years, our site at Caesarea, Israel has been running a joint project with a local partner to operate a solar system on the distribution center's roof, with a proportion of the electricity produced used by our DC. And in addition to our solar power activities, our site in Vietnam has been using rice husk as boiler fuel for a number of years.

We compare the performance of all sites and assess the effectiveness of energy reduction measures against ton of production for our manufacturing sites, and measure distribution centers against distribution units. Thanks to the measures taken by our sites, our overall energy consumption per ton of product has decreased each year since 2017.

Energy use at our DCs shows an increase starting in 2019. This is due to a change in the calculation of distribution units for our Germany DC. Reduction in energy use in 2020 was caused by energy saving

measures taken by some of our DCs. For example, our Schiesser facility in Germany replaced lighting at the office-center, which resulted in electricity savings of 14,196 kWh annually. We also optimized control of the existing air heating and ventilation systems, yielding further significant savings. This is on top of the installation of a photovoltaic system on the roof, as described above.

Annual Energy Consumption (GJ) per Production Unit (Ton/M.D.U)



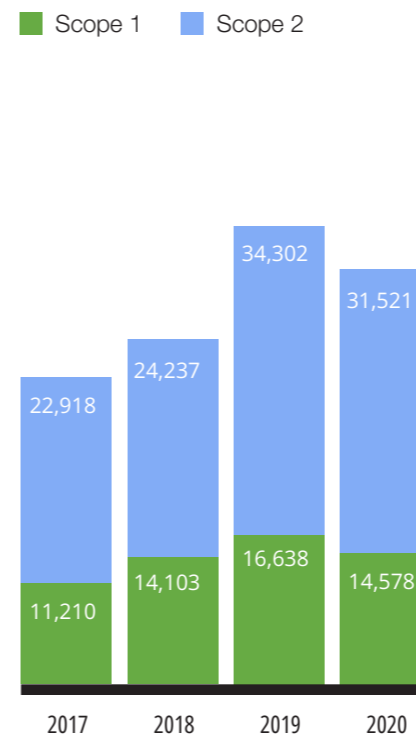
GHG EMISSIONS

Delta Galil's greenhouse gas emissions, as detailed in the following graph, comprise emissions from fuel combustion for manufacturing, transportation and electricity use. GHG emissions calculations were conducted using the ECO-OS platform for sustainability applications³⁶. The platform employed emission factors published by the UK's DEFRA (Department for Environment, Food and Rural Affairs) for 2020, by the Intergovernmental Panel on Climate Change (IPCC) and a number of other sources.

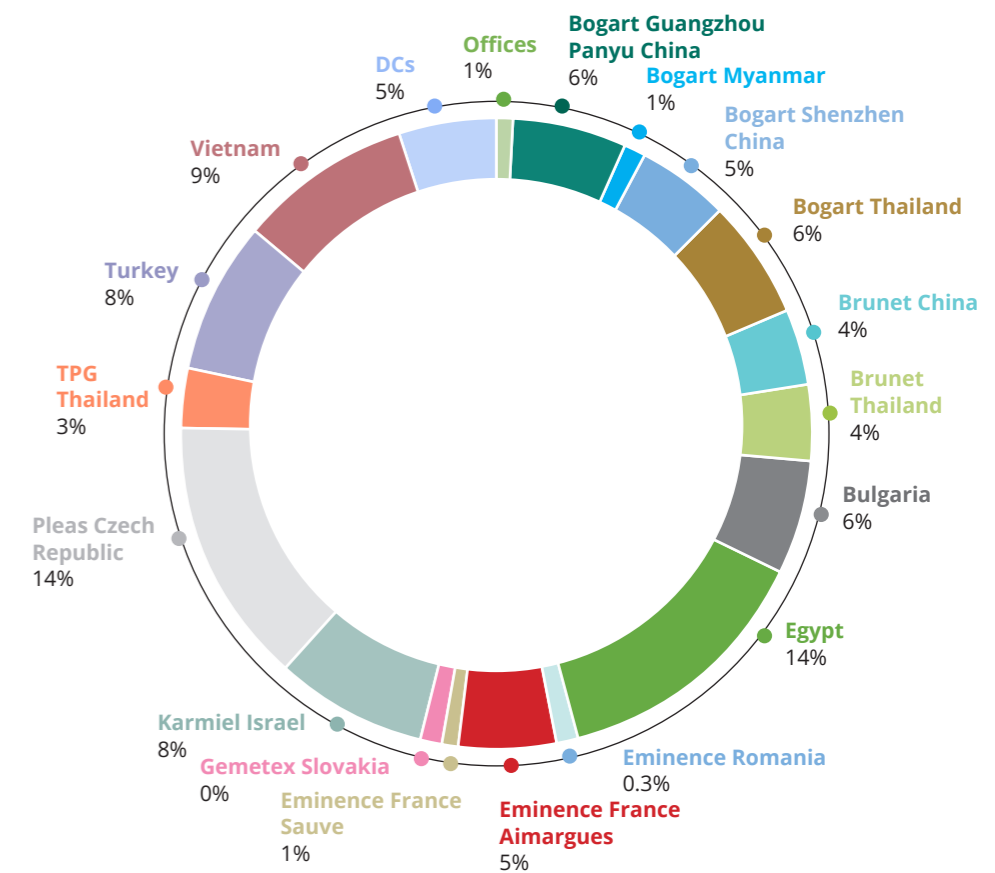
Our total scope 1 + 2 greenhouse gas emissions were 50,940 MTCO₂e during 2019 and 46,099 MTCO₂e during 2020. The 33% increase between 2018 and 2019 is attributable mainly to the addition of the Bogart³⁷ and Eminence groups to our operations, but also to increased energy requirements at some other facilities. The reduction of emissions in 2020 (-10%) is mainly a result of the COVID-19 outbreak.

Around 68% of the emissions are Scope 2 emissions.

Annual GHG Emissions by type (MTCO₂e)



2020 GHG Emissions by Site



³⁶ <https://www.ecoos.co/>

³⁷ 2019 data does not yet include the Brunet facilities in China and Thailand, which began tracking environmental KPIs in 2020.

The greatest contributors to the Group's GHG emissions are our operations in the Czech Republic and Egypt. These sites are also among the main contributors to our production tonnage.

Our sites continue to seek ways to reduce their carbon emissions. For example, during 2020 we changed all company vehicles in Israel to electrical or hybrid ones, and have installed charging points at our facilities. We believe that with the use of renewable energies for electricity production on the rise, this will contribute to reducing our use of fossil fuels and GHG emissions.

Schiesser in Germany continues to employ the DHL service GoGreen. All parcels are sent with a 100% CO₂-neutral service. To offset the CO₂ emissions caused by DHL, the service invests in climate protection projects that are certified according to internationally recognized standards. In addition, our Fontana site selects the most efficient company owned vehicles for daily inter-office courier runs,

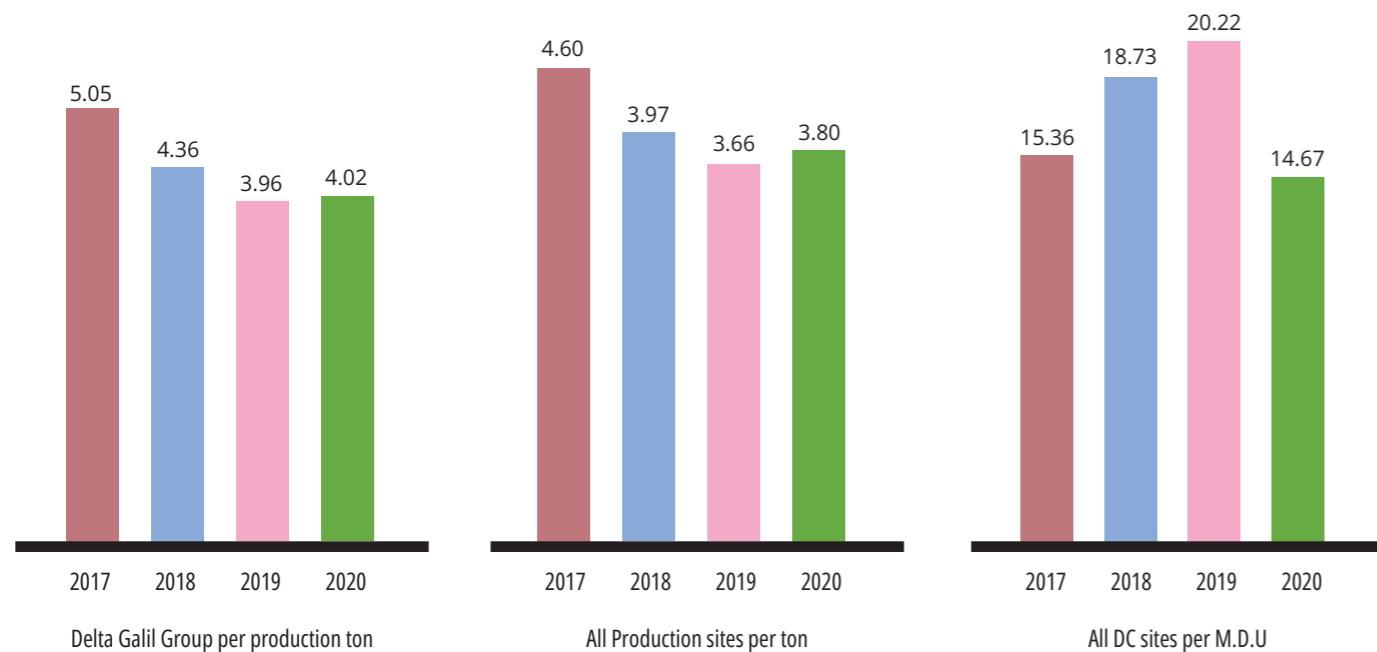
consolidating to reduce the number of runs whenever possible. And Eminence uses rail-road as far as possible for delivery to customers.

Our sites use a number of Freon refrigerant gases, such as R-22, R407c and R410A. These are known as Ozone Depleting Substances (ODS)³⁸.

The emissions originate from the periodic maintenance of air conditioning units that still use these types of refrigerant gas. We are committed to minimizing the use of synthetic refrigerants wherever possible. When an air conditioning unit fails, we replace it with one that does not use ODS.

Our GHG emissions per ton of product were reduced from 2018 to 2019, and showed a very slight increase in 2020 compared to 2019. We did, however, meet our reduction target of -15% emissions per ton of product based on our 2017 baseline. We are continuously seeking to reduce energy consumption, use better fuels and improve equipment.

Annual GHG Emissions (MTCO₂e) per Production Unit (Ton/M.D.U)



³⁸ ODS damage the Earth's protective ozone layer and cause accelerated global warming.

MEASURING OUR SCOPE 3 EMISSIONS

Scope 3 emissions are usually not 'owned' by the company, and data collection involves multiple stakeholders and data sources. In 2016, we began to evaluate these emissions and are continually streamlining our approach to data collection and analysis.

The scope 3 emissions which we analyzed for the years 2019 and 2020, originate from our transport-related activities. The data includes business flights as well as import and export to and from Delta Galil facilities. Data was analyzed for Egypt, Turkey, the US, Germany, Thailand, Vietnam, France, China and Israel. These countries are all part of Delta Galil's global supply chain.

AIR POLLUTANT EMISSIONS

The textile manufacturing process can have a significant impact on the environment in terms of air emissions. Emissions monitoring varies from country to country. As a result of these variations, we do not have a global picture. However, all emission sources are monitored and comply with regulations. We know that the industrial steps we use in our direct activities – dyeing, knitting, cutting and sewing – have a relatively low impact on air pollution. Most air emissions produced by our activities come from steam boilers transportation fuels.



WATER AND WASTEWATER

EVERY YEAR, MAN USES UP 4.3 TRILLION CUBIC METERS OF FRESH WATER FROM THE PLANET'S WATER BASINS. THIS WATER IS USED FOR AGRICULTURE, INDUSTRY AND HOUSEHOLDS. WHEN THE SUPPLY AND DEMAND OF FRESH WATER ARE MISALIGNED, THE DELICATE ENVIRONMENTAL, SOCIAL, AND FINANCIAL ECOSYSTEMS ON WHICH WE ALL RELY, ARE AT RISK³⁹. BUSINESS PLAYS AN IMPORTANT ROLE IN SUPPORTING THIS BALANCE.

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. In recent years, we have also been reporting to the Higg Facility Environmental Module, a performance tracking tool for environmental sustainability, which supports the performance benchmarking of our facilities.

We are aware we still have work to do, and are taking steps to improve further. We are also mindful of the potential indirect impact of some suppliers, and we make sure to only deal with suppliers who meet all legal requirements and follow up on their environmental performance (see "Engaging Our Supply Chain"). We are also increasing the use of raw materials with less of a water impact, such as organic cotton, BCI (Better Cotton Initiative) cotton and recycled polyester.

OUR WATER USE

The main water users in our manufacturing facilities are our dye houses, located in Vietnam, Egypt and the Czech Republic, as well as some other large operations.

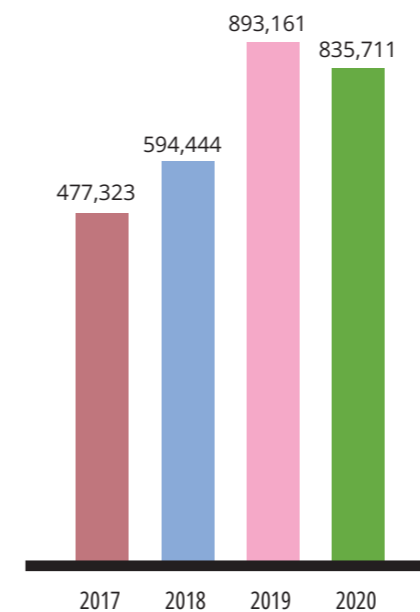
65% of our water in 2019 and 67% in 2020 came from utilities and municipal water.

Several of our sites use ground water, including facilities in Myanmar, Turkey, Egypt Slovakia and Switzerland. The greatest amounts of ground water are used by our Khanka city site in Egypt and by our site in Turkey. The amounts pumped in the Turkey

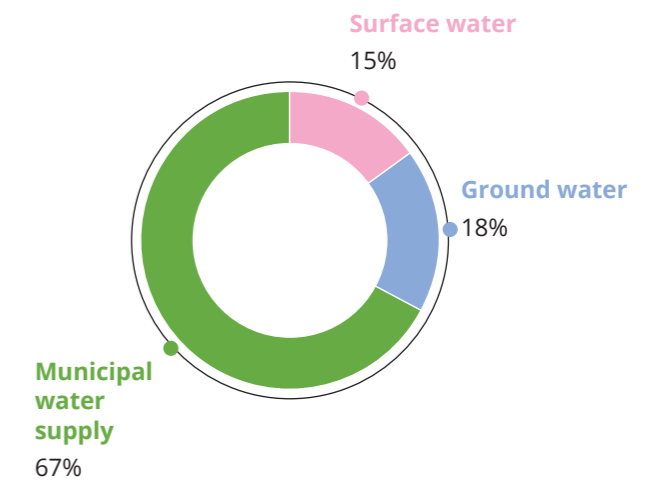
site are well within range of the permit. In the Czech Republic, we source 100% of our water consumption from River Sázava. This is done in accordance with a permit from the authorities.

Total water withdrawal at our sites, including distribution centers (DCs) and offices was 893,161 m³ in 2019, and 835,711 m³ in 2020. There was a significant increase in water withdrawn compared to previous years, mainly due to the addition of the Bogart⁴⁰ Group to our operations.

Annual Water Withdrawal (m³)



Water withdrawal breakdown by water source - 2020 (m³)



³⁹ Thomas Hundertmark, Kun Lueck, and Brent Packer, Water: A human and business priority, McKinsey Quarterly, May 2020
<https://www.mckinsey.com/~/media/mckinsey/business%20functions/sustainability/our%20insights/water%20a%20human%20and%20business%20priority/water-a-human-and-business-priority-final.pdf?shouldIndex=false>

⁴⁰ 2019 data does not yet include the Brunet facilities in China and Thailand, which began tracking environmental KPIs in 2020.

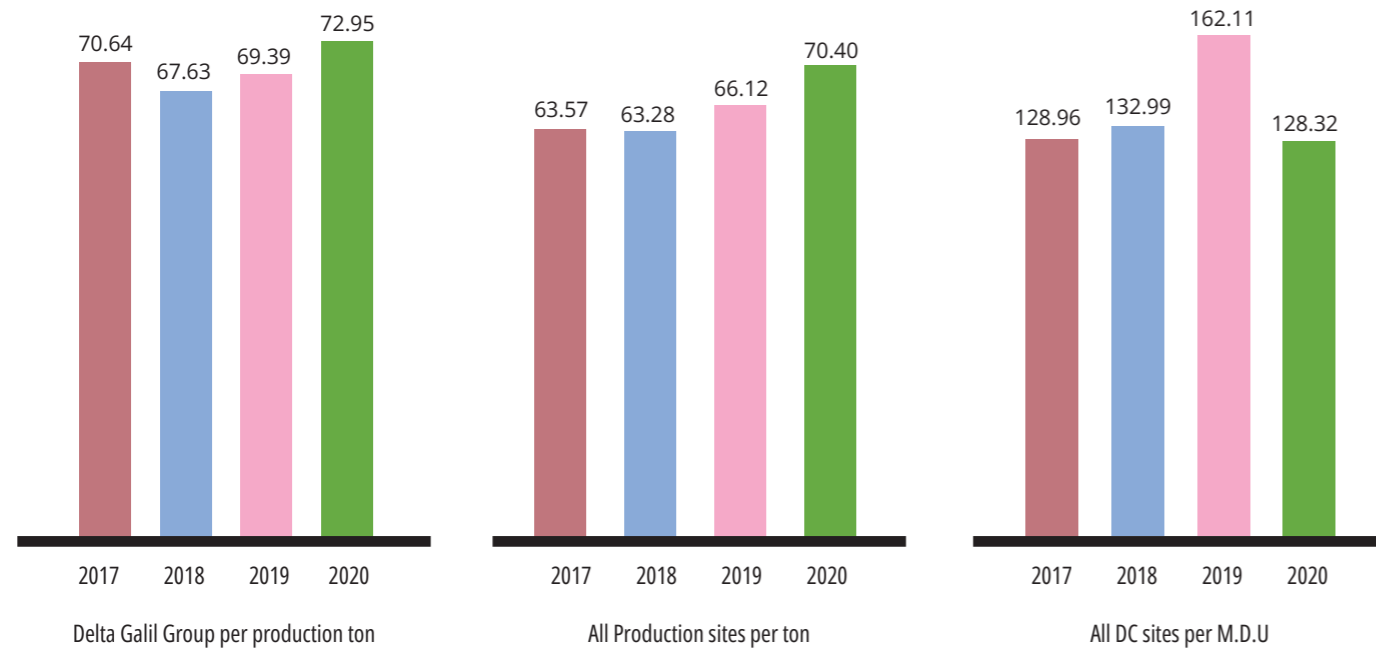
We take various measures to ensure more efficient water consumption. For example, we regularly maintain our facilities and replace ageing equipment, and take case-by-case steps, such as redesigning washing processes, as seen in the examples below. Water efficiency projects also provide benefits in the reduction of chemical and energy usage.

As seen in the graph, water consumption per ton of product decreased from 2017 to 2018, but increased in 2019 and 2020. This is largely due to water requirements in some of the Bogart Group facilities, which were integrated into Delta Galil in 2019. The change also reflects increased water demands at

a few of our large facilities. In our Khanka City dye house, for example, an increased production of dark colored fabrics in 2020 caused a rise in water use compared to 2019. The water usage at our DCs shows an increase in 2019, due to a change in the calculation of distribution units for our Germany DC.

We still have some water intensive products whose production volume is based on market trends. We will continue to explore ways to reduce water use in the production of all our products. Our R&D operations explore processes that use less water, as seen in the examples below.

Annual Water Withdrawal (m³) per Production Unit (Ton/M.D.U)

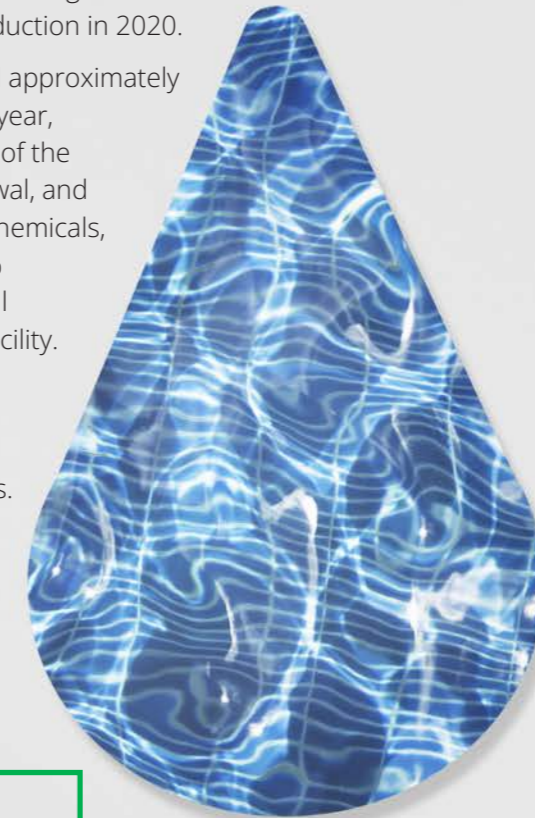


WATER SAVING AT OUR TURKEY PLANT

Delta Alfa Turkey has managed to decrease water consumption and chemical consumption in our sock washing process. This has been achieved by adjusting the washing recipe. Over recent years, this recipe has been optimized to reduce water consumption from 10 liters per kg of socks, to 8, then 6 and now to 4 liters per kg of socks.

During 2019, socks manufactured in the facility underwent a quality check with our new washing process, using 4 liters of water instead of 6. They were all accepted, and so we integrated the new process into production in 2020.

This project has saved approximately 1,500 tons of water a year, representing over 6% of the annual water withdrawal, and more than 7 tons of chemicals, corresponding to 10% of the annual chemical consumption at the facility. Additionally, it did not require investments and has resulted in significant cost savings.



- 1500 m³ water

-7 ton chemicals

The project supported the Turkish factory in meeting its targets for water and chemical consumption reduction.

WASTEWATER

Our manufacturing sites produce industrial wastewater, which amounted to 496,077 m³ in 2019, and 453,904 m³ in 2020.

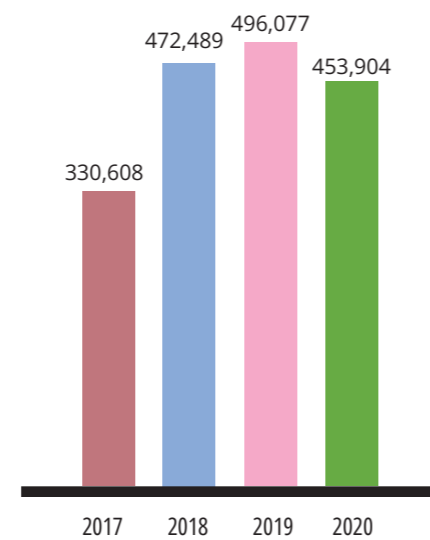
The increase in 2019 compared to the previous reporting period is linked with increased production, particularly at our Khanka City dye house. The reduction in 2020 is associated with the COVID-19 outbreak and reduced operation volume.

Delta Galil has no direct release of wastewater to the environment. Our sites in Bulgaria and Karmiel, Israel release water to surrounding water bodies (the Danube and the Mediterranean Sea, respectively). In both cases, the water first undergoes pre-treatment.

All other sites send water to municipal water systems, either directly or after treatment at an onsite WWTP. In the case of the site in Slovakia (which has since been sold), there was a discharge of rainwater into the river, where the permitted limits of oil substances were met.



Annual Wastewater discharge from Manufacturing sites (m³)



We comply with all legal requirements for wastewater quality, by regularly monitoring our sites. Tests are performed by external laboratories in accordance with local laws and regulations. We take measures to reduce our chemical discharge to wastewater treatment systems (see 'Chemicals' subchapter). Beyond regulatory compliance, our sites in Turkey, Bulgaria, Vietnam and Karmiel perform ZDHC testing of wastewater.

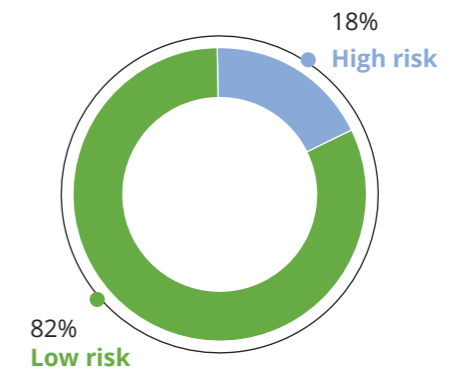
WATER RISK

Much of the world's water supply is drawn from stressed water basins. The potential lack of water creates a risk for business, as well as the community and planet on a broader scale^{41,42}.

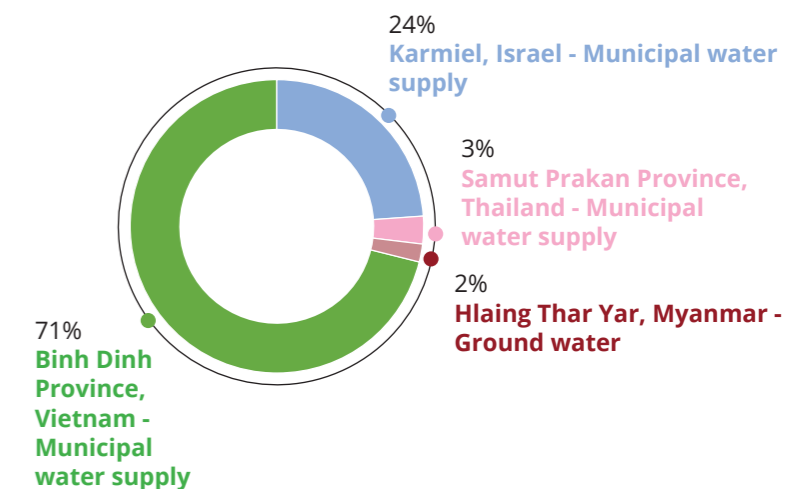
Most of our production facilities have checked the water risk level in their locations through the World Resources Institute (WRI)'s [Aqueduct Water Risk Atlas](#), and have reported this information through the Higg FEM. The majority of the facilities are located in areas which are classified as "Low risk"⁴³ by the Higg FEM. Four production facilities are located in "High risk" areas: Binh Dinh Province - Vietnam, Hlaing Thar Yar - Myanmar, Karmiel - Israel and Samut Prakan Province - Thailand.

We monitor the amount of water withdrawn for use at our four sites in high-risk areas, as we do for all our sites. In 2020, water withdrawal at these four sites constituted 18% (152,084 m³) of our total water withdrawal. The largest water consumer of the four is the Vietnam facility, which operates a dye house. In addition, in 2021 we submitted the CDP Water Security Questionnaire for the first time, about the year 2020.

Water withdrawal - breakdown by water risk - 2020 (m³)



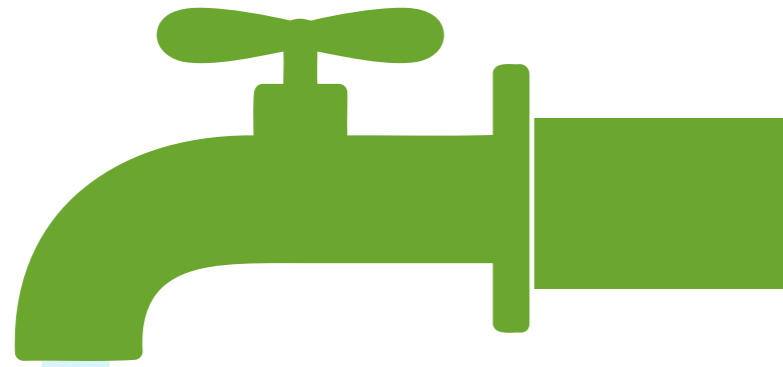
Water withdrawal from areas with high water risk - breakdown by location and water source - 2020 (m³)



⁴¹ Higg Facility Environmental Module (Higg FEM): How to Higg Guide, Version 3.2, November 2019 <http://howtohigg.org/wp-content/uploads/2019/10/Higg-FEM-How-to-Higg-Guide-2019-FINAL.pdf>

⁴² Thomas Hundertmark, Kun Lueck, and Brent Packer, Water: A human and business priority, McKinsey Quarterly, May 2020 <https://www.mckinsey.com/-/media/mckinsey/business%20functions/sustainability/our%20insights/water%20a%20human%20and%20business%20priority/water-a-human-and-business-priority-final.pdf?shouldIndex=false>

⁴³ This includes areas of "low-medium" and "medium-high" risk according to the WRI Aqueduct Water Risk Atlas.



Our Vietnam facility has set long term goals for water saving, and has taken steps to minimize water consumption and impacts on local water bodies. For example, during 2019, it installed equipment to collect the autoclave's condensate back to the boiler process. Monitoring has shown that this saved over 5,000 m3 of water in 2020. Additionally, leaks have been fixed, and workers have received training about saving water, with awareness-raising posters displayed at the facility. During the reporting period, wastewater was treated on-site and then released into a canal. There is an ongoing process to divert the water into an industrial cluster system, and wastewater is monitored and tested according to ZDHC requirements.

Brunet Thailand joined the Delta Galil Group in 2019 and began to measure environmental KPIs in 2020. The facility does not use water for processes - only for sanitary uses, and it too has devised a plan to promote water savings. For instance, Brunet Thailand commissions services from a local dye house, and has been encouraging this dye house to work on the Higg index. As a result, the dye house has implemented initiatives to save water, such as recycling water, using advanced washing chemicals and redesigning processes, and the dye house is engaged with work on the Higg index and ZHDC.

In addition, our Myanmar site uses water for sanitation and cooling. The site's management plans to install water flow meters to track water use more accurately. And our Karmiel facility includes a dye house, as part of our R&D center and for a low volume of production, and we monitor wastewater quality at this site.

WASTE

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

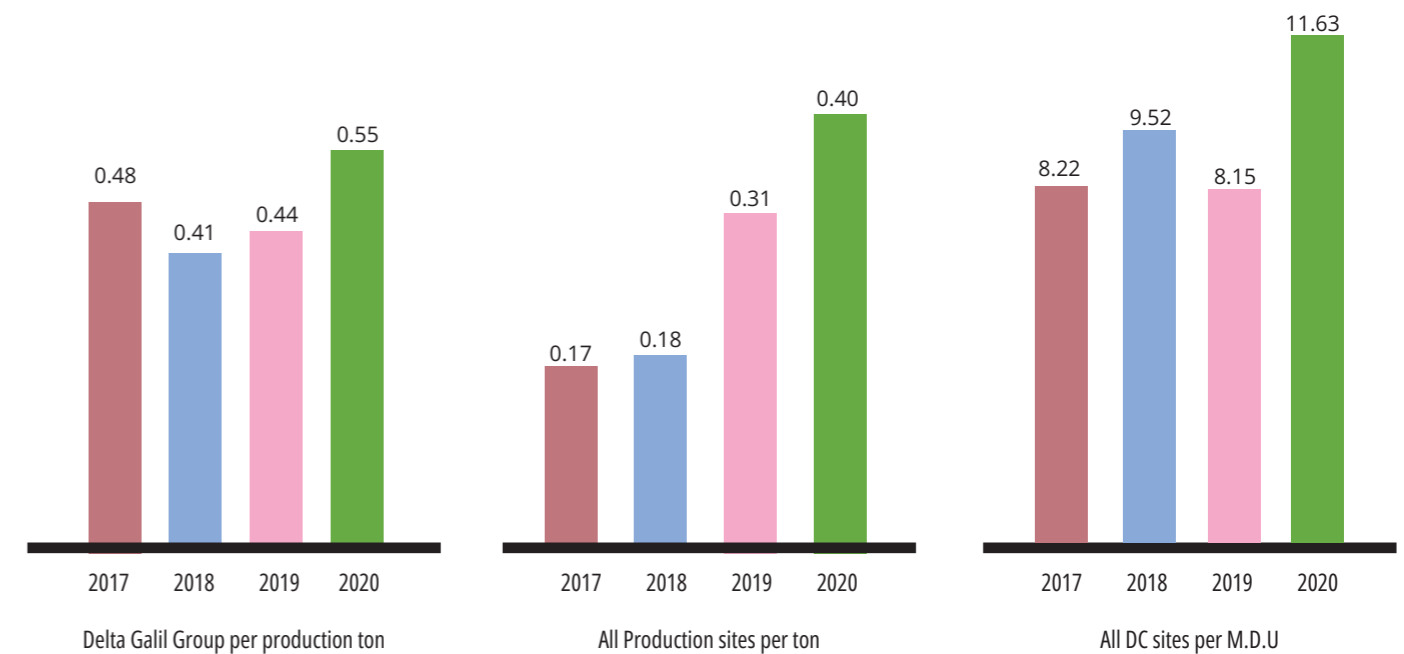
As well as improving our methods for managing waste, we are working to reduce the amount of waste produced by our manufacturing activities. For example, we have been integrating digitized systems for product design, which save sample production and associated waste. We look for ways to increase material 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.

In addition, 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.

Despite our efforts, our waste production per ton of product increased in 2020 compared to previous years. This is partly due to increased logistics activity.

Annual Waste Disposal (ton) per Production Unit (Ton/M.D.U)



DIVERSITY

SOCIAL SUSTAINABILITY

HUMAN CAPITAL

OUR EMPLOYEES ARE OUR PRIMARY STAKEHOLDERS, MAKING RESPONSIBLE EMPLOYMENT POLICIES AND PRACTICES A PRIORITY FOR US.



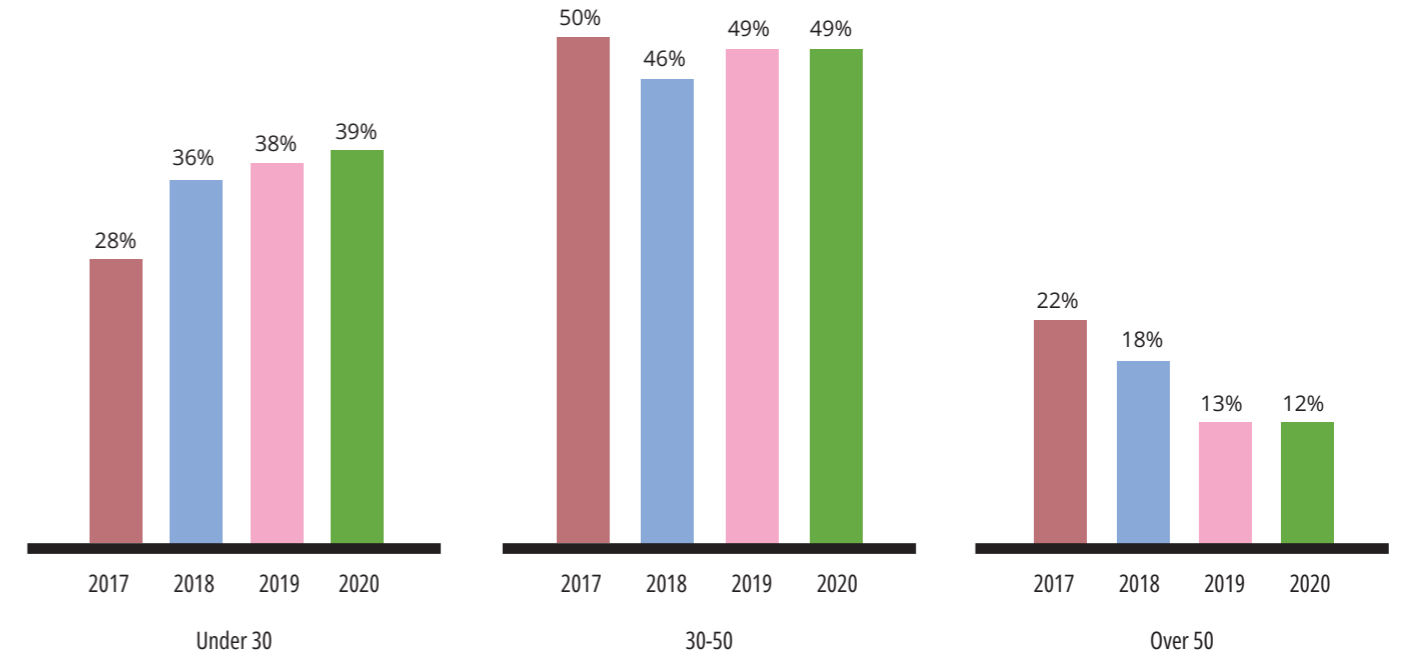
We do our utmost to ensure compliance with employment laws and international standards in our global operations. This requires ongoing monitoring, co-operation, communication, and updates to create understanding of, and adherence to, local laws and the universal norms and principles of the protection of human rights in employment. These are described in the United Nations Global Compact (UNGC); UN International Bill of Rights; UN International Covenant on Economic, Social, and Cultural Rights; UN Guiding Principles on Business and Human Rights; and Conventions of the International Labor Organization (ILO).

Taking care of our employees' health and welfare is one of our main objectives. This is in line with our aim to promote and uphold transparency, fairness, equal opportunities and employment diversity. We foster excellence and innovation among our employees, with an emphasis on engagement and dialogue.

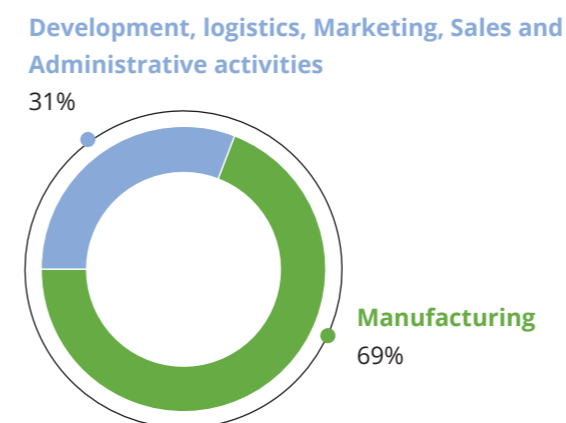
In recent years, the Delta Galil Group has seen rapid growth. The number of Group employees worldwide has increased from 13,230 at the end of 2018, to 25,685 in 2019. This is mainly due to the addition of the Bogart Group to our numbers. At the end of 2020, the number of employees worldwide went down to 23,110 because of our re-structuring program. This included closing factories in Romania and Slovakia, reducing employee numbers in China (Bogart), and reductions in the Company's offices in the United States, Israel and Europe. On the other hand, our two main production hubs in Egypt and Vietnam were expanded.

As of the end of 2020, 69% of our associates are employed in manufacturing activity, with 31% employed in development, logistics, marketing, sales and administrative activities. The majority of our employees are female (about 77%) and about half of our employees are between ages 30-50.

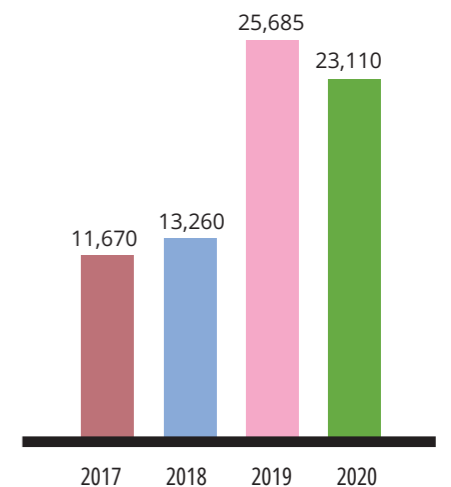
Employee Breakdown by Age



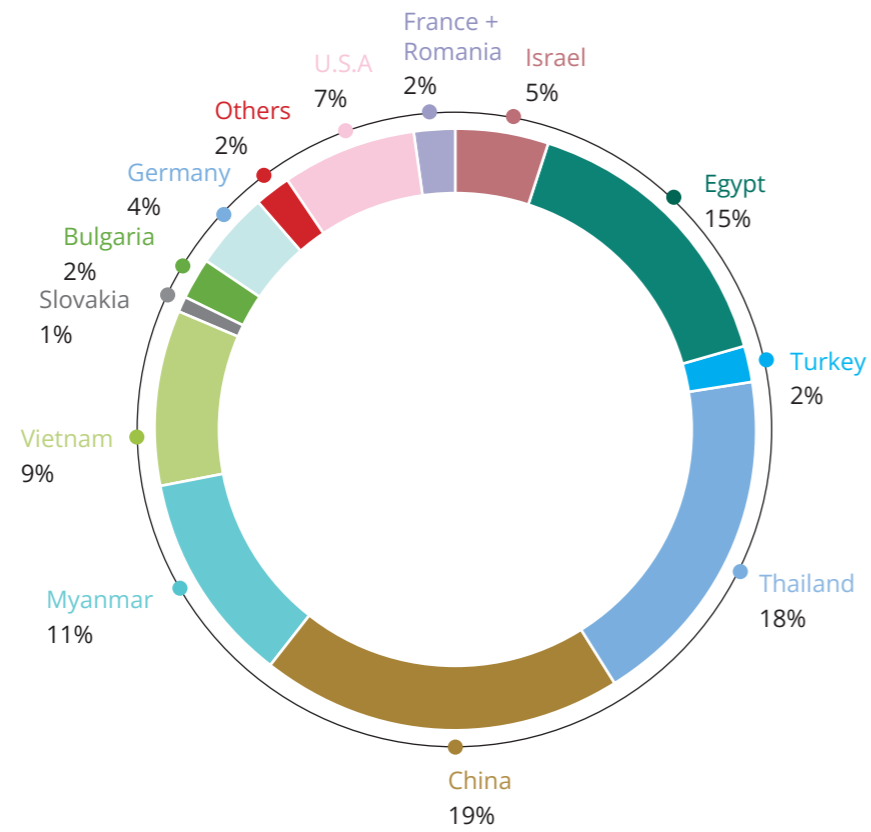
Employee Breakdown by Activity Type 2020



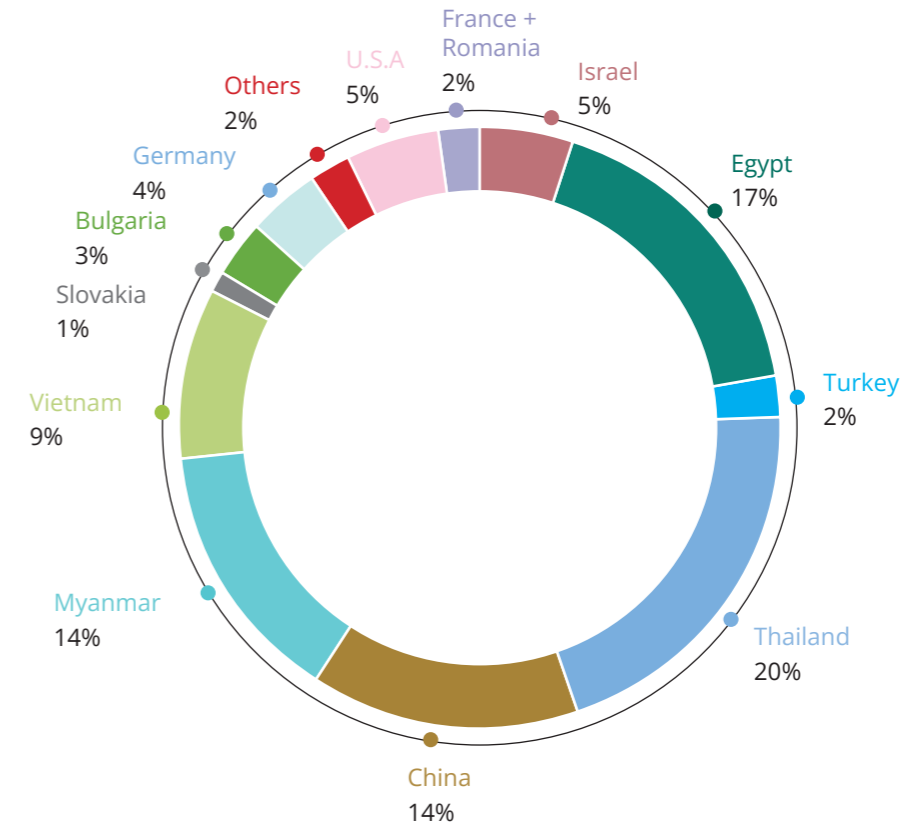
Delta Galil Annual Workforce 2017-2020



Delta Galil Workforce Geographic Composition 2019



Delta Galil Workforce Geographic Composition 2020





FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The freedom to associate and to collectively bargain are fundamental rights. They are rooted in the United Nations Global Compact (UNG); the International Bill of Human Rights and fundamental International Labor Organization (ILO) Conventions.

We recognize the legal rights of employees to associate and act together to maintain their rights. We respect the right of Delta Galil's employees to partake in collective bargaining agreements. In countries where such a right is compromised, we ensure it is

maintained by creating internal worker committees, undertaking customer and third-party audits and including clauses in Codes of Conduct. We therefore ensure that our partners are obliged to operate according to Delta Galil's Ethical Code.

Our facilities in Israel, Bulgaria, Thailand, Turkey and Vietnam all have collective bargaining agreements (CBA) with our workers⁴⁴. Schiesser workers in Germany are employed under a collective agreement signed between the company and the Commerce

Branch Committee. Employees of Schiesser subsidiaries in the Czech Republic and former facility in Slovakia are also employed under similar agreements. Eminence employees have mandatory annual negotiations on their salary agreements.

When a dispute arises between workers and management, we attempt to find a compromise. In June 2020, workers went on strike at the Delta Egypt facility to protest a new bonus system introduced by the Company, which required higher production targets. The strike did not comply with

legal requirements, as workers did not inform the management about their demands before going on strike. All 1,900 workers were on strike for 3 days, a total of 5,700 working days. After representatives from the Labor Office intervened to clarify that the employer has full decision-making authority on the bonus system, workers accepted the proposed bonus system and resumed their work. It was agreed that the higher production targets would be implemented gradually over a period of 4 months.

⁴⁴ 102-41

OUR PEOPLE MAKE DELTA WHAT IT IS

At Delta Galil, we regard our people as the most important element in our success and continuous growth as a global leader. We aspire to treat each and every employee fairly, equally, and respectfully, and provide them with tailor-made tools for personal and professional growth.

Building a culture that creates and sustains micro-competitive advantages allows us to be fast-moving, agile and highly opportunistic. At the same time, in today's changing working environments, we take other factors into consideration, such as globalization, diversity, technology, social trends and Volatility, Uncertainty, Complexity and Ambiguity (VUCA).

We have built our HR 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"

Our "Employer of Choice - Tailored for You" model is a diverse and innovative platform, highlighting the individual and encouraging proactivity, creating a sense of caring, which leads to greater employee engagement, sense of belonging and satisfaction.



GROWTH & DEVELOPMENT

Learning is crucial for organizational development and success, and is beneficial for both employers and employees. Well-trained employees become more efficient and productive, and this leads to professional as well as personal growth.

Our learning program is ongoing, as we recognize this leads to innovation and achieving business goals, attracting and retaining the best talent, and ultimately enhancing business resilience. We are constantly engaged in designing processes tailored to a changing business environment.

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:

- Management skills and knowledge – for example, new management tools, understanding our competitive industry and global trends
- Professional – based on each profession, updated tools, new methods etc, and
- Work and Life skills – for example, Excel training, presentation by Zoom, body language, English.

Each year, employees complete a survey regarding the areas of learning they feel they need to cover to achieve their professional goals. At the same time, a management meeting assesses the business unit's objectives for the coming year and gaps in employee learning. By incorporating a bottom up and top down approach, we are able to develop an annual learning program, connecting manager and employee needs, while meeting business objectives.

The learning program is flexible, and provides managers and employees with 5-12 and 2-5 learning days respectively. Learning includes internal and external courses, academic studies, coaching and more, and each session is followed by a feedback survey to measure its effectiveness.

Furthermore, as part of our talent management program we carry out an evaluation process to identify managers' strengths and areas for improvement. This process assists us in evaluating those who have the potential to develop further to senior positions.

During the reporting years, we focused on:

- Our executive development program for intermediate level managers and senior executives
- Professional skills development, in accordance with professions
- Life skills
- Internal mobility, and
- Empowerment and inspiration.

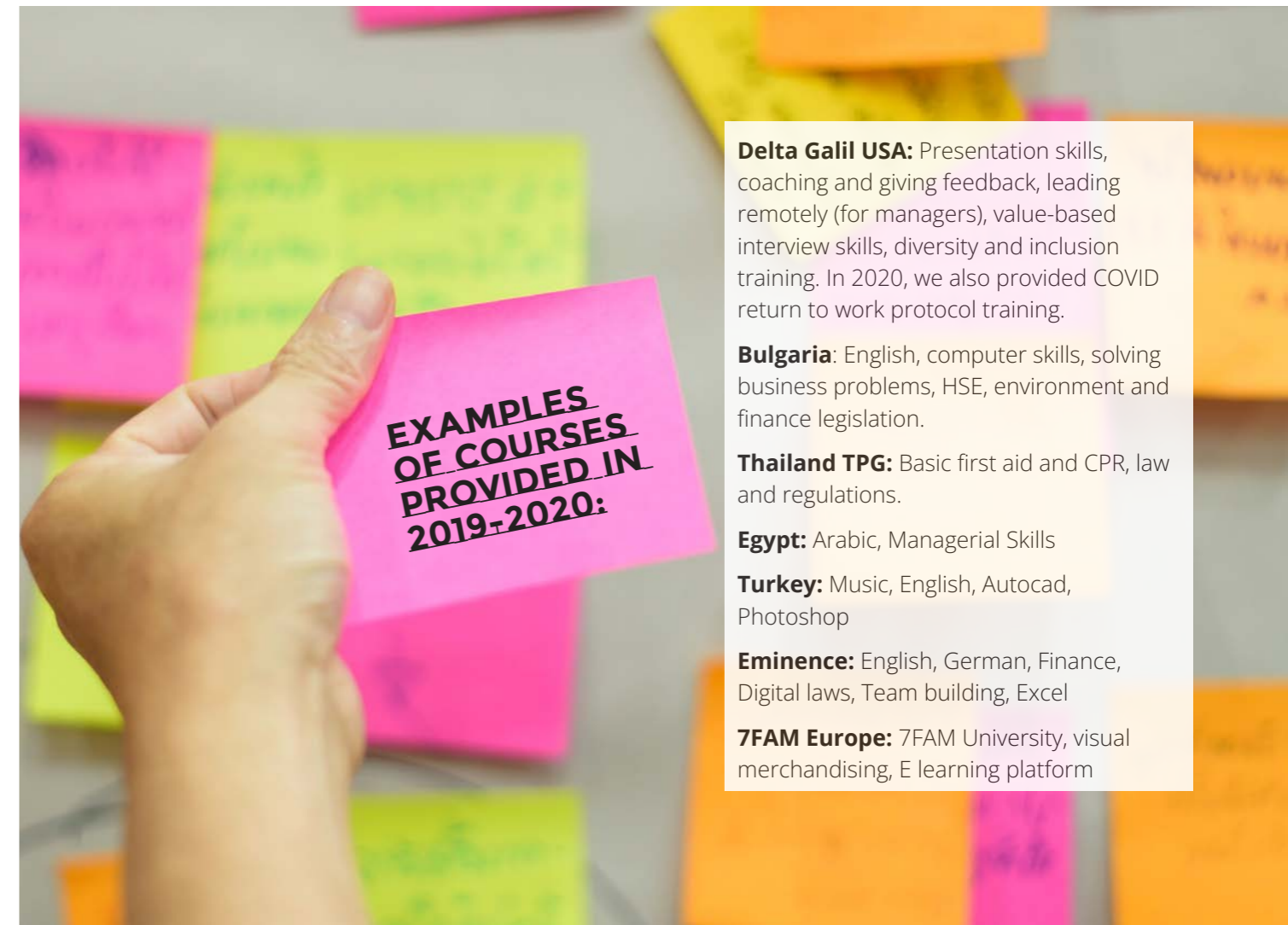
We encourage our employees to be active partners in building their individual training and development plan. We also tailor our learning processes to the constantly changing business and professional environment.

In Israel, all Delta Galil employees undergo four obligatory training sessions on specific topics, like cyber safety, occupational health and safety, our Ethical Code courseware and the prevention of sexual harassment courseware. (In departments that are more prone to sexual harassment, face-to-face training is also provided).

Delta USA continues to run the Delta Galil Learning University (DGLU). This offers training to help build a culture that is collaborative, curious, innovative and drives growth. Among the courses that are offered are skills development (such as office software, sales, design, and sewing) and managerial skills (such as coaching and giving feedback, innovation, and basic management tools).

During the reporting period, we have not only used external trainers, but also provided a platform for our associates to share their expertise. Our experts in marketing, innovation and other topics have held online sessions for our associates to increase their knowledge and stay up-to-date in relevant fields. For example, at 7 University (7 For All Mankind) we offered courses lead by employees. These included topics

such as product inspiration, development and sales, marketing, strategy and retail, as well as HR functions like interviewing skills and how to write a performance review. Each course was about one hour in duration. We recorded the sessions and uploaded them to Paylocity, making the course available to all US-based employees.



- Delta Galil USA:** Presentation skills, coaching and giving feedback, leading remotely (for managers), value-based interview skills, diversity and inclusion training. In 2020, we also provided COVID return to work protocol training.
- Bulgaria:** English, computer skills, solving business problems, HSE, environment and finance legislation.
- Thailand TPG:** Basic first aid and CPR, law and regulations.
- Egypt:** Arabic, Managerial Skills
- Turkey:** Music, English, Autocad, Photoshop
- Eminence:** English, German, Finance, Digital laws, Team building, Excel
- 7FAM Europe:** 7FAM University, visual merchandising, E learning platform

RECOGNIZED FOR EXCELLENCE IN HUMAN RESOURCES



Over the years, our Human Resources unit has submitted a number of examples of best practice to the Israel Human Resources Association 'Excellence' competition. This is Israel's leading association promoting the HR profession and activities. We are delighted that every one of our submissions has won awards and recognition, including the following in the reporting period:

- **2020 - What's APP** – Connecting to the brand with one click – a new digital tool for ongoing communication between Delta Israel's HQ and our associates at Delta chain stores. The tool is called 'Bites' as short and clear messages are sent on mobile devices, like a WhatsApp message. We also use this tool for remote training – saving time and travel, and giving all who use it the opportunity to learn whenever possible.
- **2020 - HR From the Outside In** - Developing a Business Growth Mindset. This special program strengthens the mindset of those working with customers, builds capabilities for a deeper understanding of our customers' vision and needs, ultimately supporting the business growth of the Company.
- **2019 - Spark Your Delta** - A central channel for employer branding, integrating employees as ambassadors of the organization, using their personal digital platforms.

EXPERIENCE OF SUCCESS

Time2Talk

We encourage our managers to have an open dialogue with their employees. To this end, we have a platform for employee's annual performance reviews - Time2Talk. These reviews facilitate an open dialogue with our employees, and support ongoing performance improvement. This is crucial for our business, as well as for individual managers and employees.

- To Delta Galil**
 - A chance to define future directions and correct past performance and targets.
 - A clear picture of HR potential and risks.
- To Managers**
 - Having an effective dialogue with each team member.
 - Focusing efforts, enhancing motivation, listening.
- To Employees**
 - A chance to hear and be heard.
 - Having an impact on their future at Delta Galil.

Time2Talk is based on the idea that once effective feedback is given to employees on their progress, their performance will improve. During the review, the manager and employee also set between three and five personal targets for the coming year, which, if achieved, translate into an annual bonus. The formula combines personal goals with corporate and unit performance goals, strengthening company-wide accountability. Our HR unit verifies that each relevant manager has a valid bonus formula and that the Payment for Performance (PFP) personal targets for each employee are well defined. Managers also receive



training sessions and communications on the subject. Our values are incorporated into our performance reviews, on which part of an employee's appraisal is based.

Our Time2Talk yearly performance cycle includes two feedback sessions with each employee. The first aims to set the annual goals, and the second to assess employee performance and provide the necessary tools to achieve the employee's personal goals. This feedback system has been used to assess the performance of all managers and HQ employees in Israel, the USA, UK and Switzerland, as well as all managers in Bulgaria, Egypt and Asia. We believe that these feedback processes have resulted in increased employee trust and greater collaboration on their part.

We also value monitoring employee satisfaction, and at most of our sites we send engagement surveys to employees on an annual basis, in the local languages. These are filled out digitally, enabling control and data comparisons between departments and units.

WELLBEING



Delta Galil attaches great importance to the welfare, satisfaction and wellbeing of employees. We encourage co-operation and dialogue, and have established mechanisms to enable all employees to communicate with our management about any issue.

Our Wellbeing program is part of our employee welfare strategy. We focus on offering choice to our many employees, who come from diverse backgrounds, are at different stages of life, and work in different occupations.

The program has four main 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 (currently in Israel, the UK, Bulgaria, Turkey and Egypt) and Delta Galil USA's wellness program.

'BE YOURSELF'

This is a holistic program offering a wide range of activities that encourage employees to strive for better living, healthier lifestyles and self-improvement in both their personal lives and the workplace.

Our vision for this program is that employees will pro-actively improve their health and happiness, by following their dreams and ambitions.

In the reporting period we focused on the following pillars:

- Be In Shape – emphasis on personal fitness through Pilates or gym classes
- Be Healthy – gaining mental and physical health through professional consultations on balanced eating
- Be Confident – emphasis on confidence building and self-improvement through public speaking, and
- Be Creative – achieving self-fulfillment through developing hobbies and personal talents: including art & crafts and DIY workshops for the whole family.

COVID-19 challenged us to find ways to remotely continue with the program, despite the limitations on meeting physically. It became even more important to provide ways for our employees to stay connected, feel supported and continue their personal development. We made numerous activities and lectures available to employees and their families through our "Be Yourself" online platform. Activities were divided into topics covering life skills (such as first aid, health insurance, and online danger), wellbeing (such as DIY, Pilates and trekking in Israel), and learning and enrichment (such as developing a growth mindset, reading financial reports and post-COVID consumer trends).

In addition, we created a special internal site for our employees, making art and culture accessible during COVID-19 lockdowns. This included lectures, art tours, theatre shows, concerts and more.

For our employees in Israel, we also hosted Company Zoom meetings to help people stay connected through social gatherings, ensure a continuous work flow, and provide entertainment during holidays.



SNAPSHOTS FROM OUR WELLBEING ACTIVITIES ALL OVER THE WORLD

During 2019, our sites provided wellbeing activities for employees including sports activities, parties, excursions and joint projects. From the beginning of the COVID-19 outbreak, sites had to reduce face-to-face meetings but looked for other ways to stay in touch and support workers through this challenging time. Below are some examples of activities that were organized by our sites during 2019 – 2020.

- **Delta Galil USA:** End of Year party, pie contest, Halloween party and Trick or Treat, ice cream social, Valentine's Day cookie drop, Wellness Weeks 2020 digital classes to support mental well-being, virtual fitness classes, flu shots, virtual Halloween contest, virtual cookbook club, Covenant House holiday giving.
- **7 For All Mankind USA:** Easter egg hunt, In N' Out luncheon, end of year party, Halloween costume contest, Cinco de Mayo luncheon, wellness and health fair, flu shot clinic, ice cream social, spring breakfast, Big Fan Fridays, Valentine's Day celebration, yoga classes, Fontana summer BBQ, Fontana summer baseball game. In 2020: virtual mental health week, virtual physical health week, virtual benefit fair, virtual Halloween party, virtual end-of-year games.
- **7 For All Mankind Europe:** Birthday celebrations, Yes WE breakfast, Christmas dinner, sample sales, Yes WE family, psychological support, Christmas gift.
- **Eminence, France:** Saint Pierre 24-hour charity race, Christmas lunch, garden picnic, sales seminar with party, outdoor trips with the staff each month, small birthday gift for each employee.

- **Bulgaria:** Excursion for workers, participation in sports competitions, Christmas party, children's Christmas party, discount cards for employees, gift packages for employee birthdays and holidays, gift voucher for each newborn, external gym, sport cards for employees, health day – gymnastics for workers, national dances for workers, table tennis room.

- **Czech Republic:** CEO breakfasts, summer party, Christmas party, team workshops, digital Christmas advent calendar in 2020.
- **Turkey:** Free fitness classes, free psychological support, outdoor excursion, birthday celebrations, Women's Day celebration, Father's Day celebration, Mother's Day celebration, New Year celebration, picnic, poetry and art exhibition,

traditional culture cuisine, activity for employees' children, World Water Day celebration and a recycling project.

- **Egypt:** Woman's Day, football tournament, Christmas celebration at Delta Nursery, celebration for employees who completed 20 years of service.





DIVERSITY

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.

While we have no written procedures on local employment, we follow our Code of Ethics. This means that everywhere we operate, our ambition is 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.

FROM LOCAL DIVERSITY TO A MULTI-NATIONAL MOSAIC

The Dov Lautman Conference on Educational Policy, named after Delta's founder, and an initiative of the Lautman Fund, was founded in 2014 with the goal of promoting a culture of democracy in Israel, through awareness campaigns and educational programs.

In a country composed of diverse ethnic communities, the main challenge is to educate for co-existence, tolerance and cooperation between all.

As part of the 5th Annual Gathering, entitled: When Language Creates Reality, Isaac Dabah, Delta's CEO, gave a keynote speech about the advantages of being a multicultural company.

In his speech, Isaac spoke of his first visit to the Karmiel factory, the company's first factory that today serves as our R&D center: "I met with people from all social strata, coming from different ethnicities and religions, new immigrants and veteran Israelis. Each person had a sparkle in their eye, a spark of creativity, integrity and a strong sense of mutual responsibility. There was something in the DNA of the Company that made a deep impression on me that went beyond the finished product. I know today that it's the human capital that makes this giant machine function."

Diversity, said Isaac, was an essential part of Delta's makeup long before it became fashionable or

politically correct. "Although it is already 6 years since Dov's passing, his spirit continues to animate this great enterprise that we call Delta Galil."

He further describes current-day-Delta's special mosaic, with operations in almost all 5 continents with over 25 manufacturing and retail centers, and 23 thousand employees from different cultures, speaking different languages and dialects.

"We are respectful and inclusive towards all cultures; their language, customs, festivals, ways, laws and, in parallel, they embrace the values of Delta. This is called Glocalization."

Acting according to the tradition of "Love your neighbor as yourself", explained Isaac, Delta has adopted a culture of acceptance and inclusion, preferring open dialogue between people, cooperation and mutual respect, and giving each and every person the opportunity to flourish. This has led Delta to amazing achievements, technological as well as commercial. "I'm proud of how we've turned Diversity into an engine for business growth."

Diversity, Isaac summarized, whether expressed through language, culture or the way in which we accept those different to us – isn't just a value or a way of life, it is the very foundation of Delta's success.



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. We believe in mutual respect and co-existence both within the Delta Galil family and among the communities in which we work, and consequently we employ members from any sector of society.

Our policy encourages diversity in our workforce, and we must not discriminate on any basis during the employee recruitment and screening process. Furthermore, we must operate in accordance with local laws and workforce regulations regarding employing people with disabilities.

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

We aspire to achieve transparency, fairness, equal opportunities and diversity, while avoiding harmful employment. The Company gives serious consideration to any complaints that arise and deals with them in a sensitive and practical manner.

BLACK LIVES MATTER

In May 2020, following the death of George Floyd and the events that followed, Delta Galil management issued a communication to all workers in the USA, expressing great pain regarding racial prejudice and injustice.

The letter, issued by our CEO Isaac Dabah, read...

"Delta's senior management and I condemn all violence, and we hope for better days, where people of all colors, race and religion can live in harmony. We all need to DO BETTER, we all need to RESPECT each other. We should all strive to be a positive force for change and go out of our way to ensure equal opportunity for all, and create a diversified, healthy work place for all of our associates, our surroundings, and our communities."

Subsequently, Delta Galil Premium Brands (DGPB) hosted a series of employee meetings on the subjects of diversity, equity and inclusion. HR personnel worked with the team on the use of language in a way that respects other cultures. The teams appreciated the discussions, and participation rate was 80% in this entirely volunteer program. We also distributed lists of all books, films, podcasts and articles recommended by employees during the discussions. Furthermore, DGPB also engaged with the National Black MBA Association (NBMBAA) regarding job postings.

In addition, DGPB added Martin Luther King (MLK) Day as a holiday and formally recognized Juneteenth with internal emails. Juneteenth subsequently passed as a federal holiday. The MLK holiday and recognition of Juneteenth was adopted by DG USA as well.



Marketing and advertising campaigns for Delta Galil and our brands also aim to be representative of all races, genders, and cultures. We see our products as suitable for everyone at any time, and we carefully tailor advertising materials and select models and presenters to reflect our wide-ranging target audiences.



DELTA ISRAEL – A BRAND WITH A PURPOSE



Integrating people with special needs is a natural part of thinking, creating and looking fashionable. For us and for our customers, this goes without saying.

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. In 2020, we initiated a campaign to ensure both women and men 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 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.

Delta's associates, whether from HQ or local stores, have participated in a series of training sessions and are part of our ongoing activities with the movement. And going forward, Delta will continue to lead this agenda in the fashion industry, promoting fair representation and integration of people with special needs in our publications.

journey to self-realization and ensuring people - and particularly women's voices - are heard.

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.

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 2020, around 77% of our employees were female, with over 50% of our management level being comprised of women. The breakdown by gender for workers, supervisors and managers can be seen on page 146.

Throughout the years, we have dedicated much attention to providing equal opportunities to our employees - some came to Delta with a sense of ability, and some without. We are on a continuous

STEPPING INTO THE SPOTLIGHT



International Women's Day is yet another wonderful opportunity to promote gender equality, as part of the fight for human rights in general.

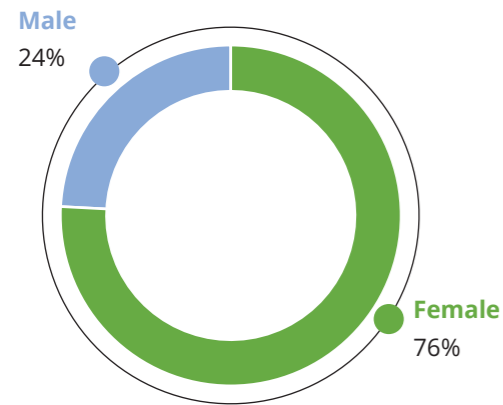
We at Delta Galil are proud to have significant female representation, including in management and other positions of influence. We are proud of the fact that since our inception, the Company vision has included promoting diversity and inclusion as a significant value in strengthening our resilience.

In 2020, we chose to mark International Women's Day by empowering our "female voices". As part of our inspirational, 'Stepping into the Spotlight'

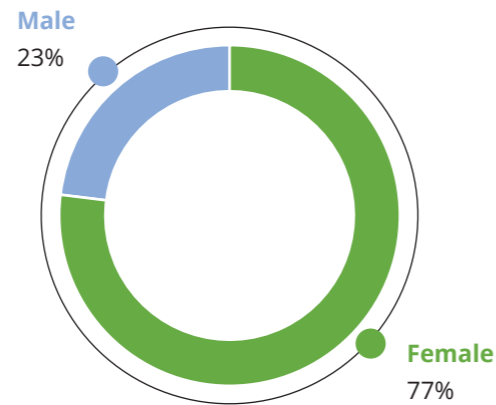
project, we encouraged women working at our Delta Galil HQ in Israel, to undergo a coaching and mentoring process. This resulted in 7 women standing on stage and sharing the challenges they faced, the choices they made, and the insights gained from their experiences.

Following their inspirational stories, these extraordinary women continued to receive personal coaching and mentoring from 7 chosen female senior leaders at Delta Galil, as we continue to strengthen and grow our talented and diverse group of women within the Company.

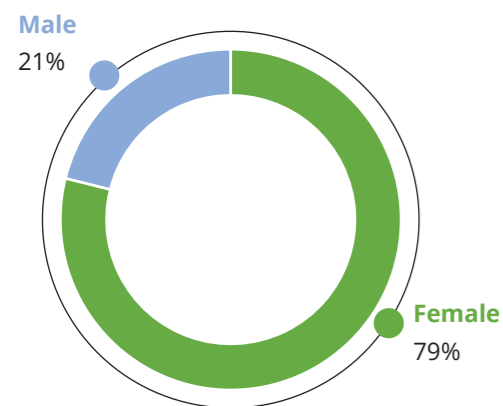
Total Employee Breakdown by Gender -2019



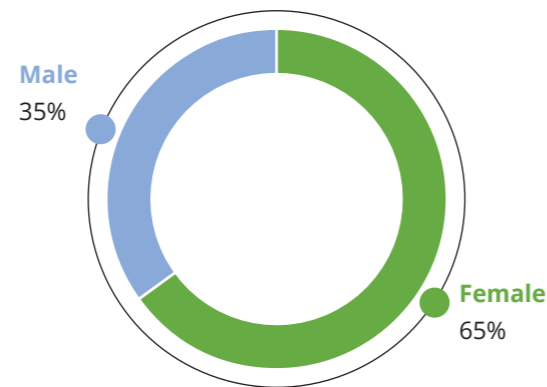
Total Employee Breakdown by Gender - 2020



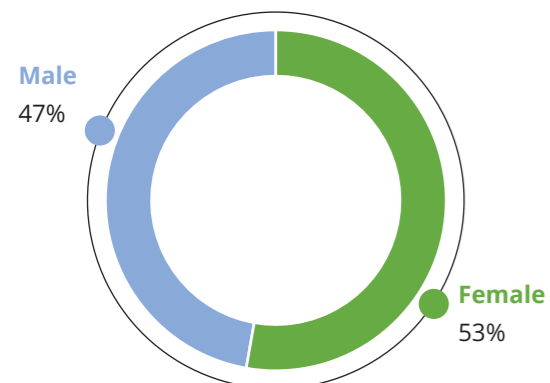
Workers Breakdown by Gender - 2020



Supervisors Breakdown by Gender - 2020



Management Breakdown by Gender - 2020



As our associates are a crucial part of our success, we like to include them in our social media. From time to time, we publish a story about one of our employees on our Instagram and LinkedIn channels. This helps us to get to know some of our colleagues around the world. In addition, in 2020 we focused on celebrating the voices of women in our team.

EQUAL AND FAIR EMPLOYMENT

We believe it is our responsibility to provide our employees with a safe and healthy workplace, and the opportunity to grow and develop within the Delta Galil family. We believe it is our basic duty to treat every employee fairly, equally, impartially and respectfully. Delta Galil is firmly committed to the fair and equal treatment of all employees and candidates, who are assessed according to their competencies, qualifications and accomplishments.

We condemn any violation of employment laws and regulations, and prohibit child labor, forced labor, excess working hours and all other violations. To guarantee compliance with the law and our policies, we follow employment procedures to ensure the authenticity of details such as age, so that we do not employ any children. Customer and third-party audits of our operations, and those of our suppliers, also help to prevent both child and forced labor. During the reporting period, no incidents of child labor were identified in Delta Galil owned facilities or in other supplier factories.

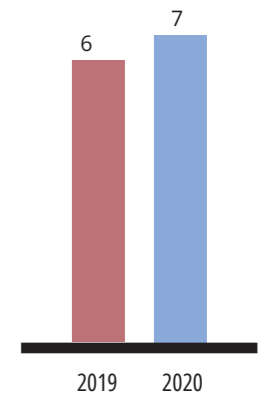
The graphic shows the total number of social audits initiated by our Compliance team at Delta Galil's suppliers and owned sites during 2019-2020.

Using various tools, including audits and inspections, we ensure our employees' rights are upheld without exception. In addition, we have a mechanism to enable all employees to speak to management and communicate with them about any issue, with complete discretion.

In cases of significant operational changes, such as relocating a plant or any other important change in activity that causes retrenchment, we inform our employees in advance, usually giving several months' notice. We believe that by engaging employees in the process, these changes proceed more smoothly.

Furthermore, we consider forced labor to be a Zero Tolerance issue as described in most workplace codes of conduct and defined in the Delta Galil compliance benchmarks. We ensure that when we employ

Delta Galil's Annual Social Compliance Audits



workers on a voluntary basis, no forced labor is used. Nor do we tolerate child labor in our operations. Young workers (older than the minimum age for employment but younger than 18) are hired under special conditions as prescribed by local law.

All forms of harassment and abuse are unacceptable and defined as Zero Tolerance, including verbal, physical, and psychological or sexual harassment and abuse. Working hours must be compliant with local laws and Delta Galil or customer standards, whichever is stricter. We ensure that all workers receive at least the minimum wage and all other mandatory payments. Wages are always paid on time, and we only employ workers using formal employment contracts. (For further information see Responsible Supply Chain on page 82).

At the end of 2020 and beginning of 2021, some issues relating to the Delta North Egypt factory manager came to light. It was reported that the manager, who is no longer employed by Delta Galil after receiving warning letters, had approved work hours in excess of local law, and allowed workers to clock out and to continue working – in spite of strict instructions from Delta management to ensure zero contravention of local law. Three separate complaints against the same manager of verbal and physical abuse of workers and managers were also received. As a result, we conducted training on the importance of compliance with local law and Delta's Code-of-Conduct. Once again, the Company has shown no tolerance for breaking regulations and any misconduct relating to violating employment rules and local law.

HEALTH AND SAFETY

WE INCLUDE OCCUPATIONAL HEALTH AND SAFETY AMONG OUR MAJOR SUSTAINABILITY AND SOCIAL PRIORITIES, AND WE REGARD CREATING A HEALTHY AND SAFE WORKING ENVIRONMENT FOR EMPLOYEES AS OUR PRIMARY RESPONSIBILITY. WE STRIVE TO CONTINUOUSLY IMPROVE ALL ASPECTS OF THE WORKING ENVIRONMENT.



Our Code of Ethics emphasizes taking no chances. 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.

We take necessary steps to prevent accidents and injury arising out of, linked with, or occurring in the course of 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.

In most of our production facilities, occupational health and safety are managed according to internal Delta Galil and FLA benchmarks, as well as customer requirements. Our site in Turkey has ISO 45001 certification and OHSAS 18001, and one of our Egyptian sites is OHSAS 18001 certified. 85% of workers in Delta Galil owned factories are covered by an occupational health and safety management system.

Delta Galil's Code of Ethics states that every employee is responsible for complying with and upholding the health and safety laws relating to their work area. Employees are responsible for taking necessary precautions to protect themselves, suppliers, co-workers and the public at large. This includes immediately reporting accidents, injuries, and unsafe, unhealthy and hazardous conditions.



PROTECTING HEALTH AND SAFETY DURING THE COVID-19 PANDEMIC

As well as taking steps to protect our workers and their families from COVID-19 itself, the pandemic required us to find new ways to safeguard the health and safety of employees. That is because it was not possible to visit our sites for extended periods. Initially we tried conducting virtual audits and remote contact with our supplier sites, and eventually we hired a 3rd party company to perform audits.

At the onset of the coronavirus, we sent a guidance document to site compliance representatives about maintaining health and safety standards during the pandemic, with specific instructions on protecting workers from COVID-19. For an extended period of time, we managed to keep the virus at bay and our facilities did not experience outbreaks. When

COVID-19 was eventually detected, it was immediately treated and controlled. We continue to receive updates from our sites on the COVID-19 situation as necessary.





OUR HEALTH AND SAFETY COMMITTEE

All our sites have a formal Health and Safety Committee, run jointly by managers, supervisors and production workers. These committees meet regularly to agree on preventative on-site measures. The committees review health and safety accidents that may have occurred, develop necessary emergency action plans, and advise on improvements to our health and safety programs.

Improvements are then implemented by our Health and Safety Officers who are also responsible for developing related procedures at our sewing and textile operations. 100% of the total workforce at our manufacturing sites are represented by formal health and safety committees. The outputs of the committees are reported to Delta Galil's management.

RISK ASSESSMENTS AND AUDITS

Health and safety requirements cover all areas of employment. Risk assessments determine the possibility and severity of potential incidents. Each scenario is given a rating: "very high", "high", "medium" or "low" risk. Based on these assessments, preventive measures are taken to reduce risk.

We collaborate with facilities that face health and safety challenges to help solve problems. We do this either directly or through third parties. Risk assessments are performed through internal audits carried out by the facility, the Delta Compliance team or 3rd parties. The process quality is tested and improved through audits.

We aim to perform annual audits at as many as our Tier 1 suppliers as possible, and have begun co-operation with Elevate to perform audits beginning in 2020. Currently, all of our Tier 1 suppliers sign their understanding of our Code of Conduct and we prioritize audits based on risk estimates. We strive to include all our Tier 1 suppliers in a process of validating the effectiveness of their health and safety management system.

During 2020, we began to upload supplier data onto the FFC (Fair Factories Clearinghouse) sharing platform⁴⁶. This tool facilitates sharing of information relating to workplace conditions, including factory audits among FFC members to promote transparency. It results in a global clearinghouse of factory information, allowing Delta Galil and authorized members to identify needs for workplace improvement, prioritize them and approach them together. Uploaded, scored audits allow us to create factory benchmarks for analysis of risk, to assess improvements or the lack thereof, and to identify high risk areas within the factory. We are confident that this process will further support us in identifying high risk facilities and allowing focus on improving specific risk areas within facilities.

RAISING AWARENESS AND TAKING PREVENTIVE ACTION

We raise awareness of health and safety through our employee training and new wellbeing program (for further information, please see page 136). In addition to the initial training provided to new workers as they come on board, seminars and guidance help us to increase knowledge about issues, such as chemical management, first aid, forklift driving safety, and emergency response, including fire and earthquake drills.

At our manufacturing sites, annual health check-ups are performed for all employees to help prevent or diagnose occupational illnesses and health problems.

The site's health and safety handbooks are updated by their health practitioner and health and safety expert. A nurse or internal clinic are available at most

manufacturing sites, and workers may approach them on occupational, as well as non-occupational issues.

We also promote general health awareness through different activities. For example, during Breast Cancer Awareness Month 2019, about 150 of our employees in Israel participated in lectures on this important topic. In addition, we held breast examinations at two major sites for women associates who were interested, in order to promote early detection of breast cancer. At Eminence sites, the Company provides programs on skin cancer and breast cancer, hypertension and back pain.

Delta Galil workers are encouraged to report issues related to health and safety through various communication mechanisms made available by the Company, and we ensure they will not suffer reprisals. Work areas are also checked to ensure that sanitary requirements are met.

All Delta Galil owned textile facilities have built-in fire safety systems, such as sprinkler systems, smoke detectors, emergency exits, fire hoses and extinguishers and fire alarms. Fire drills are performed at least twice a year. In addition, at our Vietnamese facility, due to a local legal requirement, the facility stores protective suits for emergency first responders.

Monitoring health and safety is vital to prevent incidents. We aim to reduce work-related injury and severity rates through our unified measuring system. This is based on Occupational Health and Safety Administration (OHS) principles and indicators.

⁴⁶ <https://www.fairfactories.org/>



DELTA GALIL AND THE SURROUNDING COMMUNITY

REACHING OUT TO OUR LOCAL COMMUNITIES

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. Just like a stone thrown into water creates a ripple effect, we believe that our contributions not only affect individuals, but create a wider influence on the community. As a large employer with global reach, we are committed to using our presence and influence for the benefit of our local communities.

We honor and maintain a long legacy of community involvement and employee volunteering. Today, this legacy is an inseparable part of our corporate responsibility strategy.

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. And by supporting those who come from a low socio-economic background, 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.

The Company's donations and contributions are part of our overall Social Investment Policy.

We contribute through:

- Financial donations,
- Donating our products, and
- Employee volunteering.

Through the social programs in which we are involved, we demonstrate values of tolerance, mutual respect, and the importance of education and equal opportunities. We believe that promoting these values helps to create a better, healthier and stronger society wherever we operate. We receive various requests from local communities for support, and are also proactive in finding and creating our own projects. Projects that are tailor made by Delta Galil and our partners are assessed for their impact on an annual basis.

We believe that our operations have no negative impacts on our local communities. At every site in which we operate, we contribute to local employment and are involved in local projects whenever possible. As a policy, we do not donate to political parties, politicians, and related institutions.

In 2019 and 2020, Delta Galil donated approximately \$575,000 and \$618,000 respectively to various non-profits and social activities, including donations of products. Over the past few years, we have increased our donations, reflecting an increased share of profit before tax. In 2020, despite before tax losses, the nominal amount we donated increased by roughly 7.5% over our donations in 2019.

Charitable Donations (million \$)

2012	2013	2014	2015	2016	2017	2018	2019	2020
0.16	0.21	0.27	0.36	0.36	0.37	0.43	0.58	0.62

COMMUNITY PROJECTS

DEVELOPING ETHIOPIAN-ISRAELI LEADERS OF THE FUTURE

We have been running our Ethiopian Leadership program for the past 8 years, in collaboration with the Friends of Haifa University and Department for Academic and Personal Assistance. We are happy and proud to watch the achievements of academics from the Ethiopian community, who have enjoyed the support of this program since it was launched in 2013.

The program aims to advance the Ethiopian community and reduce academic and social gaps within society. Students come from various academic disciplines, and all face similar challenges.

The three-year program provides leadership training to help participants realize their academic potential, increase their community involvement, integrate in academia, and ultimately succeed in the employment market upon graduation.

Each academic year, a new group of students joins the program, and receives a comprehensive support package. This includes a scholarship, laptop, classes in English, learning skills, presentations, economic skills as well as individualized tutoring throughout the year. In addition, students in their second and

third year participate in workshops on personal growth and empowerment, introduction to the employment market and communication skills, including preparation for interviews. In turn, these students also give back by doing volunteer work in the community.

To date, the program has helped 150 participants, 100 of whom have so far graduated from different faculties. All have joined the local workforce in various professions and positions. A few have continued onto a Master's degree and one is even working on her PhD.

When speaking to the students – all have gained self-confidence, feel empowered emotionally and personally, and enjoy being an example to younger people from the Ethiopian community and in general.

The new Social Mobility Program at the Haifa University, for the inclusiveness of students from the periphery is based on the model built by Delta Galil, and hopefully will allow additional students to succeed in their future life.



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 the renovation of 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 activities in the field of textile innovation. In addition, over the past two years, Delta Galil Israel has granted summer internships, and held classes in the faculties for Textile Design and Fashion Design. These serve to build our next generation of designers by emphasizing innovation, technology and fashion.

As part of our ongoing collaboration, we led an innovative course in which students developed AR and AI digital products to promote Delta's future collections among a young audience. We also have two courses in the pipeline – one on innovation in active wear, and the second offering internships at Delta for digital tools in textile design.



BEITH RUTH

During 2020, and as part of our ongoing efforts for equal opportunities, we established a partnership with this educational and therapeutic village. Beith Ruth offers long-term residence and schooling for vulnerable and at-risk girls. The village gives these girls the opportunity to thrive emotionally, socially and academically, thereby breaking the cycle of violence for themselves.

Representatives from Delta Galil periodically visit Beith Ruth to hold different activities together with the girls. Our first group was our Graphic team, who prepared

an enjoyable and creative embroidery workshop. Our volunteers were touched by the experience and said they are looking forward to visiting again.

We are currently planning a styling session and a first aid session to be carried out by our associates. However, during COVID we have been unable to visit the village. Instead, we assisted by sending gift boxes with our products.

ACHARAI! (FOLLOW ME!)



Acharai!, established in 1997, aims to create young leaders and encourages social involvement among youth in peripheral communities in Israel.

Acharai! focuses on self-empowerment and teamwork, and strives to build a love of the country among participants. Other activities include leadership courses, community volunteering, and supporting young people up to the age of 25 through academic preparation courses. The association supports approximately 5,000 participants every year, across 100 communities.

In addition to monetary donations, we like to show moral support to the organization. For example, during the reporting period, one of our senior managers accompanied Acharai! group activities in Karmiel. This chapter was established more than 15 years ago, and caters to 25 youngsters from a variety of backgrounds.

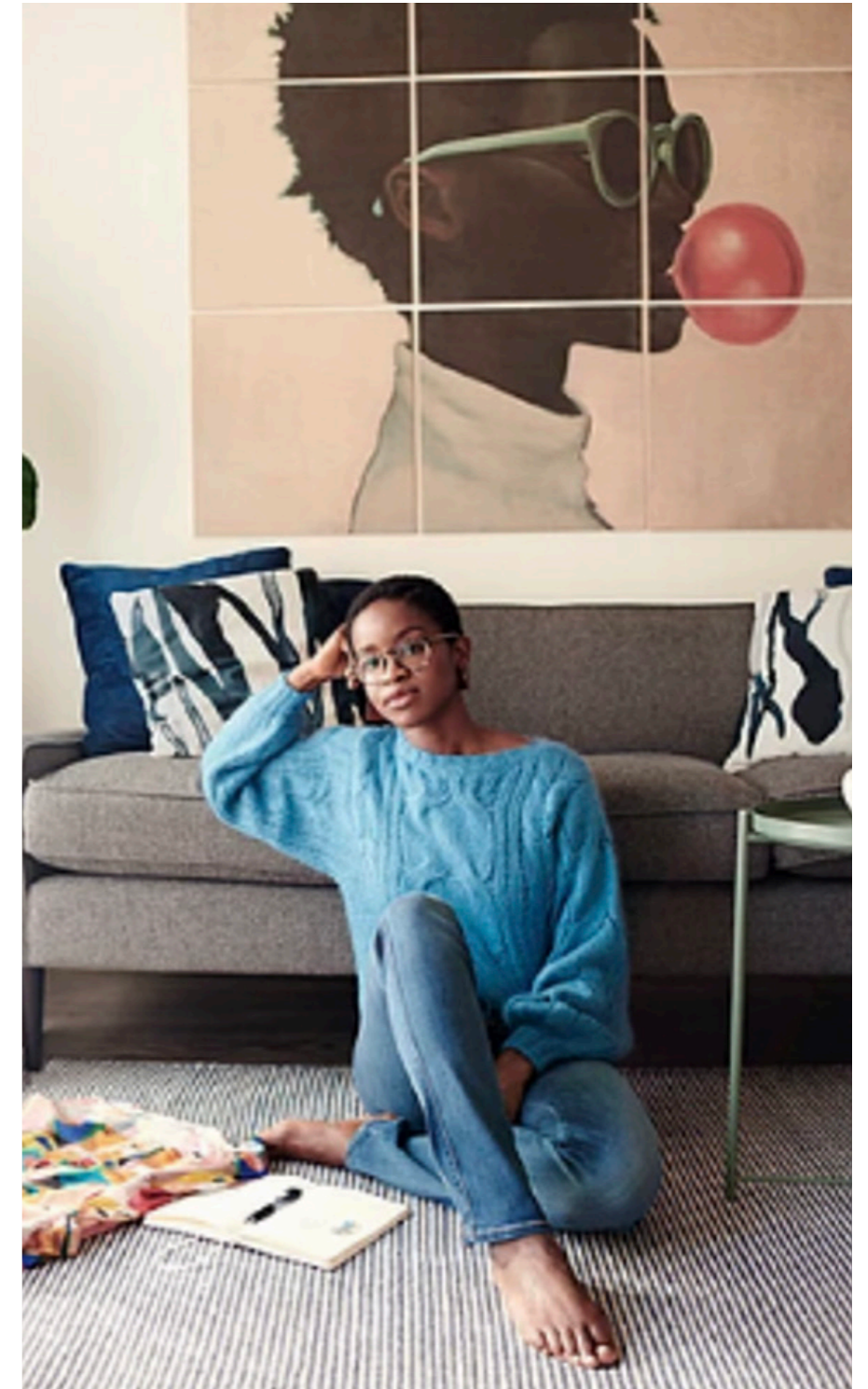
OUR 'TECHNODA' TECH-SCIENCE PROJECT

The 'Technoda' center was established in 1986 through the Jewish Agency for Israel's Project Renewal. It is part of a rehabilitation program, aimed at enriching and exposing children from peripheral communities to the fascinating world of science and technology, while providing them with practical skills. On a social level, the center aims to bridge gaps by providing exposure to technology to youths from a low socio-economic background.

Six years ago, we began collaborating with Technoda as part of our policy to invest in communities where we operate. 'To Grow with Delta' is our program for 60 students in grades 6 – 9 who attend four-hour sessions each week, each year. They cover courses in science and technology, medicine, industry, product development, textile development, industrial design and more. In addition, the students are provided with a hot meal and have a lot of fun socializing.

THE 7FAM BRAND COMMUNITY

The 7FAM fall campaign in 2020 was pivoted around culture and featured real 7FAM community members in their homes, reflecting the 7 values of the brand: Conversation, Expression, Authenticity, Curiosity, Purpose, Connection, and Undeniable Style. This was the first global brand campaign and was shot in the cities of London, Berlin, New York and Dallas.



SUPPORTING COMMUNITY BUSINESSES THROUGH IN-STORE POP-UPS

As the originator of premium denim and the industry leader, we believe that **7 For All Mankind** has a responsibility to use its platform for good. Within its store fleet, there is an opportunity to bring people together, champion important causes, and enact positive change within the surrounding communities.

As part of the Community 7 program, which took place during 2020, in-store pop-ups were used to leverage the 7FAM retail space as a platform for emerging brands. The goal was not only to help local businesses and brands enjoy exposure and generate sales, but also to introduce 7FAM's clients to new brands that are relevant to their interests.

This project was carried out at select stores, including our NYC stores with Little Gems, our South Beach, FL store with a local artist, and at Southpark, NC with a jewelry brand called Reigning Grey.



OFFERING HOPE AND CARE TO WOMEN WITH BREAST CANCER

During October 2020, Splendid partnered with the National Breast Cancer Foundation (NBCF) to improve well-being for women battling breast cancer, by letting them know that they're not alone.

For each item purchased from the SPLENDID X NBCF capsule, Splendid donated a super soft and cozy blanket and eye mask gift set to the NBCF, to be given to Metastatic Breast Cancer Retreat attendees. These retreats were created to provide a healing, safe, positive experience for women with metastatic breast cancer.

Splendid, in partnership with DGUSA also donated Hope Kits, care packages for women undergoing chemotherapy. The packages contained limited edition scarfs, as well as other thoughtful items and notes.

Lastly, Splendid sponsored #snapshotsofhope. For every social post using that hashtag during the month of October, \$5 was donated to the NBCF.



DELTA GALIL USA

Our different sites are involved in a number of charity programs, some of which are summarized below:

- **Coalition for the Homeless** – An organization working through litigation, public education and direct services, toward the goal of affordable housing, sufficient food and the chance to work for a living wage
- **Salvation Army** - Angel Tree – this program provides new clothing and toys for children of families in need during the Christmas season
- **Dress for Success** – this aims to empower women to achieve economic independence, by providing a network of support, professional attire and development tools to help women thrive in work and life, and
- **Shatterproof walk** – a national movement of friends, families, co-workers, corporations and community partners, joining together to raise vital funds to draw attention to the disease of addiction.



TURKEY

Our site continues to initiate many social activities, including:

- Blood and stem-cell donation – see box below
- Afforestation activity
- Participation in a project against child abuse
- Supplying materials for kindergartens
- Factory visit for high school students
- Lectures during career days at the Duzce University
- Donation campaign for children with the SMA genetic disease, and
- Earthquake relief donations.



DONATING BLOOD AND STEM-CELLS AT DELTA ALFA TURKEY

At least once a year, our employees at the Delta Galil factory in Turkey have an opportunity to contribute to their community in a very tangible way – by donating blood and stem cells.

The factory HR contacts the Turkish Red Crescent, which advertises the donation one week in advance and sends teams to the factory to perform the collection. Many of our team members choose to participate. A doctor will check the health status of the volunteers and if their health condition permits, the volunteer can donate after filling out an open consent form. The donation takes 20 minutes and after a short rest, people resume their activities.

BULGARIA

Our activities here have included:

- **“Caps for toys”** - a Green charity campaign to collect and recycle caps for payment and use the money to buy toys for children in hospitals
- **“Generous Heart”** – a donation drive to collect clothes, toys, books and more
- Donation to a regional football club and sports events
- Donation for a playground for children with disabilities
- Donations to a local hospital.





GOVERNANCE

CORPORATE GOVERNANCE

FOR MANY YEARS AND ACROSS ALL OPERATIONS, DELTA GALIL HAS STRIVED TO ACT IN ACCORDANCE WITH THE FOUR MAIN PRINCIPLES OF CORPORATE GOVERNANCE: FAIRNESS, TRANSPARENCY, ACCOUNTABILITY AND RESPONSIBILITY.

As of the end of 2020, our Board of Directors comprises nine members - seven men and two women – out of whom two are independent external directors. The Board meets at least on a quarterly basis to review and approve the company's financial results and future strategic plans. Three of the directors have a background in the textile industry, and three are considered accounting and financial professionals.

The Board nominated three committees that monitor its financial and managerial activities:

Audit Committee – this consists of three members, two of whom are external directors. The committee appoints an internal auditor, and meets once a year to approve its annual work plans. In addition, it meets on a regular basis to discuss audit reports and their findings.

Committee for Examination of Financial Statements – this committee consists of three members, two of whom are external directors. The committee meets on a quarterly basis to discuss the financial results and recommend their approval to the Board of Directors.

Compensation Committee – this consists of three board members. The committee deals with salary and employment conditions, as well as bonuses and capital remuneration for Delta's senior executives. Delta Galil manages a bonus plan for senior management, which includes compensation based on individual and division achievements, as well as meeting operation targets on a corporate/divisional level.

The Board of Directors meets to discuss the correlation between compensation of senior managers and their contributions to the Company.

The Company's management reviews the contributions of every manager to the Company's business objectives and their compliance with work plans. The Company's performance across various areas, in relation to the different responsibilities of the Company's managers, is also examined.

The Board of Directors determines a fair and reasonable compensation for each associate and senior manager, which reflects his or her contribution to the Company throughout the year. These are based on a Pay for Performance (PFP) process outlined in Time2Talk on page 135.

Delta Galil employees are requested to avoid conflicts of interest. This involves full disclosure and transparency whenever there is a potential conflict.

The Company prepares a training program for new directors. The main purpose of this is to make them familiar with the business and legal aspects, which are relevant to the Company and its directors.

UN GLOBAL COMPACT PRINCIPLES

DELTA GALIL EXPRESSES SUPPORT FOR THE 10 PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT (UNGC) INITIATIVE AND WORKS TO PROMOTE THESE PRINCIPLES. THESE ARE DETAILED BELOW AND ADDRESSED IN OUR GRI CONTENT INDEX:

HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

LABOR

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally-friendly technologies.

ANTI-CORRUPTION

10. Businesses should work against corruption in all its forms, including extortion and bribery.

GRI CONTENT INDEX⁴⁷



Standard	Disclosure	Description	Pg.	UNGC	Comments	
General Standard Disclosures						
GRI 101: Foundation 2016	This GRI content index specifies each of the GRI Standards used and lists all disclosures reported. The index covers activities that occurred during the reporting years and discloses information on all the material sustainability topics identified from both organizational and operational impacts of Delta Galil (for more information please refer to disclosure 102-47). During the development of the report, the GRI reporting principles, highlighted in GRI 101 Foundation, have been applied, as well as examined during the external review. The publication year for all Standards in the GRI Content Index is 2016.					
GRI 102: General Disclosures 2016	ORGANIZATIONAL PROFILE					
	102-1	Name of the organization	16			
	102-2	Activities, brands, products, and services	16-47			
	102-3	Location of headquarters	22-23, 170			
	102-4	Location of operations	22-23			
	102-5	Ownership and legal form	17			
	102-6	Markets served	40-47			
	102-7	Scale of the organization	16, 20, 72			
	102-8	Information on employees and other workers	16, 24, 124	6		
	102-9	Supply chain	82			
	102-10	Significant changes to the organization and its supply chain	18-20			
	102-11	Precautionary Principle or approach	78	7		
	102-12	External initiatives	48			
	102-13	Membership of associations	48, 90			
	STRATEGY					
	102-14	Statement from senior decision-maker	4			
	102-15	Key impacts, risks, and opportunities	76			
	ETHICS AND INTEGRITY					
	102-16	Values, principles, standards, and norms of behavior	51, 58	10		
	102-17	Mechanisms for advice and concerns about ethics	58, 147	10		
	GOVERNANCE					
	102-18	Governance structure	164			
	102-22	Composition of the highest governance body and its committees	164			
102-23	Chair of the highest governance body	17				
STAKEHOLDER ENGAGEMENT						
102-40	List of stakeholder groups	12, 60				
102-41	Collective bargaining agreements	128				
102-42	Identifying and selecting stakeholders	12, 60				
102-43	Approach to stakeholder engagement	12, 60, 92, 135				
102-44	Key topics and concerns raised	60				

⁴⁷ For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

Standard	Disclosure	Description	Pg.	UNGC	Comments
REPORTING PRACTICE					
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	8		
	102-46	Defining report content and topic boundaries	12		
	102-47	List of material topics	12		
	102-48	Restatements of information	8		
	102-49	Changes in reporting	8		
	102-50	Reporting period	8		
	102-51	Date of most recent report	8		
	102-52	Reporting cycle	8		
	102-53	Contact point for questions regarding the report	170		
	102-54	Claims of reporting in accordance with the GRI Standards	8		
	102-55	GRI content index	166-169		
	102-56	External assurance	8		
Specific Standard Disclosures					
ECONOMIC PERFORMANCE					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	19, 22, 72		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	72		
	201-2	Financial implications and other risks and opportunities due to climate change	77		
MATERIALS					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	102		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 301: Materials 2016	301-1	Materials used by weight or volume	102	7,8,9	
ENERGY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	107-113	7,8,9	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	108	7,8	
	302-2	Energy consumption outside of the organization	101	8	
	302-3	Energy intensity	110	8	
	302-4	Reduction of energy consumption	110	8,9	
	302-5	Reductions in energy requirements of products and services	104	8,9	

Standard	Disclosure	Description	Pg.	UNGC	Comments
WATER					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	114-116, 119	7	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	115, 119	7	
	303-2	Management of water discharge-related impacts	119		
	303-3	Water withdrawal	116		
EMISSIONS					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	107-113	7,8,9	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 305: Emissions 2016	305-1	Energy direct (Scope 1) GHG emissions	111	7,8	Delta Galil is presently working on improving its systems to report these data in the future
	305-2	Energy indirect (Scope 2) GHG emissions	111	7,8	
	305-3	Other indirect (Scope 3) GHG emissions	113	7,8	
	305-4	GHG emissions intensity	112	7,8	
	305-5	Reduction of GHG emissions	112	8,9	
	305-6	Emissions of ozone-depleting substances (ODS)	112	7,8	
EMPLOYMENT					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	124		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	136		
OCCUPATIONAL HEALTH AND SAFETY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	148		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 403: Occupational Health and Safety 2018	403-1	Workers representation in formal joint management-worker health and safety committees	148-149		
	403-2	Hazard identification, risk assessment, and incident investigation	150-151		
	403-3	Occupational health services	151		
	403-4	Worker participation, consultation, and communication on occupational health and safety	150		

Standard	Disclosure	Description	Pg.	UNGC	Comments
OCCUPATIONAL HEALTH AND SAFETY					
GRI 403: Occupational Health and Safety 2018	403-5	Worker training on occupational health and safety	151		
	403-6	Promotion of worker health	151		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	151		
	403-8	Workers covered by an occupational health and safety management system	151		
TRAINING AND EDUCATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	132-137		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 404: Training and Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	132-133	6	
DIVERSITY AND EQUAL OPPORTUNITY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	140		
	103-2	The management approach and its components	140		
	103-3	Evaluation of the management approach	140		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	144		
NON-DISCRIMINATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	140	6	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	142	6	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	128		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	128		

THANKS

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DELTA GALIL 
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