

**BETTER
EVERYDAY
REPORT
2023**



**FASHION
GROUP**

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KEY GOALS AND PROGRESS

FOCUS AREAS

PROGRESS 2023

KEY GOALS 2025

PEOPLE	WORKING CONDITIONS	32% (Brands) and 36% (Private label) of the Garment factories (Tier 1) we work with have BSCI Rating A and B.	80% (Brands) and 50% (Private label) of the Garment factories (Tier 1) we work with have BSCI Rating A and B.
	TRANSPARENCY	100% of Tier 1 and 90% of Tier 2 is known for our main customers.	100% of Tier 1 and 2 are known for our main customers.
	CULTURE	Our Culture scan shows a score of 3,7 out of 5 for the core value sustainability.	Our Culture scan shows a score of 4.5 out of 5 for the core value sustainability.
	EDUCATION	80% of our colleagues have followed our education program.	100% of our colleagues have followed our education program.
PLANET	ECODESIGN	We have created roadmaps for ecodesign changes for our primary products.	We use the ecodesign strategies which fit our customer group.
	REDUCE IMPACT	We have tested several Life Cycle Assessment tools to calculate the impact of the production of our products.	We reduced production impact with x% of our top 10 products (% depends on 0-measurement).
	SUSTAINABLE PACKAGING	We have further researched the possibilities in reducing packaging and increasing recycled content.	Baseline measurement is done.
PROFIT	SUSTAINABLE PRODUCTS	We increased our use of responsible materials (recycled/organic etc.) in our products from 27% in 2022 to 46,8% in 2023.	x% of our products are using at least 50% certified materials and x% per material use certified materials (% depends on 0-measurement).
	HVEG LAB	We have conducted market research to get insight in customer needs and interest in sustainable topics.	We developed 1 successful sustainable business model or concept.

MESSAGE FROM THE CEO

INTRODUCTION

I am delighted to present to you our Better Everyday Report 2023, a testament to our commitment to sustainable and responsible business practices. In a world facing unprecedented environmental challenges and social inequalities, our organization recognizes the critical role we must play in creating a more sustainable future for generations to come. Guided by our core values and our beliefs, we have embarked on a journey towards greater sustainability by doing Better Everyday.

Sustainability in apparel is becoming more rooted in legislation, and the European Union is forging ahead with the European Textile strategy as commenced in the Green Deal and its equals.

Directives such as the CSRD (Corporate Sustainability Reporting Directive) and regulations such as EPR (Extended Producer Responsibility) and the ESPR (Ecodesign for Sustainable Products Regulation) are forcing fashion to take responsibility for its footprint on this earth and to change its DNA. With the upcoming Digital Product Passport, which will offer information about a product's lifecycle, materials, and sustainability attributes, there will be more transparency than ever before. We are optimistic about the fact that Europe is developing and implementing these laws. This will make for a more durable fashion system for the future. Of course, these changes are a big challenge for us, but we aim to be Better Everyday for all of our stakeholders. We continuously focus on improving working conditions, analyzing the market, consumer needs, climate impact, resource scarcity, laws and innovations.



We saw a strong development last year in improving the environmental impact of the production. This is also due to the laws in Europe. It's critical to understand our baseline measurements of certified materials, CO2 emissions, energy use, water use, and other factors while attempting to reduce the environmental impact. In 2023, we started the preparation to conduct these baseline measurements in our order systems and by doing tests with several Life Cycle Analyses platforms. In 2024 we will be able to calculate the baseline and develop concrete and realistic goals on certified material and on reducing impact. Additionally, we have looked into the potential for ecodesign for the primary products of each Business Unit. In 2024, we aim to incorporate these new findings into our collection designs going forward.

In 2023 we have again conducted many audits at the factories we work with. By doing our own audits, next to the ones that are done by amfori BSCI, we want to guide and advise the factories on how they can improve the working conditions. We also focused on transparency in the supply chain, by making a start with mapping out our Tier 2 suppliers as well.

However, our journey towards sustainability is still far from over. As we navigate through the complexities of a rapidly changing world, we recognize the need for continuous improvement and collaboration. We remain dedicated to engaging with all stakeholders, listening to their feedback, and incorporating their perspectives into our sustainability initiatives.

"As we reflect on 2023 and look forward ahead to the opportunities and challenges that lie before us, I am optimistic and determined to do Better Everyday. I would like to extend my gratitude to each and every one at HVEG Fashion Group whose dedication and passion have been instrumental in our sustainability journey."

- Mike van Snek

In closing, let us reaffirm our commitment to sustainability, not as an obligation, but as a shared responsibility to safeguard our planet and promote the well-being of all. Together we can do Better Everyday by taking better care of each other.

ABOUT HVEG FASHION GROUP
HVEG Fashion Group is a Group of internationally operating fashion companies. Our purpose is to completely unburden our customers by creating affordable fashion in a more sustainable way. HVEG designs, develops and produces Private label fashion, eyewear and accessories for our customers. We also have various brands: Bamboo Basics, Brams Paris, Maison de Paris, MAGIC Bodyfashion, Five2One, and license activities for Twinlife.

2000
CUSTOMERS

We sell in almost all West-European Countries such as the Netherlands, Belgium, France, Germany, Switzerland, Austria, Spain, Greece, Italy, UK, Denmark and also in the United States, South Africa and The Middle East.

294
EMPLOYEES*

Dhaka	42
Ningbo	35
Hong Kong	1
Gronau	16
Almelo	31
Leusden	60
Enschede	49
Eindhoven	41
's Heerenberg	19
*Headcount	

9
OFFICES

Dhaka, Ningbo, Hong Kong, Gronau, Almelo, Leusden, Enschede, Eindhoven, s Heerenberg

215
TIER 1 SUPPLIERS

Approximately, per 31-12-2023

27.000
ORDERS

Approximately, per 31-12-2023

86%
SALES BY PRIVATE LABEL

Approximately 200 customers have placed more then 7.000 orders in 2023.

14%
SALES BY BRANDS

Approximately 1800 customers have placed more then 20.000 orders in 2023 (excluding our webshop orders).

135 M
REVENUE

Net revenue is 135 Million in 2023 (including MAGIC Bodyfashion).



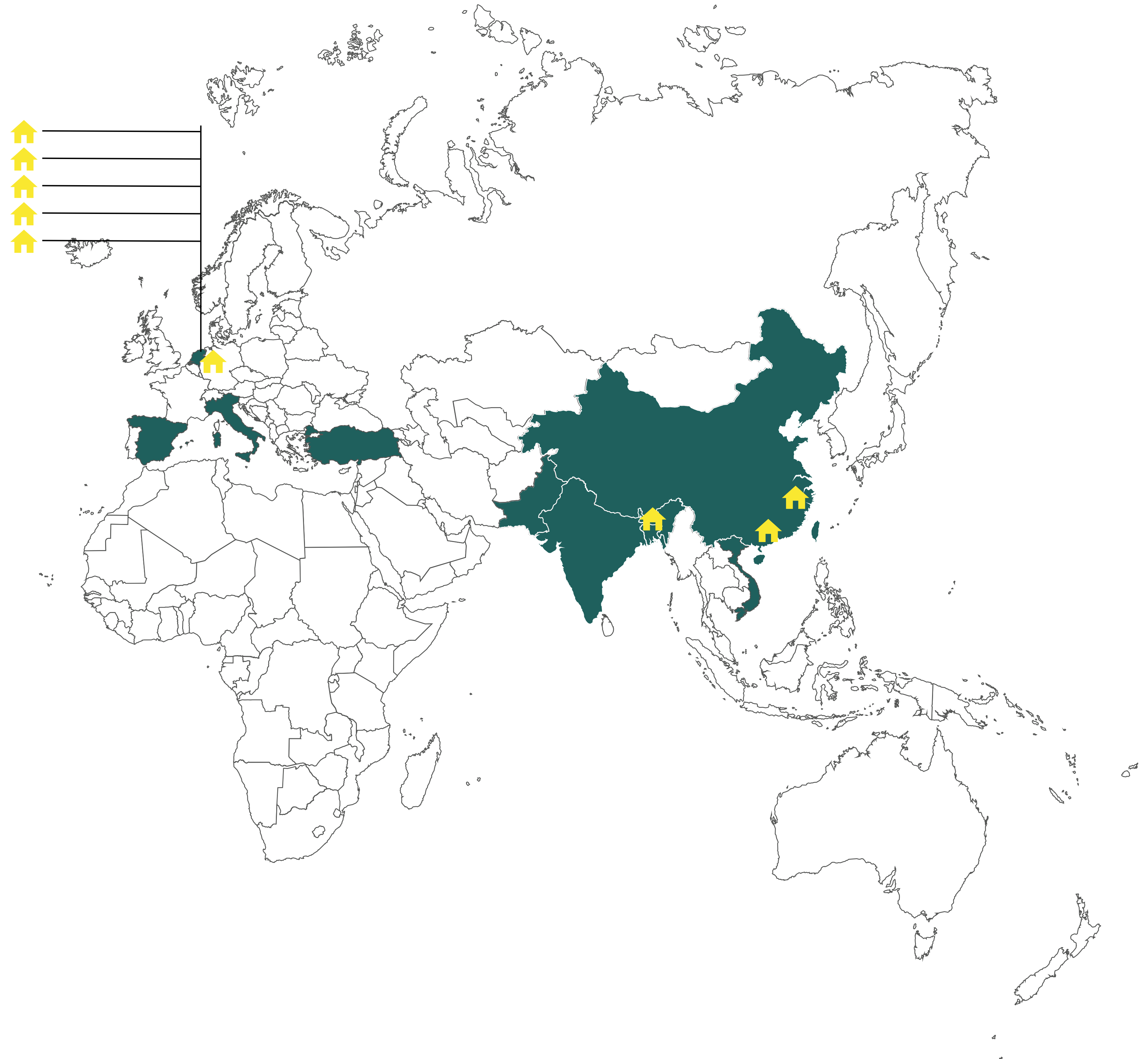
PRODUCTION COUNTRIES AND REGIONS:

Bangladesh, China, India, Taiwan, Italy, the Netherlands, Pakistan, Vietnam, Spain and Turkey.



HVEG OFFICES:

The Netherlands (Almelo, Eindhoven, Enschede, Leusden, 's Heerenberg), Germany (Gronau), China (Hong Kong and Ningbo) and Bangladesh (Dhaka).



MARKET UPDATE

INTRODUCTION

In 2023, several significant developments, such as high inflation, the energy crisis, and geopolitical tensions, greatly impacted the market and consumer behavior. Despite these challenges, the Dutch economy saw a modest increase of +0.3% in the Gross Domestic Product (GDP) in 2023 compared to a growth of 4.5% in 2022. The primary driver behind this GDP growth was increased consumption, alongside a decrease in imports and exports.

Retail sales in the Netherlands still saw an increase of +5.6% compared to 2022, as reported by the Dutch Statistics Agency (CBS), although this was lower than the 6.7% growth seen in 2022. Similar to the previous year, this growth was primarily driven by higher prices, with sales volume declining by -2.4% in 2023 (compared to -0.6% in 2022). Sales in non-food items increased by 3.5% (compared to +12.5% in 2022), while the food sector grew by 7.7% (compared to 4.2% in 2022). Spending in the fashion retail market in 2023 grew by +4.1% (compared to +14.3% in 2022), but this growth was solely due to price increases, with volume decreasing by -3.1%. Despite increased investments in online capabilities, online growth in 2023 slowed to +1.6% (compared to +8% in 2022).

Due to the economic circumstances, the earlier initiated shift in apparel sales from fashion retailers to discounters, super-/hypermarkets, and drugstores is still continuing. Consumer confidence improved at the beginning of the year compared to 2022, as a result of the fact that the Covid pandemic was over. During the year consumer confidence stabilized, which was very much impacted by the high inflation. In the 4th quarter of the year, the index improved again, but still is negative.

In Germany, the consumer climate was also moderate in 2023. Although income expectations rose, there was little change in willingness to buy and economic expectations. The tendency to save more also had a dampening effect on willingness to buy.

Similar to the Netherlands, German consumer confidence reached a low point in the fall of 2022. Following this dip, there was a gradual recovery from November 2022, though the increase remained marginal, akin to the situation in the Netherlands, which only saw a slight improvement from the spring of 2023 onward.

In 2023, retail companies in Germany reported a 2.3% increase in turnover compared to the same month a year earlier. However, in terms of units sold (excluding price increases), turnover was 3.3% lower. The significant difference in both indices is due to the price increases implemented in 2023.

Within the fashion retail sector, including shoes, turnover saw a 3.7% increase. The volume increased by 2.6%, with the effect of price increases also visible, but less pronounced in this segment compared to the entire retail sector.

Thus, the German fashion retail sector shows a better development in 2023 than in the Netherlands, but this must also be seen in the context that in the Netherlands, the recovery after the Corona period began in 2022, whereas in Germany, this recovery clearly started later.

Despite maintaining strong partnerships during and after the pandemic, alongside a well-balanced customer and distribution mix, HVEG experienced a decrease in sales in 2023, amounting to -10.3% (excluding the impact of the acquisition of MAGIC Bodyfashion), compared to an increase of 16.2% in 2022. This decline in sales is partly driven by price decreases, as well as the effect of certain large accounts still maintaining high stock levels due to lower sell-through.

Nowadays, sustainability plays an increasingly significant role in consumer behavior, influencing purchasing decisions and shaping retailer strategies. Responding to heightened environmental awareness and evolving laws and regulations in Europe, retailers are prioritizing eco-friendly practices. These initiatives include reducing plastic packaging, introducing sustainable product lines, and implementing recycling programs. Brands that embraced sustainability as a core value proposition garnered increased consumer trust and loyalty, reflecting a broader societal shift towards mindful consumption.

However, a challenge persists in striking a balance between sustainability and affordability. While consumers aspire to make environmentally conscious choices, price remains a driving factor in their decision-making process. This dynamic can pose difficulties for sustainable and innovative start-ups striving to survive in the market. In 2024, for example, Renewcell faced challenges in maintaining operations as the prices of their recycled fibers were deemed too high to sustain competitive pricing and margins.

HVEG Group B.V., a company organized under Dutch law, serves as the parent company of HVEG Fashion Group. The group is a solid and reliable one-stop shop outsource partner offering a business model that bundles all value chain elements to completely unburden its customers. HVEG Fashion Group operates under a one-tier board of directors governance structure, comprising our CEO and CFO. The Board is in charge of the day-to-day management of the Group. To ensure the long-term interest of all stakeholders, the Board receives assistance and support from the Senior Leadership Team (SLT) and Management Teams of the Business units. The majority of its shares are owned by a group of Dutch informal investors, coordinated by a Family Office. The remainder of the shares are owned by Management.

The group's business operations are divided into 3 pillars: Private label garments, Private label accessories and brands. Each pillar encompasses several operating companies with its own products and customers. The company believes in entrepreneurship and therefore has decentralized responsibilities for the commercial activities. Understanding the requirements and divers business models of our customers is key for success. Our organisational structure is designed to foster deep product knowledge and specialization, enabling us to add significant value to our customers' concepts.

We aim to create stylish, successful collections for our clients and to perform best of class in all phases of the production and logistics process. This entails delivering the right products at the right time, maintaining desired quality standards, and offering competitive pricing. Our strengths are the development of commercially strong collections, supply chain expertise, flexibility, efficient sourcing, a healthy price-quality ratio and advice on sustainability and compliance. We have a responsible platform of suppliers supported by our effective and accredited Code of Conduct. While production primarily occurs in Asia, we also operate a Belt Factory in Eindhoven, the Netherlands.

As part of the strategy, HVEG aims to further grow, both organically and potentially, through buy and build. In July 2023, the group acquired 100% of the shares of MAGIC Bodyfashion B.V., located in Almelo. For over 30 years, MAGIC Bodyfashion has successfully offered shapewear, underwear, legwear and (body)fashion solutions for women, with the company growing strongly internationally over the past 10 years and positioning itself towards a Total Body Solution concept. With this acquisition, HVEG intends to continue its growth strategy and further expand its product range and customer portfolio at home and abroad.

BETTER EVERYDAY

Our sustainability means taking care of each other
by finding a balance between people, planet and profit.

THAT'S WHAT DRIVES US

To get better everyday. To prepare us for tomorrow. Step by step, little by little.
Consciously doing what we can.

BRINGING EVERYONE ALONG

And inspire all who design, produce, sell or wear our clothes and accessories
to move forward into a more and more sustainable life. Taking small steps.

WHICH STEP WILL YOU TAKE TODAY?

OUR APPROACH TO SUSTAINABILITY

BETTER EVERYDAY

In a world facing environmental challenges and social inequalities, our organization recognizes the critical role we must play in creating a more sustainable future for generations to come. Guided by our core values and our beliefs, we have embarked on a journey towards greater sustainability by doing Better Everyday.

The landscape is increasingly changing by the implementation of various laws and regulations, including the Extended Producer Responsibility (EPR), Ecodesign for Sustainable Products Regulation (ESPR), Corporate Sustainability Reporting Directive (CSRD), Microplastics Ban, and the German Supply Chain Act. At HVEG, we view this regulatory momentum as a positive force driving the necessary transition towards sustainability within the Textile Industry.

Aligned with our values and driven by customers needs and compliance requirements, we have an ambition to do Better Everyday - for our people, our customers, our suppliers, and our planet - all while maintaining profitability. We don't do that overnight, becoming more sustainable goes step by step. We encourage ourselves and those around us to consider: 'Which small step can you take today? In the end, all these small steps lead to our commitment for people, planet and profit. This commitment entails:

**CONTINUOUSLY ENHANCING
PEOPLE'S WELL-BEING**

**REDUCING THE ENVIRONMENTAL
IMPACT OF THE PRODUCTION
AND HVEG INTERNALLY**

**OFFERING MORE SUSTAINABLE
PRODUCTS TO OUR CUSTOMERS**

We approach the realization of our ambition collaboratively, engaging with our entire organization and external stakeholders. Through partnerships and collective efforts, we believe we can truly make a difference.

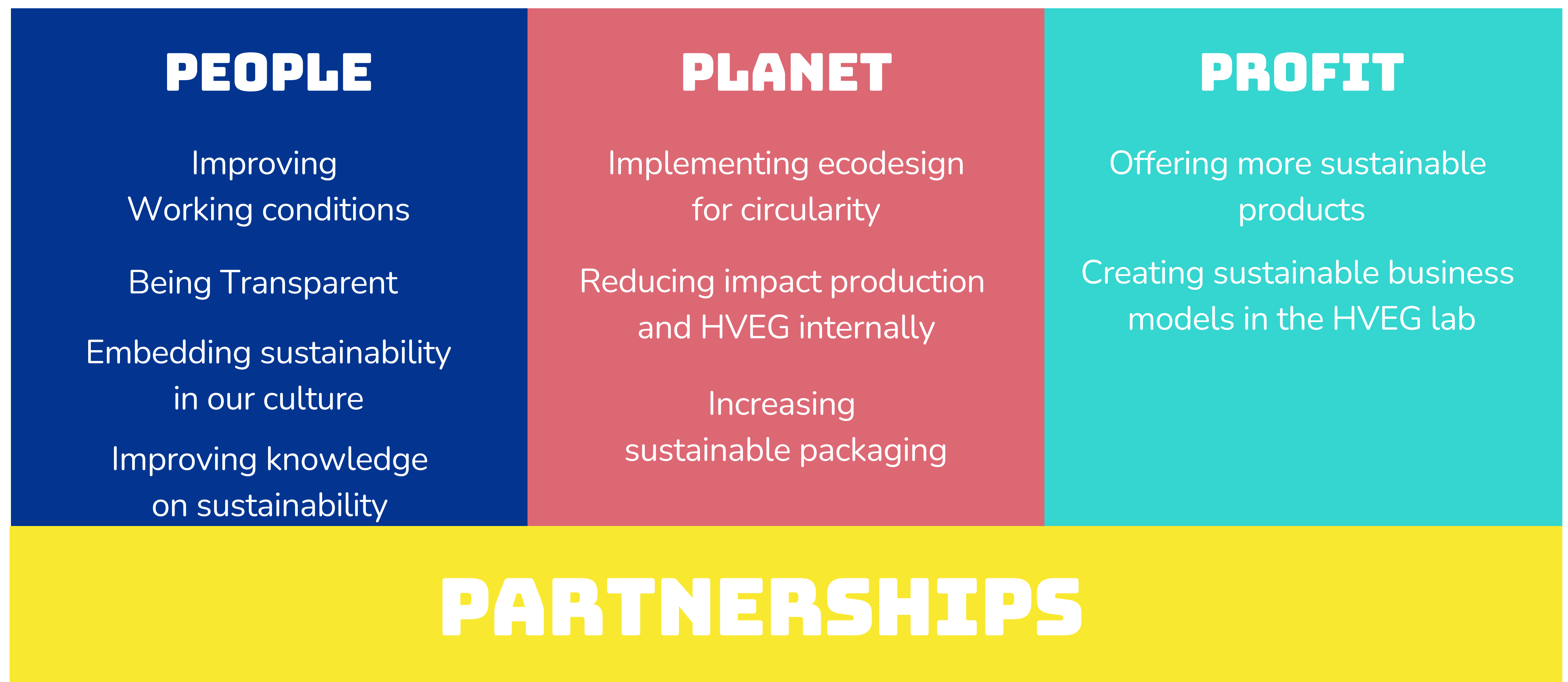
Moreover, at HVEG, we have established a dedicated Corporate Responsibility (CR) Team, led by the Group Sustainability Manager. Comprising 12 experts stationed across various locations of the HVEG Fashion Group, this team collaborates closely with the Management Teams of the Business Units to achieve our sustainability goals. The CR team plays a pivotal role in embedding sustainability and compliance throughout the organization. They set up the Sustainability strategy, identify social and environmental risks and opportunities, conduct supplier partner visits and audits, monitor relevant laws and regulations, and ensure adherence to our Code of Conduct. The Group Sustainability Manager provides regular reports to the Buying Director and CEO, ensuring transparency and accountability in our sustainability efforts.

OUR SUSTAINABILITY STRATEGY

BETTER EVERYDAY

We have the ambition to do Better Everyday by finding a balance between people, planet and profit. Achieving this requires collaborative efforts and partnerships to effect real change.

To this end, we concentrate on and establish objectives for the following focus areas:



PREPARING FOR THE CSRD

BETTER EVERYDAY

As previously mentioned in this report, many laws and regulations are introduced. One of the laws is the Corporate Sustainability Reporting Directive (CSRD). We want to highlight the CSRD, because the CSRD will have a significant impact on how organizations incorporate sustainability into their daily operations and reporting practices. At HVEG, we recognize the importance of complying with the CSRD requirements, which will shape our reporting obligations in the future. With the obligation to report according to the CSRD by 2025, we are taking proactive steps to ensure preparedness.

To date, we have integrated Environmental, Social, and Governance (ESG) topics into our focus areas. These topics are outlined by the European Directive, forming a crucial component of European Legislation. Additionally, we have developed a Double Materiality Matrix (DMM), which serves as a framework for assessing both internal and external sustainability risks and opportunities. Further details on the DMM will be provided in the subsequent chapter.

Furthermore, we are actively preparing ourselves by establishing clear goals and concrete indicators to measure and monitor our progress. By defining specific targets and implementing robust monitoring mechanisms, we aim to ensure transparency, accountability, and alignment with the evolving sustainability landscape and regulatory requirements, including the CSRD.

Below are the ESG topics outlined:

Environmental (5 topical standards, E1-E5):

- E1 Climate change
- E2 Pollution
- E3 Water and marine source
- E4 Biodiversity and ecosystems
- E5 Resource and circular economy.

Social (4 topical standards, S1-S4):

- S1 Own workforce
- S2 Workers in the value chain
- S3 Affected communities (not yet integrated in focus areas)
- S4 Consumer and end users.

Governance (1 topical standard, G1):

- G1 Business Conduct (Code of Conduct).

Based on the DMM and regulatory requirements, we will determine which topics to include in our CSRD reporting 2025.

CSRD

The European Commission has adopted the CSRD in line with the commitment made under the European Green Deal.

Under the CSRD organizations will need to begin disclosing information about their social and environmental impacts, initiatives, and engagements with stakeholders. It involves transparency, accountability, and integration of ESG efforts into business strategy.

It covers a wide range of issues and is supported by global standards and guidelines. By conducting a Double Materiality Assessments organizations prioritize their impact.

Overall, CSRD promotes corporate accountability, transparency, and long-term value creation for society, the environment and stakeholders.

DOUBLE MATERIALITY MATRIX

BETTER EVERYDAY

The Double Materiality Matrix (DMM) holds significant importance in CSRD reporting, enabling companies to identify and prioritize their sustainability impacts. By considering both social and environmental impacts on the company and vice versa, the DMM facilitates the development of strategies to mitigate negative impacts and enhance positive ones. Additionally, it aids in setting goals for focus areas.

In 2022, we conducted a Double Materiality Assessment with internal stakeholders. In 2023, we maintained the same Double Materiality Matrix as in 2022, as the topics retained their materiality and relevance within HVEG Fashion Group.

The matrix below provides a snapshot of the most critical Corporate Responsibility (CR) topics for HVEG Fashion Group. The positioning within the matrix indicates the level of impact, with topics having a larger impact positioned closer to the top right corner. Impact refers to the effect HVEG has or could have on the economy, the planet and people. In this annual report, we elaborate on our efforts to enhance sustainable development in the focus areas.

FOCUS AREAS

PEOPLE

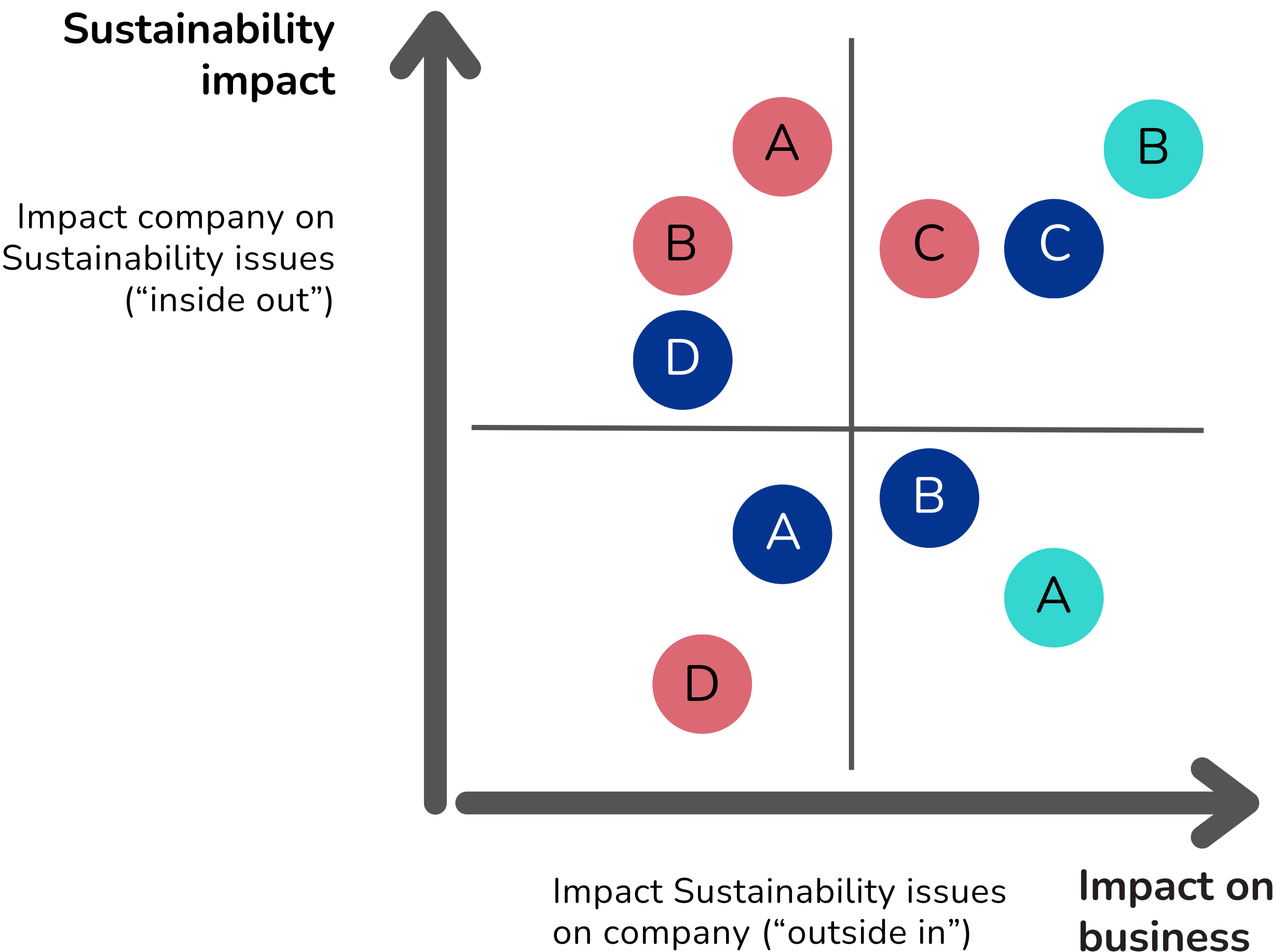
- a. Sustainability and pro-active behavior embedded in our culture
- b. All colleagues have a basic knowledge of sustainability
- c. Working conditions
- d. Transparent supply chain

PLANET

- a. Ecodesign for circularity
- b. Sustainable packaging
- c. Reduce impact production
- d. Reduce impact HVEG internally

PROFIT

- a. Sustainable Business Models (HVEG Lab)
- b. Sustainable products (incl. materials)



WORKING CONDITIONS

At HVEG Fashion Group, when we talk about people, we are not only talking about HVEG, but about all the members in the supply chain who are contributing to our product, work and processes. While we understand that we cannot address every issue, we ensure that products are manufactured in selected production units that align with our Code of Conduct and hold the necessary certifications, such as BSCI.

Our CRS officers visit and onboard these production units, and we conduct our own HVEG audits to support and coach suppliers in continuous improvement efforts. Although we have our internal audit system, we value independent semi-annual social audits from BSCI, utilizing their audits and rating system to set our goals.

PROGRESS 2023

In 2023, our aim was that 40% of the garment factories we work with for Brands and 35% for Private label will achieve BSCI ratings A and B.

We successfully achieved this goal for Private label, with 36.3% of garment factories meeting A and B ratings. However, this marked a slight decrease from 40.6% in 2022 due to a decrease in B ratings (2022: 39,1%) and an increase in C ratings (2022: 53,8%).

For Brands, only 32% of the garment factories achieved A and B rating. In 2022 we had a percentage of 44,2%. This shows a significant decrease. The main reason is that the A rating % decreased (2022: 28,6%). However, the B rating increased (2022: 15,6%) and C rating increased (2022: 55,2%).

The decrease in A and B ratings can be attributed partly to increased production in China. Achieving BSCI A or B ratings in China poses challenges, particularly regarding working hours compliance, resulting in lower scores overall.

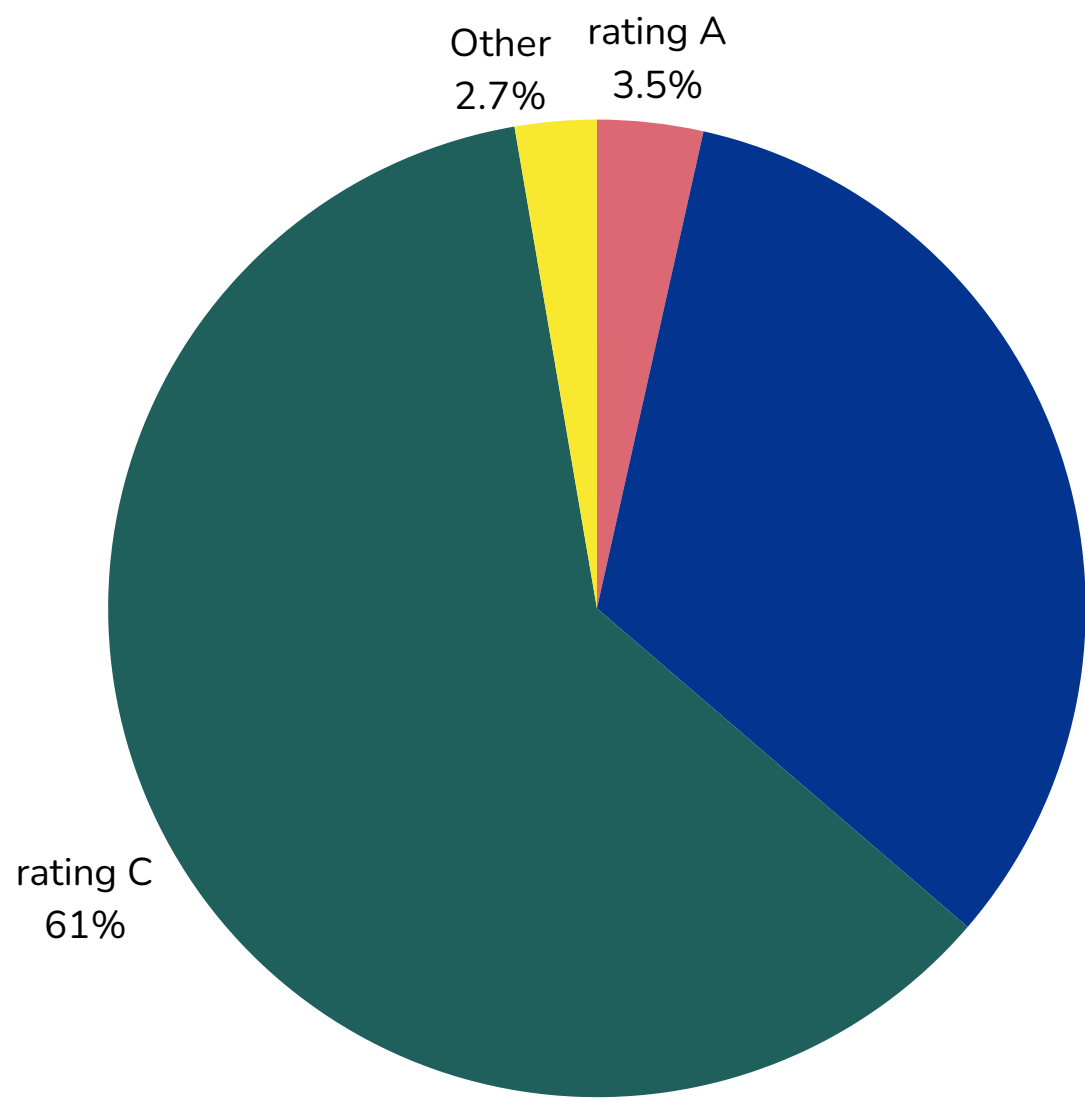
In 2024, we will persist in our efforts to increase the percentage of A and B rated factories we work with. On page 13, we elaborate on the challenges we face in achieving these goals.

GOAL 2024

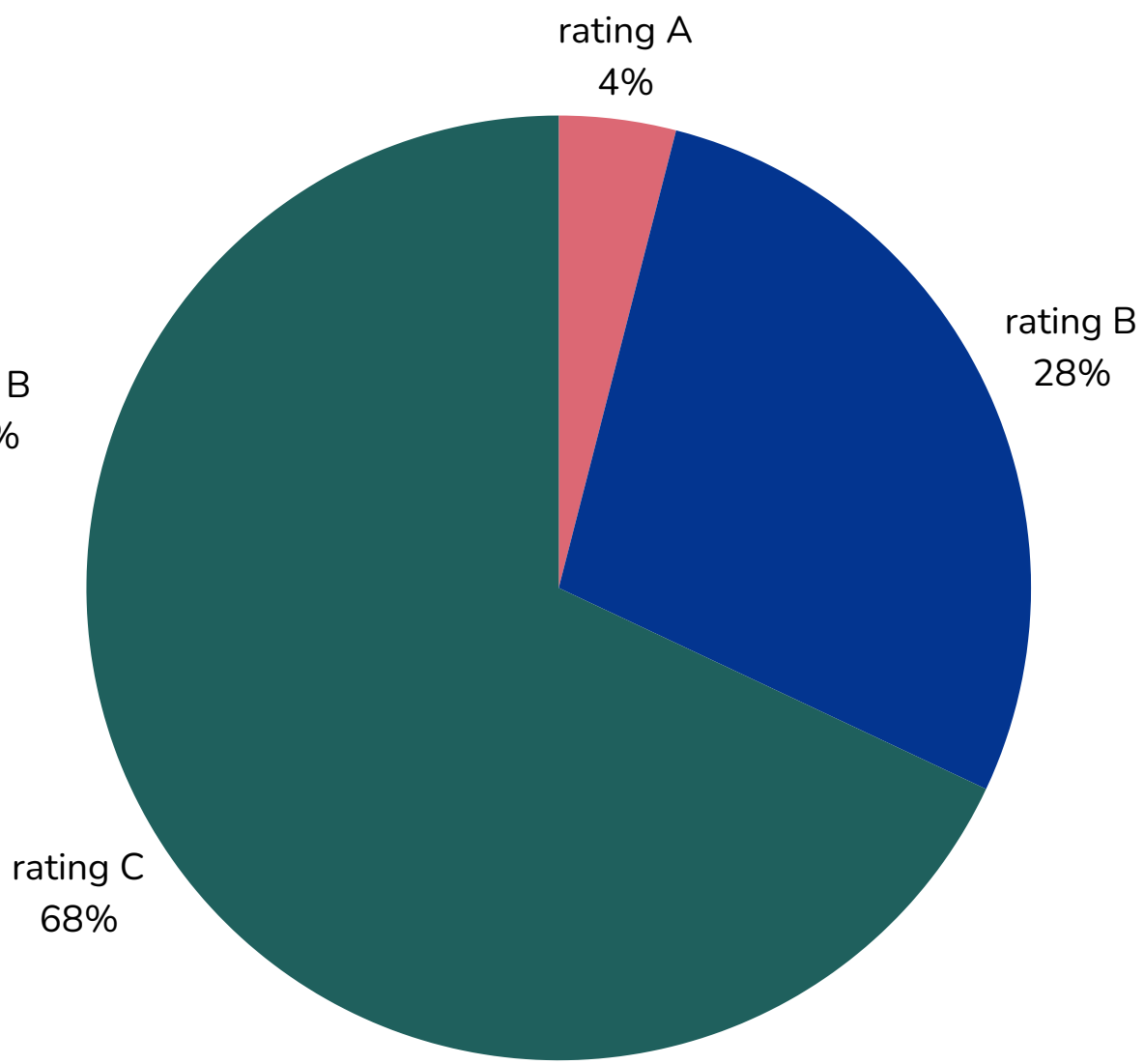
60% (Brands) and 45% (Private label) of the garment factories (Tier 1) we work with have BSCI rating A and B.

GOAL 2025

80% (Brands) and 50% (Private label) of the garment factories (Tier 1) we work with have BSCI rating A and B.



HVEG Private label BSCI rating



HVEG Brands BSCI rating
(excluding MAGIC Bodyfashion)

AMFORI BSCI

BSCI is an international Social Compliance initiative of amfori, that is committed to improve working conditions within the supply chain. Social audits like BSCI are based on the guidelines of the amfori BSCI Code of Conduct and focus on the following Performance Areas:

- PA1 - social management system
- PA2 - worker involvement & protection
- PA3 - freedom of association and collective bargaining
- PA4 - no discrimination
- PA5 - fair remuneration
- PA6 - decent working hours
- PA7 - occupational health and safety
- PA8 - no child labour
- PA9 - special protection for young workers
- PA10 - no precarious employment
- PA11 - no bonded labour
- PA12 - protection of environment
- PA13 - ethical business behaviour.

WORKING CONDITIONS

PEOPLE
ESG topic S2

At HVEG Fashion Group, our steady commitment to social responsibility is deeply ingrained in our HVEG Philosophy. We extend our concern beyond our immediate operations to encompass the entire supply chain.

In China, a key player in global textile exports, we approach the complexities of working conditions with a proactive and dedicated stance. Our audits of 57 factories in 2023 identified common challenges, ranging from payrolls and long working hours to issues in social insurance, occupational health and safety, and Personal Protective Equipment (PPE) usage. By delving into the cultural context and government initiatives, we gain a comprehensive understanding of these challenges.

For instance, when you look into the issue of the long working hours, a reason is that China is a “migrant workers” country. Many workers travel from their hometowns to urban centers in pursuit of better employment opportunities, driven by the desire to support their families and children financially. This dynamic is common across various industrial sectors. In the textile industry the workers will be paid as per piece rate and since most of them are working far from home, they are willing to do overtime and earn higher income. In China, as per the law, 36 hours overtime is allowed per month. It can exceed, because of short lead time per peak season.

While the government takes steps for better working conditions and environmental improvements, our commitment to being "Better Everyday" also drives us to address cultural and systemic challenges.

Our proactive approach to improving working conditions extends to our operations in Bangladesh, underscoring our commitment to ongoing progress. Through a series of 115 audits conducted in Bangladesh, we have addressed various critical areas including wages and benefits, labor rights, working hours, occupational health and safety, internal grievance mechanisms, collective bargaining, Personal Protective Equipment (PPE), labeling and fire safety.

HVEG AUDITS BY OUR CR TEAM

Bangladesh	115
China	57
Pakistan	15
TOTAL	187

In Bangladesh's garment industry, long working hours are also a pressing issue. Workers often exceed legal limits, driven by tight deadlines and intense competition. This overtime culture leads to fatigue and stress, leaving little time for rest or family. While some see overtime as a chance to earn more, many struggle to make ends meet with low wages. The internal grievance mechanisms is also important to facilitate, because it is needed to establish effective channels for workers to voice concerns and seek resolution for workplace issues.

In our other production countries, we uphold a similar commitment to monitoring and enhancing working and environmental conditions. This is achieved through collaboration with independent CSR officers who facilitate continuous improvement initiatives.

For us it is most important to work closely with all our suppliers to implement cooperative efforts, strengthen our training programs, and create strong policies as part of our remediation activities.

ACCORD

International Accord for Health and Safety in Textile and Garment Industry (formally known as The Bangladesh Accord). The Accord is a legally binding agreement to improve structural, fire, electricity safety at the workplaces for employees in clothing factories. It includes independent safety inspections of factories and public reporting of the results thereof. In addition, the Accord supports safety training for all employees and setting up safety committees within factories.

In addition to our commitment to BSCI, we are dedicated to Accord remediation efforts in Bangladesh and Pakistan. We are signatory of the Bangladesh Accord with our entities Low Land Fashion and Y'Organic. Y'Organic is also signatory of the Pakistan Accord.

The goal for 2022 was to correct 86% of the findings by Accord. We exceeded expectations by correcting 88% of the identified issues for 2022. In 2023, our efforts led to an even higher achievement, with 95.8% of the findings corrected. This notable improvement can be attributed in part to a smaller factory portfolio, enabling us to focus more effectively on remediation activities.

TRANSPARENCY

PEOPLE
ESG topic S2

Transparency is crucial for connecting the dots of the problems in the fashion industry and understanding how to fix them. Therefore, without transparency, achieving a sustainable, accountable and fair fashion industry will be impossible.

It is important and needed that laws and regulation, like the German Supply Chain act, are developed to increase the transparency. At HVEG, we are committed to achieving a 100% transparent supply chain and therefore we continuously work on keeping our Tier data up-to-date.

At the moment, we first focus on getting Tier 2 data from our Tier 1 suppliers.

PROGRESS 2023

We know 100% of our Tier 1 and approximately 90% of Tier 2 of our main customers.

GOALS 2025

Our goal is to have full visibility into both Tier 1 and Tier 2 suppliers in our supply chain of our main customers.

IN GENERAL WE DEFINE THE FOLLOWING TIERS FOR GARMENTS:

Tier 1: Garment factory: cutting, sewing, finishing, packing.

Tier 2: Fabric factory: both weaving and knitting, dyeing, washing, printing etc.

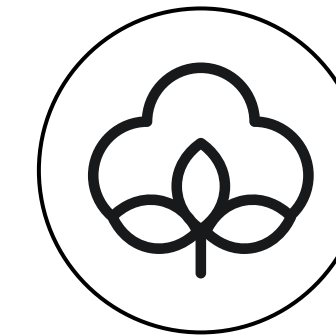
Tier 3: Yarn factory and spinners.

Tier 4: Raw materials: ginning and raw material supplier.

SUPPLY CHAIN TIERS

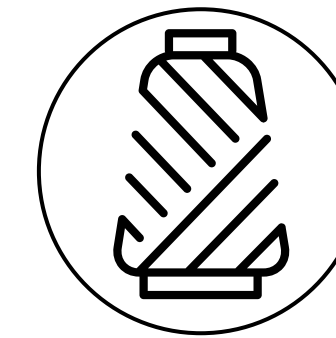
TIER 4

Raw materials



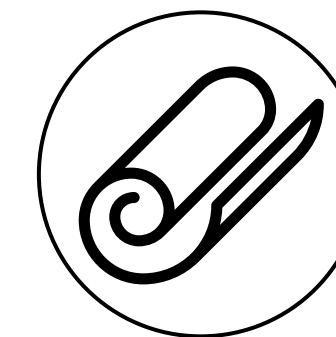
TIER 3

Yarn factory



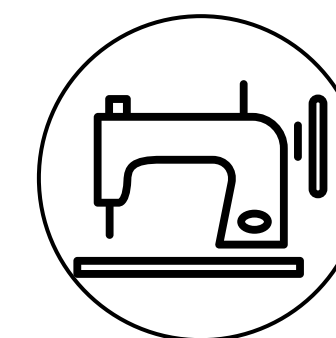
TIER 2

Fabric factory



TIER 1

Garment factory



Production Countries and regions



Percentage of total purchase amount.

At HVEG Fashion Group, we uphold a set of core values that guide our actions and shape our organizational culture. These values include Teamwork, Reliability, Open-minded, Enterprising, Sustainability, and Innovation. Every year we initiate a Culture scan, whereby our colleagues can fill in a questionnaire. In 2023, we continued this practice. The aim was to gauge their engagement with HVEG as a whole, as well as their alignment with our core values.

We are pleased to report that the employee engagement index rose to 81% in 2023 compared to 79% in 2022. The measurement of the employee engagement index is a combination of questions about satisfaction, pride, referral and loyalty.

THE SUSTAINABILITY SCORE

PROGRESS 2023

Regarding sustainability, we saw positive progress in 2023, with the Sustainability score increasing to 3.7 out of 5, compared to 3 in 2022.

However, the Culture scan also revealed areas for improvement. While sustainability is highly valued within HVEG's mission, it is perceived as underrepresented in everyday tasks. Colleagues expressed a desire for more education and training on our core values, particularly during the onboarding process. They also emphasized the importance of leadership setting examples by embodying our values and initiating regular discussions about sustainability-related activities within the organization.

To activate the core value of sustainability, our colleagues emphasized the need for concrete and measurable goals aligned with our strategic objectives. They called for a holistic and integrated approach that includes education, consistent communication, leadership by example, recognition of good practices, and a cultural openness to embed the core values more deeply within our organizational culture.

GOAL 2025

Looking ahead to 2025, our goal is to achieve a Sustainability score of 4.5. This ambitious target reflects our commitment to continuous improvement and our aspiration to make sustainability an integral part of our organizational DNA.

OUR CORE VALUES

SUSTAINABILITY	OPEN-MINDED	RELIABILITY	TEAMWORK	ENTERPRISING	INNOVATION
<ul style="list-style-type: none">• Take care of people, planet and profit• Social and Environmental compliance	<ul style="list-style-type: none">• Not judging, but thinking along• Be open to ideas• Empathize with others	<ul style="list-style-type: none">• We do what we promise• We are honest and transparent	<ul style="list-style-type: none">• Working together• Help, respect and support each other	<ul style="list-style-type: none">• Take responsibility• Passion and motivation• Be flexible	<ul style="list-style-type: none">• Think out of the box• See possibilities• Think ahead

In 2023, we initiated the Sustainable Education Program at HVEG Fashion Group, aiming to enhance our colleagues' basic knowledge on sustainability and compliance, covering various focus areas.

The program comprised a range of activities, including newsletters, speakers, battles, idea boards, movie afternoons, and news items on our Intranet, all centered around our focus areas.

Additionally, we organized webinars and workshops on topics such as sustainable materials, working conditions and transparency, circularity, and ecodesign (further details provided on page 18).

We also organized supplier days in Bangladesh and China to engage directly with our partners and deepen our collective commitment to sustainability (refer to page 19 for more information).

PROGRESS 2023

We are pleased to report that in 2023, approximately 80% of our colleagues participated in the education program, demonstrating a significant level of engagement and interest in sustainability initiatives.

GOAL 2025

Our goal is to ensure that 100% of our colleagues participate in the education program. By achieving full participation, we aim to foster a shared understanding and commitment to sustainability across our organization.

To gain deeper insights into the effectiveness of our Sustainable Education Program in 2023, we conducted a survey among our colleagues. The results provided valuable feedback that will shape our approach moving forward.

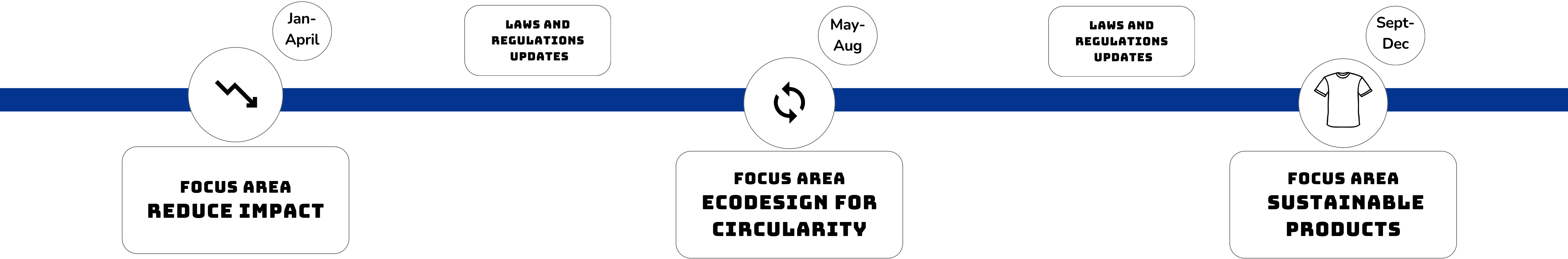
It was revealed that our colleagues prefer offline educational methods such as workshops, speakers and movies.

Furthermore, the survey highlighted a specific need for increased knowledge and awareness around laws and legislations related to sustainability. Approximately 17% of participants expressed interest in this topic and identified a lack of understanding about upcoming regulations.

Additionally, the survey underscored the importance of focusing on certain focus areas. The majority of participants expressed a desire for more knowledge about ecodesign (88.5%), reducing impact (76.9%), and sustainable products (84.6%). These findings have guided our decision to prioritize these areas in our educational initiatives for 2024.

Moreover, the survey responses included valuable suggestions for improvement, such as implementing a consistent education program and incorporating more hands-on activities to facilitate active learning.

Taking this feedback into account, we are committed to enhancing our Sustainable Education Program in 2024.



THE SUSTAINABLE EDUCATION PROGRAM TIMELINE FOR 2024

EDUCATION: WORKSHOP ECODESIGN

PEOPLE
ESG Topic S1

At the end of 2023, our styling teams, along with colleagues from buying and sales participated in an ecodesign workshop provided by Circle Economy. The workshop provided a comprehensive overview of key concepts such as the linear and circular economy, circular design strategies, and high-value recycling.

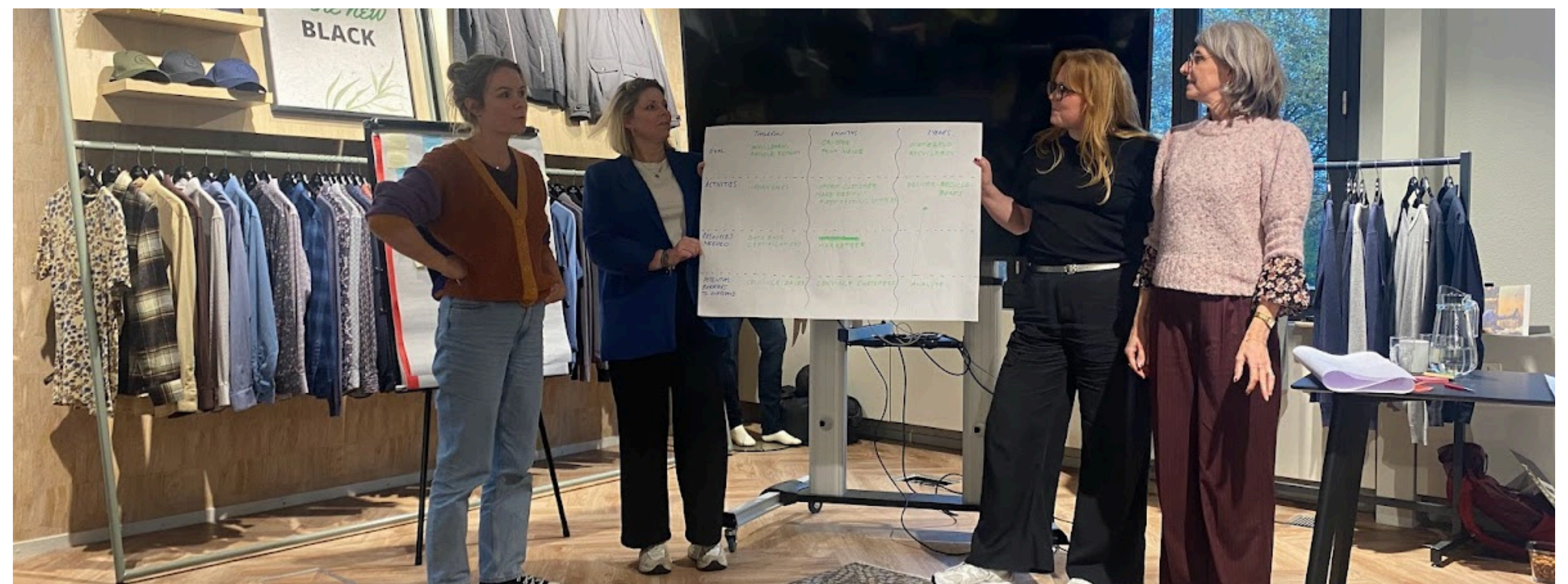


Following the theoretical part, colleagues have discussed some issues they have been experiencing while stepping into the world of circularity. One major concern raised was the feasibility of implementing circular design strategies within a low-margin market segment, where sustainability often takes a back seat to price considerations.

Acknowledging the diverse nature of product categories, the team recognized the need for tailored solutions and design adaptations. Additionally, they emphasized the importance of identifying like-minded customers who prioritize sustainability, enabling collaborative progress in ecodesign initiatives.



Now, the focus shifts towards transforming the wealth of ideas generated during the workshop into scalable and practical solutions. Drawing from the roadmaps developed during the workshop, the teams will create concrete action plans tailored to our primary products. These plans will leverage ecodesign strategies that align with the preferences and needs of our customers.



EDUCATION: SUPPLIERS DAY

PEOPLE
ESG Topic S1

The first HVEG Supplier Days took place in 2023 both in China and Bangladesh. All together we hosted over 200 suppliers and participants. The suppliers received clear updates about the current and upcoming regulations, social and environmental responsibility and sustainability. The event was closed with a highly successful panel discussion and Q&A, where our suppliers had the opportunity to voice their challenges and concerns.



Quote: “I think we must face the sustainable change in the market with a positive attitude, embrace this change, and actively learn, recognize and cooperate with it. I believe that we will take the shortest time to meet the new standards and requirements. As a part of HVEG Fashion Group, we can be bigger and stronger.” - Mr. Yu

Feedback vendors: The vendors experienced the event as positive and they want to join us in moving in the right direction. They appreciate that we keep our goals realistic and do not expect it all to be solved tomorrow. Rather, they expect us to continue to communicate transparently with each other and pursue the goals step by step.



ECODESIGN FOR CIRCULARITY

PLANET
ESG Topic E5

The Netherlands' goal of achieving a Circular Economy by 2050 entails transitioning from a linear production model to one that minimizes waste and maximizes the use of sustainable and renewable resources. In a Circular Economy, products and raw materials are reused wherever possible, resulting in a waste-free and environmentally sustainable system.

To accelerate progress towards a Circular Economy, the European Textile strategy has introduced the Ecodesign for Sustainable Product Regulations (ESPR). These regulations aim to establish ecodesign requirements for specific product groups, with the goal of enhancing their circularity, energy efficiency, and overall environmental sustainability.

In addition, as of July 1st 2023, the Netherlands has implemented the Extended Producer Responsibility (EPR) framework. Under EPR, producers and importers are held accountable for the entire lifecycle of their products, including disposal and recycling phases. This initiative incentivizes companies to increase the percentage of waste that is recycled and reused, effectively transforming it into new raw materials. The government has set ambitious targets, aiming for 50% of products released on the Dutch market to be recycled or reused by 2025, with a gradual increase to 75% by 2030. Currently, the recycling and reuse rate stands at approximately 35%. To meet these obligations, organizations like Modint and InRetail have established the Stichting UPV. By participating in the Stichting UPV, HVEG Fashion Group has taken a significant step towards fulfilling its EPR obligations, demonstrating a commitment to sustainability and environmental responsibility.

PROGRESS 2023

Throughout 2023, we remained dedicated to enhancing our understanding of ecodesign for circularity. For us, ecodesign entails integrating environmental considerations at every stage of the product development process, with a focus on minimizing environmental impact throughout the product's lifecycle. We explored several strategies, including:

- Extend the lifespan of products by prioritizing durability and facilitating increased use and reuse.
- Implementing repair initiatives to extend the usability of products and reduce waste.
- Increase recyclability.

During the ecodesign workshop, we developed roadmaps for various products, outlining how these strategies can be effectively implemented. Additionally, we established clear goals for the upcoming years.

GOAL 2024

Our aim is to identify the ecodesign strategies that align with the needs and preferences of our customer group. By understanding our customer base and their environmental priorities, we can tailor our approach to ecodesign accordingly.

GOAL 2025

We use the ecodesign strategies which fit all our customer groups. This entails ensuring that our products not only meet the highest environmental standards, but also resonate with the diverse preferences and values of our customers.

PROPOSED ESPR REQUIREMENTS:

- product durability, reusability, upgradability and repairability
- presence of substances that inhibit circularity
- energy and resource efficiency
- recycled content
- remanufacturing and recycling
- carbon and environmental footprints
- Digital Product Passport.

REDUCE IMPACT PRODUCTION AND HVEG INTERNALLY

PLANET
ESG Topics E1-E5

The production of our products does not only have a social impact, but also an environmental impact. This impact is found in every stage of our complex supply chain and at HVEG internally. Various facets of environmental impact include greenhouse gas emissions (scopes 1, 2, and 3), water usage, energy consumption, chemical usage, and waste generation. In this chapter, we delve into our advancements.

OUR PRODUCTION

PROGRESS 2023

We initiated a Life Cycle Analyses (LCA) test phase for our most complex product, a jacket, utilizing two external LCA calculator platforms. Through this process, we discovered the challenges associated with accurately assessing the impact of CO2 emissions (scope 3), energy usage, water consumption, chemical usage, and waste generation across the various components of a jacket. Despite these challenges, the test phase provided valuable insights and knowledge regarding the possibilities and hurdles involved in conducting a LCA. Moving forward, we plan to select one of the LCA platforms to continue our calculations, focusing initially on 10 products.

In addition to conducting LCA calculations for individual products, we actively monitor environmental issues at the factories we work with. Our HVEG monitoring system identified 68 environmental issues in 2023. Taking a positive approach, HVEG successfully remediated 28 of these issues.

Furthermore, HVEG actively participates in the Business Environmental Performance Initiative (BEPI) program. Through this initiative, our producers gain access to the BEPI platform, a framework dedicated to assessing and improving environmental performance globally. By aligning with BEPI, we ensure that our producers have access to valuable tools and resources to identify, measure, and mitigate their environmental impacts effectively.

In addition to the BEPI program, we are also engaged in initiatives, such as the Zero Discharge of Hazardous Chemicals (ZDHC)/Detox and the Higg Index.

GOAL 2024

We have done a baseline measurement for our top 10 products.

GOAL 2025

We have reduced our production impact with x% of our top 10 products (% depends on baseline measurement).

LIFE CYCLE ANALYSIS

Also known as Life Cycle Assessment, is a systematic and comprehensive method used to evaluate the environmental impacts of a product, process, or activity throughout its entire life cycle. This assessment considers all stages of the life cycle, so the whole supply chain, including raw material extraction, manufacturing, distribution, use, and disposal or recycling.

REDUCE IMPACT PRODUCTION AND HVEG INTERNALLY

PLANET
ESG Topics E1-E5

HVEG INTERNALLY

Company vehicles

In 2022, the collective CO2 emissions (scope 1) of all company cars averaged 98 grams per kilometer. HVEG aimed to decrease this figure to below 80 grams per kilometer in the coming years. In 2023, we achieved a 12% reduction, with emissions dropping to 86 grams per kilometer. We anticipate meeting our target of 80 grams per kilometer in 2024. This reduction was made possible by implementing our new CO2 and Go Green policy, which mandates that employees can only lease hybrid and electric vehicles. This policy has been instrumental in driving us towards our emissions target. An additional initiative contributing to the decrease in CO2 emissions is the reduction in car usage by colleagues in Ningbo, China. In 2023, they mostly opted for metro transportation for their daily commutes.

Company building

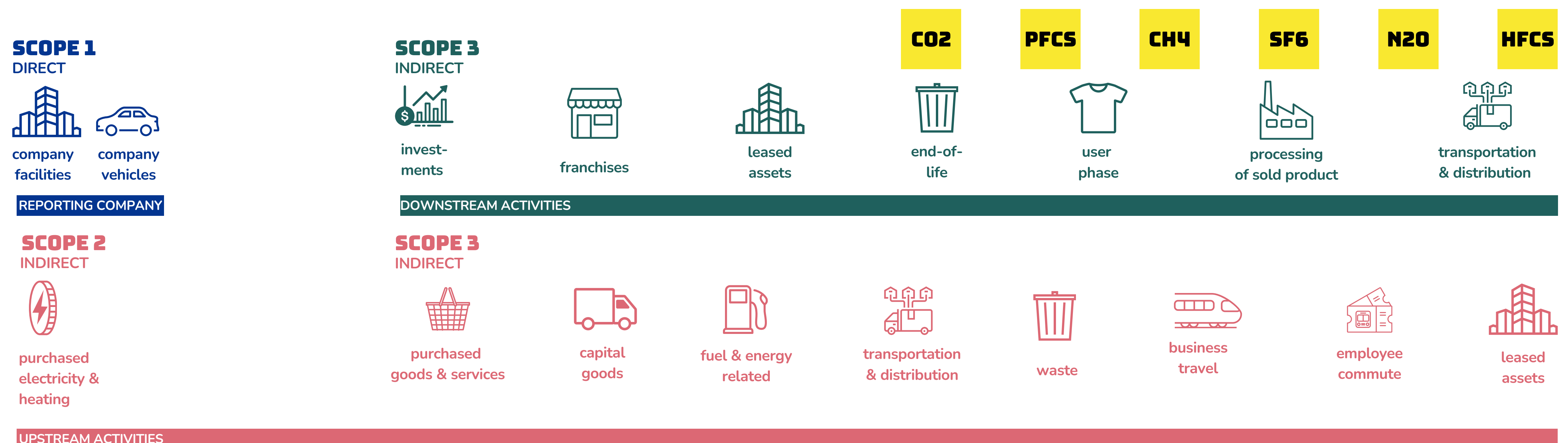
The majority of HVEG's rental properties are outfitted with energy-efficient LED lighting, minimizing energy consumption. Moreover, our headquarters in Leusden has implemented a rainwater harvesting system, utilizing stored rainfall to flush toilets throughout the building. Currently, we are collaborating with landlords to assess our overall environmental footprint and identify further opportunities for improvement across our properties (scope 1 and 2).

FOCUS AREA: SUSTAINABLE PACKAGING

This is one of our 9 focus areas. We have already taken steps to incorporate sustainable practices into our packaging processes. For many customers, we utilize recycled and biodegradable polybags, recycled hangers, FSC certified paper packaging, hangtags, and recycled carton packaging.

In collaboration with one specific customer, we conducted extensive research into various methods to further reduce packaging waste and increase the use of recycled materials. In the upcoming year, we are initiating a pilot program to test these new approaches and assess their feasibility and effectiveness.

A COMPANY'S GREENHOUSE GAS EMISSIONS ARE CLASSIFIED INTO SCOPE 1, 2 AND 3.



SUSTAINABLE PRODUCTS

At HVEG Fashion Group, our commitment to sustainability drives us to continuously improve the environmental impact of our products. To us, a more sustainable product is defined as one that comprises at least 50% certified materials. Moving forward, we aim to increase this percentage even further. Additionally, we prioritize ecodesign for circularity, recognizing its role in enhancing the sustainability of our products throughout their lifecycle.

CERTIFICATION OF MATERIALS

We prioritize the use of certified materials, particularly those that are recycled or organic, as part of our efforts to produce more sustainable products and ensure transparency throughout our supply chain.

Certification initiatives play a crucial role in this process by implementing systems that track the movement of materials throughout the supply chain. Each step in the supply chain generates a Transaction Certificate (TC) that accompanies the materials to the next processor. This not only guarantees the use of certified materials, but also provides visibility into the entire supply chain.

Moreover, suppliers must undergo certification and annual audits to ensure compliance with certification standards. These audits encompass checks on documentation to verify the segregation and monitoring of certified materials, as well as assessments of working conditions and chemical usage.

Given the complexity of the textile supply chain and the numerous processes involved, achieving full visibility of every processor can be challenging.

However, by using certified materials and implementing certification initiatives, we take important steps towards tracing materials from the farmer to the end product.

PROGRESS 2023

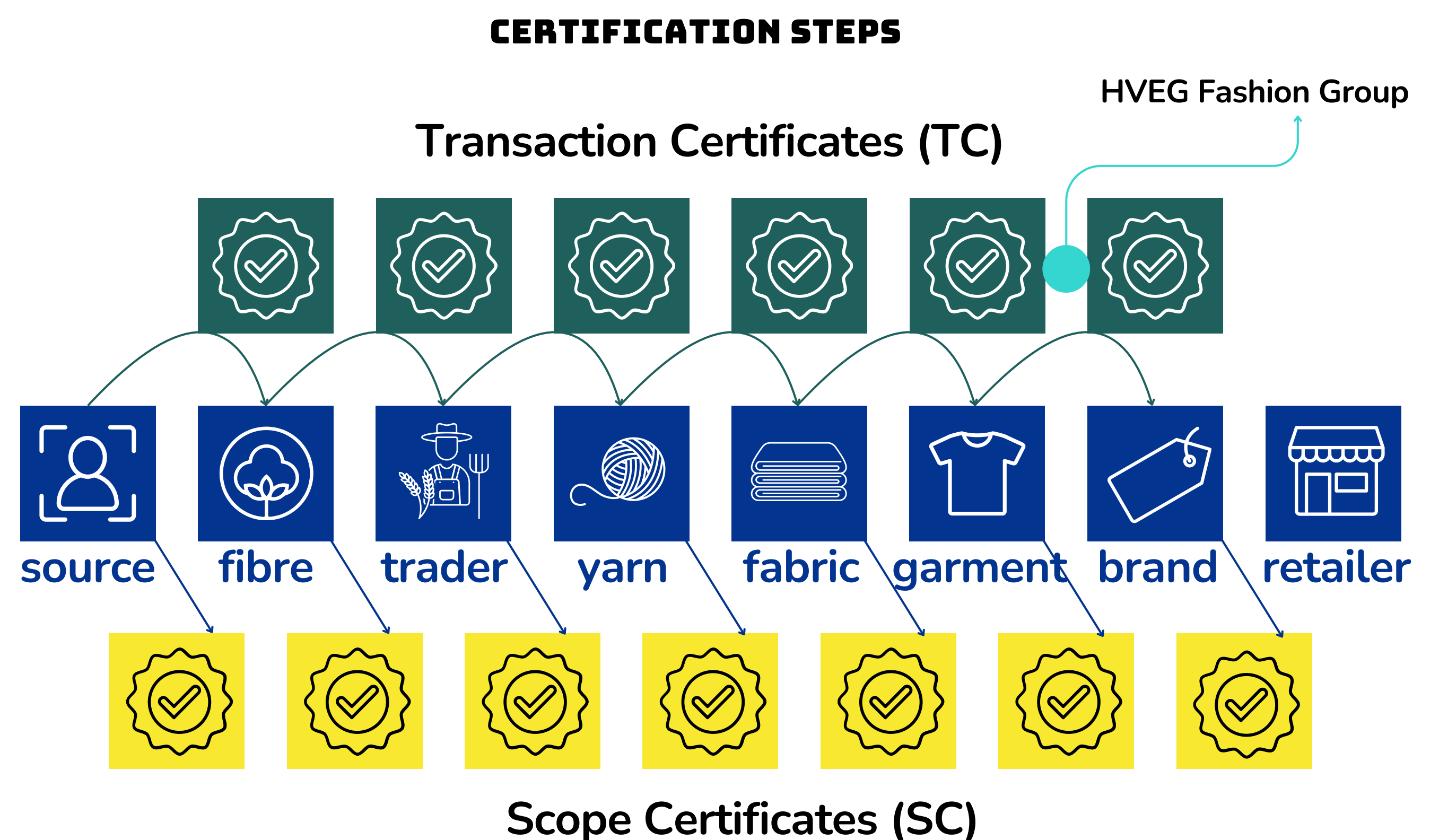
Throughout 2023, we focused on tracking and incorporating more responsible materials, such as recycled and organic materials, into our products (more detailed information can be found at page 24). However, we recognized the need for a more precise method of tracking certified materials per component within each product. Consequently, we dedicated efforts towards implementing a refined registration system to achieve this goal.

GOAL 2024

Baseline measurement has been done which gives insight in the certifications utilized for each material within our products. This baseline measurement serves as a foundational step in our journey towards increased use of certified materials.

GOAL 2025

x% of our products are using at least 50% certified materials and x% per material use certified materials (% depends on baseline measurement). We will set goals per material in combination with the use of certifications in percentages.



SUSTAINABLE PRODUCTS

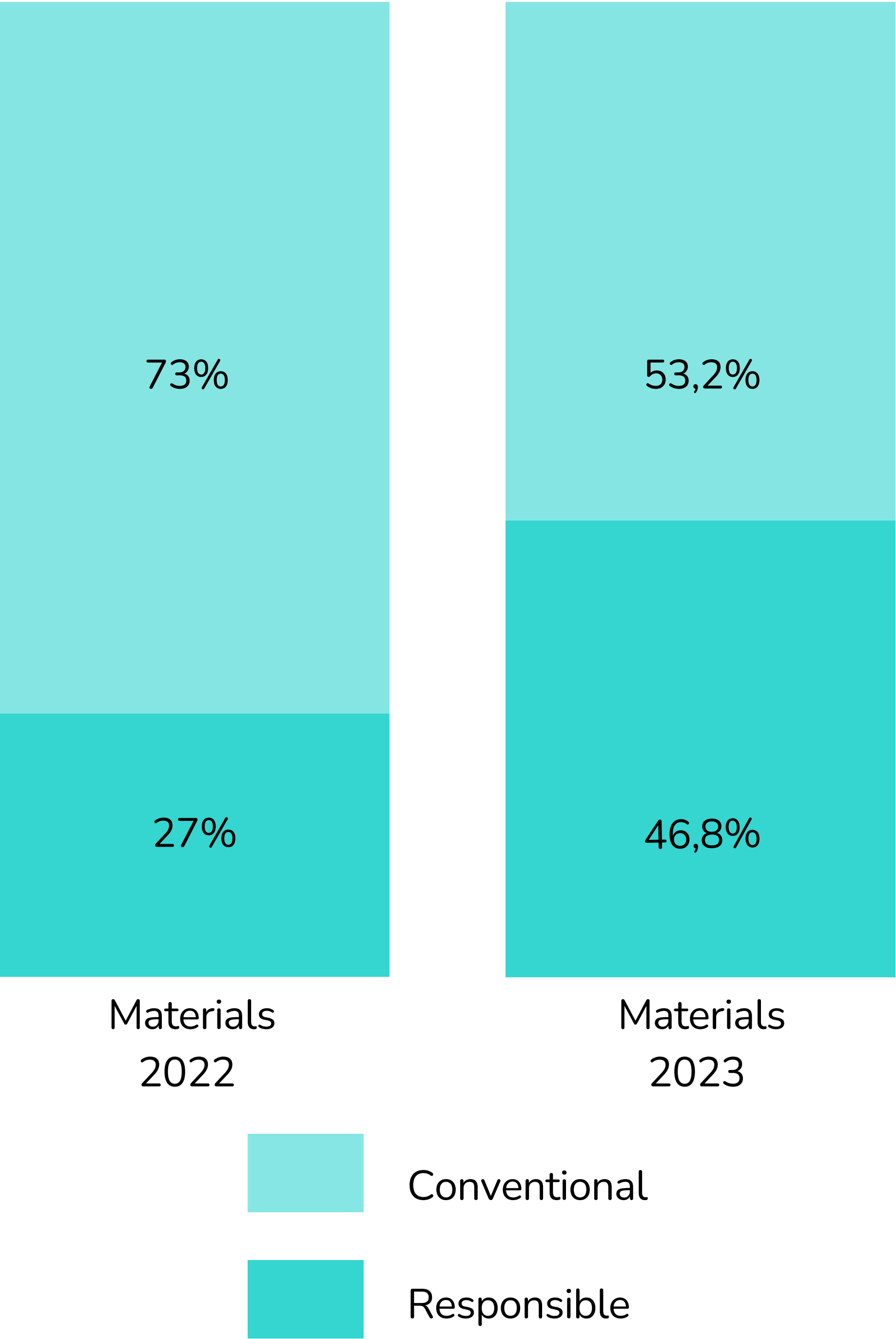
In 2023, HVEG Fashion Group continued its efforts to measure and increase the use of responsible fibers in its products. Responsible fibers include organic, recycled, Better Cotton, leather certified by the Leather Working Group (LWG).

Our progress in this area has been significant. In 2022, 27% of our products contained responsible materials, and by the end of 2023, this figure had increased to 46.8%. Several factors have contributed to this achievement:

- We have increased the use of recycled materials in various product categories. For example, there was an 11.7% increase in the use of recycled materials in children's and adult jackets, for padding, shell, and main fabrics. Similarly, the use of recycled materials in sweats has risen to 60%.
- We have significantly increased the use of recycled plastics in the frames of our reading and sunglasses. The percentage of recycled plastics in these products has jumped from 23% in 2022 to 48.6% in 2023.
- We have increased the use of organic cotton, which has risen from 13.3% to 16.6% in our products.
- We have made progress in using more vegetable-tanned bonded leather, instead of conventional mechanically tanned leather. This shift was implemented for one of our main customers.

We take pride in our progress in increasing the use of responsible materials in our products. Moving forward into 2024, we remain dedicated to further enhancing this aspect in collaboration with our customers.

RESPONSIBLE VERSUS CONVENTIONAL MATERIALS



ANIMAL WELFARE

HVEG Fashion Group has decided to strictly prohibit the use of Exotic Skins, Real Fur and raw materials sourced from endangered species, in alignment with the International Union for Conservation of Nature (IUCN) list and CITES Conventions. All our suppliers must declare and guarantee that all validated animal fibers used for HVEG Fashion Group product development are sourced from farmers which prohibit the below techniques during the breeding of animals:

- Sheep, lambs, goats, alpaca: Mulesing techniques
- Rabbit: Coat Peeling
- Goose, duck: Raw Plumage
- Angora goat: Dehorning.

LEATHER WORKING GROUP

HVEG Fashion Group claims that all leather produced in the Belt Fashion-production facility in the Netherlands is sourced from Leather Working Group certified tanneries and certificates are to be shared before any orders are placed.

Moreover, for all leather products manufactured outside of the Netherlands, HVEG Fashion Group strives to source exclusively from Leather Working Group certified tanneries.

FOCUS AREA: HVEG LAB

The HVEG lab is also one of our 9 focus areas, representing a novel initiative within HVEG Fashion Group that commenced in 2022. The primary goal is to formulate concepts or business models that are both sustainable and profitable.

PROGRESS 2023

In 2022, we started using post-consumer waste materials into the collection of Bamboo Basics. In 2023, we further investigated new possibilities for impactful innovations. We did a deep dive into new material options and processes to incorporate into our products, such as natural dying, advancements in elastane, post-consumer waste recycling and the utilization of Refibra fiber and Jeanalogic.

Additionally, we have investigated potential collaborations with a repair center and an organization specialized in creating vilt accessories from our samples.

Furthermore, we conducted comprehensive market research to gain insights into customer needs and interests regarding sustainable topics, including the environmental and social impact of textile products.

In the upcoming year, our efforts will persist in exploring innovations, developing new sustainable business models and concepts.

GOAL 2024

We have attained concrete input for a sustainable business model or concept.

GOAL 2025

We have developed at least one successful sustainable business model or concept.

**BETTER EVERYDAY
BY TAKING CARE
OF EACH OTHER.**

**WHICH STEP WILL YOU
TAKE TODAY?**