



Sustainability Report 2022





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1. Message from the CEO

Looking back, FY2021 marked another turbulent year for people across the world. The Netherlands entered 2021 with a nationwide lockdown, upending the way we lived and worked. Amid challenging and volatile market conditions, our business nonetheless performed well, delivering a good overall performance. The Covid-19 pandemic did however underline the importance of sustainability by amplifying the highly interconnectedness of the global economy and our relationship with nature. In order to combat climate change, meet the changing needs and rising expectations of our customers, we need to transform our business toward a model of green and regenerative principles.

Through this Sustainability Report, we like to share how we are responding to this transformation. We will focus on our key policies & approaches, the challenges & opportunities that we are facing and how we are responding to these. Even though we are aware that we still have a great deal of work ahead of us, we have put a strong action plan in place for the coming years, which will accelerate our progress. Moreover, thanks to the lessons learned over the last years, we have come to realise that today's challenges require a different thinking. In order to drive real change, we need innovations that challenge existing design, material and business models. In 2022, we will further research and build products that promote circularity. To achieve net zero emissions, we need to measure our environmental impact. We will therefore make a start with collecting and analysing these data, so that we can set realistic targets to reduce and offset our carbon footprint.

Sustainability and innovation thinking are at the core of our business. In order to sustainably re-invent our products and services, we have started to connect the dots differently and extend boundaries. This is proving to be a complex and challenging learning curve for all of us. For example, introducing the eco-design approach to our business units so that our design teams can build sustainability considerations into their product design is a challenge. Moving forward, we need to transform our business so that we can remain relevant for our Private Label customers and continue to be successful in the future. Since we have full control over our own brands and licenses, we will use them as a playground for research and development, accelerating this transformation.



In the post-pandemic era, we will continue to place sustainability at the centre of how we grow and operate our business. It is the right thing to do as a business, for our customers, colleagues and our planet. As we look ahead, I am optimistic about the continued progress we will achieve as we work side-by-side with our customers, stakeholders and communities.

In case you have a suggestion, question or comment, please get in touch. Please send a message to sustainability@hvegfgashiongroup.com

Mike van Snek
CEO at HVEG Fashion Group



2. Reflections on 2021

Looking back at 2021, it was a challenging year during which we were not only faced with environmental, cultural, economic and political uncertainty, but also with the continued effects of the Covid-19 pandemic. It was also a year of increased cooperation and solidarity between our customers and partners in the value chain. We do not know when, if or how our societies will return to normal, but 2021 did allow us to look at the present and focus on the future. We are now accelerating transformations, especially around production practices and digitization. We have also increased our industry collaborations. Even though we feel that we have made welcome strides and driven many improvements over the last few years, we have come to the realisation that we need to rethink our CSR strategy. Because our strategy has to engage multiple stakeholders with sometimes competing interests, it has proven difficult to balance our own strategic goals. Since our customers offer a variety of products, operate in different countries and have different Human Rights Environmental Due Diligence (HREDD) commitments, we have to cover a myriad of social and environmental policies, as well as a patchwork of legal requirements, initiatives, standards and mechanisms. It is difficult to apply all these different requirements and commitments in a consistent manner, whilst simultaneously realizing our own goals. The one-size-fits-all proposition we had in place for both Private Label and our own Brands was just not working. We needed to challenge ourselves and think bigger. This means that - for our own Brands - we have adopted a separate, measurable and goal driven strategy, based on clear social and environmental parameters. Moreover, we will start

making better use of our already acquired technical information. From 2022 onwards, we will start appraising the achievements and outcomes of all data separately for our Private Labels and Brands. This will help us to experiment with materials, technologies and processes and be ahead of our customers' thinking. We are proud of the steps we have already taken, but realise that we have to accelerate our efforts to tackle climate change and work towards a circular and equal society. The choices we make now can change the future.

3. Market update 2021

The past year was once again dominated by the Covid-19 pandemic and the measures taken to combat it. From the beginning of the year, vaccination programs were rolled out in most markets and economies were gradually reopening. In the Netherlands, this resulted in a growth in GDP of 6.6 percent, mainly driven by consumer spending in (non-food) retail and services.

Due to the lockdown, which started at the end of 2020 and lasted until May 2021, the beginning of 2021 was particularly difficult for non-food retailers. In this period turnover dropped with 20 percent in comparison to the previous year. The closing of stores hit apparel stores even harder: they experienced a decrease in sales of 50 percent. From the second quarter of 2021 onwards, non-essential stores benefited from their reopening and realized a turnover increase of 8 percent compared to 2020; in apparel, this was 25 percent. In



this period, spending on apparel even outperformed the pre-Covid-19 period of 2019 with plus 2 percent. For the full year 2021, turnover in apparel is about 14 percent above 2020, but still 12 percent below 2019. The shift to online shopping, which accelerated during the lockdown period in 2020, diminished in 2021. Nevertheless, the online channel still achieved a year-on-year growth of almost 24 percent and has proven to be an alternative that cannot be ignored.

In the second and third quarter of the year, the reopening of retail coupled to high savings by consumers, resulted in an increased consumer confidence and higher buying readiness. This positive trend was interrupted in the last quarter of 2021, in particular by high inflation rates and (initially the fear of) the new, more transmissible Omicron coronavirus variant. In response to this new variant, the Dutch government decided to implement a strict lockdown over the Christmas and New Year period. These measures once again hit retailers hard. Other European countries also took new steps to counter Omicron, but not as drastically as in the Netherlands. For instance, in Germany the newly adopted restrictions resulted in a slower yet steadier spending recovery in 2021. Nonetheless, turnover in German apparel stores is still 10 percentage points below 2019 levels.

In the last quarter of 2021, the inflation rate grew more than 5 percent. The main drivers were the increasing energy and material costs on the one hand, and the worldwide challenges in the supply chain on the other. Since the high inflation rates will not be fully compensated in wages, this will further squeeze consumer purchasing power. Companies like us who are importing goods from

the Far East also had to face an unprecedented situation with major supply chain disruptions resulting in raw material shortages, capacity utilization and shipping problems. Thanks to the latter, had to deal with congestion and shipments were delayed. At the same time, container-shipping prices went through the roof, increasing 10-fold in comparison to 2020. Although retailers, especially in the discounter segment, were initially hesitant to absorb the higher costs in their (consumer) selling prices, they eventually conceded.

Although the vaccination campaigns will set the economy on track for recovery, the effects of the corona pandemic will continue to remain visible. Ongoing business interruptions, such as reduced working hours, store closures and supply chain disruptions will affect the availability and cost price of consumer goods. Coupled to the rising inflation, this will potentially affect consumer confidence and spending. The feared inflation increase can be avoided by financial support measures from the government. However, a full recovery might take time and economies are preparing for a future with an ongoing fallout from the pandemic.



4. HVEG Fashion Group

HVEG Fashion Group is a group of internationally operating fashion and accessories companies. Our mission is to unburden our customers by designing, developing and producing their Private Label fashion and accessories collections. In doing so, we have one goal – ensuring that our customers are happy and will be successful in their business. We also engage in various brand and license activities; our brand portfolio consists of several successful brands. Each member of our group has its own unique DNA, but all are guided by the same core values and share a common identity and culture, summarized in our mission statement: sustainably achieving benefit for our customers through value-driven partnerships. We operate our business in line with our values and do so for strong European textile brands and retail companies and for distribution channels such as Supermarket, drugstore, Discount and Online Retail. Our Head office is located in Leusden, the Netherlands. Sourcing for the success of our clients is what we do best. We have our own sourcing offices in Hong Kong, China and Bangladesh. Our local quality control teams and the employees who work in our sourcing offices are managed by our Dutch head office. In order to be a leading sourcing partner for our valued customers we are also represented in India, Pakistan and Turkey where we have built long-term cooperative relationships with our agents.



5. Frame of reference – SDGs

Climate change is one of the most defining crises of our time. It is happening right here & now and even more quickly than we feared. Over the last years, the weather has grown more severe, resulting in unprecedented hurricanes, heatwaves, drought floods and wildfires. This dangerous change in climate highlights the urgency for immediate climate action and a move towards net-zero emissions by 2050. As a company, we are committed to doing our part to help mitigate climate change, by reducing energy use and emissions in our own operations and supply chain, as well as supporting biodiversity and reducing waste. In order to formulate appropriate answers to these challenges, we have aligned our CSR strategy with the seventeen UN Global Goals for Sustainable Development (SDGs). This roadmap, which acts as a driver for governments, businesses, organizations and individuals, must put an end to poverty, inequality and climate change by 2030. We believe that, through partnerships, science and innovation, companies play a key role in achieving the SDGs. For this reason, we have selected four long-term strategic themes on which we as an organization think we have the most influence.

These themes are:

- Clean water and sanitation (SDG 6),
- Decent work and economic growth (SDG 8),
- Responsible consumption and production (SDG 12)
- Living on land (SDG 15).

We know that all seventeen SDG's are interconnected, and acknowledge that our business affects more goals than our four most prioritized SDG's



5.1 SDG 6: Water management

In 2010, the UN declared access to water a Human Right. Water is indispensable to people and nature; water pollution contributes to water stress. Because our manufacturing processes involve washing, dyeing printing and finishing, harmful chemicals are released into the environment. It is therefore important that we use water economically and make sure that the water we put back in the environment is clean and safe. Together with our biggest customers, we are working towards a zero discharge of hazardous chemicals (ZDHC) in our supply chains. We are gradually scaling-up the adoption of ZDHC's Manufacturing Restricted Substances List (MRSL) and screening our suppliers on chemical-management processes, as well as their wastewater reduction and wastewater treatment processes. To monitor our key suppliers in China, we have asked them to register with the IPE Blue Map environmental database. The Institute of Public and Environmental Affairs (IPE) is the leading environmental non-governmental organization monitoring corporate environmental performance across China.

5.2 SDG 8: Improved working conditions

Safe and fair working conditions should be the norm for all workers. For this reason, we work with our suppliers to ensure that they uphold labor rights, safe and fair working conditions and comply with a set of social standards, in line with internationally recognized conventions. We regularly visit our suppliers and have independent parties carry out social audits.

5.3 SDG 12: Resources & circularity

The world's resources are finite, and with a population projected to grow to 9.7 billion people by 2050 (UN), the estimation is that we will need the equivalent of four Earths to sustain our current lifestyles. This means that a new balance between demand and supply needs finding, whereby we move from a linear take-make-waste model towards a circular one. As businesses and consumers, we also need to change our consumption attitudes. In 2021, HVEG activities mainly focussed on the incorporation of more sustainable raw materials into our products, as well as sustainable and closed-loop solutions.

5.4 SDG 15: Biodiversity

Biodiversity is under threat of climate change, changes in land & sea use and pollution. The fashion industry relies heavily on biodiversity, mostly through the production and processing of raw materials. Moreover, the fashion industry has a significant negative impact on biodiversity throughout its production processes, as well as during wear, care and disposal. Consequently, we have the responsibility to support biodiversity and healthy ecosystems. We can do so through responsible sourcing of raw materials, responsible production and chemical management practices and effective waste management.



6. Governance

HVEG Group B.V., a company organized under Dutch law, is the parent company of HVEG Fashion Group. As from July 2021, 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. HVEG Fashion Group has a one-tier board of directors governance structure, consisting of our CEO and CFO. The Board is in charge of the day-to-day management of the Group. The company is governed by Dutch corporate law, its Articles of Association and a Shareholder Agreement. In order to achieve the long-term interest of all stakeholders, the Board is assisted by the Senior Leadership Team (SLT).

7. Our CSR Team

The HVEG Sustainability Team, headed by the Sustainability Manager, consists of nine people. The team works across the organization to embed sustainability approaches, policies and goals throughout our business. They identify social and environmental risks & opportunities, put these into context and gain information on emerging social and environmental issues. They also visit and audit producers, consult stakeholders such as NGOs and Trade Unions, draw up and monitor policy plans and evaluate whether the Code of Conduct is complied with. The Sustainability Manager regularly reports to and seeks input from the Buying Director and CEO. The role is primarily responsible for the development and implementation of the HVEG sustainability strategy. The Purchasing Department include CSR in their purchasing

decisions; Design and Merchandising Departments also integrate social and environmental objectives in their decision-making processes.

8. Our value chain

The HVEG value chain includes the sourcing of raw materials, manufacturing, transporting products, product use by our customers and product end-of-life. It also covers our offices/warehouse and the travel to producers. Because we source our products globally, our value chain affects many different people, communities and eco-systems. Our Private Label customers play a major role in shaping this impact, not only through their purchase decisions, but also indirectly through the design of their products. Even though we do not have a great deal of power over our Private Label purchase decisions, we can influence their designs by offering more sustainable material options. We can also ensure that we only work with suppliers that adhere to our social and environmental standards. With regard to our own Brands, we have full control over all our purchase and design decisions, as well as end of life solutions. For this reason, for the coming years we have not only set different goals for Private Label and Brands, but will we also develop the necessary tools, skills and data to actively reduce the CO2 footprint of our own Brand product offerings. In 2021 we started different pilot projects with our Brands to not only monitor our supply chain through block chain technology; we also started harnessing the power of 3D Design for sustainable design and prototyping. In 2022,

we will further roll out these projects. We will also look into developing and adopting new business models for our Brands that make re-use and recycling easier and steers our customers toward choosing more sustainable products.

9. Transparency

Transparency is the key to chain optimization. It helps us set priorities, take smarter actions and give our customer confidence in the products we produce. To make more sustainable choices, we need to know where our products came from, who made them and under what circumstances this happened. However, commodities such as cotton and leather are often produced by many different smallholder farms operating in different geographical areas. Moreover, there are sometimes intermediaries involved. This makes supply chain mapping an extremely challenging task. Thanks to our supplier visits and the feedback of stakeholders, we have identified several risks in 2021 that needed our urgent attention. Some of these risks are universal, while others were more country specific. These include but are not limited to labour risks related to labour practices (wages, collective bargaining, hiring practices), Health & Safety issues (including COVID-19), chemical management practices, and lack of transparency. This proves the importance of transparency in addressing and mitigating risks in our supply chains. Chain transparency is therefore a strict requirement before we enter into a relationship with a supplier. Our ultimate goal on the long term is a supply chain that is 100% transparent. In 2021, we continued the inventory of our key tier 2 wet suppliers (tier 1 suppliers are those we do direct business with and tier 2 are the ones who feed them). Through the introduction of the HVEG CSR tool in 2021, we have a complete overview of our 1st tier suppliers and 85% of our active suppliers have given us information about the main locations that produce our materials, wash, dye, print and embroider our products, this list can change pending on the type of

product and capacity of the 2nd tier supplier. This makes the supply chain mapping process extremely difficult. To bridge this gap, we therefore need innovative technology to support traceability. In 2021, we have started a pilot project with block chain technology to monitor and control some of the upstream suppliers of our Brands. In 2022, we will roll out this technology with other Brands and analyse the information provided. Depending on our findings, we will set targets for the coming years. In 2022, we will also be researching how we can steer our 1st tier suppliers toward using a dedicated upstream supplier base for all our products. Besides supply chain monitoring, we risk assess our supply chain and focus on those suppliers which carry the greatest risk.





10. Stakeholder engagement and initiatives

Because the challenges that our industry is facing are so complex and cannot be tackled by us alone, we need to collaborate with our stakeholders. Not only is stakeholder engagement the linchpin to doing business in a responsible and sustainable manner, it is also essential in sharing our values and achieving our goals. Stakeholders are people or organizations who are affected by our operations, such as our suppliers and their workers, customers and investors, but also industry peers, NGOs, trade unions and multi-stakeholder initiatives. In order to gain expertise, increase transparency and raise industry standards, we engage with different groups of stakeholders. HVEG is member of BCI, InRetail, LWG, amfori BSCI, amfori BEPI and the International Accord for Health and Safety in the Textile and Garment Industry. In 2021, our brand Bamboo Basics joined the EarthToday initiative, which connects nature protection organizations, charities and Brands to create an inclusive engagement program to protect our planet. This community of change makers has the mission to protect 50% of the earth by 2050. All these groups allow us to see different perspectives, build leverage, raise social and environmental standards and debate important topics.

11. HVEG Code of Conduct (CoC)

The HVEG CoC (available on our website) forms the basis of how we choose to do business and interact with our suppliers. This CoC contains our rules of conduct and the norms and values on which HVEG Fashion Group is based. In 2021, the CoC covered 100 percent of our supplier basis. Through our regular sustainability assessments and audits, we check that suppliers act in compliance with our norms and values. When suppliers cannot meet our expectations, we will work with them to define and execute an improvement plan.





12. Social supply chains

12.1 amfori BSCI


To ensure compliance with our CoC, we have a monitoring and enforcement process in place. In addition to our own monitoring activities, we value independent and semi-announced social audits. These audits are based on the guidelines of the amfori BSCI Code of Conduct. Social audits are an important pillar for measuring human rights and environmental impacts; they highlight points for improvement within our supply chain. Amfori BSCI is an international Social Compliance initiative that is committed to improving working conditions within the worldwide production chain. It refers to various international declarations, including those of the United Nations (including UNGPs), conventions of the International Labor Organization (ILO) and OECD guidelines (the Organization for Economic Cooperation and Development) for multinationals.

Working closely with our key strategic partners, the vast majority of our products are produced in the Far East. Overall, we work with around 200 factories around the world that manufacture our products in 10 countries (China, Bangladesh, Pakistan, India, Vietnam, Taiwan, Malaysia, Turkey, Italy and the Netherlands). In 2021, 98% of our factories were BSCI audited; only a small number of our factories is only Smeta, ICS, SLCP, SA8000 certified or other. The top four of most identified issues that emerged during the BSCI audits in 2020 concern PA 1 (Social Management System and Cascade effect), PA6 (Decent Working Hours), PA7 (Occupational Health & safety) and PA5 (Fair Remuneration). In order to tackle these structural core themes, we support our suppliers

through coaching and extra training. Moreover, our CSR teams routinely visit and audit our suppliers, not only to follow-up on the issues found in BSCI audits, but also to support them in the improvement process. Through these visits and audits, we compile customised improvement plans or Corrective Action Plans (CAP). If a factory is not willing to improve or comply with the remedial measure stipulated in our CAP within the required deadlines, it is no longer allowed to produce for us. Our aim is that 35% of our Private Label producers will be A or B rated in 2023 and that this will be 40% in 2025. For our Brand producers this is respectively 40% in 2023 and 80% in 2025.

12.2 International Accord for Health and Safety in the Textile and Garment Industry

In addition to amfori BSCI, our entities Low Land Fashion and Y'Organic are signatory of the International Accord for Health and Safety in the Textile and Garment Industry (The Accord). This agreement is the successor to the Accord on Fire and Building Safety in Bangladesh. The Accord is a legally binding agreement to provide safe workplaces for employees in clothing factories and 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. At the group wide Bangladesh Accord listed factories where were active in 2021, 83 percent of the overall corrected findings (excluding the boiler) were implemented. It was



our goal that 100 percent would have been implemented by the 31st of May 2021. However, due to Covid-19 travel bans and factory lockdowns, factories were prevented to remediate their audit findings on a continuous basis. There was also a decrease in factory inspections and remediation monitoring. Finally, it is very common that new issues are found during follow-up visits. Our goal for 2022 is to ensure that 86 percent of all the overall corrected findings have been implemented.

13. Grievance

A grievance can be defined as any concern, unhappiness, or discontent that a worker might have in the workplace. Workers and parties should be able to lodge a complaint when they feel that they have been negatively affected by a business. By joining a trade union, workers have a voice through collective bargaining. However, not all countries can be unionized. As member of amfori BSCI and the International Accord for Health and Safety in the Textile and Garment Industry, factory workers have access to either grievance mechanisms. A grievance mechanism is a non-judicial mechanism aimed to ensure a fair, timely and objective resolution to a grievance. It provides a platform for individuals and organisations to submit a grievance if they feel they have been negatively affected by a business their activities. It draws upon the UN Guiding principles on Business and Human Rights “Protect, Respect and Remedy” framework for non-judicial grievance mechanisms. In case one of our stakeholders is not able to access any of these mechanisms, they can turn to the HVEG Mechanism, which was introduced in 2021. If a complaint is raised, we are obligated to investigate

it and take the necessary action for remediation. We consider a high number of complaints a positive sign; it indicates both awareness of the mechanism’s existence and confidence that it provides a credible first avenue of recourse. Moreover, complaints help us identify potential problems and offer valuable information on how can improve our operations. In 2021, despite the pandemic, 16 complaints were lodged with amfori and the International Accord. These complaints largely fell into the categories retrenchment, forced resignation, termination of workers and non-payments. All these complaints were reviewed, investigated and resolved by factory management. No complaints were lodged with HVEG. This implies that workers are most likely not yet aware of our grievance mechanism. For this reason, we will take a closer look at how to better integrate it throughout our operations in 2022.



14. Assessing sustainability

At HVEG, we know that the textile and garment industry supply chains are extremely fragmented, whereby many stages of the production process involve separate 'sub-industries'. Connecting across these complex value chains is not easy. In order to improve the sustainability practices of our suppliers on both environmental and social aspects, we try to engage them in specific programs such as BSCI, HIGG or BEPI, ZDHC etc. These programs help us to gain insights and provide tools to develop a comprehensive supply chain strategy. They measure the quality of a producer's policies, actions and results and help us determine what potential risk they pose. Despite the COVID-19 pandemic and the travel instructions imposed, we have continued our drive to improve our supply chains. In 2021, we visited 286 first tier suppliers of whom 72 in China, 168 in Bangladesh and 38 in Pakistan. Our buying teams visited 8 suppliers in Turkey. We visited 6 second tier suppliers in Bangladesh. Finally, we expanded our team by hiring a CSR consultant in Pakistan.



15. Supply chain emissions

Even though we have been gathering many data on the use of water, energy and chemicals in our supply chains over the last years, we have not accurately started measuring these or even set target for reduction. This is not only due to the fact that our value chain is so complicated as it consists of many different steps (from material production, to material preparation, wet processes, CMT, retail, transport, product use and end-of use), but more important because we have not yet decided what exactly we want to measure. Since we have most influence over the processes that concern our first tier and wet process suppliers, we have therefore decided to concentrate on these for both our Private Labels and Brands. We will start working with them more closely to better understand their emissions and reduce these where possible. With regard to material production (which has the highest impact on water consumption, water pollution and land and fertilizer use), we feel that we have most influence over these with our Brands. The same goes for our Brands and the carbons generated by our offices/warehouse and the transport of our goods. From 2022 onwards, we will therefore have a more proactive approach in monitoring and improving our carbon impact separately for Private Label and our Brands. Our ambition is to reduce to zero carbon emissions and zero hazardous chemicals in 2050 in our products and business operations.



15.1 amfori BEPI



Over the last few years, we have been collaborating with our key garment suppliers to drive environmental improvements. One of the tools we have used for this purpose is the Business Environmental Performance Initiative (BEPI). BEPI covers a scope of 11 environmental performance areas, ranging from energy use and greenhouse gases to chemical management. Even though our key suppliers have been filling-in self-assessment questionnaires, we have not yet undertaken a baseline assessment on these data. In 2022, we will actively start analysing the data provided in the SAQs. From 2023 onwards, we will establish the baseline for each supplier, set minimum requirements, create roadmaps and help them to drive change. However, we have come to realize that not all our suppliers have the knowledge and tools to monitor their environmental performance and/or are sometimes reluctant to actively engage in this topic or address problems. In addition, sometimes they have appointed people with wrong skills for the job. We will therefore need to increase our collaboration and arm ourselves with better knowledge. Finally, we have to reach deeper into the supply chain to where the greatest environmental damage is done. Since a large part of our producers are based in Bangladesh and we have the biggest CSR team in this country, it is our aim that by 2023, 10% of our main wet Bengali suppliers have filled in the BEPI SAQ and that this will be 25% by 2025.

15.2 Higg FEM



Besides amfori BEPI, we have been collaborating with our key accessory suppliers to collect emissions data through the Higg Facility Environmental Module (FEM). In 2022, we will actively start analysing the data provided on energy and water usage. From 2023 onwards, we will establish the baseline for each supplier, set minimum requirements, create roadmaps and help them to drive change. We will keep tracking the progress made and set new targets if and when necessary.

15.3 Detox en ZDHC



Our estimation is that more than 8,000 chemicals are used throughout the textile-making process, from pesticides, to bleaching and dyeing, to washing and printing. This amounts to an estimated 43 million tons of chemicals every year and contributes to water stress. It is therefore important to continuously monitor, improve and secure the use of safe chemicals throughout our supply chain. We make sure that our producers comply with all relevant EU chemical safety legislation and will keep on working with them to eliminate the use of hazardous chemicals across our entire supply chains. Over the last few years, 14 of our key garment suppliers have been working with the Detox / ZDHCs Manufacturing Restricted Substances List (MRSL) and are conducting regular testing to adopt the use of preferred chemicals and so ensure clean water discharge. In order to drive effective chemical management practices with our key garment suppliers, in 2022 we will start analysing and benchmarking the limits of detection found in these test reports. To set our minimum acceptable criteria, we will take a risk-based approach whereby we will focus on the parts of our supply chain where the most significant chemical impacts occur. Our ambition is to phase out the priority hazardous chemicals by 2030.



15.4 Our own offices and warehouse

Besides addressing the adverse impacts in our supply chains, we are also committed to work more sustainably in our own operations. In 2020, we moved our head office to more water and energy efficient premises. Even though the Covid-19 period will have affected the consumption of water and energy in our operations - making it difficult to monitor the potential savings made over the last year - we will set a baseline calculation and targets on further water and energy reduction for our all our offices and the warehouse in 2022.

15.5 Transport

We transport our goods by road, water and air. These modes of transportation require fuel and, more important, emit greenhouse gases. According to McKinsey, approximately 3% of the emissions in the overall apparel and footwear value chain can be attributed to transport. We want to reduce these emissions. However, before we can do so, in 2022 we first need to analyse how much of our goods are transported by what means and do a baseline calculation accordingly. We will research how we can increase our use of sustainable transport and set targets for 2023 onwards.

16. Innovate for circularity

In order to achieve a circular economy where little is wasted during the creation or disposal of a product, we do not only need to know where the materials came from, we also need to increase the use of sustainable materials and chemicals. To increase our knowledge of low-impact circular materials, new business models and more sustainable ways of manufacturing we have started

using the Twinlife brand as a playground for sustainable innovation and experimentation, whereby we share the knowledge gained with our other Brands and customers. With regard to material traceability, we strive to establish traceability by mapping all the entities in our supply chain. For this purpose, we will be further exploring the possibilities of block chain technology in 2022. In 2021, we started our first pilot project with Tex.tracer, a tool that uses block chain technology. This will help us verify transparency in our supply chains and give us insight into our product's journey, from material source to retail. In 2022, we will be analysing the results found with regard to tracking the origins of the materials we have used and set targets accordingly. 2021, was the second year in which we have measured our sustainable material usage. However, because our Private Label customers are the ones who dictate materials use, we cannot easily increase our use of sustainable materials or introduce new fibres. This makes it difficult to set ambitious targets. We can however inspire our Private Label customers by offering them innovative and sustainable alternatives. In 2022, we will be developing a sustainable material menu, which will help our customers select more sustainable options for the most used materials in their garments and accessories. Such a menu for our eyewear materials was already launched in 2021. In order to minimise the waste that we create during the manufacturing process - traditional fashion production results in 15-25 percent of materials being wasted - we launched a 3D design pilot project with one of our entities in 2021. 3D design allows for a more holistic design approach, potentially reducing the number of physical prototypes, decreasing the number of parcels sent and so speeding up the design process. In 2022, we are looking to expand this project to all the HVEG entities. Finally, in 2021, Bamboo Basics joined



Eco chain. This initiative helps us measure and understand our environmental footprint. By getting a better insight into how design decisions affect the environmental impact of products, we can reduce the environmental footprint of this product.

16.1 Material use

The textile industry has a significant carbon footprint. This means that changing what our clothes and accessories are made of can make a big difference in combating climate change. It is estimated by Quantis/ Climate Works Foundation in their report “Measuring Fashion: Insights from the Environmental Impact of the Global Apparel and Footwear Industries study” that the life cycle of textiles (including laundering) accounts for 6.7% of all GHG emissions.





Cotton

Conventional cotton farming uses many synthetic fertilizers, soil additives and other chemicals that cause great damage to soil, water and the living environment. Cotton is the most widely used natural fibre for clothing. It is therefore a no-brainer to switch to more sustainably grown cotton. By using more certified organic cotton such as OCS or GOTS, using more sustainably grown cotton such as Better Cotton (under the Better Cotton Initiative or BCI), recycled cotton or transitional cotton (also known as In Conversion - IC - cotton) we will reduce our environmental impact. The use of recycled cotton allows us to extend the life span of the cotton fibre and reduce CO2 emissions. Cotton in Conversion allows farms growing cotton organically to sell their crop while they are in the process of being certified. The time of conversion to organic certification, is usually 3 years. By using cotton from the Cotton Made in Africa (CMiA) initiative, we help smallholder cotton farmers and their families in Sub-Saharan Africa to improve their social, economic and ecological living conditions. In 2021, we sourced 5 percent of our cotton more sustainably, a significant accomplishment. Moreover, from 2022 onwards, we will only be using BCI cotton in our Brams Paris and Twinlife collections. With these initiatives, we contribute to the

realization of Sustainable Development Goals 6, 12 and 15 of the United Nations.



Bamboo

According to the International Union for Conservation of Nature (IUCN), forests are home to 80% of the world's terrestrial biodiversity and help stabilize the climate by absorbing carbon dioxide. Bamboo is an abundant and natural resource. It is the world's fastest growing woody plant and does usually not require fertilizers or irrigation to grow. In order to turn the plant into a fabric, it needs to be pulped, using toxic chemicals. The process that we use for this purpose, recovers 100% of these chemicals in a closed-loop system. This means that no solvents end up in the wastewater. In 2021, we sourced 50 percent more sustainable bamboo. It was also the year that our brand Bamboo Basics won the Product of the Year award in the Sustainable Product category for their premium underwear. Finally, in 2021 we introduced bamboo in our Twinlife collections. With these initiatives, we



contribute to the realization of Sustainable Development Goals 12 and 15 of the United Nations.



Polyester

Polyester is a man-made fibre made from fossil fuels. The fibre is durable, has quick drying properties and is much used in lightweight sportswear materials or in blends with other fibres such as cotton. In 2020, we set out to increase the use of certified recycled polyester such as Repreve. This fabric, made from recycled plastic water bottles, uses block chain technology and enables us to identify the fibres used across each production and distribution step. We have also increased the number of products made with polyester certified to the Global Recycled Standard (GRS). In 2021, recycled polyester represents 3 percent of our total volume. Although this appears to be a small amount, we only started measuring the percentage of our total recycled polyester turnover in the middle of 2020. It therefore represents a positive increase over our previous sourcing amount. Using recycled polyester helps us reduce our dependence on petroleum as a source of raw materials, utilizes waste

and reduce greenhouse gas emissions by 8% compared to virgin polyester fabrics. With these initiatives, we contribute to the realization of Sustainable Development Goal 12 of the United Nations.



Leather

The leather that we use is a by-product of the food industry. The material is very durable and becomes more beautiful over time. Even though the leather industry presents many challenges regarding chemical usage, traceability, and animal welfare, we believe that leather can be a sustainable choice when treated with care. As member of the Leather Working Group (LWG), we try to improve the environmental performance of the leather industry and work towards a 100% membership of our European suppliers. The LWG is a non-profit organisation that promotes sustainable practices in the leather industry while working with the UN Sustainable Development Goals. Moreover, LWG rated tanneries are the highest standard of leather tanneries across the world. In our 2021 production, all of our leather came from LWG certified suppliers. For the future, we are committed to using more sustainable biosynthetic and biodegradable



alternatives. In order to reduce our overall environmental impact, we already introduced vegetable-tanned bovine and vegan leather in our belt & accessories collections in 2020. Vegetable tannins come from renewable vegetable sources such as trees and vegan leather is made from materials such as pineapple leaves, apple peels or mushrooms. The latter helps us bypass the use of animals. In 2021 we produced 3 percent more vegetable tanned leather compared to 2020. By 2025 our tanneries need to at least have a Bronze LWG audit level. Finally, we will start a research project for innovative solutions to reduce leather waste and dead stock leather materials.



Plastics

Researchers estimate that, since the early 1950s, we produced more than 8.3 billion tonnes of plastic. Around the world, we are purchasing about one million plastic drinking bottles every minute. About 60% of this plastic ends up in a landfill or the natural environment. Not only do we need to stem this flow of plastic waste; we also need to find ways to recycle it. 2021 saw the launch of our new sustainable eyewear collection five2one. This collection offers eyewear made from 100% recycled post-consumer PET. Each pair of glasses corresponds to five recycled plastic bottles. By using post-consumer plastics, we eliminate the use of virgin plastics and reduce the amount of micro plastics in the environment. The carbon footprint of producing 100% post-consumer PET is 60% lower than manufacturing virgin PET.





17. Emerging risks

We monitor emerging risks, which may not yet be having a measurable impact on us and are therefore difficult to quantify. We try to keep an eye on early warning signs, since these can provide insights into what the potential risks be and how they are evolving.

17.1 From brick-and-mortar to online sales

COVID-19 has accelerated the acceptance and popularity of e-commerce towards new businesses, customers and types of products. We expect that this strong growth of e-commerce is likely to continue in the coming years and will bring transformations in the traditional retail landscape. Not only does e-commerce increase convenience for consumers, it also allows businesses to build direct relationships with consumers and influence their purchasing decisions.

17.2 Supply chain transparency

Social and environmental supply chain management is critical for the long-term sustainability of our business. Moreover, our customers and stakeholders are increasingly interested in knowing the origins and sustainability of our products and all materials used. In order to meet the high compliance standards we have set, our producers have to comply with our supply chain management system and the HVEG Code of Conduct. This includes adherence to stringent human rights and sustainable production practices. As we deepen the assessment of our upstream supply chain practices, we may uncover practices that need to change either gradually or at a faster pace. Such changes may generate costs to our business as well as generate reputation risks.



17.3 Climate change

Natural resources

Climate change has the potential to affect our business in the short, medium and long term. The availability, quality and price of natural resources is affected by extreme weather and water scarcity. It can also disrupt our manufacturing facilities and the ability to supply products to our customers. In 2021, we have been confronted with potential resource scarcity such as (organic) cotton. This has made us realise that we need to get a better understanding of our key risks, the interconnectedness of these risks, and the way we can mitigate/adapt to these risks. In 2022, we will therefore increase our understanding of the impact of climate change on the resources we use and further our research on sustainable alternatives.

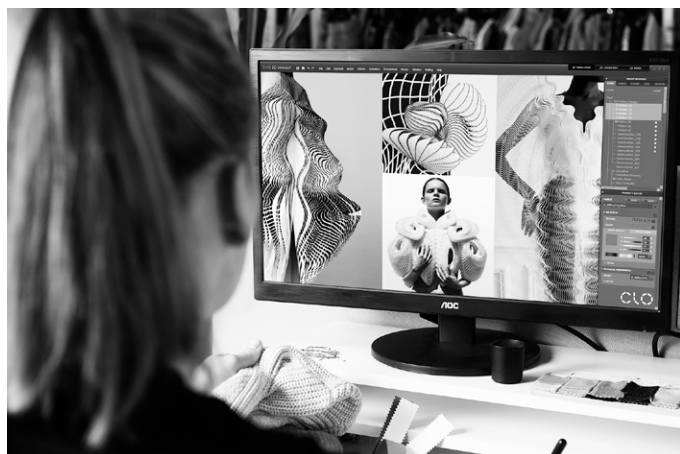


18. A packaging-friendly world

Regulatory measures

The transition to a low-carbon economy, new policies & legislation and changing consumer preferences pose a potential risk. Depending on the speed and severity of regulatory changes, these will have an effect on the textile & garment industry. In 2021, China already started cracking down on provinces and regions that failed to meet energy consumption targets to reduce emissions, pressuring factories to cut or even halt their operations. This not only means that shoppers face potential shortages in the future, it also means delays in lead-times and additional (shipping) costs. We believe that this shift to net zero emissions requires a greater level of dialogue and engagement between us, our customers and producers to increase our accountability and manage risks.

We are working to reduce packaging pollution by using more recycled and less virgin packaging materials and improving the recyclability of these. In our Twinlife collections, we only use recycled plastic packaging materials. All our Bamboo Basics products are now packaged in such a way that they fit through a letterbox. Not only does this mean less stress through no missed deliveries, it also means skipping the master carton. Nonetheless, with regard to our customers, we are highly dependable on their requirements. We also need their help to develop packaging free business models, design and develop more sustainable packaging and the collecting of packaging waste. This is not a problem we can solve without their help. It is our aim to make 100% of our Brand's packaging fully recyclable by 2030. We also want to have eliminated all unnecessary packaging by light-weighting primary packaging by that time.



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