

# **Better Everyday**

## **Sustainability Report 2023**







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# Message from the CEO



# Message from the CEO

We might have entered an era of the ‘new normal’, in which business conditions are continuously tough and challenging, caused by a variety of factors that occur simultaneously such as supply chain disruptions, an unprecedented hike in container prices, an increase of material prices, production delays, scarcity of resources and more. We are very proud we have again been able to navigate through these difficulties successfully in 2022 with the HVEG business.

HVEG is 100% committed to a sustainable future, and we recognize that our business has a social and environmental impact. Also in challenging times, sustainability remains an integral part of our business. We are continually challenging ourselves to find ways to do better. Our sustainability journey has been ongoing, and we are excited to share our progress and plans for the future in this report.

Our sustainable journey continues with defining our sustainable ambitions, and now we are taking action to achieve these ambitions. We believe that it is essential to have a clear understanding of what we want to achieve and how we can achieve it. Therefore, we have developed a comprehensive sustainability strategy that will guide our actions and will ensure that we are on the right path towards a more sustainable future.

At HVEG, we are committed to becoming better every day. We believe that sustainability is a journey, and we are continuously striving to improve our sustainability performance. Our commitment to sustainability is not only about reducing our negative impacts but also about creating positive impacts that benefit our stakeholders, our customers, the environment, and society for the long term.



At HVEG, we define sustainability as taking care of each other by finding a balance between people, planet, and profit. We will continue to take many small steps with many people towards a more sustainable future.

So, which Step Will You Take Today? At HVEG, we believe that every step towards sustainability is important, no matter how small. We encourage our stakeholders to join us on this journey and take small steps towards sustainability every day. Whether it is reducing your carbon footprint or supporting ethical sourcing practices, every action counts. We remain optimistic about the continued progress we can make with all of our stakeholders.





# About HVEG Fashion Group



# About HVEG Fashion Group

HVEG Fashion Group is a Group of internationally operating fashion companies. We design, develop and produce Private Label fashion and accessories for our customers. And we also engage in various brands i.e. Bamboo Basics, Brams Paris, Maison de Paris, Five2One and license activities for Twinlife. Our purpose is to unburden our customers by creating affordable fashion in a more sustainable way. Underneath you find facts and figures about HVEG Fashion Group:



**Founded  
in 1989**

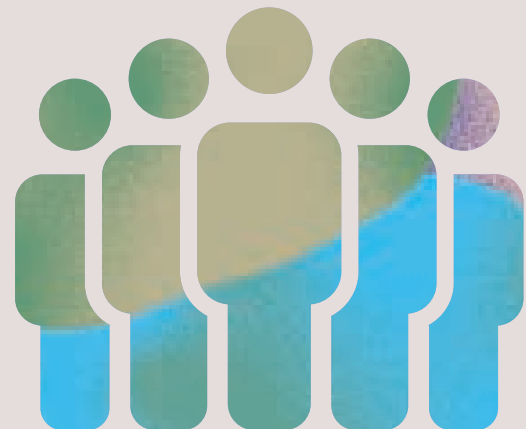


**8 offices**

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

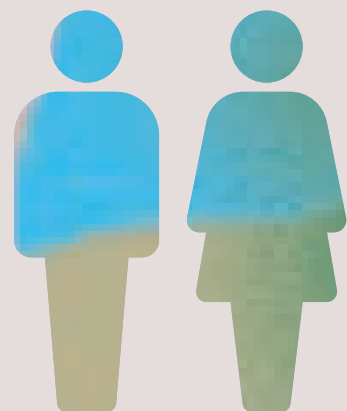


**Approx. 204  
Tier 1 suppliers**



**261 employees**

Dhaka: 41	Leusden: 60
Ningbo: 33	Enschede: 48
Hong Kong: 1	Eindhoven: 48
Gronau: 22	's Heerenberg: 8



**Female: 146  
Male: 115**



**Brands: 6%  
of our sales**

Approx. 700 B2B customers  
3 webshops



**Private label: 94%  
of our sales**

Approx. 250 B2B customers



**9 product categories**

Ladies, men's, children and baby fashion.  
Accessories, hosiery, underwear and  
optics ((sun)glasses and lenses)

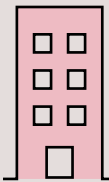
# About HVEG Fashion Group



**Production places**  
Bangladesh, China, Germany, Greece, Hong Kong, India, Italy, The Netherlands, Pakistan, Malaysia, Myanmar, Slovenia, Spain, Turkey



**Customers**  
We sell in almost all West-European countries such as The Netherlands, Belgium, France, Germany, Switzerland, Austria, Spain, Greece, Italy, UK, Denmark



**8 Offices HVEG**



# About HVEG Fashion Group



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. In order to achieve the long-term interest of all stakeholders, the Board is assisted and supported by the Senior Leadership Team (SLT) and Management Teams of the Business unites.

The group splits its business into 3 divisions: private label garments, private label accessories and brands. Each division has a number of 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 the different business models of our customers is key for success. Our structure is set up to have profound product knowledge and specialism to deliver added value to the concepts of our customers.

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. That means we are able to deliver the right products at the right time in the desired quality and for the right price. Our strengths are the development of commercially strong collections, supply chain expertise, flexibility, efficient sourcing, a healthy price-quality ratio and last but not least a responsible platform of suppliers supported by our effective and accredited Code of Conduct. Production predominantly takes place in Asia but we also operate a Belt Factory in Eindhoven (the Netherlands).

## Market Update 2022

Despite of the Covid-19 pandemic the (Dutch) economy, measured in GDP (gross domestic product) showed a growth of 4,5% in 2022 in addition to a growth of 4,9% in 2021. Two consecutive years of growth has not happened earlier in this century. In 2021, the economy was still suffering from corona measures. From January to the end of April 2021 and from 19 December 2021 to mid-January 2022, the Netherlands was under a harsh lockdown. After that, society gradually opened up and in March 2022 the last corona measures expired. The main driver for the increased GDP is the 6,6% higher consumption.

During the Covid pandemic many retailers have accelerated their investments in online capabilities during the pandemic, resulting in a growth of 24% in online in 2021. Due to the re-opening of stores in 2022 the online sales decreased with nearly 8%.

Next to the shift to online, the pandemic and its lockdown further strengthened the earlier initiated shift in apparel sales from fashion retailers to discounters, super-/hypermarkets and drugstores.

The consumer confidence in 2022 in the beginning of the year increased due to the fact that the Covid-19 pandemic came better under control (however, still negative). During the remainder of the year the consumer confidence decreased further. The willingness to buy was declining due to increased prices and high inflation. Also the prospects with regard to the economy was negatively perceived by consumers, according to the CBS.

Due to, among others, strong partnerships that were well-maintained during the pandemic and a well-balanced customer- and distribution mix, HVEG managed to increase turnover in 2022 with 16,2%, versus an increase of 6,9% in 2021. The sales growth is partly driven by price increases, but also the effect of productmix and volume growth. The company's strategy to completely unburden the customer appears to be an important factor.





# Our Sustainability



## Our Sustainability

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 are you going to take today?

**Better Everyday**



# Our Sustainability

There is growing awareness among people about the impact of human activities on the environment, and the need to address these issues to ensure the long-term survival of the planet. The consequences of climate change, including extreme weather events, sea level rise, and loss of biodiversity, have become more evident in recent years, and this has led to an increased sense of urgency about the need to take action. New legislation and rules are set to make sure these action are really taken also for the Textile Industry. Actions we need to take to become more sustainable.

For HVEG Fashion Group sustainability means taking care of each other by finding a balance between people, planet and profit. We do that step by step. These steps are little, because we believe that if we take a lot of small steps, we will reach the most. Just like the philosophy of Kaizen.

Getting better everyday is only possible when we bring everyone along on HVEG's Sustainable Journey.

At HVEG we have a Sustainability team, headed by the Group Sustainability Manager, with ten people. At 6 locations we have CSR-officers. The team is responsible for embedding sustainability and CSR in the organization. They identify social and environmental risks and opportunities, put these into context and gain information on emerging social and environmental issues. The team also visits and audits every supplier partners, consult Non Governmental Organization and Trade Unions, draw up and monitor policy plans and evaluate the Code of Conduct we complied with. The Sustainability manager regularly reports and seeks input from the Buying Director and CEO. The Sustainability Manager is responsible for the Sustainability Strategy, the implementation of this strategy and for Social and Environmental compliance (CSR).

This team is not doing it alone. We work together with the whole organization and external stakeholders.



# Our Strategy

We are on a journey; HVEG's Sustainable Journey.

This journey started many years ago. This means among other things that we use more and more sustainable certified materials in our products, we are member of amfori BSCI, BEPI and Accord which leads to improving working conditions with our partner suppliers in Asia and we use more recycled plastic in our packaging.

Last year we entered a next phase in this journey by taking three clear steps.

- 1) Create an Ambition: We needed an ambition not only to give direction, but also to inspire and challenge our HVEG colleagues, our customers and partners.
- 2) Goalsetting: An ambition stays an ambition if you do not make it concrete. So we are setting long-term goals and short-term OKR's (Objectives and Key Results) per focus area. We have defined 9 areas which we need to focus on to become more sustainable.
- 3) Create an Action plan: We create concrete actions and ownership.

So we go from ambition to action. And monitoring.

Our ambition has been created by the end of 2022 which is **Better Everyday**.

We want to do Better Everyday for our people, for our customers, for our suppliers, for our planet. While staying profitable. We don't do that overnight, becoming more sustainable goes step by step. Little by little. We ask ourselves and the people around us which step will you take today? And in the end all these small steps lead to our ambitions for people, planet and profit, which are:

## **Better Everyday**

- By improving peoples well being continuously
- By reducing environmental impact of the production and HVEG internally
- By providing more sustainable product to our customers

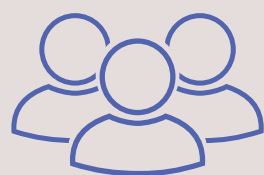
For People, Planet and Profit, we have determined which areas we have to focus on.

In 2023 we start conducting 0-measurements. We conduct 0-measurements, because only after having the knowledge about the current situation, it is possible to set realistic goals for people, planet and profit and our focus areas.



# Focus areas

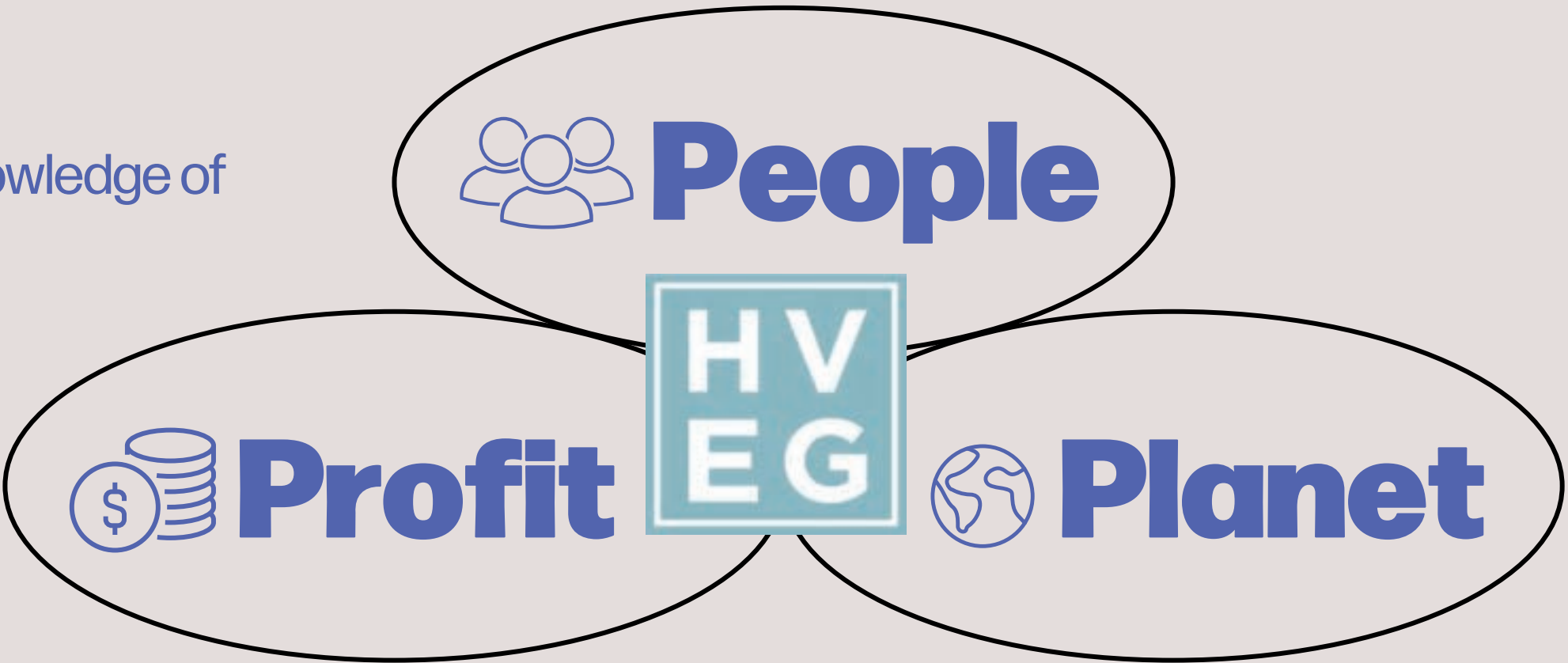
We have chosen the following areas to focus on. We will elaborate on them in de Chapter ‘Taking a closer look’.



- Sustainability and pro-active behaviour embedded in our culture
- All colleagues have a basic knowledge of sustainability



- HVEG LAB
- Deliver sustainable products (including sustainable materials)



- Working conditions
  - Transparent supply chain
- 
- 
- Eco design for circularity
  - Sustainable packaging
  - Reduce impact productions partners and HVEG internally

Although we have chosen to frame our Sustainability by finding a balance between People, Planet and Profit, we have also integrated The UN Global Sustainable Development Goals (SDG’s), and the Environmental, Social and Governance (ESG), which is the framework that will be used in the Corporate Sustainability Reporting Directive, in our strategy.



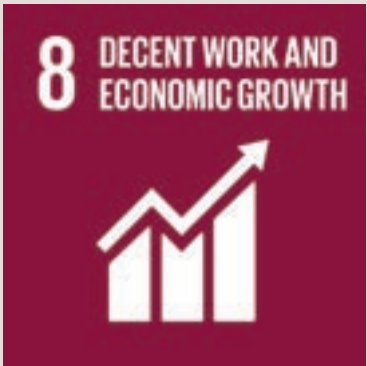
# Sustainable Development Goals

We chosen to integrate the following 5 SDG’s. We know all seventeen are interconnected and we acknowledge that our business affects more goals, however, we have choses the 5 we think we have the most influence on.



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 can be 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.



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 labour 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.



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. HVEG continuously searches for more sustainable activities mainly focussed on the incorporation of more sustainable raw materials into our products, as well as sustainable and closed-loop solutions.



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. 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.



SDG 17 – Partnerships:

The Global Goals can only be met if we work together. This also counts for the achievement of our goals.



# Environmental and Social Governance (ESG)

In November 2022 the European Union took on the Corporate Sustainability Reporting Directive (CSRD). This new directive states that from 2024 more companies will be required to report on the impact of their activities on people and planet. We already reported on our impact on people and planet, because we are motivated to take care of each other. However, to make even more positive impact it is good news that this new way of reporting will become required for every company.

For HVEG this means that in 2025 we will integrate our financial and non-financial report. To ensure the reports are set up in the same manner, the ESG framework will be used. Underneath you find the ESG topics:

- a. 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
- b. Social (4 topical standards, S1-S4):
  - S1 Own workforce
  - S2 Workers in the value chain
  - S3 Affected communities
  - S4 Consumer and end users
- c. Governance (2 topical standards, G1-G2)
  - G1 Governance, risk management and internal control
  - G2 Business Conduct (Code of Conduct)

You can find which ESG topic corresponds with our focus areas in Chapter 6 ‘Taking a closer look’.





# 4 Double Materiality Matrix

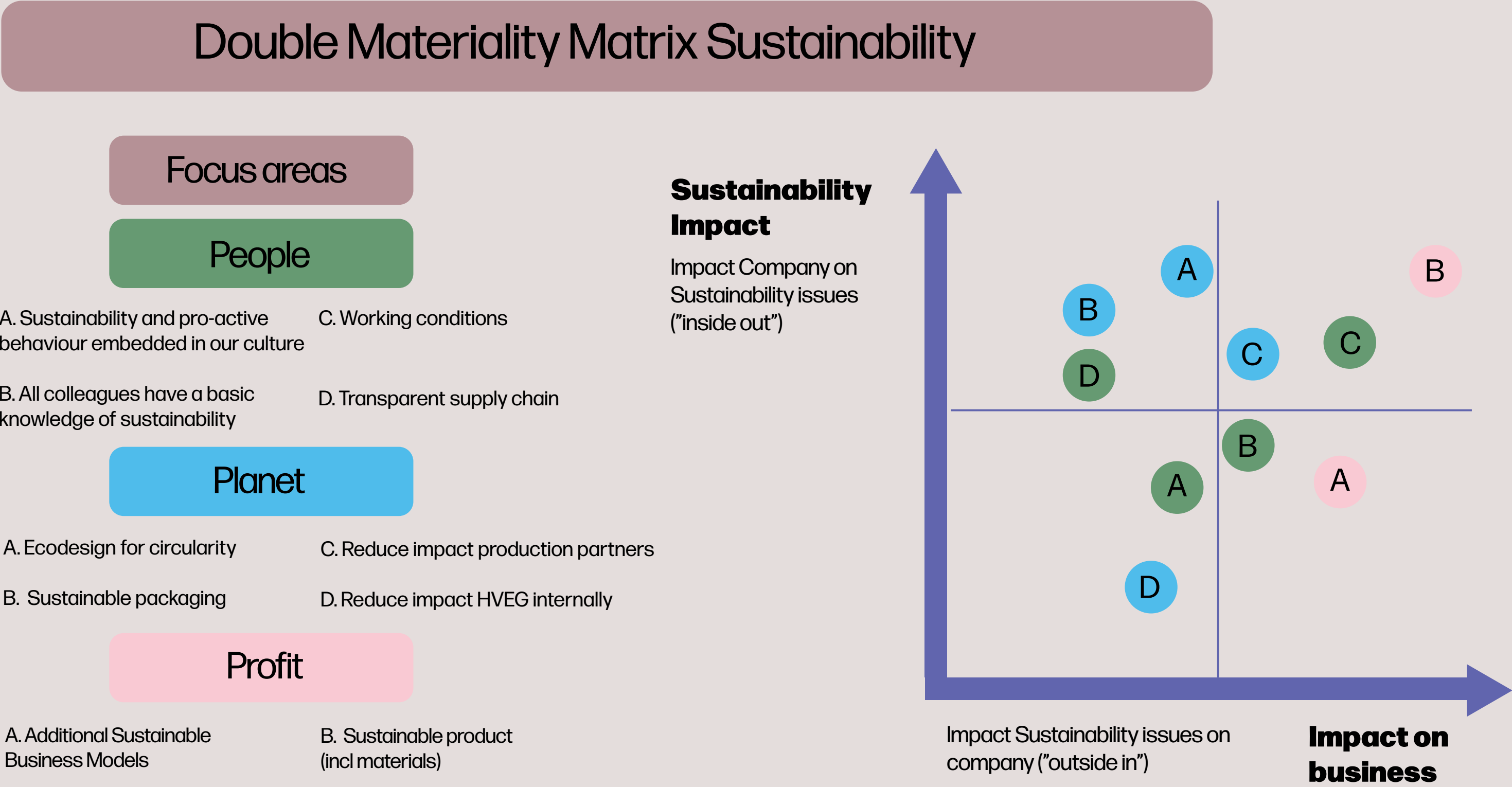


# Double Materiality Matrix

The Double Materiality Matrix is an important aspect of the CSRD-reporting. By using the Double Materiality Matrix, companies can identify and prioritize their sustainability impacts by taking into account social and environmental impact on their company and the other way around. Moreover, it supports the development of the strategies to mitigate negative impacts and enhance positive impacts and to set goals. The Matrix shows the importance of the topics for all stakeholders. Stakeholders are people or organizations who are affected by our operations, such as our HVEG employees, our suppliers and their employees, customers and investors, but also industry peers, Non Governmental Organization, trade unions and multi-stakeholder initiatives. This year we have done this only for the focus areas and only with internal stakeholders, which were the management teams from the different BU's and our CSR-officers. In 2023 we will also involve more internal stakeholders and our most important external stakeholders.

Here you find our Double Materiality Matrix:

We can conclude that our priority lies in the topics (focus areas) more sustainable products, improving working conditions in our supply chain and reducing impact of our production partners. This does definitely not mean that we are not working on the other topics. It means that these will have our first focus, because of the importance on sustainability and on our company.







# 5 Taking a closer look



# Focus areas

## Working conditions

At HVEG Fashion Group we are determined to improve the working conditions of the people we work with in our supply chain. However, we have to deal with cultural and legislative differences concerning for instance overwork, freedom of association or living wages. To have an influence on improving these conditions; we have a strict onboarding policy, where our CSR team visits the factory, conducts an audit, creates a Corrective Action Plan (CAP) and follow up visits. We monitor and check if they comply with our Code of Conduct. Beside this, the factories also needs to have a valid social initiative.

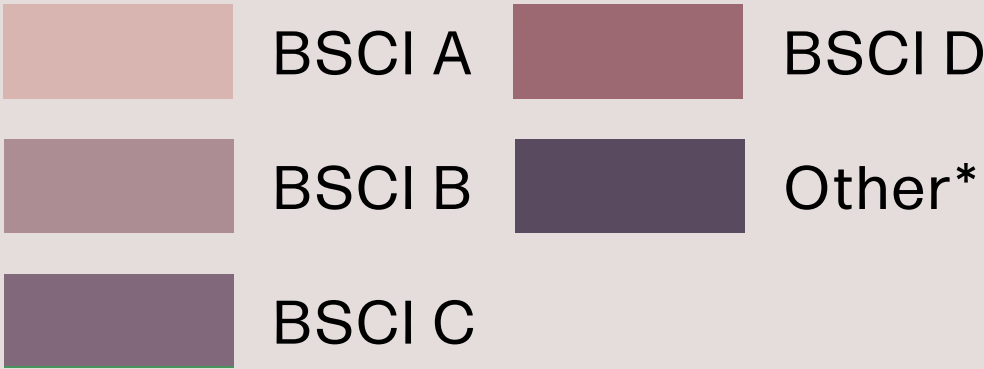
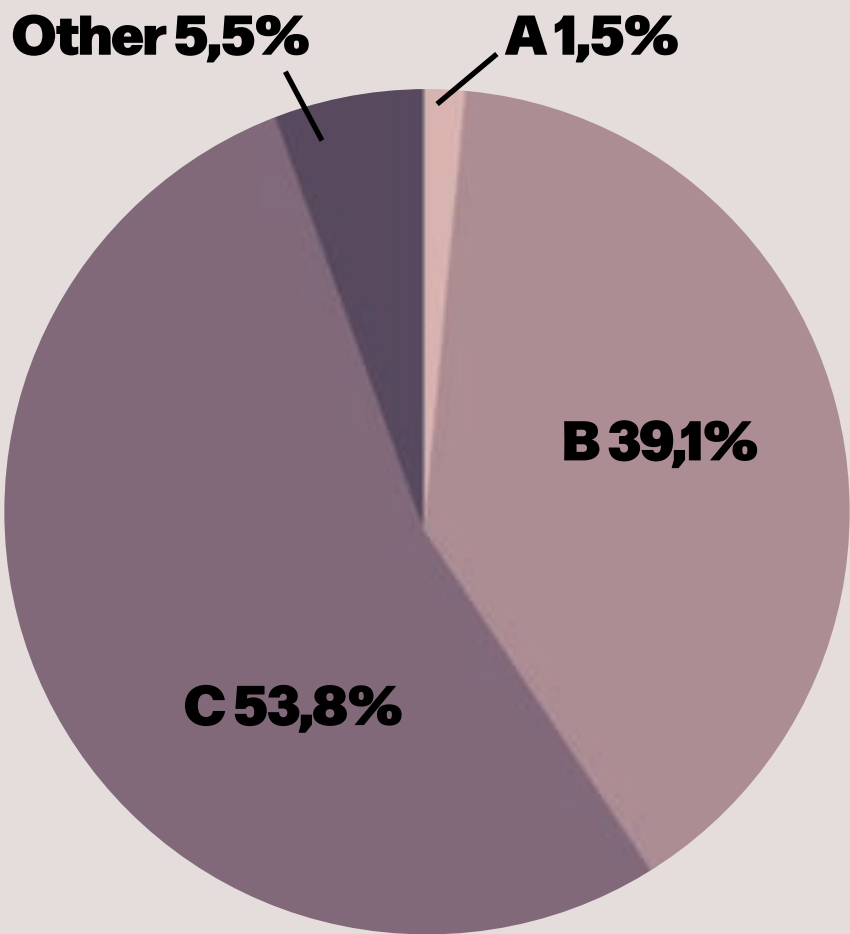
For **2025** we have set the following goals:  
For brands **80%** of active tier 1 factories are BSCI A or B and for private label **40%**. Amfori BSCI is an international Social Compliance initiative that is committed to improve working conditions within the supply chain. Social audits like BSCI are based on the guidelines of the amfori BSCI Code of Conduct. Although, we have our own audit system according to our Code of Conduct in place, we value independent semi-announced social audits. We choose to set this goal, because BSCI is a trustworth social audit initiative.

In the following pie diagrams you can see our progress in the BSCI rating of 2022 for Brands and Private label. Our aim for 2023 is that 35% of Private label has producers with rating A and B. As you can see in the figure, we have already exceeded that goal and the goal for 2025. In 2022 we already have 40,6 % A and B rating for Private label. We will re-evaluate our goal for 2025.

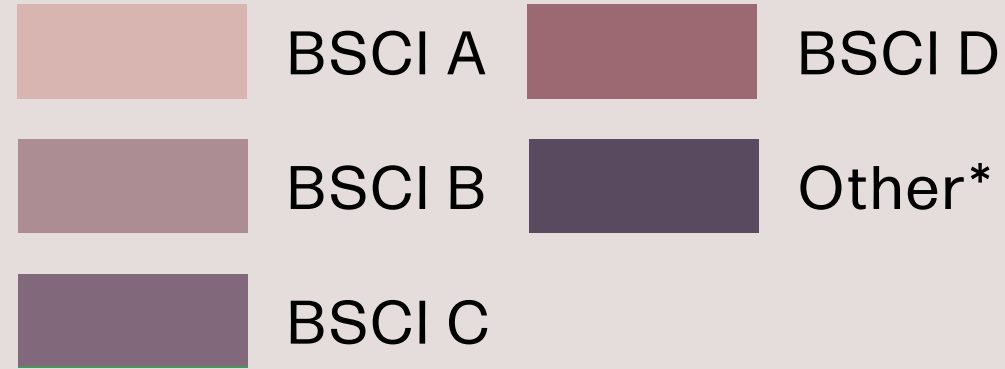
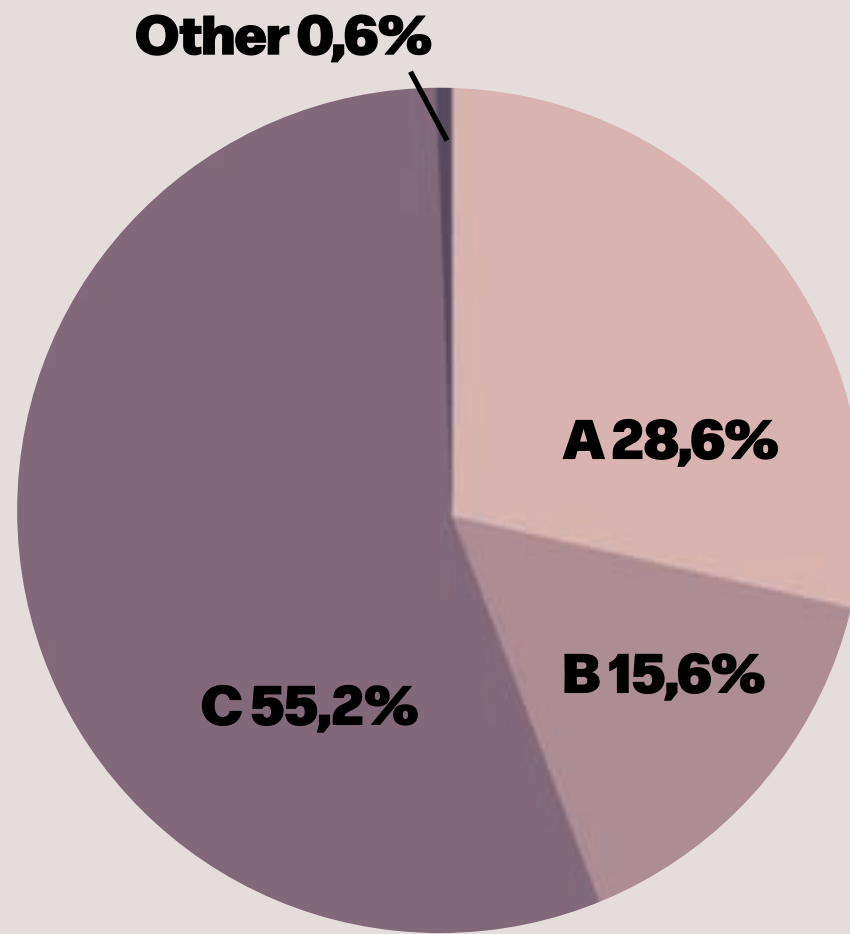
For the Brands we have also exceeded our goal for 2023 which was that 40% of our producers have A and B rating. We already reached a percentage of 44,2% in 2022. However, we have challenging goals for 2025.

### BSCI rating in 2022

Private label



Brands:



\* Other: Smeta, ICS, SLCP, SA8000 certified



# Working conditions

## HVEG Fashion Group audits

All our suppliers are obliged to sign HVEG’s Code of Conduct. We conduct our own Audits. We do these audits because we believe that social audits are an important pillar of measuring human rights. They highlight points of improvement within our Tier 1 and started doing so for Tier 2 which is the main goal of the audits. We experience that some core themes are structural challenges for our production partners to change. These are The Social Management System and Cascade effect, Decent working hours, Occupational Health and Living wage. Our CSR officers in Bangladesh, China and Pakistan are supporting our production partners through coaching and extra training. So they not only visit the factories to follow-up issues, but also to support them in the improvement process.

We have done the following audits in Tier 1 en 2 in 2022:

Audits by our CSR team	
Countries	Audits
Bangladesh	174
China	39
Pakistan	27
Total	240

## Corrected findings

In addition to amfori, we are signatory of International Accord for Health and Safety in Textile and Garment Industry (The Bangladesh Accord) with our entities Low Land Fashion and Y’organic. The Accord is a legally binding agreement to provide safe 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 2021 83% of the findings from the Accord were corrected. The goal for 2022 was 86%. We have managed to correct 88% for 2022.

## Complaints of employees

An important way to know and solve what is happening in the factories is the Grievance Mechanism. A Grievance Mechanism makes it possible for employees to complain when they have any concern about their safety, feel unhappy or discontent at the workplace. By joining a Trade Union, workers have a voice through collective bargaining. However, not all countries can be unionized. As a member of amfori BSCI and the International Accord for Health and Safety, factory workers have access to a Grievance Mechanism.

In 2022, we received 5 complains in total at HVEG which were logged by The Accord. They have also been solved in 2022.

We also have our own grievance policy for our direct suppliers. The Grievance Mechanism can be found on the website of HVEG Fashion Group.



# Transparency

## Why is transparency important in the fashion industry?

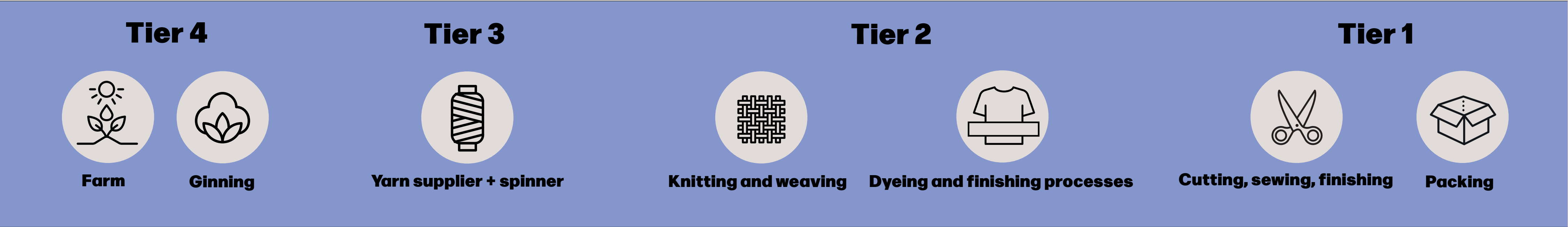
Transparency is crucial for connecting the dots of the problems in the fashion industry and understanding how to fix them. Therefore, without transparency, achieving a sustainable, accountable and fair fashion industry will be impossible.

We want to provide clarity for our customers and consumers. This means that when they buy our product it is clear where it comes from, of what it is made of and in which manner. For now we are obliged to provide information about our Tier 1 and for some of our customers also Tier 2. This is obliged by the German Supply Chain Act. This law now focuses on transparency over Tier 1 and Tier 2. HVEG is Tier 1 for our customers and Tier 2 is our supplier we work with. So for now we have to provide information about our Tier 1. But we want to make the whole supply chain transparent, step by step. So we are preparing ourselves by already asking information from our Tier 2. The main goal of this law is of course to conclude where the risks are in the supply chain. And consequently find ways for improvement.

At HVEG we already know all our Tier 1 partners and in 2022 we also got information from approximately 80% of Tier 2. Our goal for 2025 is to know 100% of our Tier 1 and Tier 2 suppliers in our supply chain from our main customers.

Not all supply chains are the same and they can vary according to product type or materials used. Some supply chains are vertical – short with few tiers. Others can be horizontal and comprise several tiers. However, in general we define the tiers as following for garments for instance:

- Tier 1: Vendor: Cutting, sewing, finishing, packing.
- Tier 2: Vendor suppliers: Fabric supplier both weaving and knitting. Processes are dyeing, finish/wash/treatment/special dye, trims, print and embroidery.
- Tier 3: Input suppliers: Yarn supplier and spinners
- Tier 4: Raw materials: Ginning and raw material supplier





# Transparency

## **tex.tracer**

We work with tex.tracer for our Brands. This is a platform which works with verified data to confirm each step of the supply chain. Once the brand has finished mapping the supply chain and onboarded this onto the tex.tracer platform, the brand can choose to publicly share this information through a QR code on the product or on the website.

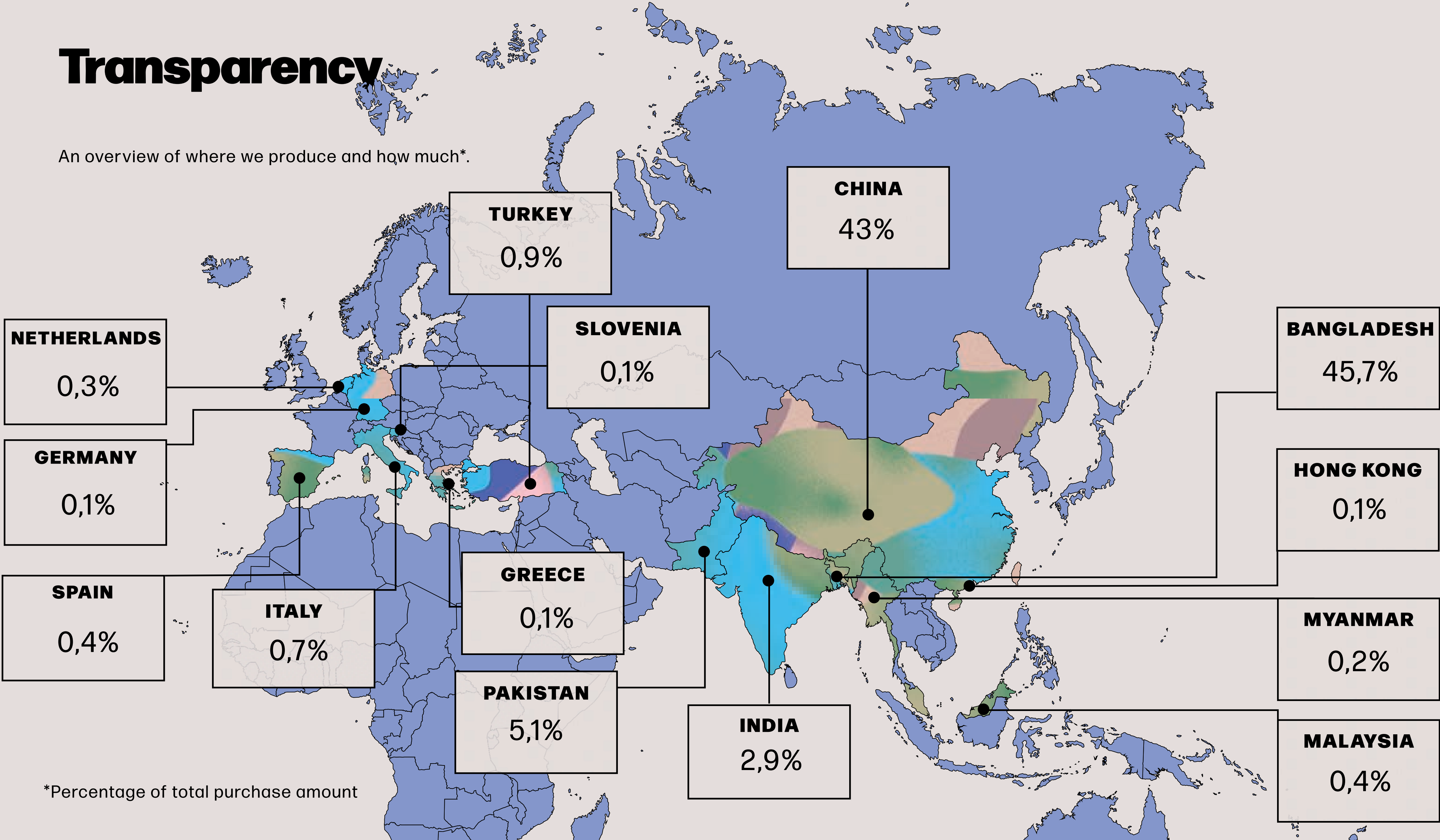
For one of our brands Bamboo Basics we have Tier 1 till Tier 4 of all the styles of Cut&Sew production line and the Seamless Line in tex.tracer. For socks we have most of the Tiers transparent. The information will be available in Q2 2023 for the consumer on the website of Bamboo Basics.

For our other brands Twinlife, Five2One, Brams Paris and Maison de Paris we have started the pilot as well and we will continue in 2023.



# Transparency

An overview of where we produce and how much\*.



\*Percentage of total purchase amount



# The Belt Factory in Eindhoven

One of the factories you find on the map is a factory in Eindhoven, The Netherlands. We would like to tell you a bit more about this factory, because this is one of the last ones in The Netherlands.

“We are extremely proud of our factory in Eindhoven. With almost 2000m2 of factory space, an automated production line and 10 professionals, we have a weekly production capacity of 25,000 leather belts for the European market”

Founded in 1976, factory Belt Fashion became our production partner in 2007. The production facility has a loyal workforce that has been with the company between 15 and 32 years and evolved to the status of being leather belt production specialists. The production facility has been a member of LWG since 2018 and an unchanged BSCI A-rated status. An inhouse CSR team keeps a continuous focus on maintaining the factories’ social and technical audits ratings. Previously, leather, and several semi-finished products were sourced in China, Bangladesh and Pakistan. Now, in 2022, we can state that all semi-finished products are produced in Europe. The factories’ customer pool comprises all types of discounters, supermarkets, mid-level and online fashion retailers. All located in Europe.





# The Belt Factory in Eindhoven

**Facts:**

- In 2021 the factory sold almost 577.000 leather belts
- In 2022 the factory sold almost 645.000 leather belts
- 60% of the production of the belts is made of Vegetable Tanned leather
- Delivered to 37 European customers
- 100% European supply partners
- 25% of all leather put into production is leftover. We are looking for recycling possibilities.

**SOCIAL RESPONSIBILITY**

Our leather belts are made in our factory in The Netherlands



Leather from  
LWG audited  
tanneries



European  
production



Consumer  
durables









BSCI A-rated



Happy belt  
makers

**OUR SOURCES**

 <p><b>THE NETHERLANDS</b> Leather Stamp foils Packaging Edge paint</p>	 <p><b>BELGIUM</b> Webbing</p>
 <p><b>ITALY</b> Leather Webbing Buckles Metal parts</p>	 <p><b>GREECE</b> Webbing</p>
 <p><b>SPAIN</b> Leather Webbing</p>	 <p><b>GERMANY</b> Yarn</p>





# Better Together

Every member in our Group has its own unique DNA, however we do share the same values; Teamwork, Reliability, Open-minded, Enterprising, Sustainability and Innovation. In 2022 HVEG Fashion Group has conducted a Culture scan. We asked employees to give input to measure their engagement to HVEG in general, but also to HVEG’s values. Sustainability got in average a 3 (1 till 5 score). The concrete question was: to which extend is sustainability part of your daily work?

There are different reasons for this score. Although we experience we have colleagues who are experts on sustainability. We also have colleagues who feel they just do not know enough about the subject, feel overwhelmed by its complexity or find it challenging to integrate it in their work. This is well understandable, because sustainability is very complex. And most of the time it is a sustainability dilemma. Because is there ever 1 right answer? It is thinking for the long-term and taking calculated risks. It is continuously learning.

Underneath you find the definition of our values:

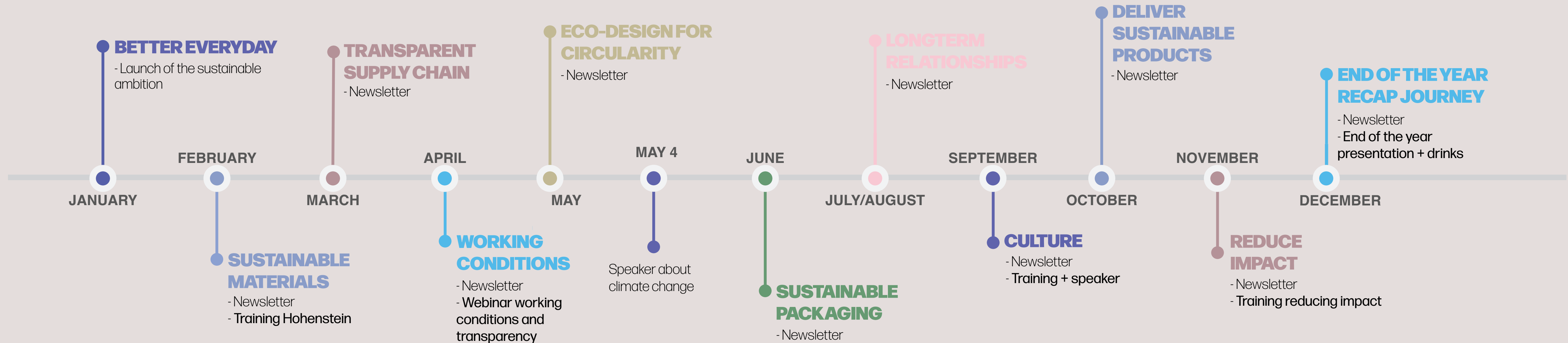
<div><div>Teamwork</div><div><ul style="list-style-type: none"><li>- Working together</li><li>- Help, respect and support each other</li></ul></div></div>	<div><div>Enterprising</div><div><ul style="list-style-type: none"><li>- Take responsibility</li><li>- Passion and motivation</li><li>- Be flexible</li></ul></div></div>	<div><div>Reliability</div><div><ul style="list-style-type: none"><li>- Do what you say and what you promise</li><li>- Be honest</li></ul></div></div>
<div><div>Innovation</div><div><ul style="list-style-type: none"><li>- Think out of the box</li><li>- See and take advantage of opportunities</li><li>- Think ahead</li></ul></div></div>	<div><div>Sustainability</div><div><ul style="list-style-type: none"><li>- Take care of people, animals and the environment</li><li>- Social responsibility</li></ul></div></div>	<div><div>Open minded</div><div><ul style="list-style-type: none"><li>- Not judging, but thinking along</li><li>- Be open to ideas</li><li>- Empathize with others</li></ul></div></div>



# Better Together

So in 2022, we have provided education and presentations to improve the knowledge of all our colleagues.

In 2023, we will enlarge the basic knowledge of our employees even more through our Sustainable Education program. This involves offline workshops, webinars, newsletters, Intranet, speakers, visiting events & musea, film and snacks provided by the Sustainable Film & Snacks team. Moreover, we introduced an Idea board at every location so everyone in the organization can bring up their ideas around a certain focus area. Finally, knowledge sharing is done in the focus groups.





# Eco-design for Circularity

The urgency of eco-design for circularity is more than clear. Many of us are still thinking in a linear way of producing, however the future is circularity. In 2050 The Netherlands aims to have a Circular Economy. What does that exactly mean? Circularity is a waste-free economy that runs as much as possible on sustainable and renewable raw materials, and in which products and raw materials are reused.

In 2022 we started to improve our knowledge about Eco-design for circularity. Introducing the new way of thinking in designing for circularity. For us this means considering environmental aspects at all stages of the product development process, striving for products which make the lowest possible environmental impact throughout the product life cycle. We use the following strategies:

- Durability
- Repairability
- Increase use
- Recyclability
- Avoiding waste

These strategies are also important to implement in our designing process, because it is required by The Extended Producer Responsibility Act. This law comes into force in 2023. The EPR for Textiles Decree holds producers and importers individually accountable for:

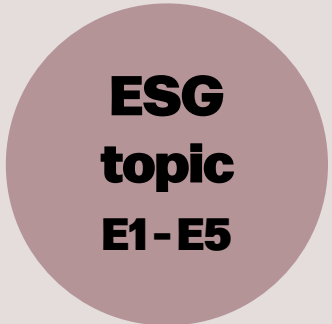
- Organizing an appropriate separate collection system and financing it
- The obligation to ensure recycling and reuse of collected textiles

The main goal is to increase re-use and recycling of textiles. To be able to achieve these goals, we have to design our products with these goals in mind.

We have also started training and working in the design phase with Clo3D. And will continue doing so in 2023. CLO 3D is a 3D fashion design software program creating virtual, true-to-life garment visualization with cutting-edge simulation technologies for the fashion.

In 2023 we will continue education on how we can best integrate Eco-design for Circularity in our design process and investigate which tool can best support our process.





# Reduce impact production partners and HVEG internally

The production of our products does not only have a social impact, but also an environmental impact. This impact is found in many steps of this complex supply chain. It is challenging to change this, so again we look at it step by step.

In 2022 we have made the following progress:

## Our production partners

We are well aware that a large part of our environmental impact takes place in our production countries. Therefore, we are discussing with our production partners how we can help each other towards reducing the impact of CO<sup>2</sup> emissions, energy usage, water, chemical and amount of waste. Amfori BEPI has a system where we can gather information about environmental impact of factories we work with. In 2022 they have integrated this in the new platform of BSCI. Some of our suppliers have moved to the new platform and will fill in or have filled in their information in 2023. Besides that we will conduct a 0-measurement in 2023. This will help us to set concrete goals.

## Purchased energy, heating for own use

In many of our rented facilities we rent the properties including electricity and/or gas for our energy consumption. For the three locations of HVEG where we buy our own electricity and/or gas we currently have done so with the company Clean Energy, which provides 100% green energy. In 2022 the sources of the electricity and gas came from 16,3 % European sun, 5,7 % Dutch sun and 78% European wind.

## Company vehicles

For the year 2022 all of the company cars combined have a total CO<sup>2</sup> emissions average of 98gr/km. HVEG’s objective is to bring this further down below 80gr/km in the upcoming years. An active approach towards fully electric or Plug-in Hybrid vehicles will hopefully help us to achieve these targets. On a side note, the average contract of company cars is 48-60 months, so the decline in CO<sup>2</sup> emissions shall be gradually over the years to come. The first visible change is estimated for 2024, as a lot of cars that are already contracted in 2022, still need to be delivered in 2023.

## Our company building

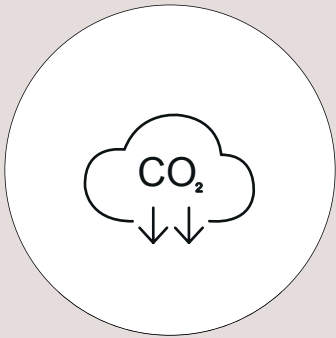
Almost all of HVEG’s rented real estate are equipped with low energy usage LED lighting. HVEG’s headquarter in Leusden also recycles the rainfall via storage to flush all toilets in the building. In regard to IT we try to implement low energy usage Thin Clients as much as we can, in stead of high energy consumption desktops. The current ratio is about 60-40% where the higher percentage is credited to the low energy usage Thin Clients.



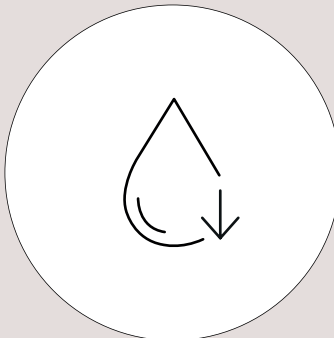
# Reduce impact production partners

Bamboo Basics has already done a 0-measurement for a standard T-shirt. They worked with Ecochain to measure the environmental footprint of carbon emissions, water usage and land usage to start with. The results of the comparison of a Standard Cotton T-shirt with a Bamboo Basics T-shirt are the following:

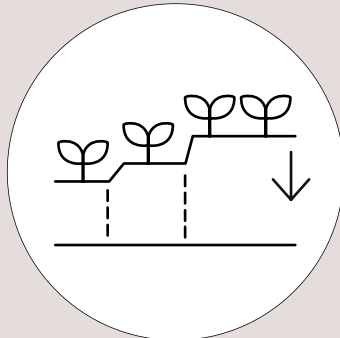
## A. Bamboo Basics T-shirt



Carbon footprint  
2.04 kg CO<sub>2</sub> eq.

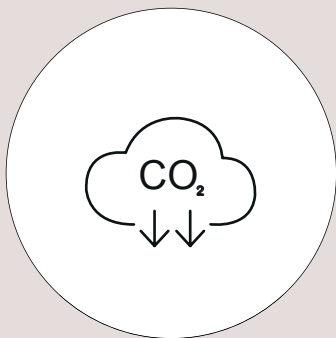


Water use  
972 liter

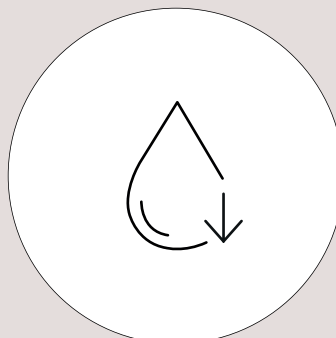


Land use  
42.65 Pt

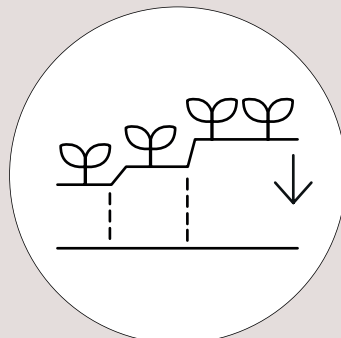
## B. Standard Cotton T-shirt



Carbon footprint  
5.32 kg CO<sub>2</sub> eq.



Water use  
2700 liter



Land use  
61.33 Pt



# Deliver sustainable products

At HVEG Fashion Group we want to become more sustainable everyday. We do that amongst other things by producing better products. For us this means that a product is made of at least 50% certified materials. In the coming years we will increase this percentage. Besides that, it is important to focus on eco-design for circularity (see page 29).

Because most of our sales is private label, it can be challenging for us. However, we wish to encourage all our customers and consumers of our brands to join our sustainable journey on increasing the production of more sustainable products.

## Sustainable Materials

To be able to deliver more sustainable products, it is of course necessary to use materials that are more sustainable. By using certified materials we are ensured of their sustainability claim. In 2022 we used the following certified materials.

### HVEG Fashion Group Used Certificates



Better Cotton Initiative contributes to a better way of cotton farming. They support farmers to grow cotton in a more sustainable way.



The Global Organic Textile Standard has clearly defined set of criteria and is transparent. GOTS is the worldwide leading textile processing standards for organic fibers, including ecological and social criteria, backed up by independent certification for the entire textile supply chain.



Organic Content Standard verifies the presence and amount of organic material in a final product and tracks the flow of the raw material from its source to the final product



Cotton Made in Africa is an initiative supporting cotton farmers and their families in Africa (below the Sahara) to improve their social, economical and ecological living conditions.



Global Recycle Standard is a standard which verifies the presence and amount of recycled material in fabrics and tracks the flow of raw materials from its source to the final product.



Produces material from recycled PET-bottles. They create a through blockchain technology certified recycled polyester fabric.



Leather Working Group is an initiative that is contributing to improve the leather industry. They certify tanneries, which need to comply with the highest industry standards.



Is a more sustainable alternative for Acrylic.



All types of textiles that have been tested for harmful substances, from yarns to the finishing product.

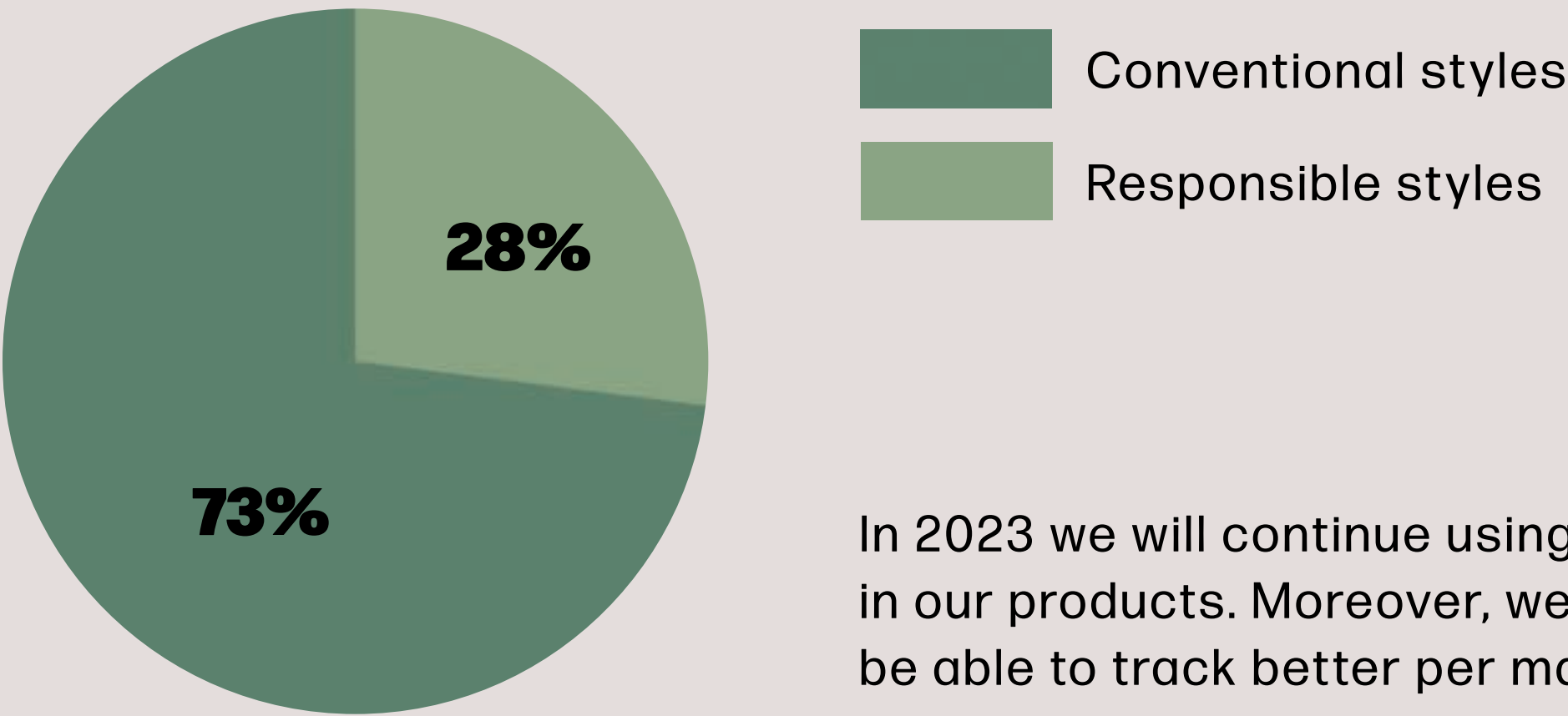


Forest Stewardship Council



# Deliver sustainable products

We have measured the percentages of convention fibers versus responsible fibres which were used in our products. By responsible fibres we mean for instance organic (GOTS, OCS) and recycled (GRS, RePreve).



In 2023 we will continue using more responsible certified materials in our products. Moreover, we are further refining the registration to be able to track better per material and product.

## New Initiatives

For our Brands we have been using new initiatives in our products. For instance for Bamboo Basics we have created a mini collection with fibers from Refibra from Lenzing. Refibra uses post-consumer waste to create new fibers. This post-consumer waste is recycled by a company called Södra in Sweden and after that processed to a fiber at Lenzing. Bamboo Basics also created a T-shirt with biodegradable elastan called Roica V550 from Asahi Kasei. Twinlife has produced recycled cotton and polyester sweaters with Belda Llorens yarn from Spain. Moreover, they now use Bionic Finish on jackets which are based on fluorine-free formulas.



# Deliver sustainable products

## Animal Welfare

HVEG Fashion Group has decided to strictly prohibit the use of Exotic Skins, Real Fur and raw materials coming from endangered species based on International Union for Conservation of Nature (UICN) 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.

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. For all leather products produced outside of the Netherlands, HVEG Fashion Group strives to source only from Leather Working Group certified tanners.

## Sustainable packaging

For many customers we already use recycled polybags, recycled hangers and also FSC certified paper packaging. But we want more, so we created a plan to increase the usage of more recycled content in polybags with more customers. In 2023 we will hopefully be able to make this a reality.

Moreover, for our brand Brams Paris and for one of our private label customers we started with the usage of Break Down Plastics (BDP) from the organisation Change Plastic For Good. Besides the fact that it is always best to make sure plastic is collected and recycled, it may happen that plastic ends up in the nature. Unfortunately, this happens a lot. Change Plastic For Good has created plastic that breaks down in a few years, depending on the conditions, when it ends up in nature.

## HVEG LAB

The HVEG lab is a new initiative at HVEG Fashion Group which started in 2022. The main goal is to create Concepts or Business Models that are sustainable and profitable. In 2022 we started using post consumer waste materials in the collection of Bamboo Basics. In 2023 we will further investigate new possibilities for impactful innovations.





Continuously improving



# Continuously improving

This report gives an image of our efforts of continuously trying to do better everyday, continuously balancing between people, planet and profit. It gives an inside in our Sustainable Journey. A journey we can not do alone, but we would like to do together. Taking small steps. And bringing everyone along.

Do you have any ideas on how we can keep improving? Would you like to join our Sustainable Journey to become Better Everyday? You can reach out to the Sustainability Team by emailing [sustainability@hveggroup.com](mailto:sustainability@hveggroup.com).

