

HAKRO 
HÄLT. SEIT 1969

SOCIAL REPORT 2023

Transparency about the implementation
of social standards in our supply chains



The Social Report 2023 is our second transparency report on the management of social standards in our textile supply chain. It primarily addresses the management and processes of our corporate due diligence in dealing with social aspects in the production of our clothing. The report has been prepared in accordance with the guidelines of the Fair Wear Foundation (FWF), which we joined in January 2021, and covers the 2022 reporting year.

In addition, the Social Report gives an overview of additional developments of our sustainability management in accordance with our Integrated Sustainable Business Strategy for 2022–2030.

We explain our integrated, sustainable approach comprehensively in our first Integrated Sustainable Management Report, which was published in June 2022. It was prepared in accordance with the Standards of the Global Reporting Initiative (GRI Standards 2021) and presents our progress report according to the ten principles of the United Nations Global Compact (UNGC) and the WIN Charter of the State of Baden-Württemberg.

To keep the Social Report short, we refer at selected points to detailed descriptions in our 2022 Integrated Sustainable Management Report. The next Integrated Sustainable Management Report will be published in 2024.



DEAR READER,

In 2022, we presented our Integrated Sustainable Business Strategy for the next few years. We are actively leading by example with our ambitious vision of being the leading integrated sustainable supplier of corporate wear by 2030. We have translated this vision into specific objectives and measures together with all our teams.

We take responsibility for all the sustainability topics we influence. This includes our employees as well as all other people involved in the production of our textiles around the world. Product development, our purchasing practices, and collaboration with our long-term production partners, with whom we also regularly exchange views and information on sustainability issues, are also key aspects.

As challenging as it is to produce high-quality clothing fairly and in the most environmentally friendly way possible, our concrete progress is also motivating. We therefore gladly contribute to a more sustainable future every day with courage, ambition, and perseverance.

Our management team

Carmen Kroll
Managing Partner
and Managing Director

Thomas Müller
Managing Director

Danny Jüngling
Authorised Signatory

Contents

05 ABOUT HAKRO

06 AT A GLANCE

09 STRATEGY AND MANAGEMENT

- Company management and dialogue
- Team and diversity
- Site and resources

18 SUPPLY CHAIN MANAGEMENT

- Fair Wear principles as guidance
- Current priorities in supply chain management
- Risk management
- Our remediation process
- Grievance mechanism

26 PRODUCTION PARTNERSHIPS

- Living wages
- Social Monitoring
- Production locations and partners

39 PURCHASING PRACTICES

- Working in dialogue
- Through uncertain times together
- Building knowledge

43 PRODUCT SUSTAINABILITY

- The foundation – sustainable quality
- The milestones – climate-neutral collection
- The future – circular clothing

49 HAKRO OBJECTIVES IN 2022

54 IMPRINT

ABOUT HAKRO

The medium-sized family company HAKRO, based in Schrozberg, Baden-Württemberg, specialises in particularly durable, sustainable and well-designed corporate wear. Our vision is to be the leading sustainable supplier in our industry by 2030. Our name is synonymous with clothing that people wear day after day during work, sports, and in their leisure time. Reliable, durable, perfectly designed and produced according to the highest social and ecological standards.

We manage our business with integrated sustainability. In the four strategic fields of action of company management & dialogue, supply chains & products, team & diversity, and site & resources, we pursue an approach of always making profitability ecologically and socially viable. A large number of memberships and certifications underpin the work, which was recognised in 2021 with the Neumarkter Lammsbräu prize for sustainability and in 2018 with the nomination for the German sustainability prize.

Since 2022, we are offsetting the emissions of our entire NOS (never-out-of-stock) collection with ClimatePartner and are the first supplier of corporate wear to do so. We have the collection manufactured abroad by carefully selected production partners, most of which have been our partners for decades. In our supply chain management, we are guided by the high social standards of Fair Wear for objectives and measures.

The company, which was founded by Marianne and Harry Kroll in 1969, has been managed by the second generation, Carmen Kroll and Thomas Müller, since 2003. Danny Jüngling joined the management team as an authorised signatory of the company in 2021. At the company headquarters, 200 employees work in administration and logistics. The NOS range consists of six collections with a total of 153 models, 46 colours, and 16 sizes. HAKRO textiles are distributed through authorised dealers.



Anna Rüchardt and Jochen Schmidt manage the Impact, Responsibility & Innovation department.

AT A GLANCE

HAKRO is stepping on the gas. In the second year of our Fair Wear membership, the foundations are laid, and we are looking to the future. Our Impact, Responsibility & Innovation department summarises our focus in supply chain management in 2022: from initial production visits after the pandemic and the first Cradle-to-Cradle® certification to learning practices for more sustainable purchasing processes.

In 2022, travel to your production countries finally became possible again. How was that for HAKRO?

AR — Certainly emotional, exciting and instructive. In Laos, where it wasn't possible to conduct an audit on site in 2021 because of the pandemic, we were able to experience our new iMPACT Program audit in person for the first time. We were there for the whole monitoring process. Although earlier audit reports in our other production countries had already convinced us of our method, being able to see proof of concept so directly did make us a bit proud.

JS — We were mainly impressed by how thoroughly the management in Laos prepared for the audit – and actually surprised by the fact that improvements as part of the first iMPACT Program remote audit in 2021 were already so clearly visible, particularly with regard to fire safety and occupational safety.

AR — We also visited our factories in Bangladesh and Turkey. The last time we were in the two countries was before the pandemic. Here too, the focus was on communicating with our partners in person. We came through the worst period of the pandemic together with all our production partners, and digital communication is working well.

But nothing can replace face-to-face contact on site. We felt that very clearly. Audit results, next steps, and in particular new project ideas are also just easier to discuss or come up with if you're sitting around the table together.

JS — We want to get to know our deeper supply chain systematically, which is why we started to roll out the re-traced **platform for supply chain traceability** to our production partners at the end of 2022. That's why we now also look differently at the interrelationships locally, especially as they become more complex. It was nice to see how much our partners in Bangladesh and also Turkey have invested in their facilities and infrastructure. For example, they created a completely new logistics hub in Turkey. In Bangladesh, we visited a tier 3 spinning factory, and in Turkey we visited not only the new hub but also the production site and the dye works.

And locally in Schrozberg? What was the core theme of 2022?

JS — Definitely the operationalisation of our Integrated Sustainable Business Strategy. We've taken on quite a task with our vision for 2030 of being the leading integrated sustainable supplier of corporate wear. HAKRO ran around 30 team workshops, which meant we were busy the whole year putting concrete measures behind our ambitious objectives in our four strategic fields of action. On the one hand, it was a lot of work, but on the other, it was inspiring to see how much creativity our team has and how driven they are to create.

“Being able to be there in person for the iMPACT Program audit in Laos and experiencing the ‘proof of concept’ of our new custom social monitoring system was a definite highlight of the year.”

Anna Rüchardt,
Head of Impact, Responsibility & Innovation

“When you make an on-site visit and discover that your production partner is already proactively carrying out life cycle assessments (LCAs) and conducting research and development on sustainable materials and products, you know you have the right partner by your side to do integrated sustainable business.”

Jochen Schmidt,
Head of Impact, Responsibility & Innovation

In Bangladesh, you obtained a first Cradle-to-Cradle® certification. What did you learn from the process?

AR — We saw yet again that our factories are essential partners for achieving sustainable and circular textile production. We wouldn't have been able to do it alone – you can only manage that sort of thing in a partnership where you have absolute trust in each other and work together with the factories' managers on an equal footing. The bulk of the comprehensive data collection was carried out at factory level in Bangladesh, where we piloted the C2C certification. The effort involved was significant, and of course there were hurdles along the way. That makes it all the more valuable when you reach your objective together.

JS — On our visit to Turkey, we happened to discover, for example, that our partner there had already carried out life cycle assessments (LCAs) of their own accord and is conducting research and development on sustainable materials. That makes us confident that our approach of tackling sustainability challenges on a basis of partnership is working because we can learn from and with one another.

Learning is a good keyword in general. You've joined the Learning and Implementation Community (LIC). What is that and what does it do for you?

AR — In the community, we actively work on responsible purchasing practices in collaboration with other multi-stakeholder initiatives such as Fair Wear and other textile brands. We see it as a great example of sector-wide cooperation and the continuous exchange of new knowledge and innovative methods. At HAKRO, we're deliberately represented in the community not only by the sustainability team but primarily by the purchasing department and management in order to live up to our own claim of thinking and acting in an integrated way. In concrete terms, that means that knowledge doesn't stay in a silo.

STRATEGY AND MANAGEMENT

HAKRO is setting an example with the Integrated Sustainable Business Strategy for 2022–2030. We want to be the leading integrated sustainable supplier of corporate wear by no later than 2030. We are gradually making this vision a reality in four strategic fields of action.

In 2020 and 2021, HAKRO developed an integrated sustainable business strategy and vision for the period until 2030 in a comprehensive participatory process. It measures economic success by whether it is ecologically and socially viable and promotes social development. For background and the process of developing our vision, please see the detailed description in our first [Integrated Sustainable Management Report 2022](#).

HAKRO Corporate Compass

The **HAKRO Corporate Compass** is the documented result of our strategy process. With the **Kroll family manifesto**, it builds on the values that have shaped the HAKRO brand's promise since the company was founded. The **Management Agenda** defines a future course and an order for action made to all employees. The **HAKRO Code of Conduct** lays down binding rules for interacting with each other and with our external stakeholders, including our production partners in the supply chain. The **superordinate references** list all international, European, national, and institutional guidelines and directives on how companies can take ecological and social responsibility, and we are committed to complying with them.

The entire HAKRO Corporate Compass is available to [download](#) on our website.

Fields of action and objectives

Our Integrated Sustainable Business Strategy is being implemented in four fields of action:

- Company management & dialogue
- Team & diversity
- Site & resources
- Supply chains & products

The latter is the focus of this Social Report and is presented in detail in the following chapters. We provide brief information here about the developments within the other three fields of action.

We have defined **specific missions and directional key objectives** that guide us on operationalisation for all the fields of action until 2030. An overview of all key objectives can be found both in the HAKRO Corporate Compass and in the Integrated Sustainable Management Report 2022 (see above). On [p. 47](#), we make transparent how well we have done in achieving our goals for 2022.

THE HAKRO VISION 2030

Always one step ahead.

We live and safeguard values.

Exemplary.

Leading in our sector.

Inspirational for all the people who work for and with us and wear our clothes.

COMPANY MANAGEMENT AND DIALOGUE

Our strategy spans all HAKRO activities and departments. This includes, in particular, product development and purchasing, including supply chain management, product marketing and corporate communication, sales, digitisation, HR and site management.

Appropriate cross-interface and agile management by the HAKRO LAB, a new body that was set up in 2021, promotes the implementation of our ambitious objectives. Staffed by HAKRO department managers, it prepares decisions by the management for the implementation of our strategy. This principally applies to complex topics with major strategic relevance for interfaces and those that require a high amount of coordinated internal collaboration. Through this, we dismantle hierarchies and build up perspectives and interface competencies.

Our Integrated Sustainable Management System is the continued development of the sustainability management system implemented in 2005 and also takes account of:

- Our quality management system, which has been certified to ISO 9001 since 2014,
- Our environmental management system, which has been certified to ISO 14001 since 2020,
- A compliance management system certified according to ISO 37301 from 2023.

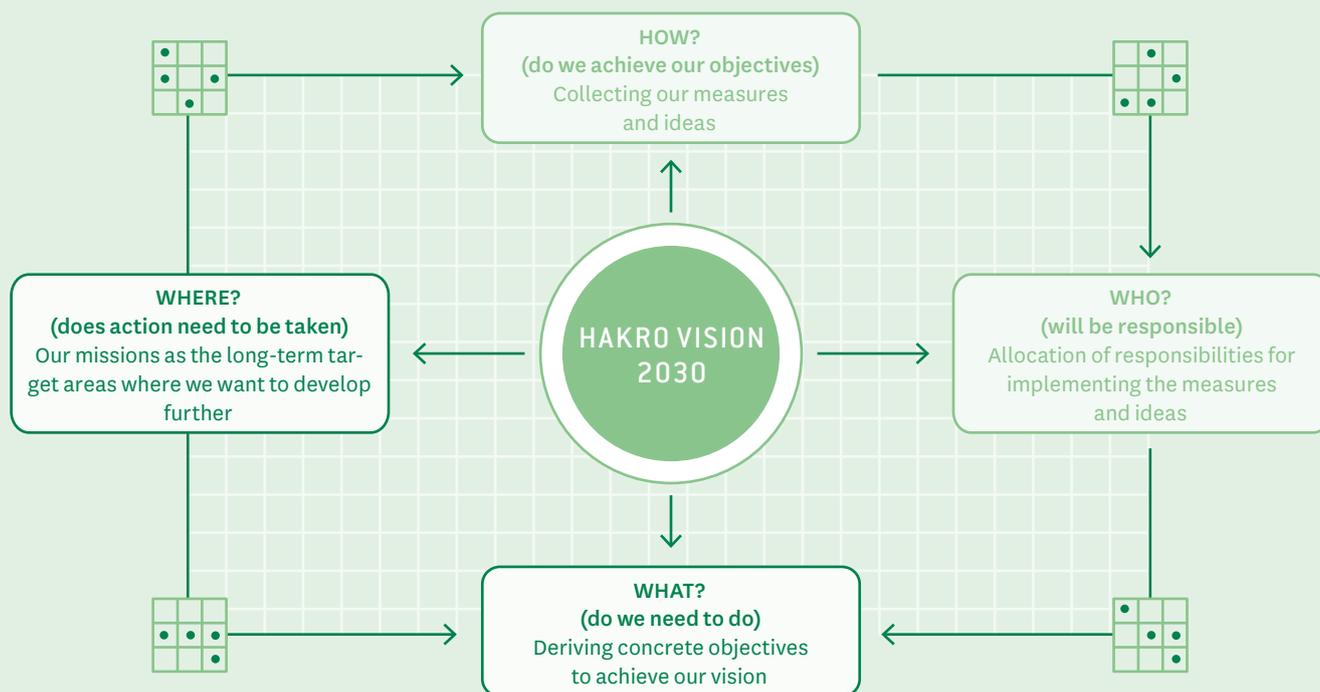
In doing so, we are able to safeguard the continual improvement of our management processes.

Operationalisation of our strategy

Developing concrete measures to operationalise our Integrated Sustainable Business Strategy was a central theme of our year. We divided the entire HAKRO team into 22 groups and carried out workshops per group to come up with concrete measures and ideas for the individual departments (see figure on p.11). In 2022, 18 such team workshops were held. The remaining groups will have worked out their specific contribution to the Integrated Sustainable Business Strategy by April 2023. Overall in 2022, we developed more than 400 measures with which HAKRO can ensure that its ambitious vision becomes a reality by 2030.

THE OPERATIONALISATION OF HAKRO'S CORPORATE STRATEGY

HAKRO is working on the basis of a simple principle for the operationalisation of the Integrated Sustainable Business Strategy: breaking down the large into small parts and finding individual starting points. By means of working together with each team to work out which measures the department can specifically take to help to achieve the corporate objectives, all employees are brought behind the company's vision in a process that is as structured as it is creative.



Our corporate vision guides us in all our thinking. For each team, we establish which corporate strategy missions are relevant, which objectives result from these, which measures will achieve these missions by when, and who is responsible for this.

Dialogue

Dialogue and the engagement of all stakeholders are fundamental principles for HAKRO. For us, it is perfectly clear that we will only overcome our industry's great challenges together. To this end, we share knowledge and create spaces so that encounters can take place. Our Integrated Sustainable Business Strategy was created through a participatory process of this nature. We are continuously creating improvement with our production partners on an equal footing, with appreciation, and we intentionally go "beyond auditing" with our iMPACT Pro-

gram (see also [p.27](#)). Together with industry experts and colleagues in the sector, we are working on sustainability solutions. Setting up remote workplaces and working safely in our logistics centre, which very much required in-person work, made it necessary to coordinate many matters internally and establish new communication channels.

BECOMING EFFECTIVE TOGETHER

Only following a strategy process does the real work begin. This is because the question is now how all the ambitious objectives can be achieved – and by whom. Katharina Herzog, Head of Organisation & Progress, is responsible for operationalising the Integrated Sustainable Business Strategy at HAKRO and empowers the HAKRO teams to translate their department-specific objectives into measures that are both effective and feasible.



Katharina Herzog, Head of Organisation & Progress, is responsible for operationalising the Integrated Sustainable Business Strategy at HAKRO.

What did your average working day look like in 2022?

KH — Like one great big team workshop! We held workshops with 18 teams. And we partly had up to three meetings per team, which is around 30 workshops that I supported.

That's a lot of work. What was it all for?

KH — Yeah, it is a lot of work. But it's necessary and a great deal of fun. The joint development of strategy always has the company as a whole in mind. And this is how it needs to be. But people often forget that the translation also needs space for the individual departments and teams. We're taking time for this, and we're seeing that

it's worth it. Because the creativity and the deep understanding of the corporate vision emerging from these processes are immensely moving.

And you bring the threads together at the end?

KH — That's right. Empowerment and a shared understanding are the first step. It also needs somebody who reliably checks whether we're on course, which objectives are reached, and which measures need course corrections. I'm HAKRO's central point of contact for this.

Not-for-profit engagement

At HAKRO, we are deeply committed to not-for-profit projects – initiatives near our site, in our region, and in our manufacturing countries. We distinguish between social commitments and charity commitments. It is our objective to double the total volume of monetary donations and donations in kind to HAKRO projects and projects of the Harry Kroll Foundation from 2021 to 2027.

In terms of social commitments, HAKRO is involved with projects by non-profit cooperation partners, most of which contribute towards social solidarity within the region and towards social development as a whole. Our employees give their time to regional social projects as part of our “TeamShare” corporate volunteering project. In 2022, 28 employees put in 224 hours for the TeamShare project.

HAKRO’s Harry Kroll Foundation supports charity projects of non-profit cooperation partners by donating funds. The focus is on education, personal development, and the health of disadvantaged people and people in need, particularly children and young people. As part of the foundation’s “Kleeblatt” initiative, we financially support associations and institutions for work with children and young people and also invite our employees to donate to these causes. For around 20 years, we have also been supporting an orphanage in Bangladesh with 25 residential and childcare places.

In 2022, we set up a foundation committee that meets several times a year and oversees the foundation’s strategy and its grants of awards in response to funding requests. It is staffed with an external industry expert and internally with the foundation representative and the managing director and managing partner of HAKRO. The committee has sharpened the Harry Kroll Foundation’s vision and mission, defined transparency criteria, and adopted funding guidelines, which are to be introduced in 2023.

HAKRO DONATIONS 2022

Total donations by HAKRO to the Harry Kroll Foundation
€ **111,556.00**

Total donations by others to the Harry Kroll Foundation
€ **19,864.01**

Total donations by HAKRO for projects outside of the Harry Kroll Foundation
€ **14,070.00**

HAKRO clothing donations
4,144 items

Funding provided by the Harry Kroll Foundation to “Kleeblatt” projects
€ **13,508.80**

Funding provided by the Harry Kroll Foundation to other projects
€ **134,530.00**



TOGETHER INTO THE FUTURE!



IMPACT 
Barcamp

With our IMPACT Barcamp, we have created a successful format in just two years, which the Partnership for Sustainable Textiles describes as a “very special, if not completely unique, event in Germany.”¹ In 2022, for the second time, we brought around 40 sustainability managers and experts from the textile industry together at our site in Schrozberg for a day of shared experiences, wishes, and ideas. In 2023, the IMPACT Barcamp will be held for a third time because our passion for successful, honest, and open co-creation continues.

¹ [Post on LinkedIn](#).

TEAM AND DIVERSITY

We are particularly proud of our special HAKRO spirit and sense of community. HAKRO brings people together and unites them – because our company serves people and not the other way around. We have established ourselves as an important and attractive employer in the region: the HAKRO team is continuously growing, partly through a large number of unsolicited job applications.

HAKRO's Integrated Sustainable Business Strategy for 2022–2030 also has an influence on the future direction of our human resources work. For example, we have already intentionally integrated the topic of sustainability in the interview guidelines for the application process for new employees. The individual contribution to achieving our corporate objectives is also part of the annual performance review and supplements the controlling of our strategic measures (see [p.10](#)). Moreover, we use a diverse range of training measures because acting in an integrated way requires knowledge, skills, and an appropriate mindset.

Fair and transparent pay is a key pillar of the HAKRO corporate culture. Our remuneration strategy is based on standard rates for wholesale and external sales, which we will exceed from 2024. We granted the German Federal Government's tax- and duty-free inflation compensation premium to all employees in the reporting year.

Knowledge and skills

Our HAKRO Academy offers our employees an extensive personal development programme and seminars with external and internal speakers on topics such as communication, soft skills, expertise, and digitisation skills. By 2024, we want to extend the HAKRO Academy programme with more e-learning services. We also support the individual and professional development of our staff and offer training positions for a range of vocations for apprentices and students on dual-course study programmes. From 2023 on, our training programme will also include work shadowing on social projects. From 2024, we are going to offer all permanent employees the opportunity of taking a sabbatical and, by 2030, educational scholarships. In 2022, we launched a company-wide intranet for better internal networking.

Healthy and flexible working

Our health manager and our safety officers help to ensure consistently good working conditions – whether it's for physically demanding activities in the logistics centre or office work with ergonomically designed workstations. Our health programme will be transferred into a comprehensive corporate health management strategy by 2024. We currently offer a range of services to promote health, including massages, a fitness and yoga programme, and health and nutrition tips. In 2022, we opened new massage rooms and, in our outdoor space, opened wellness areas with swings and a barefoot path.

At HAKRO, we have a large number of working hours models to make the company more family-friendly and improve work-life balance. We can find a tailored solution for every requirement, including for those returning to work after taking parental leave. With the exception of logistics, where physical presence is essential, our employees also have the option of working from home for up to two days a week by arrangement with their line management and teams. From 2025, we will be offering holiday programmes for our employees' children (aged between 5 and 15) and from 2027, we want to offer childcare (for their children aged between 3 months and 7 years).

Diversity

The diversity of our workforce is very important to us. Our partnership with Sozialtherapeutische Gemeinschaften Weckelweiler e.V., which individually supports people with disabilities, has already become a tradition. A fixed external group of 13 people has worked in the Logistics & Services department since 2017. We have already been able to directly hire two colleagues from it and integrate them into what is known as the first job market. And we're not stopping here either. By 2030, we want to increase the proportion of people with disabilities at HAKRO, including our "Weckelweiler teams", to 15%.

HAKRO SOCIAL IMPACT ASSESSMENT 2022

Employees (headcount)



204

- ▶ of which full-time 62%
- ▶ of which mini job 13%
- ▶ of which part-time 24%
- ▶ of which on parental leave 1%
- ▶ of which women 65%
- ▶ of which employees with a disability 3.4%

employees in management positions

18

- ▶ of which women 50%

Number of nationalities in the team

13

Apprenticeship ratio

5.9%

Training hours per employee

9.5

Accident ratio

2.5%

Turnover ratio

2%

Health ratio

93%



SITE AND RESOURCES

HAKRO is building on the Schrozberg site. This is where we have grown. This is where we want to stay. We want to keep our environmental footprint as small as possible. Since we are continuously growing, we have developed a comprehensive site strategy. New-builds and renovations at our site will, in future, adhere to the criteria of the German Sustainable Building Council (DGNB). Since 2018, our four photovoltaic systems have produced so much green electricity that we are able to cover nearly 75% of our site's needs from our own renewable sources.

In 2022, we switched to increased reuse of cardboard boxes in shipping and digitalised accounting in human resources. As part of the State of Baden-Württemberg's

Sustainability Days, we motivated our employees to increasingly change to public transport or bicycles, to walk more often or to car pool.

Strategic climate protection

HAKRO pursues a comprehensive climate protection strategy that monitors and manages all greenhouse gas emissions (expressed as CO₂ equivalents, CO₂e).

Our site has been climate-neutral since 2017. ClimatePartner calculates HAKRO's corporate carbon footprint every year. Over 83% of the offset emissions attributed to our site processes are due to the logistics of goods and people. Of this, the largest proportion – 85% – is accounted for by incoming goods logistics. This is followed

by the emissions from our employees' commutes, which account for 10%. The direct emissions from facilities of our company and fleet account for 5% of our total emissions.

By 2024, we will introduce 1.5 degree-compliant science-based targets (SBT). As of 2023, we will calculate the effects of the advancing digitisation of our work processes on our carbon footprint. By 2030, we will completely switch the HAKRO fleet over to electric vehicles and no longer operate vehicles with combustion engines.

Biodiversity

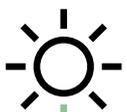
Next to our HAKRO logistics centre, we have planted a 10,000 m² wild-flower meadow as an ecological compensation site and a habitat for a growing number of flowers, grasses, birds, and insects. In spring 2023, we will settle six bee colonies in the meadow and look after their welfare ourselves. Accordingly, when tending to our other green spaces, we completely avoid the use of chemicals and employ more natural methods instead.

HAKRO ENVIRONMENTAL IMPACT ASSESSMENT 2022

Electricity consumption

434,460 kWh

▶ of which generated by our own photovoltaic systems
135,471 kWh



**Electricity purchases
(100% green electricity)**
after deduction of our own generation



287,989 kWh

Gas for heating

663,584 kWh

▶ of which biogas
10%

Water consumption

2,638 m³



Total greenhouse gas emissions (CO₂e)

▶ of which Scope 1

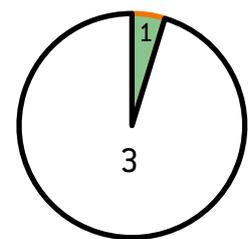
188.36 t

▶ of which Scope 2

0 t (0.0%)

▶ of which Scope 3

3,645.14 t



offset emissions (CO₂e) for achieving climate neutrality at the site²



3,833.50 t

Proportion of vehicles with combustion engines in the HAKRO fleet (20 vehicles)

80%

Fuel consumption of company cars in 2022

25,333 l

Waste

223.86 t

Recycling rate

95%

Paper consumption

500 kg

² For details on offsetting, see p.33.

SUPPLY CHAIN MANAGEMENT

The HAKRO transformation is most noticeable in our core business: we want to be the leading integrated sustainable supplier of corporate wear by no later than 2030. To achieve this, we set ourselves the highest standards for responsibility and fairness throughout the supply chain.

HAKRO has set itself ambitious missions for its global supply chains by 2030. Our aim is to know all our indirect production partners, all our suppliers, and any human-rights and environmental risks in our entire supply chain. We accept social responsibility for all employees who work in the companies upstream from us. In addition, we pursue sustainable climate management in the supply chain and pursue comprehensive pollutant and wastewater management, through which we are gradually reducing and substituting dangerous chemicals in upstream production processes.

RESULTS OF OUR FIRST BRAND PERFORMANCE CHECK (FAIR WEAR)

We completed our first Fair Wear Brand Performance Check in 2022 and, with a score of 60 out of a possible 94 points, achieved the status “good” straight away. We aim to reach Fair Wear Leader status by 2024. Details of the first HAKRO Brand Performance Check are available [here](#).

STATUS

- LEADER
- GOOD
- NEEDS IMPROVEMENT
- SUSPENDED



Together with the production managers in Bangladesh, we take a look at the remediation measures implemented on the factory building.

FAIR WEAR PRINCIPLES AS GUIDANCE

Meeting the objectives we have set ourselves requires strong partners. By joining Fair Wear in 2021, we've taken an essential step forwards, as we are committed to the highest social standards. As a multi-stakeholder initiative, Fair Wear offers us unique support with its vast expertise in improving social standards in the textile sector, not least through its broad network of various stakeholders.

Our supply chain management builds on the eight principles of Fair Wear's Code of Labour Practices (CoLP). The integrated sustainable management of all our supply chain activities and the concrete implementation of the CoLP takes place along the five steps of the cycle for the implementation of our human rights due diligence (see also figure on [p.21](#)).

In 2022, we set up a coherent sustainability controlling system that enables us to bundle all the data from our risk assessment (including audit reports) with the plans and measures of our partners and supplier evaluations and other supply chain KPIs. With this system, we specify the structured and company-wide implementation of the objectives of our Integrated Sustainable Business Strategy for supply chain aspects (see [p.10](#) for the general operationalisation of our strategy).

FAIR WEAR CODE OF LABOUR PRACTICES (COLP)

At the heart of the Fair Wear membership is the implementation of the Code of Labour Practices (CoLP). This code of conduct forms the basis for the collaboration with our production partners and thereby also for our iMPACT Program social monitoring system.

The eight social standards of the CoLP are based on internationally acknowledged standards such as the ILO Convention for international labour rights and the United Nations' Universal Declaration of Human Rights.



1. EMPLOYMENT IS FREELY CHOSEN



5. PAYMENT OF LIVING WAGE



2. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING



6. REASONABLE HOURS OF WORK



3. NO DISCRIMINATION IN EMPLOYMENT



7. SAFE AND HEALTHY WORKING CONDITIONS



4. NO EXPLOITATION OF CHILD LABOUR



8. LEGALLY BINDING EMPLOYMENT RELATIONSHIP

CURRENT PRIORITIES IN SUPPLY CHAIN MANAGEMENT

We want to achieve full traceability across all levels of our supply chain by 2025. To this end, we have been gradually introducing **retraced**, an online network with a focus on traceability, at our production partners since the end of 2022 and would like to publish more information on the production sites – with their permission. This will also help us in our collaboration with additional Fair Wear brands that produce items in the same facilities. This is because the online network bundles and digitises data management and thus makes it much easier to share data. Furthermore, we can gradually make the complex structures in our deeper supply chains traceable with **retraced** as a network platform – right down to the allocations of the respective supply chains to individual HAKRO models. When it comes to the development of the platform, we also act as a sparring partner and contribute our practical knowledge.

Since more than 80% of the workers in our supply chain are women, gender equality is a priority for us. The Worker Sentiment Surveys conducted as part of our iM-PACT Program audit have already given us an insight into potential gender-specific problems (see [p.22](#)). With our Turkish production partner, we are planning the ex-



58% of the workers at our production partner in Bangladesh are women, and most of them work as sewing machinists.



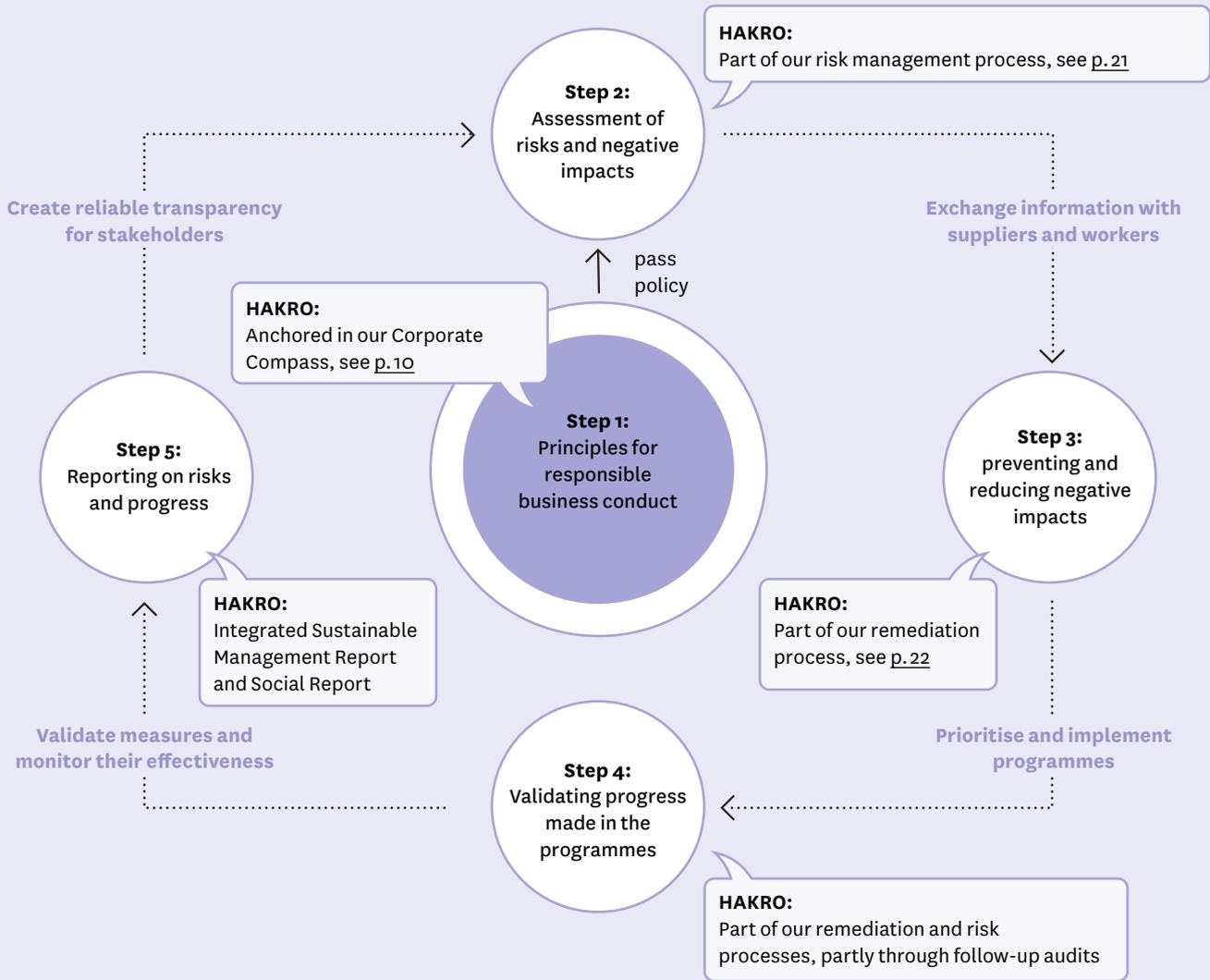
Good documentation is the first step to supply chain traceability. This is also the case here with our partner in Bangladesh.

pansion of their gender training developed in cooperation with the International Labour Organisation (ILO) in 2023. In partnership with Sustify, a German service provider in the field of social dialogue with a focus on the textile sector, we are planning gender trainings that can also be available to other production sites, possibly in collaboration with other brands.

For further focuses and objectives, see the “Purchasing practices” chapter, [p.39](#), and the “Production partnerships” chapter, [p.26](#).

HAKRO SUPPLY CHAIN MANAGEMENT

The integrated sustainable management of our supply chain activities is guided by Fair Wear’s Human Rights Due Diligence (HRDD) Policy. This stipulates a risk-based supply chain improvement cycle comprising the five steps shown below.



RISK MANAGEMENT

The gross risks in the textile supply chain, i.e. the risks before considering any measures through which a risk is reduced, are many and varied. The HAKRO risk assessment is correspondingly comprehensive; it is updated regularly upon receipt of new audit results, our own on-site visits, the receipt of grievances (see [p.24](#) for our

grievance mechanism) or other information, and is completely reviewed at least once a year (see [p.30](#) for the partner-specific net risks). Our risk process therefore also includes monitoring of the effectiveness of our remediation measures. When identifying and dealing with risks, we continue to keep the strong interdependencies between social and environmental risks in mind. For example, improvements in the management of chemicals

may positively impact both the environment and employee health. Improved working conditions and raising awareness may, however, increase the willingness of management and staff to proactively tend to environmental issues to a greater degree at the production site.

Our risk assessment is structurally based on the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector and individually expanded by special factors such as the COVID-19 pandemic and the topic of biodiversity. Both topics are highly relevant for the sector and across our supply chain.

We evaluate five different types of risk:

- Sector risks (see also the value chain chart on [p.25](#))
- Country risks (see also the overview of factories [p.29](#))
- Raw material risks
- Partner-specific risks (see also the production partnerships chapter on [p.30](#))
- Product- and business-model-specific risks

As a general principle, we see all processes as part of our responsibility. We feel we are directly and indirectly responsible for everything that takes place upstream and want to exert our influence on those processes wherever possible. Since our supply chain is not yet completely traceable, for now we are focusing on the sector-, country-, and partner-specific risks in manufacturing (tier 1). We will continually increase the traceability of our supply chains until we achieve 100% by 2027. This will allow us to increasingly focus on risks in the deeper supply chains in our risk assessment.

OUR REMEDIATION PROCESS

The HAKRO remediation process comprises measures and processes for preventing and reducing negative impacts and includes:

- Auditors' recommendations (see iMPACT Program audit process on [p.27](#))
- Root cause analyses carried out by production partners
- Joint improvement plans, supported by training and capacity building programs

Together with the audit report, our production partners receive a template for improvement plans. On this

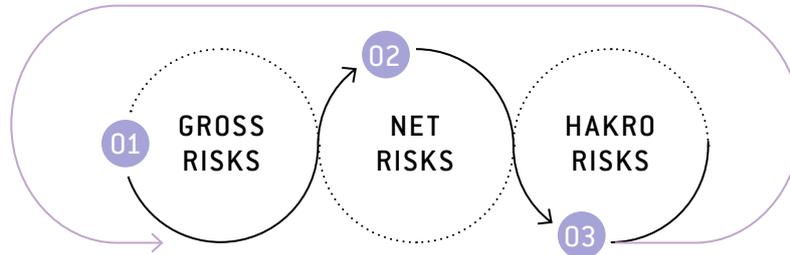
basis, they can analyse the root causes behind the deviations and recommend measures for mitigation and prevention. To support this, we offer access to a variety of external training courses and online training. After the audit, we discuss the planning of the measures with our partners and determine what will be implemented by whom and by when. Remediation measures may well also affect HAKRO directly. For example, our purchasing practices can certainly impact working conditions in the factories (see also the purchasing practices chapter, [p.39](#)).

Through the Worker Sentiment Survey, we also include workers' perspectives in the audit (see also the production partnership chapter from [p.26](#)). From this, we primarily hope for detailed findings on topics such as the employment of migrant workers and other minorities (an increased risk in Turkey and China), bribery and corruption, freedom of association, freedom of association, and collective bargaining (relevant in all countries) as well as differences in treatment. We also wish to use this valuable feedback from workers beyond the narrow context of an audit, by incorporating it into our collaboration as partners.

Depending on their content and scale, we reserve the right to subsequently verify the remediation measures implemented through a follow-up iMPACT Program audit. Part of this follow-up audit is always a Worker Sentiment Survey so that workers can be included in the verification process here as well. Furthermore, our risk assessment in the data update, which is carried out at least annually, shows whether and how the existing risk has been reduced by the remediation process.

For the current status of the audits and the remediation process, see the information relating to the factories starting on [p.30](#).

THE HAKRO RISK PROCESS



01

Collect all potential sector risks to human rights and the environment (= gross risks) according to the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

Supplement this by additional relevant sector-specific risks (such as COVID-19 and loss of biodiversity)

Collect all country-specific risks (such as risks of gender inequality in Bangladesh)

Collect all partner-specific risks (as evaluated based on audit reports, among other sources)

Collect all product- and business model-specific risks (such as HAKRO's NOS collection)

02

Determine the actual risks (net risks) and prioritise risks through assessment of

- a) the probability that the risks will occur
- b) the severity of the risks using
 - **the scope**
(How many people are affected?)
 - **the irreversibility**
(How can damage that might arise be put right?)
 - **the extent**
(How serious are potential adverse effects?)

03

→ **Net risks in the HAKRO supply chain**

- Sharing of risk assessment results with relevant stakeholders (particularly HAKRO's purchasing, management team, middle management, and production partners)
- Prioritisation of measures for prevention and remediation in accordance with the risk assessment
- Continuous updating of the risk assessment on the basis of new information
- Comprehensive annual update of the entire database

TIER 2–4 PROCESSES

For the most part, we have no documents available for evaluating the actual risks to underlying production stages. For those stages, we estimate the potential risks based on the information available (especially sector- and country-specific risks).

In the case of our vertically integrated partner company in Bangladesh (see p.40), we can also include the actual partner-specific risks on tier 2. Through programmes such as GOTS, GRS, and CmiA, we are also familiar with most of the supply chain located upstream there.

DATABASE

The HAKRO risk assessment includes a number of partnership sources and scientific sources, such as:

- the results of our annual supplier evaluation
- any grievances received
- the HAKRO production and purchasing practices
- the results of our iMPACT Program audit (including on-site interviews and a comprehensive Worker Sentiment Survey, which contains the workers' views)
- self-assessments of our production partners on site
- the Fair Wear country studies
- publications of our stakeholder network (such as the Partnership for Sustainable Textiles, UPJ, amfori, German Fashion, MaxTex)
- studies and publications of national and international NGOs and trade unions (such as FEMNET e.V., Clean Clothes Campaign, ITUC Global)
- publications of international and state organisations, including ILO, WHO, UNDP, OECD
- additional scientific publications (partly retrieved through the CSR Risk Check of MVO), none older than five years

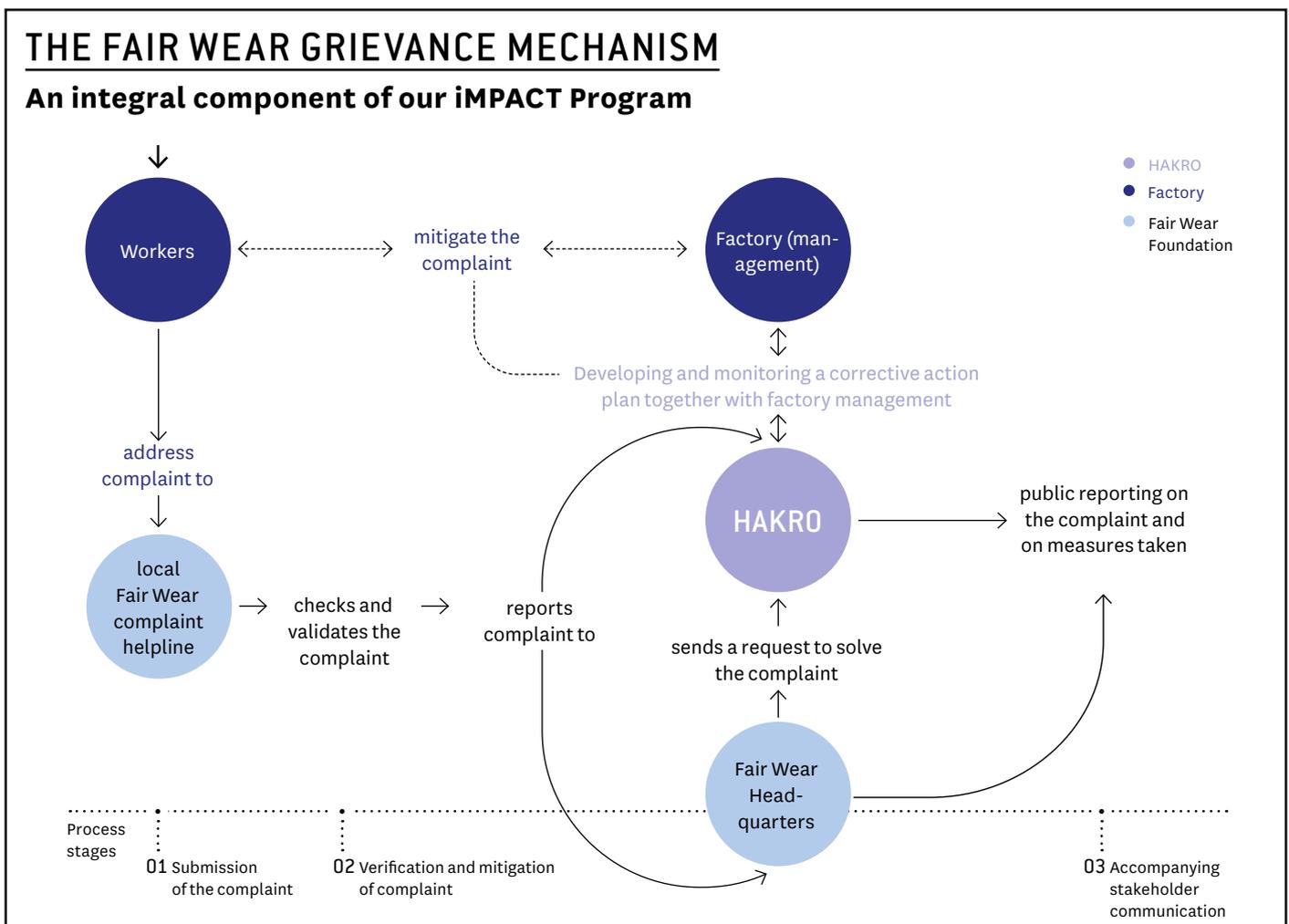
GRIEVANCE MECHANISM

Remediation succeeds, on the one hand, when the problem is known and, on the other hand, when the basis of trust is created with all those involved for sharing views on aspects that are not yet working perfectly. This requires secure, reliable, and functioning channels for reporting grievances. Therefore, integrating the Fair Wear grievance mechanism is especially important for us. As part of the iMPACT Program audit, an on-site check is made of whether the grievance mechanism is available to all workers. We check this by means of photographic documentation and also in the course of our own on-site visits.

It is important to us that the grievance mechanism is understood, that trust exists – such as through protect-

ing the anonymity of the complainant – and that the mechanism is used appropriately actively as a communication channel. To that end, we train our production partners and raise their awareness. In 2022, we again raised awareness among management in person in the course of our trips to Laos, Bangladesh, and Turkey so as to reduce concerns and hurdles with regard to the grievance process.

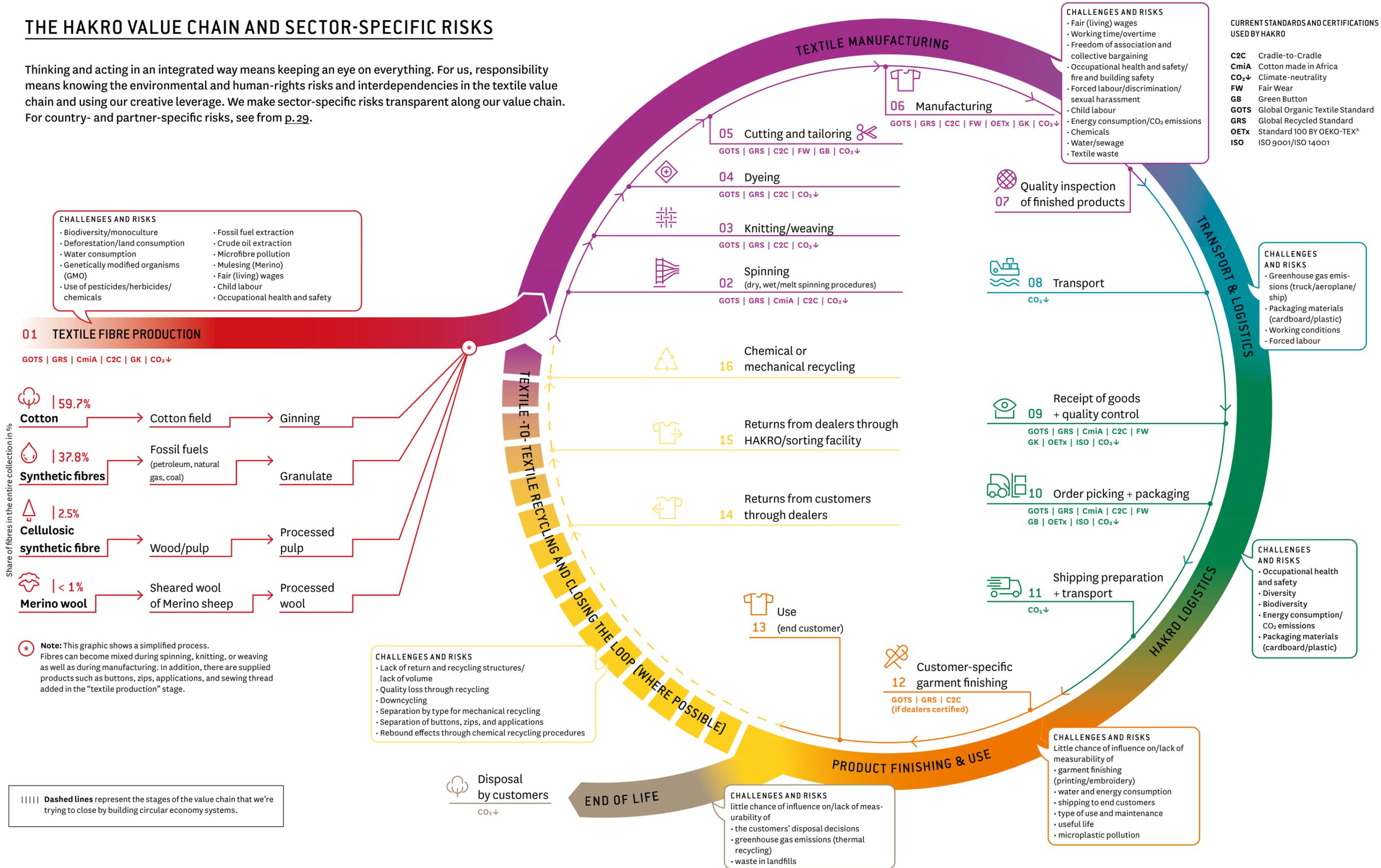
We did not receive any complaints through the Fair Wear mechanism in 2022. This does not mean that no complaints were submitted and remedied, as almost all our production partners have their own in-house grievance procedures.¹ The Fair Wear grievance mechanism thus serves us for grievance cases where the complainant does not want to submit the complaint via in-house mechanisms.



¹ Our three production sites in China will have their first iMPACT Program audit in 2023, because these sites have a HAKRO production volume of less than 5% and were previously not a focus. There has thus not yet been an audit of the existing internal grievance mechanism.

THE HAKRO VALUE CHAIN AND SECTOR-SPECIFIC RISKS

Thinking and acting in an integrated way means keeping an eye on everything. For us, responsibility means knowing the environmental and human-rights risks and interdependencies in the textile value chain and using our creative leverage. We make sector-specific risks transparent along our value chain. For country- and partner-specific risks, see from p. 29.



||||| Dashed lines represent the stages of the value chain that we're trying to close by building circular economy systems.

PRODUCTION PARTNERSHIPS

We maintain a close, trusting, and long-term collaboration lasting at least ten and in some cases more than 20 years with all our production partners. We are working together on continuously improving the social conditions in the factories and on gradually introducing living wages.

HAKRO has items produced by a total of eleven partner factories in seven countries. We take delivery of fixed quantities each month and ensure high continuity and consistent capacity utilisation. Our business model thus already significantly reduces the risk of short-term peaks and excessive overtime. We make the country-specific risks in relation to working conditions in textile production transparent in the overview on [p.29](#), we look at the sector-risks on [p.25](#), and we provide information about the partner-specific risks from [p.30](#).

LIVING WAGES

The lowest wage paid in all our partner factories is at least the local statutory minimum wage. The average wage is, however, above the minimum wage in all the factories. We are aiming for 100% of our tier 1 production partners' workers to earn living wages by 2030. We have been using the "living wage gap" indicator to measure the wage gap between the lowest wage paid in the factories of our production partners and a living wage in a structured way since 2021. It is an essential result of our iMPACT Program audits and an important data base for our future measures to improve the social conditions in our production sites (further information from [p.30](#)).

In the future, we would like to set the KPI in relation to HAKRO's actual leverage at the factory. This is not yet possible for 2022, which is why the KPI is currently still of limited validity. Furthermore, updated calculations for living wages by independent stakeholders are not yet available (e.g. the Global Living Wage Coalition, Europe Floor Wage). In light of this, we continue to rely on wage data from 2021 to calculate the wage gap and have not adjusted the exchange rates for comparability with last year's social report.

We have already been testing the establishment of living wages in practice for a number of years with our partner in Bangladesh. The socio-political circumstances – both in Bangladesh and in other production countries – make this project complex. This is because raising wages without considering the immediate environment may also have adverse effects, from conflicts with the neighbouring factories to rapid price increases in the direct surroundings of the factory. This is why, in a first step, we are working with our partner not on the income side but on the spendings of the workers. For example, we pay 1% of our purchasing volume into a pot through the HAKRO FriendShare health care fund, and this serves as medical support for the factory's workers. It lets us fund medical care and, additionally, provide all mothers with a monthly child allowance of BDT 1,000 per child for the first 24

months of the child's life. More projects and measures have already been set up for 2023.

SOCIAL MONITORING

In partnership with the clothing company OLYMP Bezner KG, in 2021 we developed an extensive audit programme that forms the basis for sustainability management in our supply chains: the iMPACT Program. Our audit system unites the aspiration for transparency and verifiable social standards at our production partners with the desire for respectful dialogue and joint learning and growing. We have provided extensive explanations of additional background information in the Integrated Sustainable Management Report 2022.

In 2021, the majority of our production partners had an iMPACT Program audit conducted for the first time. Because of lockdowns as a result of the pandemic, the audits in Laos were only carried out in spring 2022. It is planned that our Chinese factories will be audited for the first time in 2023. The production volume in China amounts to less than 5% of our production volume, which is why we have not previously prioritised the audits there. For ongoing remediation measures as a result of the auditing, see the partner-specific information starting on [p. 30](#).

The cornerstones of the iMPACT Program

1. **Elevate Responsible Sourcing Assessment (ERSA)** audit system as basis
2. Supplementing ERSA by the **Fair Wear Code of Labour Practices (CoLP)**, including, among other things, a comparison of the wage data with a living wage benchmark by creating a wage ladder within the scope of the audit
3. Adapting the contents to the **HAKRO requirements** (specific risk assessment and due diligence processes)
4. Integrating a **Worker Sentiment Survey** (anonymously recorded employee perspectives as an integral part of the audit)
5. Corrective action plan and **joint remediation process** (pursuing continuous improvement in partnership and risk mitigation)

Risks assessed by the iMPACT Program

Management

- Lack of transparency and corporate integrity
- Ineffective management systems

Personnel

- Risks associated with hiring, disciplinary and termination processes
- Child labour
- Forced labour
- Precarious employment of migrant workers
- Lack of traceability and verifiability when subcontracting
- Risks associated with home workers

Discrimination

- Harassment or abuse
- Discrimination against minorities or marginal groups

Freedom of association

- Restricted freedom of association
- Lack or ineffectiveness of grievance mechanisms

Wages and working time

- No payment of a living wage
- Excessive overtime
- Lack of health and safety

The environment

- Negative effects of operations on environmental and climate protection

In terms of content, the iMPACT Program adopts a 360-degree perspective. Ambitious bundling of the standards of ERSA and Fair Wear with the specific requirements of HAKRO and OLYMP sets new benchmarks in terms of depth, durability, and scope. With its emphasis on management systems, continuous improvement under active incorporation of workers, sustainable remediation measures, and transparency, the iMPACT Program significantly differs from other audit systems and forms a solid foundation for risk mitigation.

THE iMPACT PROGRAM IN PRACTICE

Audit in Laos



Because of the COVID-19 restrictions previously in place, the HAKRO sustainability team was able to observe an iMPACT Program audit being conducted for the first time in November 2022. On site in Laos, we were able to follow the whole audit process, from the auditor’s assessment of partner risks on site and the site inspection to the involvement of our production partner’s workers in interviews and in an anonymous worker survey.

Since this audit was the follow-up to the first audit in March 2022, the sustainability team was able to see what corrective actions our partner had taken within just half a year in the audit process itself.

It was possible to discuss unanswered questions with the auditor – and our team also learnt, for example, details regarding the development of the legal situation on the statutory minimum wage in Laos.

For details on the Laos production site and the current status of the remediation process see [p.36](#) and [p.37](#).

iMPACT PROGRAM

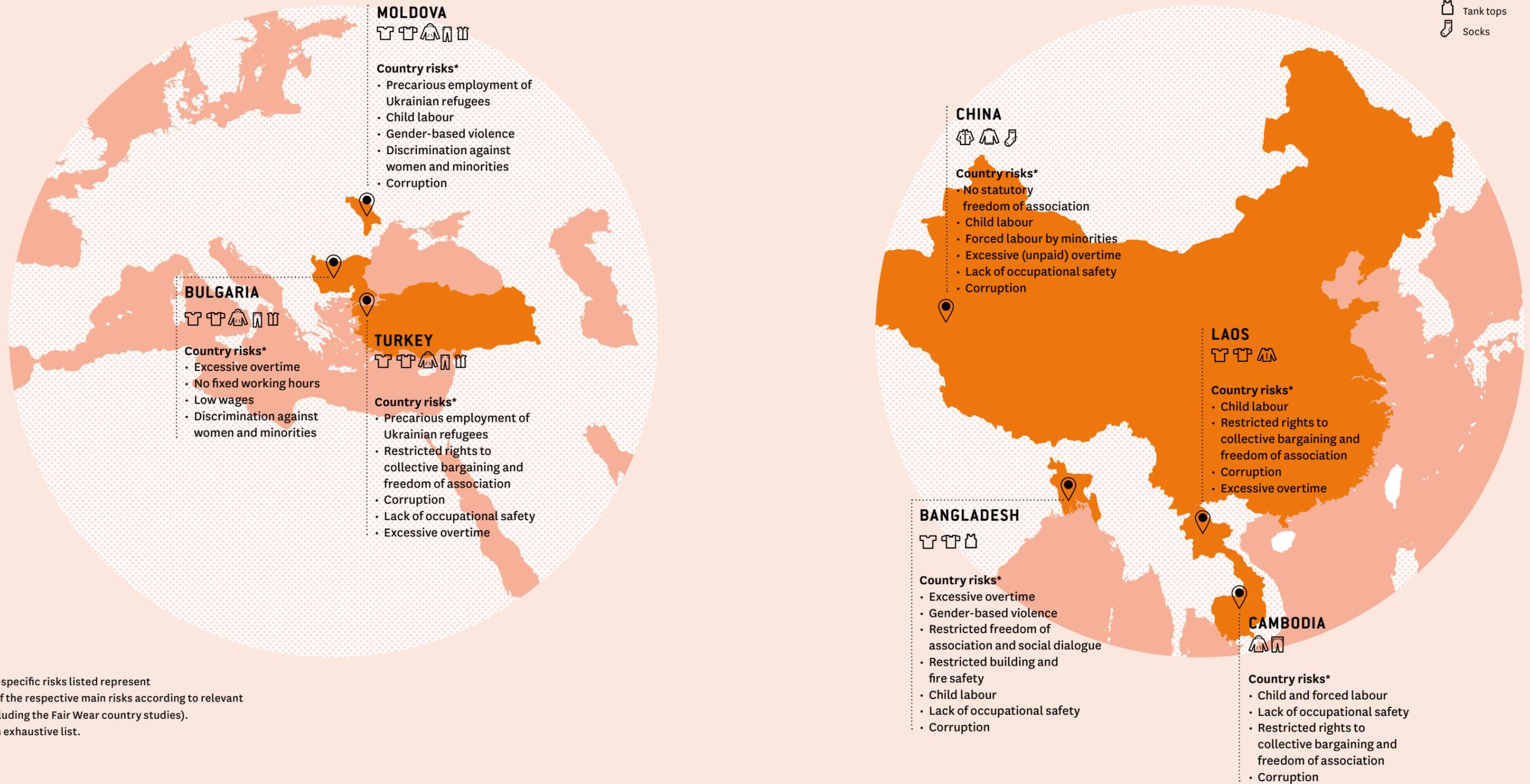


HAKRO PRODUCTION COUNTRIES AND COUNTRY-SPECIFIC RISKS

Our eight long-term production partners have factories in seven countries. In all, we produce in eleven facilities in Europe and Asia. In all these countries, specific risks may arise. These country risks give an insight into the textile sector's general situation in a particular socio-political and cultural context (known as gross risks). For the actual partner-specific risks, see [p.30](#); for our risk process, see [p.23](#).

TEXTILES PRODUCED

-  T-shirts
-  Polo shirts
-  Sweatshirts and sweat jackets
-  Sweat pants
-  Fleece
-  Outdoor jackets
-  Chino and active trousers
-  Blouses and shirts
-  Knitted pullovers and knitted jackets
-  Tank tops
-  Socks



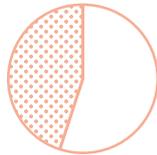
* The country-specific risks listed represent a selection of the respective main risks according to relevant sources (including the Fair Wear country studies). This is not an exhaustive list.



BANGLADESH

Number of employees:

1,964



— of whom female: 1,131
- - - of whom male: 833

Audits:

- iMPACT Program (March 2021)
- GOTS (November 2022)

Production volume: 17%

Length of collaboration:

> 20 years

Production capacity utilisation:

70%

Grievances received in 2022:

none

Wage data for 2021:

Legal minimum wage:

BDT 8,000 ≈ USD 93

Lowest wage in the factory:

BDT 9,788 ≈ 114 USD

Average wage in the factory:

BDT 11,000 ≈ USD 128

Living wage*:

17,916 BDT ≈ 209 USD

Living wage gap*:

BDT 8,128 ≈ USD 95

* According to the Global Living Wage Coalition, on the basis of the last iMPACT Program audit data and without taking account of HAKRO's utilisation of production capacity, see also [p.26](#)

BANGLADESH

This family-led and GOTS-certified textile company in Bangladesh is vertically integrated. It bundles multiple production stages at one location (including knitting, dyeing, cutting, manufacturing, and quality inspection of the finished product) and has a modern machinery pool in its dye works. A generational change is currently taking place; both sons are taking increasing responsibility in the management. For several years, we have been working together on the topic of living wages. We fund a programme for the medical support of workers with 1% of our purchasing volume through the HAKRO FriendShare health care fund. Every two years, we hold a big party to celebrate together with all factory workers – most recently in January 2020, right before the beginning of the pandemic. In 2016, we started a care initiative for the Eid ul-Adha holiday: all workers receive a package of produce for the festival day, which contains meat and rice for their families.

PARTNER-SPECIFIC RISKS

Due to country-specific factors (see also [p.29](#)), production also has an increased risk of restricted freedom of association at a partner-specific level because so far there is no freely elected workers' representation. Workers' interests are currently advocated by representatives who are selected by the management. In addition, there is an in-house grievance mechanism, and Fair Wear's external grievance mechanism is also available to the workers. The HAKRO team was able to confirm this during its on-site visit. However, we have not so far received any complaints through this mechanism.

REMEDIATION DISCUSSIONS AND VISITS

Directly after the first iMPACT Program audit in March 2021, HAKRO, the intermediary, and our production partner discussed the remediation process in a video conference. Our intermediary visited the factory in 2021. In November 2022, our sustainability team visited the site in person to jointly assess the status of the remediation measures (see also "At a glance", [p.06](#)). We are continuously working on improvements.



TURKEY 1

Number of employees:

555



— of whom female: 410
..... of whom male: 145

Audits: SLCP (2022)

Production volume: 18%

Length of collaboration:

since 2002, now purely a temporary backup location

Production capacity utilisation:

variable

Grievances received in 2022:

none

Living wage gap:

not yet recorded

TURKEY

Our production partner in Turkey operates several sites, including the two factories in Bulgaria and Moldova. We have been collaborating with this partner for more than 20 years. Exemplary working conditions and excellent social and environmental standards are the hallmark of these modern manufacturing sites. The topic of gender equality is both anchored in the business strategy and underpinned by a range of measures. The factories are also working on initial product life cycle assessments and on implementing initial recycling solutions with cutting waste.

The year 2022 saw a particularly high inflation rate, especially in Turkey. For example, the statutory minimum wage more than doubled – from the equivalent of USD 207 (2021) to the equivalent of USD 428 (2022). This development resulted in a significant increase in purchase prices for HAKRO, which has (in some cases) also been reflected in changes in our sales prices.

At the sites in Bulgaria and Moldova, our partner experienced similar inflation rates and corresponding pay rises, albeit at not quite such a high level.

TURKEY 1

PARTNER-SPECIFIC RISKS

Turkey 1 is a temporary backup location for our Turkish production partner, for which, accordingly, no iMPACT Program audit data is yet available. The living wage gap has thus not yet been recorded there either.

The location had already been producing for HAKRO between 2002 and 2018 and was socially audited according to amfori BSCI during this time. From 2018 until the pandemic, production occurred exclusively in the Turkey 2 factory (see also [details on Turkey 2](#)). During the pandemic, this site was again used as a backup site in the event of local lockdowns. At the same time, the Turkey 2 factory is currently being expanded to create more capacity and production lines for HAKRO. HAKRO will continue to make use of Turkey 1 until the expansion has been completed and will then cease production at this site.

Just like all this partner's other sites, Turkey 1 has a well-established internal grievance mechanism and its own works council. Beyond country-specific circumstances (see also [p.29](#)), the risk of restricted freedom of association at the level of our partner is therefore to be classified as relatively low.



TURKEY 2

Number of employees:

465



— of whom female: 392
- - - of whom male: 73

Audits:

iMPACT Program (March 2021)

Production volume: 18%

Length of collaboration:

since 2018

Production capacity utilisation:

100%

Grievances received in 2022:

none

Wage data for 2021:

Legal minimum wage:

TRY 2,825 ≈ USD 207

Lowest wage in the factory:

TRY 2,825 ≈ USD 207

Average wage in the factory:

TRY 3,173 ≈ USD 233

Living wage*:

4.954 TRY ≈ 358 USD

Living wage gap*:

TRY 2.129 ≈ USD 151

* According to the Global Living Wage Coalition, on the basis of the last iMPACT Program audit data, reference value 2020 for urban living according to the Anchor method.

REMEDICATION DISCUSSIONS AND VISITS

The Turkey 1 site is visited regularly by the HAKRO team in Turkey. The HAKRO sustainability team was last on site itself in October 2022 (see also p.07).

TURKEY 2

PARTNER-SPECIFIC RISKS

In connection with lockdowns due to the pandemic and expansions of capacity at the Turkey 2 site that have not yet been completed, there was, at times, excessive overtime at the Turkey 2 site in 2021. It was possible to mitigate the causes of this through various measures, including temporarily switching to capacity at the Turkey 1 site. The risk of limited building and fire safety, which increased further in 2021, has also since been reduced, as a review of the emergency alarm systems and corresponding fire drills have been carried out.

Just like all this partner's other sites, Turkey 2 has its own works council and a well-established internal grievance mechanism. Beyond country-specific circumstances (see also p.29), the risk of restricted freedom of association at the level of our partner is, therefore, to be classified as relatively low.

REMEDICATION DISCUSSIONS AND VISITS

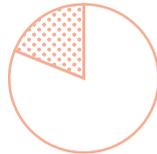
After the iMPACT Program audit in March 2021, HAKRO, the HAKRO team in Turkey, and the management of the factory discussed the remediation process in a video conference. The HAKRO team in Turkey is regularly on site. In November 2022, our sustainability team visited in person for a number of discussions (see also "At a glance", p.06). We are continuously working on improvements.



MOLDOVA

Number of employees:

212



— of whom female: 193
 of whom male: 19

Audits: iMPACT Program (March 2021)

Production volume: 10%

Length of collaboration:
since 2005

Production capacity utilisation:
100%

Grievances received in 2022:
none

Wage data for 2021:

Legal minimum wage:
MDL 2,172 ≈ USD 121

Lowest wage in the factory:
MDL 3,500 ≈ USD 195

Average wage in the factory:
MDL 5,500 ≈ USD 306

Living wage*:
MDL 14,236 ≈ USD 793

Living wage gap*:
MDL 10,736 ≈ USD 598

MOLDOVA

The manufacturing site in Moldova belongs to our production partner in Turkey, and HAKRO uses 100% of its production capacity. 78% of the workers live in the city in which the factory is located. Over 64% of the staff have been employed here more than three years.

PARTNER-SPECIFIC RISKS

Based on the iMPACT Program audit results, there was found to be an increased risk of incorrect time recording and resulting incomplete payment of overtime, which the root cause assessment shows is due to lack of communication between various management levels. Although an adjustment in the communication processes was agreed, the time recording process remains an increased risk because this is an ongoing, not a one-off, measure. It is a similar situation with the increased safety risk in connection with lack of protective equipment because this requires (repeated) training of the relevant management team.

REMEDIATION DISCUSSIONS AND VISITS

After the first iMPACT Program audit in November 2021, HAKRO, the HAKRO team in Turkey, and our production partner discussed the remediation process in a video conference. The HAKRO team in Turkey makes regular visits. As part of its Turkey trip in autumn 2022, the HAKRO team also looked at the current status of the remediation process together with top management.

* According to the Global Living Wage Coalition, on the basis of the last iMPACT Program audit data



BULGARIA

Number of employees:

235



— of whom female: 217
- - - of whom male: 18

Audits:

iMPACT Program (October 2021)

Production volume: 8%

Length of collaboration:

since 2018

Production capacity utilisation:

98%

Grievances received in 2022:

none

Wage data for 2021:

Legal minimum wage:

BGN 609.90 ≈ USD 355

Lowest wage in the factory:

BGN 650 ≈ USD 378

Average wage in the factory:

730 BGN ≈ 425 USD

Living wage*:

2,239 BGN ≈ 1,302 USD

Living wage gap*:

BGN 1,589 ≈ USD 924

* According to the estimation of the campaign for clean clothing based on worker interviews and according to the last iMPACT Program audit data.

BULGARIA

The manufacturing site in Bulgaria belongs to our Turkish partner, and HAKRO uses 98% of its production capacity. The anonymous worker survey as part of the iMPACT Program audit (Worker Sentiment Survey) revealed very high employee satisfaction, as a result of which workers would recommend the employer and would like to still be employed there in a year.

PARTNER-SPECIFIC RISKS

Based on the results of the iMPACT Program audit, our many years of experience with the partner company, and our team’s own on-site visits, our risk assessment does not reveal any significant partner-specific risk factors in addition to the country-specific risks (see also p.29). The first iMPACT Program audit only recorded one finding as the Fair Wear grievance mechanism was not accessible at this site either. Our production partner remedied this immediately. However, because the company has its own works council and also its own well-established grievance mechanism, including involvement of the worker representatives, the risk of lack of freedom of association is not significantly increased.

REMEDIATION DISCUSSIONS AND VISITS

After the first iMPACT Program audit in October 2021, HAKRO, the HAKRO team in Turkey, and our production partner discussed the remediation process in a video conference. The HAKRO team in Turkey makes regular on-site visits. The remediation measures agreed are implemented.



CAMBODIA

Number of employees:

465



of whom female: 350
of whom male: 115

Audits:

iMPACT Program (August 2021)

Production volume: 9%

Length of collaboration:

since 2019

Production capacity utilisation:

45%

Grievances received in 2022:

none

Wage data for 2021:

Legal minimum wage:

USD 192

Lowest wage in the factory:

USD 234

Average wage in the factory:

USD 266

Living wage*:

USD 481

Living wage gap*:

USD 247

* According to Asia Floor Wage, on the basis of the last iMPACT Program audit data and without taking account of HAKRO's utilisation of production capacity, see also p.26

CAMBODIA

Our partner in Cambodia has a very modern manufacturing business. The management team consists mostly of Chinese employees who live in accommodation on the company premises. The workers in the young team are aged between 18 and 40. The anonymous worker survey given as part of the iMPACT Program audit (Worker Sentiment Survey) revealed very high worker satisfaction.

PARTNER-SPECIFIC RISKS

Although our partner's production building is at ground level, there is an increased risk in the field of building and fire safety because there are no hydrants of the partner's own on the production site. There are also sliding doors at the emergency exits. These are propped constantly open during the factory's opening hours. However, during the iMPACT Program audit, it was noted that these continue to constitute a safety risk since the doors could still be closed and would thus be difficult to open in an emergency.

Because our production partner rents the production building and communicating with the landlord of the factory building is also difficult, it has not yet been possible to take any corrective action here.

REMEDICATION DISCUSSIONS AND VISITS

After the first iMPACT Program audit in August 2021, HAKRO, our intermediary, and our production partner discussed the remediation process and corresponding measures in a video conference. Our intermediary makes regular visits, most recently in spring 2022.



LAOS 1

Number of employees:

1009



— of whom female: 863
..... of whom male: 146

Audits: iMPACT Program (2022), GRS (2022), GOTS (2022)

Production volume: 14%

Length of collaboration: since 2012

Production capacity utilisation: 80%

Grievances received in 2022: none

Wage data for 2021:

Legal minimum wage: LAK 1,100,000 ≈ USD 65.23

Lowest wage in the factory: LAK 2,149,876 ≈ USD 127.49

Average wage in the factory: LAK 2,666,997 ≈ USD 158.15

Living wage: no data available

LAOS

LAOS 1

Our Laos 1 factory is a manufacturing site with an adjacent residential complex. Around 25% of the staff live in this accommodation on the company premises. The company premises houses a cafeteria and a small kiosk.

PARTNER-SPECIFIC RISKS

Based on the results of the iMPACT Program audit, our many years of experience with the partner company, and our team’s own on-site visits, our risk assessment reveals only few partner-specific risk factors in addition to the country-specific risks (see also p.29). This includes a restriction of freedom of association as a result of the Fair Wear grievance mechanism initially not being set up, which was made consistently accessible to workers in the course of the remediation. An increased safety risk was also found because the assembly point was not shown in the building’s escape and evacuation plan and – at the time of the audit – a car was parked there. Both risks were mitigated by immediate action, as the visit by our own team confirmed.

REMEDICATION DISCUSSIONS AND VISITS

Directly after the first iMPACT Program audit in April 2022, HAKRO, the intermediary, and our production partner discussed the remediation process in a video conference. This was primarily about the installation of the Fair Wear grievance mechanism on site. In November 2022, our sustainability team visited the site in person to explain the Fair Wear grievance mechanism to the factory’s management again and to confirm that the grievance hotline notice is accessible to all workers (see also “At a glance”, p.06).



LAOS 2

Number of employees:

692



— of whom female: 546
..... of whom male: 146

Audits: iMPACT Program full audit (March 2022), iMPACT Program follow-up audit (November 2022)

Production volume: < 2%

Length of collaboration: since 2011

Production capacity utilisation: 12%

Grievances received in 2022: none

Wage data for 2021:

Legal minimum wage:

LAK 1,100,000 ≈ USD 65.23

Lowest wage in the factory:

LAK 1,500,000 ≈ USD 88.95

Average wage in the factory:

LAK 1,700,000 ≈ USD 100.81

Living wage:

no data available

LAOS 2

Laos 2 is a modern manufacturing site for blouses and shirts. On management level, we are already working together with the second generation of the family-run company. Accommodation for workers is connected to the factory at this site too.

PARTNER-SPECIFIC RISKS

The first audit in March 2022 provided an indication of several risks in the field of occupational and building safety, including lack of safety protection on machines, a lack of visual fire alarms, the incorrect storage of chemicals, and a missing building plan. In addition, according to the audit team, wages in February 2021 were not correctly paid because the monthly statutory minimum wage was calculated on a daily basis and thus not paid out in full. However, the relevant Laotian law was not clearly formulated here and left room for interpretation. This was already accommodated by the follow-up audit in November 2022 and was discussed in detail with the audit team and our production partner on site.

No notice about the Fair Wear grievance mechanism was displayed at this site during the first audit, which Production justified by stating that the telephone number stated on the Fair Wear posters was invalid. We checked this ourselves on site and then immediately reported it to Fair Wear. However, because the factory has its own very well-established grievance mechanism, which regularly brings corrective measures from the staff to the attention of management in the presence of the workers' representatives, this increases the risk of restricted freedom of association only slightly. At the follow-up audit in November 2022, our partner had already mitigated all the risks identified in the first audit and remedied corresponding deviations – with the exception of the proper storage of thinners.

REMEDICATION DISCUSSIONS AND VISITS

Directly after the first iMPACT Program audit in March 2022, HAKRO, the intermediary, and our production partner discussed the remediation process in a video conference. The partner expressed a desire for a follow-up audit in autumn 2022 to confirm the successful implementation of the remediation measures agreed. At this follow-up audit in November 2022, our sustainability team was on site in person and was thus able to continue the remediation discussions in the auditor's presence (see also [p.28](#)).



CHINA

We only have a small volume produced in China: less than 5% of our total purchasing. Therefore, iMPACT Program auditing in China is not our current focus, which is why it has not yet been possible to calculate the living wage gap. No visits took place in the reporting period.



CHINA 1

Number of employees: 83

— of whom female: 42

..... of whom male: 41

Audits:

- amfori BSCI (2021)

Production volume:

4%

Length of collaboration:

since 2012

Production capacity utilisation:

30%

Wage data:

not yet recorded



CHINA 2

Number of employees: 287

— of whom female: 165

..... of whom male: 122

Audits:

- SA 8000 (2021)

Production volume:

< 1%

Length of collaboration:

since 2012

Production capacity utilisation:

< 10%

Wage data:

not yet recorded



CHINA 3

Number of employees: 98

— of whom female: 67

..... of whom male: 31

Audits:

- amfori BSCI (2021)

Production volume:

< 1%

Length of collaboration:

since 2019

Production capacity utilisation:

< 10%

Wage data:

not yet recorded

PURCHASING PRACTICES

Durability and the long life of our clothing are at the heart of our actions. HAKRO's production planning is long-term, reliable, and comprehensive in the spirit of our Integrated Sustainable Business Strategy. We negotiate openly, fairly, and in partnership with our long-term production partners.



Our responsibility covers all product components and production processes – from raw materials to the finished product.

We manage the development and purchase of products and the organisation of our supply chains with a sustainable approach. HAKRO always makes purchasing decisions in close conjunction with the business management while considering factors such as delivery times, quality, communication, and sustainability according to the Fair Wear Code of Labour Practices. Our Purchasing,

Quality & Development department works closely together with our Impact, Responsibility & Innovation department and ensures that the requirements, experience, and knowledge from our Fair Wear membership is integrated into existing processes.

WORKING IN DIALOGUE

We listen to our production partners when they explain the prices they need to set for manufacturing a model because they have the expertise to assess this. We therefore do not specify target prices and always negotiate openly and cooperatively. The in some cases decades-long collaboration with our production partners pays off in this area as well (see also [p.30](#)).

We communicate continuously with our production partners about the relevant sustainability topics. We were able to visit our factories in Turkey, Bangladesh, and Laos again in person for the first time since the pandemic lockdown in 2022 (see also [p.06](#) and [p.28](#)). In Bangladesh, Laos, Cambodia, and China, we in each case work together with an intermediary – this has also been

the case for many years. HAKRO managers are always in personal contact with the factories. In addition, we actively incorporate both the partners and our intermediaries into the remediation processes accompanying the iMPACT Program audit (see also [p.27](#)).

THROUGH UNCERTAIN TIMES TOGETHER

Whether it is a pandemic, a shortage of raw materials, an energy crisis, or inflation, we naturally stick together and share the burden. This is because we need and want factories that are economically stable and in which people can work healthily and safely. We react supportively in volatile times as best we can with price adjustments, delivery flexibility, and order flexibility. In the meantime, our production capacity has reached the pre-pandemic level again. When capacity needs to be ramped down, this is only done in close consultation with Production and long lead times, which allow for the best possible preparation. Similarly, we enter into dialogue when our order volume exceeds our production partners' capacity limits. To prevent disproportionate overtime, we reprioritise our orders in part or in whole. This flexibility is possible due to our NOS strategy, and we like to use it for the benefit of our production partners.

We rarely add new production partners or new factories of our existing partners. This can be the case in connection with new product developments if these cannot be implemented by our production partners, for example because of the level of expertise required. Or if existing production partners expand the number of their factories such as due to capacity reasons. Before the first order is placed, we visit the production site in person and have an iMPACT Program audit conducted (see [p.42](#)).

BUILDING KNOWLEDGE

Our teams in purchasing, distribution, and customer service, as well as our management team are informed and trained extensively and regularly on supply chain topics concerning our Fair Wear membership. We have also created a FAQ on our Fair Wear membership and its requirements for all colleagues in our in-house and sales teams to guarantee correct communication towards our dealers. We have also informed our dealers with a guide on which channels of communication to Fair Wear are open to them.

By 2024, we will develop a HAKRO Supplier of the Year Award, which will be given to one of our partner companies every three years. In this way, we want to motivate joint awareness and promote an active commitment to sustainability.

Active in the learning community

Since autumn 2022, HAKRO has been an active participant of the Learning and Implementation Community (LIC) – an initiative to improve the sustainable purchasing practices of textile companies (see also box on [p.41](#)). Fair Wear is one of the multi-stakeholder initiatives that developed this format. Jointly learning and sharing best practices helps us to improve our purchasing practices and thus to make a measurable contribution to meeting our ambitious missions for fairness in the supply chain (see [p.18](#)). In-depth examination of starting points for more sustainable purchasing practices also gives us important pointers on how to prevent and mitigate risk in the supply chain (see [p.23](#)).

The founding principle of the LIC is to disseminate knowledge on sustainable practices that mostly remains trapped in the silo of sustainability management to the wider organisation. Accordingly, at HAKRO not only our sustainability experts but, above all, managers from planning and project management and our head of Purchasing, Quality & Development take part in the joint webinars and learning sessions. This is also in line with our own wish to deepen cross-functional collaboration and a shared understanding of our tasks for the future in accordance with our Integrated Sustainable Business Strategy.

For us, our involvement in the LIC is the starting point for continuous improvement in our purchasing practices. This is because our first Fair Wear Brand Performance Check (BPC) in April 2022 showed that the field of action with the greatest improvement potential was the “purchasing” field of action around the question of what impact the purchasing practices of textile companies have on working conditions in the supply chain. Although this is not unusual for a first BPC, we have taken it as an op-

portunity to start at this point in a structured way because it represents a significant lever for achieving our supply chain objectives. In the community, we seek out experts and colleagues in the sector for sharing information in a spirit of trust in order not only to learn together but also to find inspiration and forge solutions.

FIVE SUSTAINABLE PURCHASING PRACTICES

The Common Framework for Responsible Purchasing Practices (CFRPP) forms the common foundation for the Learning and Implementation Community (LIC).

- 1**

PRINCIPLE: INTEGRATION AND REPORTING

Integration of sustainable purchasing practices into the business strategy and creation of external transparency


- 2**

PRINCIPLE: PARTNERSHIP AS EQUALS

Shaping respectful dialogues and creating win-win situations with shared responsibility for fair working conditions


- 3**

PRINCIPLE: JOINT PRODUCTION PLANNING

Planning processes based on partnership and joint agreements regarding changes to the plan to avoid disadvantages for production partners


- 4**

PRINCIPLE: FAIR PAYMENT CONDITIONS

Transparency and fairness in setting conditions, full and reliable payment


- 5**

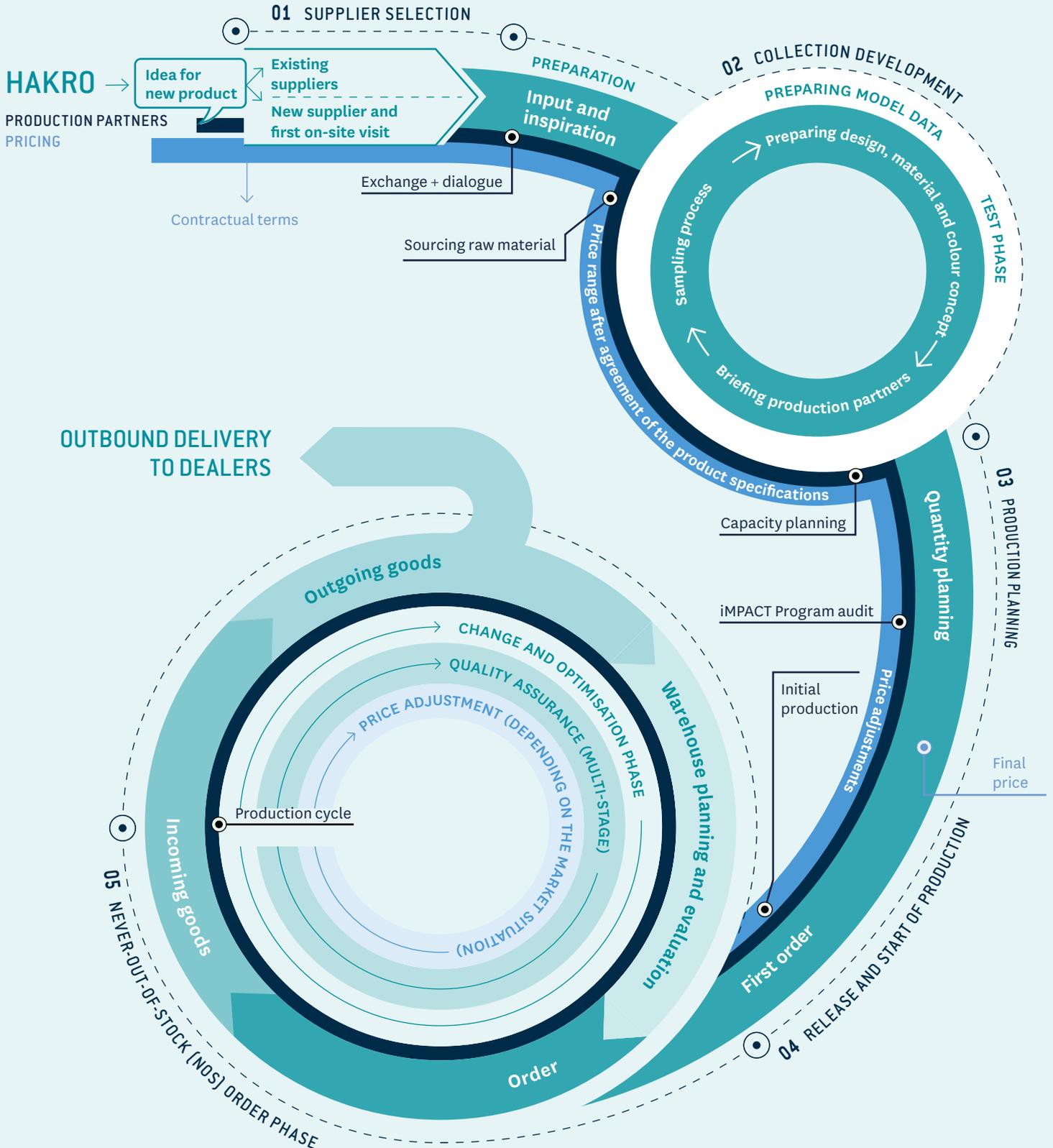
PRINCIPLE: SUSTAINABLE PRICING

Pricing that enables wage increase, sustainable production practices, and an appropriate margin for the production partners



THE HAKRO PURCHASING PROCESS

Five million HAKRO garments are always deliverable. This NOS collection is at the heart of our purchasing and production process. Whenever new developments occur, we work in close cooperation with our production partners at every stage. We check internal compliance with our purchasing standards including pricing at this stage and round off the purchasing process with a review and external feedback.



PRODUCT SUSTAINABILITY

HAKRO makes slow fashion. As a matter of principle. Our product portfolio is unchanging and does not follow short-term fashion trends. With our Never-out-of-stock strategy (NOS), we can shape the product life cycle without depending on seasonal business or changing collections – for long-lasting, environmentally friendly, and fair clothing.

Our products' quality and longevity are important factors that contribute to the sustainable use of clothing. But we go far beyond this. We have been making our entire HAKRO collection climate-neutral since 2022. We are constantly looking for ways to use innovative and certified sustainable materials as well as environmentally friendly options in packaging. And we are working on system solutions for a circular economy.

THE FOUNDATION – SUSTAINABLE QUALITY

Sustainability also means a product that can be used for a long period of time. The outstanding quality – and thus the durability and longevity – of our clothing has been at the heart of how we think and act since HAKRO's founding, and as such is an integral component central to our brand.

Because we are gradually transforming our collection to be more sustainable in terms of raw materials, we are faced with specific conflicts of objectives as a result of the quality requirement for longevity and durability. After

all, many certified sustainable materials unfortunately do not (yet) meet quality requirements. Developing sustainable corporate wear primarily takes one thing: time. We continuously monitor the market for innovative manufacturing processes, materials, smart textile solutions, natural materials, and synthetic fibres. Every year, we test at least one product innovation that we could use due to its sustainability, quality, and suitability.

Materials

The fibre we most often use in the production of our clothing is cotton. We blend cotton with polyester to ensure the longevity and robustness of our Performance collection line made of MIKRALINAR®, which also needs to withstand extreme working conditions and industrial laundry.

With the new 2023 collection, we have already succeeded in developing an alternative made of cotton and GRS-certified recycled polyester with MIKRALINAR® ECO. In addition, Tencel™ Lyocell (Lenzing) is being used for the first time in HAKRO's MIKRALINAR® PRO ECO fibre blend. Tencel™ Lyocell is a fibre obtained from the renewable resource of wood in a closed manufacturing process. Due to

SUSTAINABILITY STANDARDS

HAKRO works with a range of bodies that certify sustainability standards. You can find an overview of which standards pertain to which section of the supply chain in the HAKRO chart on [p. 25](#).

We categorise standards into two levels: cross-company and product-specific.



the recycling of the process water and the return of the solvent to the production cycle (> 99%), Tencel™ Lyocell is considered especially sustainable and environmentally friendly. HAKRO is thus bringing the first TENCEL/polyester fibre blend suitable for commercial laundry to market.

Furthermore, starting in 2023 every new product will contain sustainable materials or fibres and will be tested for recyclability. Plus, by 2023, all animal fibres we process will be 100% certified sustainable, and by 2024 all viscose fibres. Our synthetic fibres will be certified recycled by 2030.

- a) 59,7% Cotton
- b) 20,6% of which sustainable cotton
- c) 37,8% Synthetic fibres
- d) 2,5% Cellulosic synthetic fibres
- e) <1% Merino wool

THE MILESTONES – CLIMATE-NEUTRAL COLLECTION

HAKRO is the first climate-neutral corporate wear supplier to offset the greenhouse gas emissions of its entire product range. As of January 2022, in addition to our site in Schrozberg, where we have been climate-neutral since 2017, our entire collection is now also climate-neutral. We have thus achieved a major milestone on the path to becoming a pioneer. We follow the “cradle-to-customer plus end-of-life” approach in calculating our CO₂e footprint and our climate-neutrality. Only the use phase of our corporate wear is excluded from the evaluation, because it is not possible to make a standardised calculation of factors relating to the individual customer handling of our clothing – such as treatment, period of wear, washing frequency, and washing temperature – nor to influence this phase.

Additional reduction and offsetting

We are aware that offsetting carbon emissions to achieve climate-neutrality is a temporary measure and does not exempt us from our corporate responsibility to continuously avoid and reduce emissions. We therefore want to find additional emissions hotspots and reduction potential by more precisely recording primary data in the medium term and continuously reduce the proportion of offset emissions. We are also gradually including our direct production partners (see below, Cradle-to-Cradle® certification). We have decided to offset our entire collection because we are convinced of the signal effect of such a measure and because the process of structured measurement across wide parts of our value chain also provides us with helpful information on where and how we can avoid and reduce emissions.

In 2022, we offset the currently still unavoidable CO₂e emissions by investing in forest conservation in Brazil – a Verified Carbon Standard + Climate, Community & Biodiversity Standard (VCS + CCBS Gold Level) certified climate protection project that is long term (at least 40 years). We have decided to support rainforest conservation because action in this area has a more direct and sustainable climate-protection impact than reforestation projects. Details on the background can be found on [our ClimatePartner page](#).

THE FUTURE – CIRCULAR CLOTHING

The sustainable transformation will only succeed if we all transform our use of resources into a circular economy. Circularity is therefore also a key building block of the EU Green Deal, the political roadmap for a sustainable future by 2050. Especially for the resource-intensive textile industry, circularity is an essential task for the future to make all value creation processes more environmentally friendly. We are therefore continuously expanding the circularity of our products and following a three-step approach here:

1.



RECYCLABILITY

First, we expand our products' **recyclability**.

2.



CIRCULARITY

On this basis, we are gradually having our products' **circularity** certified.

3.



CLOSING THE LOOP

Together with other stakeholders, we are working on negotiating the last and most difficult step, which can only succeed in collaboration with the clothing sector – actually fully **closing the loop** for textiles.

Recyclability

A prerequisite for the circularity of clothing is its recyclability. In 2020, we had the recyclability of our entire collection reviewed and assessed with the consultancy circular.fashion. In principle, our entire collection is recyclable either mechanically or by chemical means.

Based on this, we began participating in the #circular-loop project for circularity in 2021, along with a number of other companies. Among other things, we visited an Aktion Hoffnung sorting facility in 2021 and were given a deep insight into the processes and interrelationships of the (still quite modest) textile recycling infrastructure in Germany. The #circularloop project marked the starting point for further ambitious objectives in relation to expanding the circularity of our products.

When developing new products, we now systematically check their recyclability, and it is our aim that all the new products we develop will be circular by 2023.

Closing the loop

In October 2022, we reached a first significant milestone. In a pilot project, all the 100% cotton products of our production partner in Bangladesh were Cradle-to-Cradle® (C2C) certified. With 14 polo shirts and T-shirts, almost the entire collection produced in Bangladesh thus received the certificate. Only two models with elastane (stretch content) were not taken into account, since this material is challenging for circularity.

Our long-term production partner in Bangladesh operates a vertically integrated facility that bundles several production stages at a single site. This made it particularly suitable for the pilot because the comprehensive data to be collected for the certification could thus be provided from a single source.

For the future, we plan to expand the C2C certification to other factories as well. However, far more information must be collected at the level of upstream suppliers here. For this to be possible, we want to achieve traceability by 2025, including of all upstream operations along the direct production stages – from manufacturing back to raw material extraction. At the level of our direct production partners, we aim to account for all Scope 1 and Scope 2 CO₂e emissions by 2025.

The C2C certification guarantees the circularity of textiles. This alone, however, is still not sufficient to ensure that textile material loops are also closed. The complete translation of circularity of materials into an actual loop requires more than commitment at the company level. Currently, for example, Germany still lacks the relevant sector infrastructure for this. But HAKRO has staying power, and we are committed to finding joint solutions in collaboration with cooperation-oriented competitors, pioneers, NGOs, and solutions providers (see also [p. 11](#) for our stakeholder approach).

“To put it mildly: collecting the data for the Cradle-to-Cradle® certification was really hard work. It’s unbelievable how much needs to be measured and traced – from our energy, water, and wastewater data at the site to the details of all the product components and materials. The product is vetted in its entirety – which, of course, makes things interesting again. We’ve been producing for HAKRO for more than 20 years now. I didn’t think that I’d be able to find out so many new things about our models. I’m only glad that we cover several production steps at a single site – otherwise it would probably have been much more work to find the data from the supply chain.”

Mousleh Khan,

Head of Finance & Controlling at our production partner in Bangladesh on the Cradle-to-Cradle® certification process

CRADLE-TO-CRADLE® CERTIFIED

The global standard “Cradle-to-Cradle® Certified” is awarded by the Cradle-to-Cradle® Product Innovation Institute – a non-profit organisation that aims to promote the circular economy. Recertification takes place every two years.



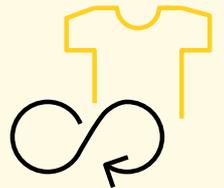
In the first step, HAKRO reached the Bronze level. The levels are not a statement about product quality but a mirror of the extent to which a company is able to facilitate transparency about all certification criteria.

In the certification process, materials and products are examined in detail in five categories:

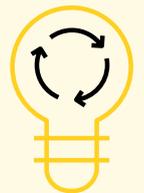
MATERIAL HEALTH



MATERIAL REUTILISATION



RENEWABLE ENERGY



WATER STEWARDSHIP



SOCIAL RESPONSIBILITY



JUST DOING IT

A look behind the scenes of a Cradle-to-Cradle® certification

Antonia Hammel is responsible for selected product management projects in the Purchasing, Quality, and Development department at HAKRO. After becoming a textile business economist through a dual work-study programme, she added a bachelors degree in Amsterdam and was delighted when she was able to seamlessly follow up her thesis on the topic of circularity with project managing the C2C certification at HAKRO.



Antonia Hammel, Purchasing, Quality & Development department, headed the initial C2C certification project.

The way you came to the project sounds almost like providence.

AH — That's true. On the one hand, it was good timing that I was able to write my bachelor thesis on the topic of circular economy and HAKRO had in any case already decided as part of the Integrated Sustainable Business Strategy to take concrete steps towards circularity. On the other hand, I'm also very grateful for the trust in me

and the opportunity to be allowed to manage such an extensive and relevant project.

The pilot project with your production partner in Bangladesh has lasted about a year. What have you learnt from it?

AH — A lot! In particular, it confirmed to us how essentially important it is to achieve availability of reliable sustainability data at the level of our partner companies. This is because we at HAKRO could not provide much data ourselves in the course of certification. We depend here on the quality of the data management and our production partners' willingness to cooperate. We had ideal conditions in this respect with our partner in Bangladesh, as we have worked together for more than 20 years and already implemented numerous improvements together. But data collection was still hard. In addition, the certification isn't just a lot of work but also relatively expensive. It therefore needs appropriate quantities so that it's worth it.

What were particularly positive experiences?

AH — I'm pleasantly surprised by the many benefits that we gained as welcome by-products in the course of the certification. We have much more detailed product knowledge and obtained even deeper insight into all aspects of the production process. That's unbelievably valuable information for developing sustainable product innovations and selecting sustainable materials.

HAKRO OBJECTIVES IN 2022

In the following, we make transparent which of the objectives we set for 2022 we have achieved in each field of action.

A general overview of our missions, objectives, and KPIs until 2030 is available [here](#). For our core objectives, we have also shown what contribution they make to the United Nations Sustainable Development Goals (SDGs) from p. 114 of the [Integrated Sustainable Management Report 2022](#).

Objectives in each field of action	Measurement/KPI	Target	Status
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SUPPLY CHAINS AND PRODUCTS

The HAKRO risk assessment is the key management tool for HAKRO sustainability management in the supply chains. We regularly update it and derive corresponding measures and projects in the supply chain from it.	HAKRO risk assessment, which follows the structure of the OECD Due Diligence Guidance and is regularly reviewed by external third parties as part of various memberships and certifications	Evaluating and prioritising all sector-, country-, supplier-, and raw-material-specific potential and actual risks on the basis of the OECD Due Diligence Guidance for the Garment and Footwear Sector at least once a year	
We assess all our direct production partners (tier 1) each year using criteria such as quality, delivery reliability, communication, cooperation, and sustainability management. This assessment forms the basis for our collaboration.	Proportion of production partners with current assessment sheet	100%	
We invite our production partners (tier 1) to evaluate HAKRO's purchasing practices, cooperation, communication, and integrated sustainable management each year.	Sending of the assessment sheets to our production partners	Annually Dispatch planned for 2023	
All our direct production partners (tier 1) are familiar with the HAKRO Corporate Compass and have signed the Fair Wear Foundation Code of Labour Practices.	Proportion of our direct production partners with signed FWF questionnaire	100%	
All HAKRO's direct production partners (tier 1) are audited in accordance with the criteria of the iMPACT Program at least every three years.	Proportion of direct production partners with iMPACT Program audit reports	100% As of 2022: all strategic partners have had an iMPACT Program audit.	
We offer all the facilities audited in accordance with the iMPACT Program support in the context of their remediation processes when selecting needs-based and suitable training programmes.	Factories that undergo the needs-based and suitable training programmes	100%	
Together with our direct production partners (tier 1), we support all policy, systemic, and individual measures that pursue the objective of promoting a living wage over the medium and long terms.	Projects per production partner	> 1 As of 2022: not yet an ongoing project with every production partner	

 : achieved  : in progress  : not achieved

Objectives in each field of action	Measurement/KPI	Target	Status
We offset all (still) not avoidable or reducible CO ₂ e emissions in textile processing and in upstream goods transport (long distance) via certified climate protection projects.	CO ₂ e emissions offset on the basis of the GHG Protocol	100%	✓
We continue to use 100% climate-neutral transport for sending goods to our dealers.	Climate-neutrality in shipping	Annual listing and offset declaration of shipping providers	✓
All HAKRO textiles comply with the currently valid REACH regulation to ensure the highest level of customer safety.	Standard 100 by ÖKOTEX, Annex 4	100% of all products	✓
Our new shipping boxes are made of sustainable material.	Material composition of new boxes	At least FSC Mix	✓

SITE AND RESOURCES

We ensure the complete recycling of our operational waste.	Recycling ratio of operational waste	100%	✓
We fully recycle our cardboard and film waste.	Recycling ratio of cardboard and film waste	100%	✓
We continue to measure, report, and publish all our energy and resource consumption at the site.	Measuring electricity, gas, and water consumption	100%	✓
We measure and record all CO ₂ e emissions that the HAKRO Schrozberg site directly or indirectly causes.	CO ₂ e emissions on the basis of the GHG Protocol	Full measurement of Scope 1 and 2 emissions	✓
We offset all (still) not avoidable or reducible direct and indirect CO ₂ e emissions on site (Scope 1+2) through certified climate protection projects.	CO ₂ e emissions offset on the basis of the GHG Protocol	100%	✓
We house our own bee colonies in the insect-friendly HAKRO wild-flower meadow and produce HAKRO honey.	Number of HAKRO's own bee colonies	At least 1	○

 : achieved
  : in progress
  : not achieved

Objectives in each field of action	Measurement/KPI	Target	Status
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TEAM AND DIVERSITY

Our employees are very satisfied with HAKRO as an employer.	Satisfaction on a scale of 1 to 6, where 1 is high	<= 1.5	
Our staff turnover rate is continually at a maximum of 3%.	Staff turnover rate employee resignations	< 3%	
Equal opportunities and diversity are lived by the whole HAKRO team.	Discrimination cases	0	
We promote the health of our employees.	Health ratio	At least 95% Ratio as at the end of 2022: 93%	
The onboarding of all new colleagues includes an insight into every department.	Proportion of new colleagues who have participated in the HAKRO orientation programme	100%	

COMPANY MANAGEMENT AND DIALOGUE

The objectives of our Integrated Sustainable Business Strategy are broken down into individual department targets within the framework of a respectful system for target agreements and are regularly defined and evaluated.	Target agreement with each department	At least 1	
In every HAKRO department, there is at least one sustainability officer who acts as the interface with the sustainability management.	Number of sustainability officers per department	At least 1 person Not yet implemented in all departments	
Regular worker training on the topics of transformation, digitalisation, and sustainability additionally take place within the HAKRO Academy and on an as-needed basis.	Average training hours per employee per year on these topics	4	
Our environmental management system is continuously certified to ISO 14001.	Audit result	Certification	
Our quality management system is continuously certified to ISO 9001.	Audit result	Certification	

: achieved : in progress : not achieved

Objectives in each field of action	Measurement/KPI	Target	Status
We continuously increase our revenue.	Revenue increase p.a.	> 5%	✓
We apply ethical/sustainable or social/ecological selection criteria to all our financial investments.	Proportion of sustainable financial investments	100%	✓
We hold more than 100 intensive and high-quality appointments with customers at our site in Schrozberg each year and use this as a substitute for participating in external trade fairs.	Number of customer appointments held at the Schrozberg site	> 100	✓
Our operations are at least climate-neutral.	The company's climate footprint	At least climate-neutral across Scopes 1-3	✓
We promote co-creation by involving external participants and stakeholders in developing joint projects in a spirit of partnership.	Ongoing shared projects/ measures p.a.	2 p.a.	✓
We measure HAKRO's current degree of digitalisation and define the maximum useful degree of digitalisation.	Target/actual analysis per department	1	✓
We systematically incorporate the topic of sustainability into HAKRO brand communication on all channels.	The proportion sustainability content to total content on all communication channels used by HAKRO	100%	○
Our dealers naturally associate the HAKRO brand with sustainability.	Result from our customer survey	100%	○
The HAKRO intranet continuously provides our team with current information from the entire company and gives them access to our HAKRO wiki as a reference tool.	Introducing the intranet, continuous editorial management, and accessible use for all employees.		✓

 : achieved
  : in progress
  : not achieved

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