

HAKRO 
HÄLT. SEIT 1969

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**Integrated Sustainable
Management Report 2022**

Our Integrated Sustainable Management Report 2022 is the first of its kind. It's the result of a 17-month process to develop a business strategy that combines environmental and social responsibility with economic stability for healthy growth. It continues our previous sustainability reporting.

This report describes the model of our company's future: how the framework conditions and the context of our diverse business activities will develop. What doing business responsibly means in light of all this. What timetable we have given ourselves with our vision, missions and objectives. What role our partners play in this, without whom what we do and what we have planned wouldn't be possible.

[→ more on the context of this report and the transparency standards we hold ourselves to can be found under "About this report" on [p.125](#)]

**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.**



The new showroom is used for internal meetings, training and dialogue with dealers and guests. More on this from [p. 110](#)

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FIRST TIME TOGETHER:
OUR PARTICIPATORY STRATEGY PROCESS.

FIRST TIME SUSTAINABILITY IMPACT
ASSESSMENT: LEARNING FOR THE FUTURE.

FIRST TIME HAKRO LAB.
MORE AGILITY, MORE COMMUNITY.

FIRST TIME FAIR WEAR AND FIRST TIME
CLIMATE-NEUTRAL COLLECTION.

FIRST TIME MAINSTREAM LABOUR MARKET:
HOW INCLUSION SUCCEEDS.

FIRST TIME HAKRO SHOWROOM:
HAKRO SPIRIT YOU CAN FEEL.



DEAR READER,

Change succeeds and new things emerge when the foundation for this is in place. Sustainability is nothing new for HAKRO. Appreciative cooperation and responsible production have always been the core of our identity.

Now it's all or nothing. The consequences of climate change are already very much making themselves felt. The consumption of resources continues to increase unchecked, and precarious working conditions in a globalised world are all-pervasive. We have to set a new course – for our common and, in every respect, sustainable future. And we need to do it today and not just wait for 2050. We as a society, we as HAKRO, every single one of us.

The current pandemic and the political situation in Europe are causes for concern for most of us. Alongside worries about our own health and the health of those around us, there's uncertainty about their permanent societal, political and economic consequences. This, too, directly impacts the future viability of our community.

However, the pandemic also gave us time and space to fundamentally revise our previous sustainability strategy “Wirkstoff 2017–2022” and, with an Integrated Sustainable Business Strategy for 2022–2030, to develop it into a roadmap fit for the future that takes everything into account.

Why “integrated sustainable”? Sustainability shouldn't just be something you just talk about but should be directly on the agenda – at the very top. For each and every one of us, not as an appendix to the routine and absolutely not as a green fig leaf, but as a natural component of our common actions.

What does this mean for us at HAKRO? It has been and is an exciting time for “first times”.

For the first time, we've integrated our most important stakeholders in a “360° Strategy Development Process” – with our employees leading the way. We've also included the creativity of many of our dealers and all our production partners digitally and – as far as the times allowed – in analogue form. Together, we've had discussions with a view to the future and even disagreed – always constructively – but above all we've developed our vision for the future and have already started implementing it:

For the first time, we've had our programme for implementing human and labour rights in our global supply chain audited in accordance with the demanding criteria of the Fair Wear Foundation (Fair Wear). We've been a member of Fair Wear since January 2021. In our first Brand Performance Check in April 2022, we achieved the “Good” status straight away.

For the first time, we can proudly announce that we've made our entire collection climate neutral. Our previous and planned measures to avoid and reduce production-related greenhouse gas emissions are emboldening us, starting with the 2022 collection, to offset the emissions still remaining through an ambitious climate protection project.

And for the first time, we've developed a vision for our company: By 2030, we want to be the first choice for integrated sustainable corporate wear.

We'll succeed in this if we as a management team make our decisions at HAKRO in a much more participatory manner, thus less hierarchically, and driven by a greater range of perspectives. Letting go is not always easy, particularly the first time – and yet it's wonderful. We wouldn't want it any other way.

And that's another reason why we're now presenting ourselves in a new outfit: with our first Integrated Sustainable Management Report for 2022.

We have big plans and don't yet by any means have the perfect solutions for everything. It'll give us great joy if reading this inspires you to open or continue your dialogue with us – about transformation, about learning and also about the courage needed to take the right path because it is the sustainable one.

The management team



Carmen Kroll
Managing Partner
and Managing Director



Thomas Müller
Managing Director



Danny Jüngling
Authorised Signatory

WE ARE HAKRO

HAKRO is a leading brand for corporate wear. Our name is synonymous with clothing that people wear day after day for work or sports or in their leisure time. Reliable, long-lasting, perfectly designed and produced according to the highest social and ecological standards.

OUR ORIGINS

HAKRO HÄLT. Seit 1969

With this brand claim, we stand by our word and for premium quality. In more than 50 years, a lot has changed – including us. But the understanding of what responsible management means is still with us. “Oh, that’s sustainability? We’ve always done that,” says company founder Harry Kroll, grinning a little, when we explain our future objectives to him.

1960–1990

BEGINNINGS

Marianne and Harry Kroll sell their first garments from the boot of their car and at weekly markets in the 1960s.

Soon, there’s a bricks-and-mortar “Bekleidungs-haus Harry Kroll” store in Schrozberg. The decision is made to have their own textiles made – so that the quality is good enough. Harry Kroll therefore acquires a stake in a manufacturer of knitwear produced in Schrozberg. Later, the first imports arrive from outside Germany.



1969: The clothing store
Harry Kroll in Schrozberg

Alongside growing success, a small network of stores grows in the Hohenlohe region and the neighbouring districts. Our product range emphasises sportswear and work attire.

In 1987, HAKRO GmbH is formed from the sale of the retail stores. The brand name is derived from the first letters of the founder’s first and last names, Harry Kroll. The product range is based on clothing for work, sports and leisure, intended to be suitable for printing and embroidering with company and association names, and made to last as long as possible.

A former school building in Schrozberg is acquired as the company’s headquarters. In subsequent years it’s expanded and adjusted to the requirements of office, shipping and storage spaces.



2000: The first logistics centre in Schrozberg



2003: Generational change. Carmen Kroll and Thomas Müller take over the business

1990–2010

GROWTH

In 1999, Carmen Kroll, the daughter of Harry and Marianne Kroll, joins the company.

In 2000, a large building site is purchased in the Schrozberg industrial area, and the construction of the first warehouse begins that same year.

At the beginning of the 2000s, the collaboration with the production partners in Turkey and Bangladesh begins, and it continues to this day.

Carmen Kroll is made managing partner in 2003. In the same year, Thomas Müller is named managing director.

In 2004, the entire collection is certified according to Standard 100 by OEKO-TEX®.

2010–TODAY

EFFECTS

In 2010, the Harry Kroll Foundation is established, bundling the global, national and regional charitable activities of HAKRO GmbH.

Beginning in 2015, sustainability management is further professionalised. In 2016, the first sustainability report is published.

In 2017, the first GOTS-certified organic collection is introduced and the Schrozberg site is made climate neutral for the first time.

In 2018, HAKRO is nominated for the German Sustainability Award, and in 2021 HAKRO receives the Neumarkter Lammsbräu Award for Sustainability.

In 2019, HAKRO celebrates its 50-year anniversary.

In 2020, the preliminary final construction stage of the logistics centre is made fully operational.

In 2021, HAKRO becomes a member of Fair Wear and adopts the Integrated Sustainable Business Strategy for 2022–2030.

In 2022, the entire collection is made completely climate neutral. Authorised signatory Danny Jüngling becomes member of the management team.



HAKRO today: our showroom in Schrozberg

HAKRO TODAY

HAKRO GmbH is a family business founded in 1969 by Marianne and Harry Kroll. It has been managed by the second generation, Carmen Kroll and Thomas Müller, since 2003. Danny Jüngling joined the management team in 2022 and is an authorised signatory of the company.

- **180** employees in Schrozberg
- **65%** of our workforce are women
- **60%** of all managers are women
- **6.1%** of our employees are handicapped
- **13** nationalities are in our team
- **1.2** represents satisfaction with and at HAKRO as a grade (where 1 = the highest grade and 6 = the lowest).

- **2,500** workers of our worldwide and long-term production partners

PRODUCT OVERVIEW

We produce and sell T-shirts, polo shirts, sweat-shirts and sweat jackets, blouses and shirts, outdoor vests and jackets, trousers and accessories under the HAKRO brand.

- **142** products
- **51** colours
- **16** sizes
- **6** collections
- **3** fits
- **5,000,000** clothing items are 'never out of stock' (NOS). For women, men and children, and in unisex.

HIGHEST QUALITY AND SUSTAINABILITY STANDARDS



- We manufacture our products to be 100% durable and long-lasting. We don't follow fashion trends, so our clothing never goes out of style.
- Our entire collection has been climate neutral since the beginning of 2022; our company site in Schrozberg has been climate neutral since 2017.
- We've been a member of Fair Wear since 2021 and advocate the highest social standards in the production of our textiles.
- All of our products, without exception, meet Standard 100 by OEKO-TEX®, and we're continually expanding the proportion of additional sustainability standards:
 - GOTS (Global Organic Textile Standard),
 - GRS (Global Recycled Standard),
 - Green Button,
 - CmiA (Cotton made in Africa) and
 - C2C (Cradle to Cradle).
- In 2021, we received the Neumarkter Lammsbräu Award for Sustainability in the category "family-run company". Among other things, we were praised for our attitude towards change and making a fresh start.

WE STICK TOGETHER

> 20 years is how long we've worked with our production partners in Turkey and Bangladesh.

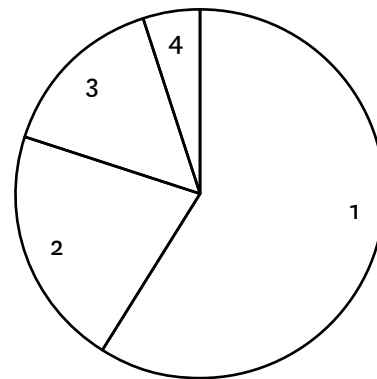
100% is the percentage of ongoing orders we accepted from our production partners despite the pandemic.

100% is the percentage of the workers at our production partner in Bangladesh that we've supported with care packages as part of our "HAKRO FriendShare" programme.

WE WORK WORLDWIDE

Our company is based in rural Schrozberg, Baden-Württemberg. It's the home of our product design, administration and logistics processes, among others.

Our **eight production partners** have factories in **seven countries**:



- 1 Turkey with production sites in Istanbul, Bulgaria and Moldova (59%)
- 2 Laos and Cambodia (21%)
- 3 Bangladesh (15%)
- 4 China (5%)

LOOKING TO THE FUTURE

The best is only just good enough for us, and that won't change in the future. With our Integrated Sustainable Business Strategy, we manage our company proactively, based on values and with the aspiration to be exemplary and inspiring in everything we do. We want to be a leader in the corporate wear sector by 2030, in line with our vision: always one step ahead.

OUR OBJECTIVES*

- Certified ecological and social sustainability for 100% of the cotton, viscose, and synthetic fibres in our products, as deep into the supply chains as possible
- Recyclability of all new products we develop
- Attaining Fair Wear Leader status
- Collaborating only with ethically sustainable financial service providers
- Establishing integrated, sustainable innovation management for products and processes
- Digitalising the business processes to improve service quality and process speed (including in the contact points with sustainability)
- Expanding programmes as part of our human resources management
- Doubling our commitment to not-for-profit social and charitable purposes
- Strengthening our external sustainability communications 360°

* Excerpt from the objectives for 2022–2030. See p. 114 for all key objectives in each field of action at a glance

OUR SPIRIT

It will take perseverance to make the HAKRO Vision a reality. We'll gain the necessary energy from our community, by sharing knowledge, and providing creative leeway for individuals.



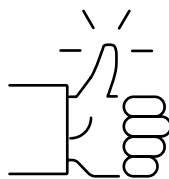
HAKRO IS COLOURFUL

We're as colourful as our clothing – and the future has many facets. That's why we use the diversity of our expertise and perspectives and intentionally make strategic decisions in participatory processes.



HAKRO CREATES CONNECTIONS

We see ourselves as a community and support each other. Empathy, respect, trust, team spirit, loyalty and integrity mark our interactions with each other and with our external stakeholders.



HAKRO IS INSPIRATIONAL

We believe that our company should serve people, not the other way around. We shape our future together joyfully – partly because our ideas are already being heard today.

OUR PARTNERS

Our long-term production partners and all of our dealers and service providers are part of the HAKRO family. Without them, we wouldn't be where we are.

To face the complex challenges in the textile industry, we combine strength and knowledge in partnerships. Together with sustainability initiatives and other companies, we cooperate for joint solutions and the greatest possible influence, including beyond our company borders.

OUR CONTRIBUTION

The global Sustainable Development Goals of the United Nations (SDGs) form the guiding principles for healthy development of the economy and society by 2030.



[→ We explain which of our key objectives contribute to the SDGs, and how, in our overview starting on p. 114.]

OUR MOTIVATION

We've developed an Integrated Sustainable Business Strategy. Because solutions don't come about from sitting in isolation. Because competence means thinking together what belongs together: responsibility and success, future and team spirit.

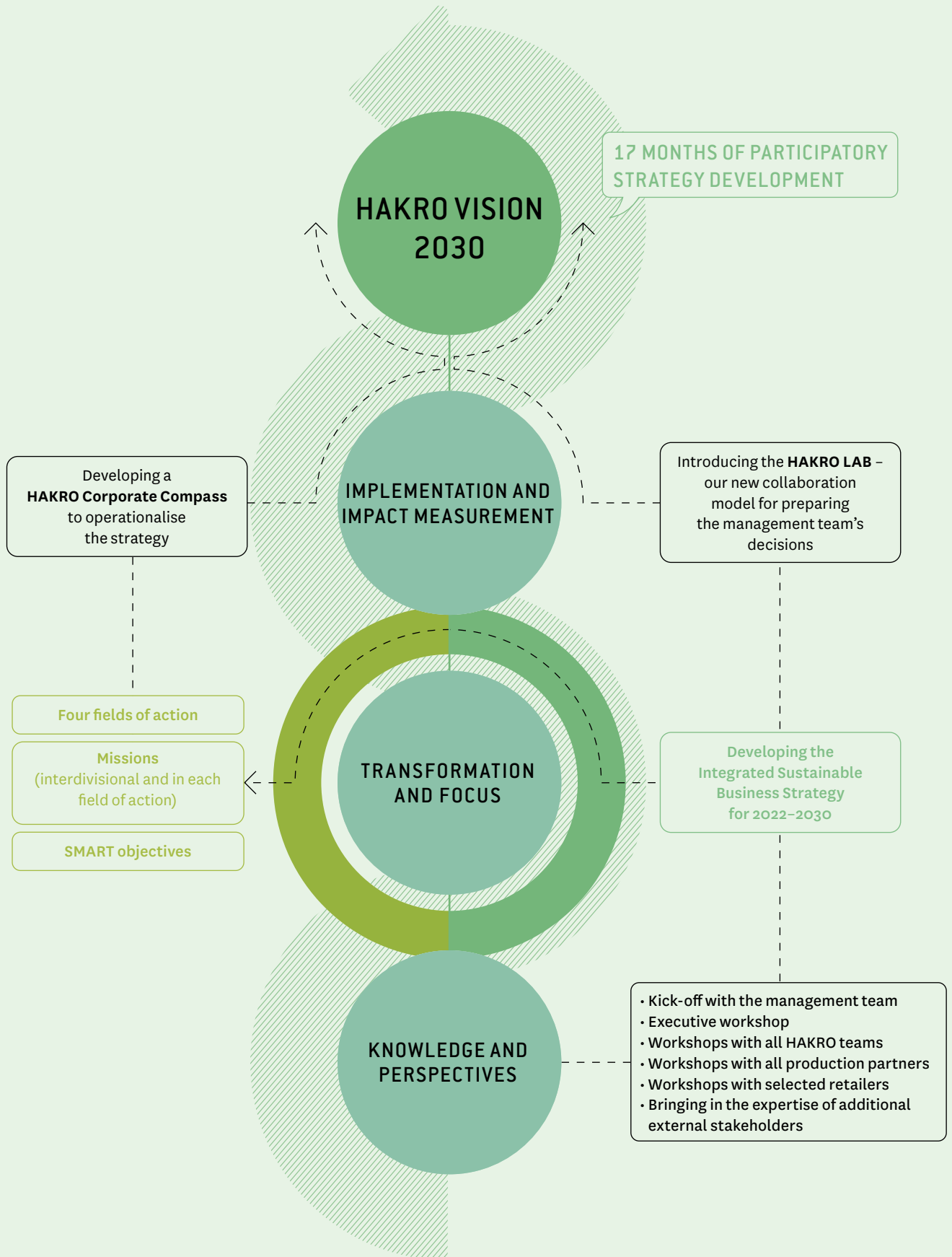
By 2030, we want to become the leading integrated sustainable company in our industry.

In a participatory process, i.e. by involving all our key stakeholders, we've spent 17 months agreeing how we want to think present and future with a 360° perspective. For this, we have repositioned ourselves. We've looked back and learnt, sought and changed perspectives: Together we've given ourselves the space for intensive discussion and dialogue and for the friction that arises whenever different points of view are brought together not only for a common good but, most importantly, to do what is right. And we've boldly looked ahead.

A clear vision for HAKRO and objectives that will both ensure the healthy development of our company and support the textile industry as a whole have emerged.

INTEGRATED SUSTAINABLE BUSINESS STRATEGY FOR 2022–2030

Our transformation path for being value- and results-driven on all action levels



In a time that calls for prudence and foresight, we have made sustainable corporate action the core aspect of our company. Therefore, by 2030 at the latest, we want to be the leading integrated sustainable supplier of corporate wear – verifiably. With a business strategy that also measures economic success by whether it is environmentally and socially responsible and promotes social development.



It started with a workshop involving our managers, who got creative together.



Slow Fashion? Since 1969. HAKRO Hält. We keep our brand’s promise for premium quality, durability, and responsible production. With no ifs, ands or buts.

We are firmly convinced that business activities can only remain forward-looking and competitive in the long run if based on value-oriented, sustainable decisions. Only then will they also strengthen social cohesion and make a contribution to social development.

HAKRO has been taking a systematic approach to acting sustainably since 2015. In 2017, with our “Wirkstoff” sustainability strategy, we defined our understanding of sustainability and our objectives until 2022. By doing so, we had established a binding framework for the value-driven management of our company.

We have achieved a lot, but have also encountered barriers. We've hit dead ends, and, in light of the dramatically increasing global environmental damage and precarious working conditions in the global textile supply chains, have not yet achieved satisfactory results everywhere.

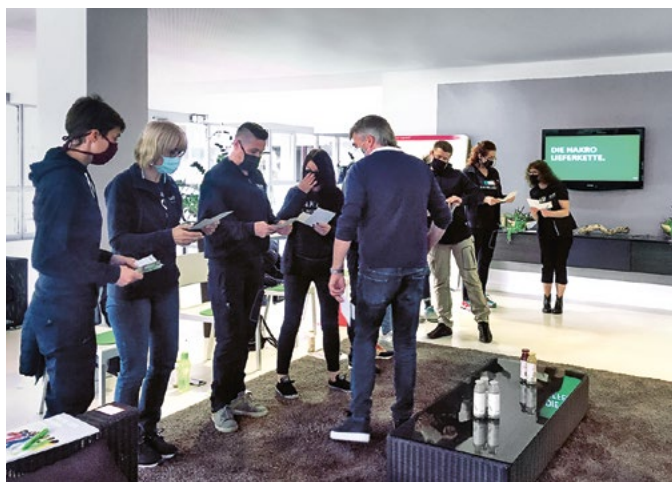
DURABILITY: RELOADED

Therefore, we are reaffirming our values: the core that makes us HAKRO. From the beginning, durability was the foundation on which we built our company. "HAKRO Hält." is our trademark; we keep our word and live up to our responsibility. Our stance and our values must also guide our path into a successful and liveable future – this is important to us. Therefore, we interweave our ecological and social responsibility with our corporate decisions more consistently than ever.

This is the starting point for our Integrated Sustainable Business Strategy. It anchors sustainability and the participation of our material stakeholder groups as early on as in the development of our products and setting up of our supply chains, in our marketing and sales activities, in our services, in digital networking with our business partners, and in the planning of revenues and profit. For 2022 to 2030, it lays down the framework for our actions (see "Corporate Compass" diagram on [p. 23](#)).



Carmen Kroll and Thomas Müller invite everyone to be open, to think big, to break new ground and to have fun in the process.



Instead of speakers addressing participants from the front, people interacted with each other, working together collaboratively in the workshops.

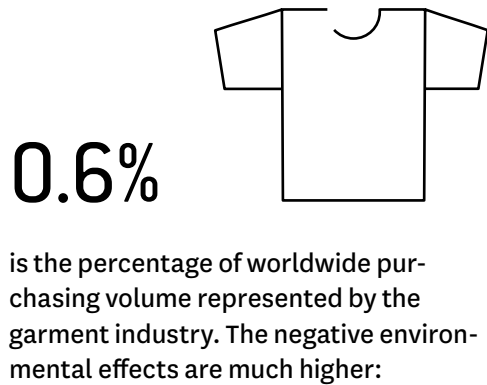
THE PRESENT AND THE FUTURE ARE A COMMUNITY RESPONSIBILITY

From August 2020 to December 2021, we developed our new strategy and already started carrying it out. During that process, we integrated all employees, across all functions and hierarchical levels, many of our dealers, all production partners and the knowledge, creativity and advice from additional external stakeholders from science, politics, business, consultancy, civil society and trade unions. We have deliberately decided on a participative strategy process and left appropriate room for the dialogue and friction that arise whenever different perspectives are brought together not only for a common good, but most importantly to do what is right.

At the same time, we've used the collaborative process to adjust our organisational structures and internal cooperation and bring about the conditions for resilient, integrated action and decision making:

SOCIAL AND ECOLOGICAL EFFECTS OF THE TEXTILE INDUSTRY

The context within which we move



> 1% of worldwide greenhouse gas emissions are attributable to the sector

1.1% of global water withdrawal for growing cotton and dyeing

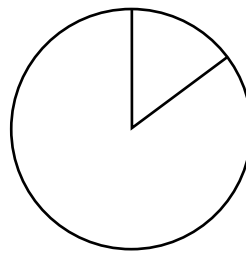
5% of worldwide chemical use for textile production

4% of the entire annual amount of fertiliser for growing textile fibres

6% of the annual amount of pesticides sold for growing cotton

> 300 Mio.

workers work in the textile industry worldwide



85%

of them are women

65%

is their overall risk of being a victim of violations of social standards in textile production while they are manufacturing our clothes:

- gender discrimination
- forced labour and child labour
- restricted freedom of association and collective bargaining
- no payment of living wages
- extremely long working hours
- lack of work safety with sometimes fatal occupational accidents

[→ Source: Federal Environmental Agency 2021 "Clothes with a catch. Case study on global environmental claims through the manufacturing of our clothing"]

→ In July 2021, we introduced the HAKRO LAB (laboratory), a body including all department managers to prepare management decisions of great strategic importance and relevance for the contact points. By doing so, we're strengthening the agile principles of co-determination and interdepartmental work. At the same time, the LAB supports our management team in realising strategic responsibility and releasing it from operational responsibility.

→ Since January 2022, we've also been strengthening the networking of our teams step by step by appointing sustainability officers in all divisions.

→ Our "Impact, Responsibility & Innovation" department (IRI) acts as an in-house corporate consultancy to carry the knowledge of environmental protection and social responsibility into the LAB and the departments' teams, wherever SRI does not carry out the decisions itself.



For our organisational structures, see also the "Company Management & Dialogue" chapter starting on p. 46.



Collaborating in an agile and cross-divisional way, finding ideas together, launching projects and co-entrepreneurially preparing management decisions for the management team to take – the HAKRO LAB.

MAKING THE MOST OF OPPORTUNITIES

The starting point for our strategic reorientation was a results analysis of our previous sustainability management. At the same time, we've thoroughly explored current and future opportunities and risks for our company to set the right course for our business model.

The textile industry entails various **risks** for the environment and for people (see also p.63 and the graphic on p.20). In addition, there are corporate risks, including those caused by the increasing legal regulation of sustainability in business processes, possible loss of reputation due to poor sustainability performance, changing customer needs (especially due to digitalisation and the pandemic), competitive pressure and supply chain instability through globalisation crises.

This is in contrast with numerous **opportunities** and room for creativity: by being a pioneer and trendsetter, by being a leader in sustainability in products and the supply chain, through organisational transformation and agile decision mechanisms, and through strategic, integrated corporate communication and an attractive employer brand.



Whether embroiderers, printers or technical dealers – our dealers are at least as colourful as the HAKRO Team. We also invited around 20 of them to workshops. This means our strategy also takes their ideas and wishes into account.

HAKRO CORPORATE COMPASS

The Corporate Compass is the documented result of our strategy process and our instrument for consistent operationalisation of the Integrated Sustainable Business Strategy.

With the five elements of our Corporate Compass, we're laying a binding framework for our actions:

- 1 The **Management Agenda** explains the background for developing the strategy and tasks our employees with implementing the strategy and, if needed, contributing to its further development.
- 2 The **Kroll family manifesto** reaffirms the values that have always carried HAKRO.
- 3 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. These and the entire Corporate Compass text are available in the download section at www.hakro.com.
- 4 With our **corporate vision**, interdivisional **missions** related to fields of action and appropriate **SMART objectives**, we're translating our Integrated Sustainable Business Strategy into an ambitious action plan for 2022 to 2030.
- 5 With our **Code of Conduct**, we've established expectations for how our employees should interact with each other and towards our external stakeholders.

These are as helpful as they are necessary, because with increasing legal regulation, including of our business processes, and the transfer of responsibility to our employees, decisions become ever more complex.

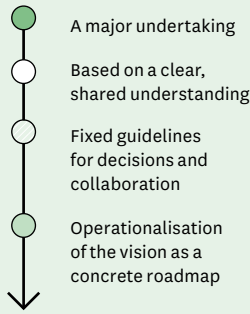
Our focus is on working conditions in the global supply chains and the protection of human rights. These include Fair Wear's Code of Labour Practices (CoLP), the core labour standards of the International Labour Organization (ILO), the Universal Declaration of Human Rights of the United Nations (UN) and the UN Guiding Principles on Business and Human Rights. This is because our success is mostly based on the work performed by people and organisations that do business outside our corporate site in Schrozberg, Baden-Württemberg. An additional focal point is climate protection, particularly based on the Paris Agreement.

All employees know our shared strategy, and each contributes in their respective area of responsibility and tasks to implementing it and, if necessary, developing it further.

HAKRO CORPORATE COMPASS

Our central management tool

We've documented our new business strategy for all employees. This is to make sure we don't lose sight of our common objective.



HAKRO – the leading integrated, sustainable and (therefore) exemplary company in the corporate wear sector.



The task

Our roots

Our rules

External guidelines and directives

Our collaboration

OUR INTEGRATED SUSTAINABLE BUSINESS STRATEGY FOR 2022–2030

Structured framework

Path to the vision

Measurable performance

The **Management Agenda** defines a binding order for action made to all employees.

Our **Code of Conduct** lays down binding rules for interacting with each other and with our stakeholders.

Internal organisation in the HAKRO LAB (Laboratory) for shared decision-making. Through this, we dismantle hierarchies and build up rich perspectives and interface competencies.

The **Kroll family manifesto** incorporates our values and our brand promise. As a foundation of continuity amid change.

International, European, national and institutional **regulations** with which we comply (human rights, labour standards, climate protection, anti-corruption)

Four **fields of action**, with which we give our roadmap a structure

Objectives by 2030. Ambitious and verifiable. → see from p.114

Missions that put the path to the vision into concrete terms

THE WORDING OF THE ENTIRE DOCUMENT CAN BE DOWNLOADED AT www.hakro.com (section: downloads)

FIRST! HAKRO HAS PLANS.



Being the first doesn't necessarily mean being the fastest. For us, it primarily means being the best. Anyone who wants to achieve that needs to lead the way. And anyone who does that cannot avoid "first times". Because it takes courage to dare to do new things without an instruction manual.

FIRST TIME

VISION

The textile industry is described as "one of the most polluting industries in the world", particularly by critical stakeholder groups. What is certain is that hardly any other branch of industry needs to overcome such far-reaching environmental and social challenges in complex global supply chains (see also p. 20). This requires solutions that in some cases don't even exist yet. We're not the first to have recognised this – calls for a comprehensive transformation of the business are loud and constant. But, for the first time, our ambition is truly bold: to become the leading integrated sustainable company in our industry. We won't settle for anything less than that.



"Sustainability is not a trend. It's a part of the garment industry that's here to stay. We cannot and must not avoid dealing with it."

Carmen Kroll, Thomas Müller and Danny Jüngling
HAKRO Management Team

FIRST TIME

PARTICIPATION

This isn't exactly a first time for us – our employees have always helped shape HAKRO. But now we're breaking new ground in the way that we're doing it. We're dismantling hierarchies and making strategic decisions together. That takes practice and creates friction. But we're all warming ourselves at this fire, because it keeps us alive and connected.



"What was special about the Team Workshops 2030 was that every single employee had a say. This means our business strategy is made up of all our diverse HAKRO voices, thoughts, ideas and visions. Together, we put dreams into words and set these down on paper as our shared objective at HAKRO. It binds us together and brings us a little closer as a team."

Jasmin Zink
Customer Relations & Service

FIRST TIME

THE WISDOM OF CROWDS

“Ask eight people, get ten opinions”, it is easy to laugh. Indeed, at times it was exhausting to allow many perspectives on our strategy process from many people and many stakeholder groups. And it was new for us. And yet, when you take more points of view into account than before, the decisive ones are often hidden among them. This is because staying as smart as you were before doesn't need a new strategy.



“The workshop gave us a forward-looking perspective on absolutely crucial topics that'll affect all of us: perspective to see that the terms 'textiles' and 'sustainability' don't have to be mutually exclusive. We retailers have taken many positive impressions, and many responsibilities, home with us – for we still have a long way to go together.”

Marc Rösler

Managing Director of HESKO Arbeitsschutz GmbH



“Sustainability is still ignored in the corporate fashion sector: it always has to compete with low prices. My vision is to place environmental aspects and product quality at the top. And our customers in the industry expect us to take this step. HAKRO is concerned about the future and supports us as a partner by holding these strategy workshops. I'd like to continue this format for the positive future of our planet and our business.”

Dieter Jacob

Managing Director of TEXTILES

FIRST TIME

FAIR WEAR

In April 2022, we successfully completed our first Brand Performance Check and were able to achieve the status “good” with Fair Wear straight away. We're delighted about this, especially because due to the pandemic we were unable to carry out some of the planned audits at our factories.



“In the first year, HAKRO performed well and laid a strong foundation. We're pleased to see that HAKRO works so closely together with Olymp, another Fair Wear member, and maintains strong partnerships with its production partners. We look forward to the progress and development towards living wages.”

Wilco van Bokhorst

Fair Wear Foundation Auditor

HAKRO FIELDS OF ACTION AND MATERIAL TOPICS

The missions and objectives it will take to implement our vision encompass four fields of action. We've restructured these compared to our sustainability strategy "Wirkstoff 2017-2022" in order to optimise the cross-divisional handling of complex topics along the value chain that involve multiple points of contact. To this end, we also included our Marketing & Sales, Digitalisation & Controlling and strategically particularly important management topics from the Human Resources & Diversity department in the field of action Company Management & Dialogue.

The sustainability topics that are material to us are allocated to our fields of action. The topics we define as material are those that address challenges for the environment and people along our entire

value chain and provide levers for positive change, as well as those that entail opportunities and risks for our business model and strategy. See also the diagram of our value chain on [p. 28/29](#).

We already defined the material sustainability impact of our business activities in 2016 as part of developing the sustainability strategy "Wirkstoff". Then as now, we incorporated the expertise from politics, academia, business, consultancy, civil society and trade unions. We regularly review our priorities at all stages of our value process. Opportunities and risks for HAKRO's business activities were recently analysed with internal and external stakeholder groups while developing the Integrated Sustainable Business Strategy from August 2020 to December 2021.

COMPANY MANAGEMENT & DIALOGUE

- Corporate values
- KPI Controlling
- Compliance
- Digitalisation along the whole value chain
- Leadership culture
- Sales/competitiveness and future viability
- Dialogue with all our stakeholders
- Brand and corporate reputation/communication
- Memberships and certifications (company level)
- Not-for-profit activities

SUPPLY CHAIN & PRODUCTS

- Labour and human rights in the global supply chains
- Sustainability design of products and processes (environmentally friendly and humane)
- Closing the loop for products
- Product climate neutrality
- Product and process innovations

- Supplier management
- Product chain certifications
- Environmental management (chemicals, emissions, (waste) water, waste)

TEAM & DIVERSITY

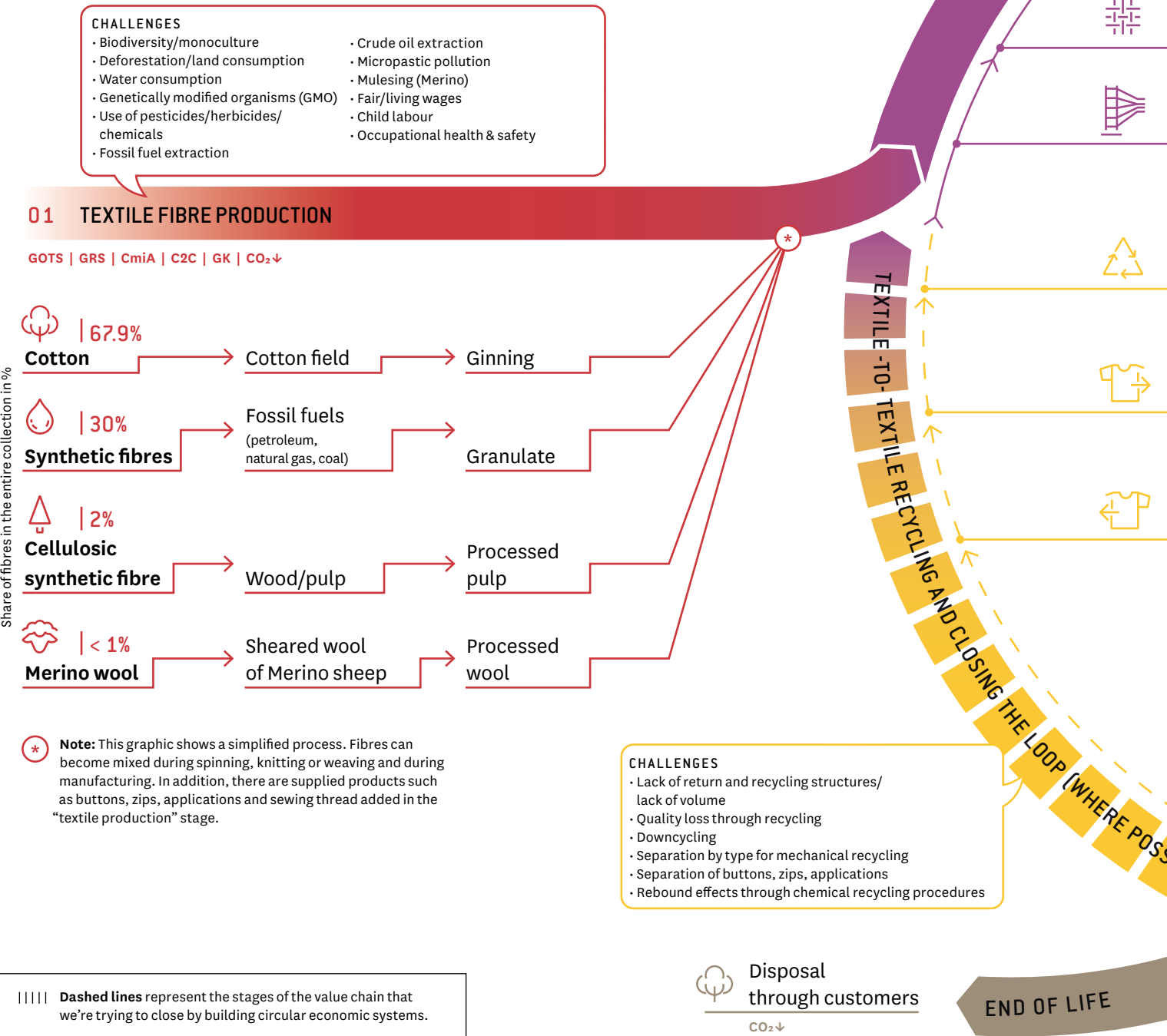
- Corporate culture based on values
- Participation and self-organisation
- Anti-discrimination and inclusion
- Employee health
- Family-friendliness
- Staff development (encouragement and challenge)
- Employer branding

SITE & RESOURCES

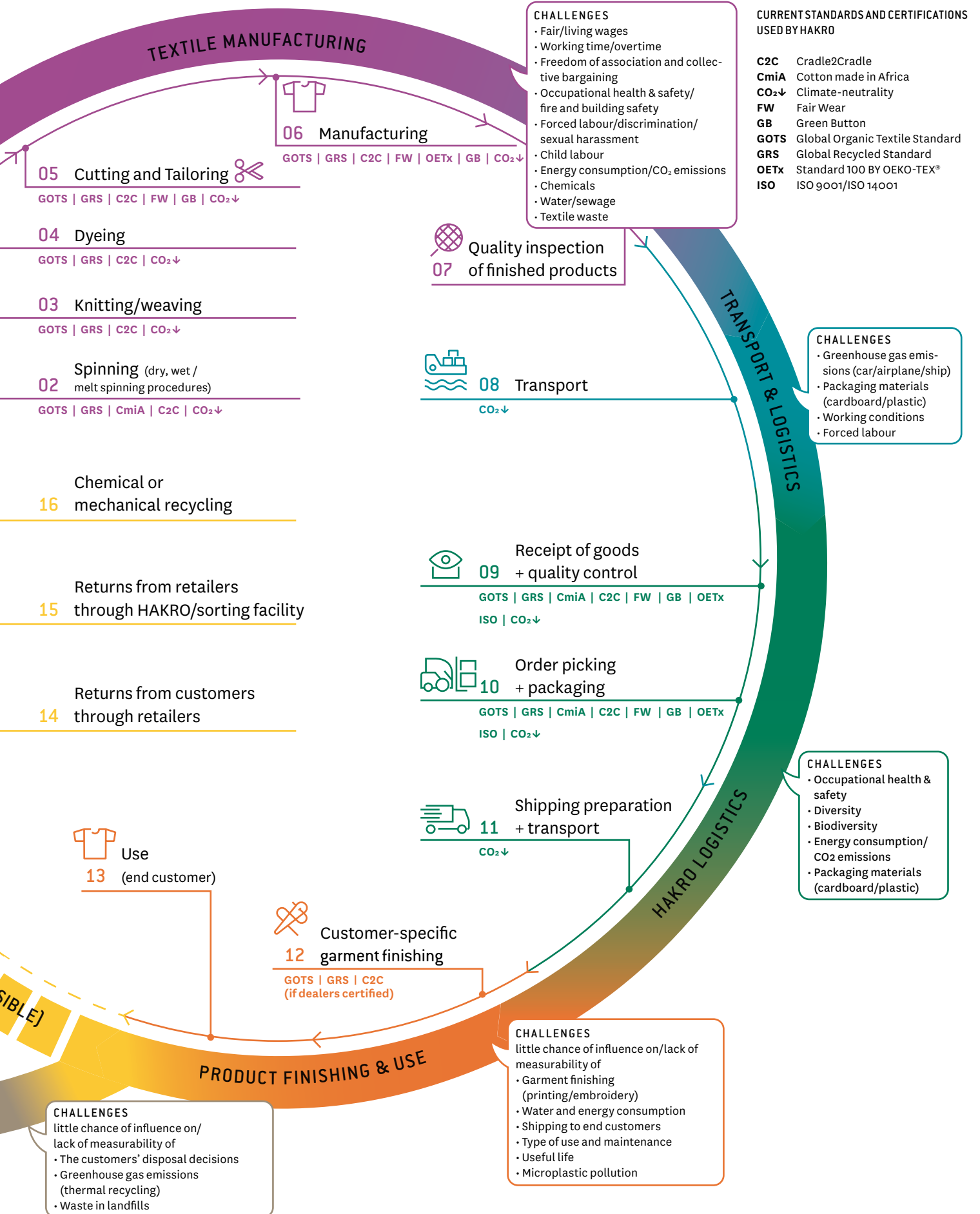
- Climate-neutral site
- Resource- and biodiversity-friendly processes
- Site concept

THE HAKRO VALUE CHAIN

Thinking and acting in an integrated way means keeping an eye on everything. For us, responsibility therefore means knowing the challenges and interdependencies in the garment value chain and using our leverage to shape the situation – for premium quality corporate wear produced in an environmentally friendly and socially fair manner.



Value chain



OUR RESULTS

We are taking stock. About what we have achieved. About what's easy and what's difficult. About our business development as well as five years of the “Wirkstoff” sustainability strategy and what we've learned from it.

HAKRO is successful. Our ambitions are growing. Not only is our business growing, so is our headcount. Objectives and roadmaps are one thing, proven results another. That's what this chapter is about – because a lot has happened since our Sustainability Report 2019.

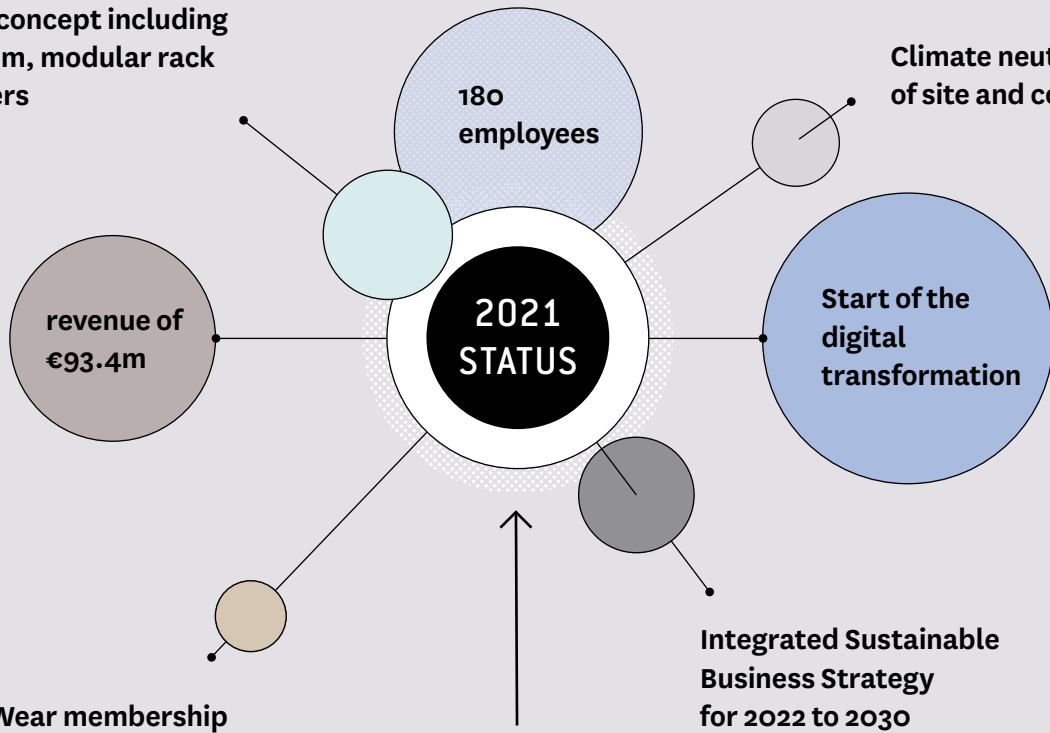
The most important result for us is the Integrated Sustainable Business Strategy for 2022–2030, which will help us shape our company's future. It unites all our experiences and learning processes, which there have been so many of in the last few years.

HAKRO IS IN MOTION

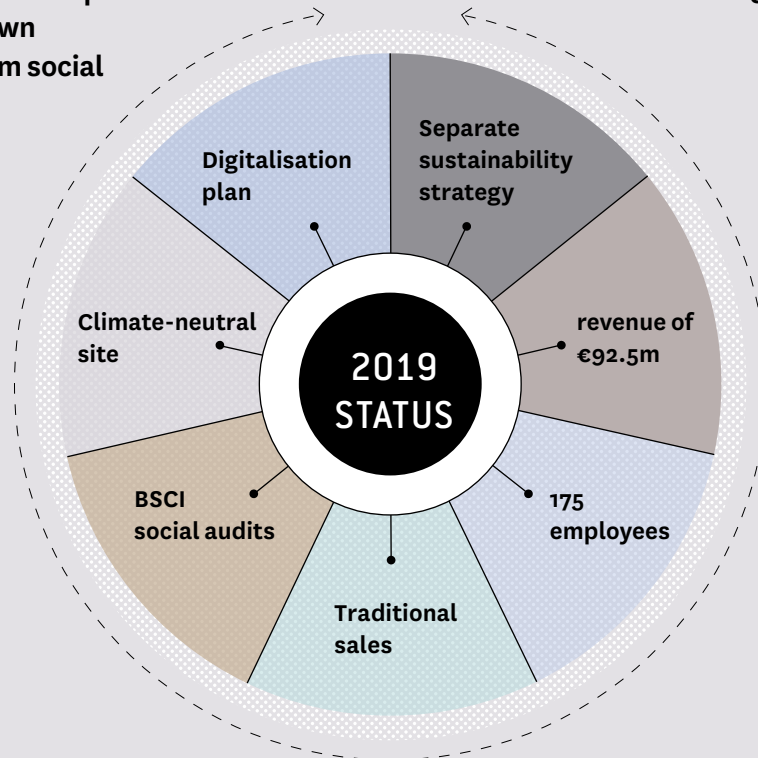
We have changed on many levels in the three years we report on here. Often in leaps and bounds.

Schrozberg site concept including HAKRO showroom, modular rack system for dealers

Climate neutrality of site and collection



Fair Wear membership and HAKRO's own iMPACT Program social audit system



HAKRO is in the thick of a strategy change. In the past two years, we have continuously looked ahead and set ourselves ambitious objectives for 2030. Now we want to look back on what we have achieved and assess our economic success and sustainability achievements.



In 2020, the subsector of work- and corporate wear in Germany was less impacted by the consequences of the pandemic than the textile and garment sectors. In 2021, all sectors recovered: garments, work- and corporate wear moderately, textiles significantly. The Ukraine crisis entails additional risks for the economic development of all industries.

The coronavirus pandemic has led to one of the most severe recessions of the post-war era. With the end of acute government measures to contain the virus, although a rapid recovery set in, the continuing high infection rates show how fragile the situation remains – for the overall economy, for our industry and for us as HAKRO. The situation is also fragile because changes in the course of the pandemic, for instance changes in individual behaviour, may have a long-term impact on the economy as a result of changed consumer preferences or new general conditions.

Prior to the pandemic, the German economy had already been facing a variety of long-term changes. Structural change – triggered by technological progress, demographic change and the transformation towards a climate-neutral economy – is a major challenge, but at the same time offers opportunities to us and others.¹

¹ See German Council of Economic Experts Annual Economic Report 2020/2021

DEVELOPMENT OF THE GERMAN TEXTILE AND GARMENT INDUSTRY

2020



REVENUE

Significant 11.4% decrease in the textile and garment industry compared with 2019

- of which up to -45% in the 1st lockdown in 2020
- of which garments -19%
- of which textiles -6.7%
- of which work- and corporate wear -2.9%



EMPLOYMENT

-5.8% in the textile and garment industry on average for the year

- of which textiles -4.4%
- of which garments -8.7%



IMPORTS

+ 5.9% compared with 2019 for textiles and garments

- of which textiles +48.9% (particularly through importing face masks and material for manufacturing them from Asia)
- of which garments -7.9%

2021



REVENUE

+5.5% compared with the Covid year of 2020 in the textile and garment industry (despite revenue weakness in the autumn)

- of which garments +3.0% (below pre-coronavirus revenues)
- of which textiles +6.9% (only just below pre-Covid revenues)
- of which work- and corporate wear +1.3% (with a rising trend)



EMPLOYMENT

-4.3% in the textile and garment industry on average for the year

- of which textiles -3.3%
- of which garments -6.5%
- slowing of the job cuts at the end of the year



IMPORTS

-4% compared with 2020 for textiles and garments

- of which textiles -24.8%
- of which garments +7%
- continuing high level of imports of face masks

The consequences of the Russian invasion of Ukraine for the development of the economy and particularly the textile and garment industry in 2022 and beyond cannot yet be predicted. Ever-increasing costs for raw materials, energy and transport, disrupted supply chains, extremely high logistics costs and changed policy and consumption patterns are seen as the biggest risks for the industry.²

² See Gesamtverband der deutschen Textil- und Modeindustrie e. V., Konjunktur 02.2021 and 02.2022

HAKRO's business development

FINANCIAL YEAR 2020

The coronavirus pandemic had a major influence on our company's revenue and business performance in financial year 2020. It also showed how important firm partnerships along entire supply chains are: only through collaboration with our production partners in a spirit of trust and through their flexibility even in a crisis situation was HAKRO GmbH able to come through the first year of the coronavirus reasonably unscathed, together with our production partners, their workers and our employees.

Although lockdowns at our production partners' locations led to production downtime and thus decreased or delayed deliveries of clothing, it was possible to at least partially compensate for these by switching to the production of face masks.



Together with our production partners, their workers and our employees, we succeeded in coming through the first year of the coronavirus reasonably unscathed.

The switch to producing face masks in any case meant that there was no serious adverse impact on the employment situation at the factories because their capacity was utilised. To this end, the HAKRO management team was in continuous dialogue with our production partners (see also the "Supply Chains & Products" chapter, [p. 56](#)).

Our NOS range and well-managed inventories meant we were always able to supply our dealers in almost all segments in 2020 despite lockdowns at the factories.

However, significantly lower demand for corporate wear at our dealers due to Covid-19 led to a 6.4% decrease in revenue – although this is compared with the strongest revenue to date in the company's history in 2019.



Our NOS range and well-managed inventories meant we were always able to supply our dealers in almost all segments in 2020 despite lockdowns at the factories.

Compared with 2018 revenue, the revenue in 2020 still represented a decrease of 1.9% but was therefore within the range of average market development in 2020 for work- and corporate wear. Compared with the revenue development in the German clothing trade overall, the decrease in revenue for both key figures is still moderate.

Despite the considerably lower demand for corporate wear, we did not at any point cancel orders we had already placed with our production partners. For more details on the workplace situation and dealing with our employees, see the "Team & Diversity" chapter, [p. 92](#).

We increased HAKRO GmbH's equity even further to improve our creditworthiness and liquidity and to hedge current and future business risks. The equity ratio in 2020 was a risk-resilient 85% (2019: 75.6%), as far as the risks due to the pandemic and geopolitical situation can be assessed.



We have a comparatively high equity ratio, not exclusively but for the most part to hedge the business risks from the pandemic and geopolitical situation, which are currently almost impossible to calculate.

FINANCIAL YEAR 2021

We will only be able to provide detailed information on financial year 2021 in the next Integrated Sustainable Management Report after all the final figures have been audited. HAKRO GmbH's already audited revenue for 2021 is 7.9% above the coronavirus year of 2020 and significantly exceeds the revenue development of the garment industry in Germany. The revenue for work- and corporate wear exceeds it very significantly. It follows on from our pre-coronavirus revenue of 2019.



With our revenue in financial year 2021, we can follow on from our pre-Covid revenue in 2019. It significantly exceeds the revenue development in the garment industry in Germany.

The again very good situation with largely undisrupted manufacturing and supply by our production partners and delivery to our dealers reinforces our expectations. In addition, our dealers continuously acquired new customers for HAKRO. In this respect too, the fact that we are also able to deliver with our NOS range at any time, even immediately after hard crises differentiates us from the competition and is paying off. The positive development overall continues with regard to the first quarter of 2022.

We now need to further expand our relationships with our existing and new customers and inspire them with our integrated sustainable business approach. We are driven by confidence that the coronavirus pandemic will remain manageable and the political and humanitarian crisis caused by the Russian invasion of Ukraine will be ended as soon as possible through peace negotiations.

CONCLUSION FROM FIVE YEARS OF THE “WIRKSTOFF” SUSTAINABILITY STRATEGY

In 2017, we defined our sustainability visions, missions and objectives until 2022 with our “Wirkstoff” sustainability strategy. The most important levers today are still the topics of Company Management & Dialogue, Supply Chains & Products, Team & Diversity and Site & Resources, which we put into the four fields of action with the Integrated Sustainable Business Strategy until 2030.

In terms of implementing our objectives, we have achieved a lot in the past few years. We have made very good progress on climate management at the site, transport processes and the products themselves. The same applies to our products' recyclability. Our employees are getting enthusiastically involved in the topic of sustainability in diverse ways.

Material measures and milestones of recent times, such as joining Fair Wear and the development of HAKRO's own iMPACT Program social monitoring system for the continuous improvement of working conditions at our direct production partners, are a systematic further development of the fundamentals, principles and objectives that we established with the “Wirkstoff” strategy.

Here and there, we also came up against limits, had to take a different route or simply failed (see also the interview [p. 36](#) for our learning curve). A key insight from the “Wirkstoff” cycle for our whole business model is that sustainability cannot be effectively implemented in a silo. Therefore, instead of drawing up another sustainability strategy, we came up with what for us belongs together, and developed an Integrated Sustainable Business Strategy for the 2022-2030 cycle.

HAKRO LEARNS.

Because responsibility has consequences.

Conflicting objectives belong to sustainability like shadows to light. What sounds obvious is in practice a challenge without an instruction manual. In this interview, Anna Rüchardt and Jochen Schmidt report about tough nuts to crack, resounding failures – and how to stay patient.

Jochen, together with Anna you head the “Impact, Responsibility & Innovation” department, and the two of you are responsible for implementing the Fair Wear requirements for the highest social standards in the textiles supply chain. When you look back, what would you do differently today?

JS — We’ve already done one thing very differently. We more or less thought out the “Wirkstoff” sustainability strategy in isolation. Although this was quick, it caught up with us later – because we hadn’t involved our external stakeholders at all and had only involved selected internal stakeholders. And major objectives can’t be implemented by a very small group of people. That was one of the reasons why we deliberately developed our Integrated Sustainable Business Strategy using a participatory process.

AR — A transformation like this needs participation, and that in turn takes time, patience – and sometimes also nerve. That was one of the most important things we learnt, which we’ll hold on to: that we ourselves will practise a less-linear thinking, that we’ll give ourselves time for detours and for ideas and developments that only arise from dialogue with others. On a day-to-day basis, we’ve always been working like this together with our production partners. Of course compliance with high social and environmental standards in production is very important to us, but the key to achieving this is never just in the hands of our production partners, but equally our own. The route to continuous improvement is thus quite clearly through dialogue, through collaboration in a strong partnership that builds on esteem, and through taking account of the real local circumstances – and of course our partners know those significantly better than us.

JS — One of our great challenges in the past few years has been increasing the share of sustainable cotton in our product range. That really hasn’t been so easy in the face of increasing demand and the significant shortage of organic cotton on the global market – not least because our very high quality standards mean that of course we aren’t satisfied with any old raw material either. We have definitely sometimes been frustrated because our sustainability goals seemed unachievable.

AR — And yet this experience also brought us greater clarity about what the HAKRO path to increasingly sustainable design of our product portfolio can look like. Our extremely high requirements and quality standards for the functionality and long life of corporate wear mean we already have a clear head start in terms of sustainability as a result of our business model – but also significantly more conflicting objectives than others. This in turn encourages



“As long as sustainability is understood as more than compliance with a few minimum criteria, sustainability is in fact work. A lifelong process, which sometimes brings joy and sometimes hurts. And yet there’s simply no way around it.”

Anna Rüchardt and Jochen Schmidt are joint heads of the “Impact, Responsibility & Innovation” department

our will to innovate. That is why we also set ourselves major long-term objectives regarding product sustainability (see key objectives starting on [p.114](#)).

JS — Speaking of goals – some of our previous ones were too generic and not measurable enough in the “Wirkstoff” strategy. Our definition of done wasn’t always clear – and of course that can be demotivating when you’re implementing them because you can’t see the finish line. That’s why we’ve invested a lot of energy and have defined SMART goals throughout in our Integrated Sustainable Business Strategy. Incidentally, we also make these transparent on our website.

COMPANY MANAGEMENT & DIALOGUE

Results at a glance

STRATEGY AND MANAGEMENT



Together into the future.

We developed our Integrated Sustainable Business Strategy for 2022–2030 in 2020 and 2021 together with our most important stakeholders.



HAKRO LAB.

Our agile, networked body made up of all the heads of department promotes dialogue and the delegation of responsibility.



HAKRO Corporate Compass.

Our key management tool for operationalisation of the Integrated Sustainable Business Strategy

- The Management Agenda as a mission
- (Inter)national and institutional guidelines and directives as a guide for orientation
- The Kroll family manifesto as an affirmation of HAKRO's values
- Vision, missions and objectives as a roadmap
- The HAKRO Code of Conduct as rules for our employees' conduct

2021 REVENUE

€93.397 million

+ 7.9% compared
with 2020



► Work- and corporate wear
industry in Germany: +1.3%



DIGITALISATION

- Internal workshops on change management and digitalisation
- Provision of digital infrastructure
- Software-supported goods receipt notifications
- Stock management system (SMS) and managed replenishment
- Inventory process using in-house software tool
- Data management system (DMS) for automated invoice processing (BeeSNES)
- HAKRO Connect for connecting dealers to new data interface

EXCELLENT!

In 2021, we received the Neumarkter Lammsbräu Award for Sustainability in the “family-run company” category. Among other things, we were praised for our attitude towards change and making a fresh start.

NOT-FOR-PROFIT ACTIVITIES

Confirmation of the fundamental direction through analysis of the strengths and weaknesses of the past activities of HAKRO and its Harry Kroll Foundation

HAKRO donations in 2021

► TOTAL DONATIONS
by HAKRO to the Harry Kroll Foundation
€70,000

► TOTAL DONATIONS
by others to the Harry Kroll Foundation
€17,300

► TOTAL DONATIONS
by HAKRO for projects outside of the
Harry Kroll Foundation
€33,190

► HAKRO CLOTHES DONATIONS
22,000 items

► FUNDING PROVIDED BY THE
Harry Kroll Foundation
to “Kleeblatt” projects
€24,900

► FUNDING PROVIDED BY THE
Harry Kroll Foundation
to other projects
€47,700



[→ We report on backgrounds and measures in the field
of action chapter starting on p. 46.]

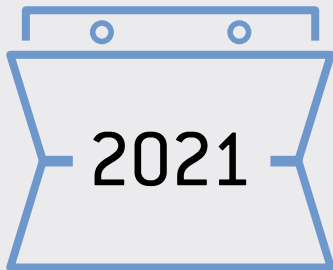
SUPPLY CHAINS & PRODUCTS

Results at a glance

SUPPLY CHAINS

Joining Fair Wear in 2021

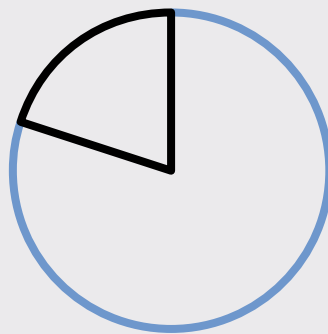
We successfully completed our first Brand Performance Check in April 2022. We achieved the “Good” status straight away. At 60 points, our performance is far above the 30 points required for membership in the first year.



iMPACT Program

Development of our new social monitoring system

We already audited around 80% of our production volume (in euros) in accordance with the new iMPACT Program in 2021.¹



In 2021, an initial survey of the wage ladder – the living wage gap – was conducted for five of seven production countries

¹ Difference from 100% is due to pandemic-related lockdowns, which is why we had to postpone audits until 2022 in some production countries.

IMPACT Barcamp in 2021

Our new dialogue format for networking and knowledge transfer to promote a sustainable textile industry has begun.

PRODUCTS

Green Button

Green Button certification for all HAKRO models that have a GOTS or GRS label since 2020



Expansion of circularity:

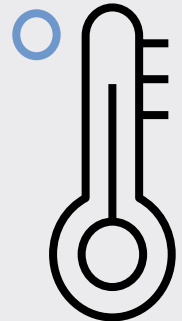
We checked all our products for recyclability together with circular.fashion in 2020.



Climate-neutral collection

Our entire collection has been climate neutral since the beginning of 2022; our company site in Schrozberg has been climate neutral since 2017.

100%



Comprehensive risk analysis

Recording and prioritisation of all sector-, country-, product-, partner- and raw-material-specific risks for corporate due diligence (human rights due diligence) since 2019

New products

We used recycled materials for the first time with the ultralight jacket ECO. In 2019 and 2020, we expanded our range with trousers and casual blouses and shirts.

[→ We report on backgrounds and measures in the field of action chapter starting on p. 56.]

TEAM & DIVERSITY

Results at a glance

SATISFACTION

1.2

Based on grades that our employees gave HAKRO in the category of overall satisfaction with and at HAKRO in the internal satisfaction survey in 2021 (where 1 = the highest grade and 6 = the lowest).



PANDEMIC

Hygiene protocol

Thanks to an extensive hygiene protocol, we made it through almost scot-free. HAKRO hardly had any cases of Covid-19.¹



¹ And this was in spite of the fact that Schrozberg had the highest rates of infection in the whole of Germany for some of the first lockdown in 2020.



Short-time working

11 months of short time working – for the first time in HAKRO history. We topped up the short-time working allowance to 80% for everyone.

HAKRO SOCIAL IMPACT ASSESSMENT 2021

Employees (headcount)

180

- ▶ of which full-time 63.3%
- ▶ of which marginal employment (mini job) 13.3%
- ▶ of which part-time 22.2%
- ▶ of which on parental leave 1.2%

- ▶ of which women 65%
- ▶ of which employees with a handicap 6.1%
- Employees in management positions **15**
- ▶ of which women 60%

Number of nationalities in the team

13

New hires

20

Apprenticeship rate

5%

Training hours per employee

4.3

Accident rate

3%

Employees who left HAKRO

16

Health rate

92.5%



INCLUSION

Thanks to the long-term collaboration with Sozialtherapeutische Gemeinschaften Weckelweiler e.V., two employees with handicaps were already hired directly by HAKRO in 2018 and 2020, thus integrating them directly into the so-called first job market.

DIVERSITY

Diversity and connection succeed even at a distance. In 2020, we called on everyone in Schrozberg to transform the streets into a giant chalk artwork for German Diversity Day. We were overwhelmed by the many moving contributions.

[→ We report on backgrounds and measures in the field of action chapter starting on p. 92.]

SITE & RESOURCES

Results at a glance

ENVIRONMENTAL MANAGEMENT

HAKRO has been ISO 14001 certified since 2020.



HAKRO SITE CONCEPT

HAKRO showroom

Our modern combination of product presentation and multifunctional New Work workspaces have been in daily use since 2019 – by HAKRO internally and for dialogue with our external stakeholders. This way, we're bringing the world a little bit closer to Schrozberg.

Building management

Completion of the fourth remodelling phase and expansion by 5,000 m² of logistics space and office and social rooms

HAKRO ENVIRONMENTAL IMPACT ASSESSMENT 2021

Electricity consumption

354,005 kWh

► of which generated by our own photovoltaic system
125,109 kWh



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

228,896 kWh

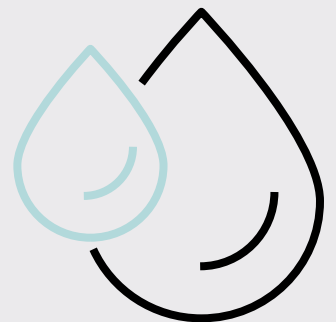
Natural gas for heating

878,008 kWh

► of which biogas
10%

Water consumption

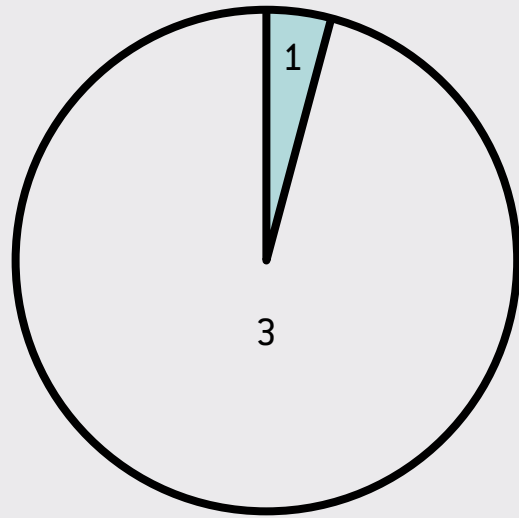
1,579 m³



Greenhouse gas emissions (CO₂e) total for 2021

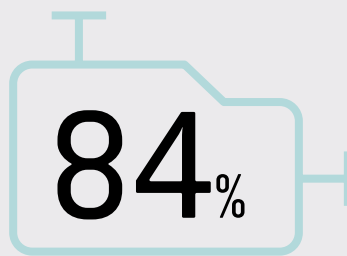
4,864.57 t

- ▶ of which Scope 1
215.54 t (4.4%)
- ▶ of which Scope 2
0 t (0.0%)
- ▶ of which Scope 3
4,649 t (95.6%)



HAKRO's Schrozberg site has been climate neutral since 2017; as of the start of 2022, we have additionally made the HAKRO collection climate neutral.

Proportion of vehicles with combustion engines in the HAKRO fleet (18 vehicles) in 2021



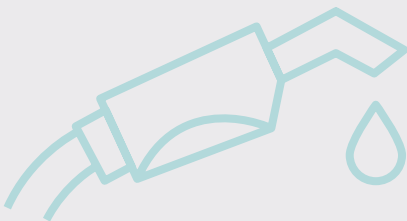
Waste generated in 2021

221 t

Recycling rate in 2021

95%

Fuel consumption of company cars in 2021



20,961 l

Paper consumption, photocopying in 2021

746,850 sheets

[→ We report on backgrounds and measures in the field of action chapter starting on [p. 102.](#)]

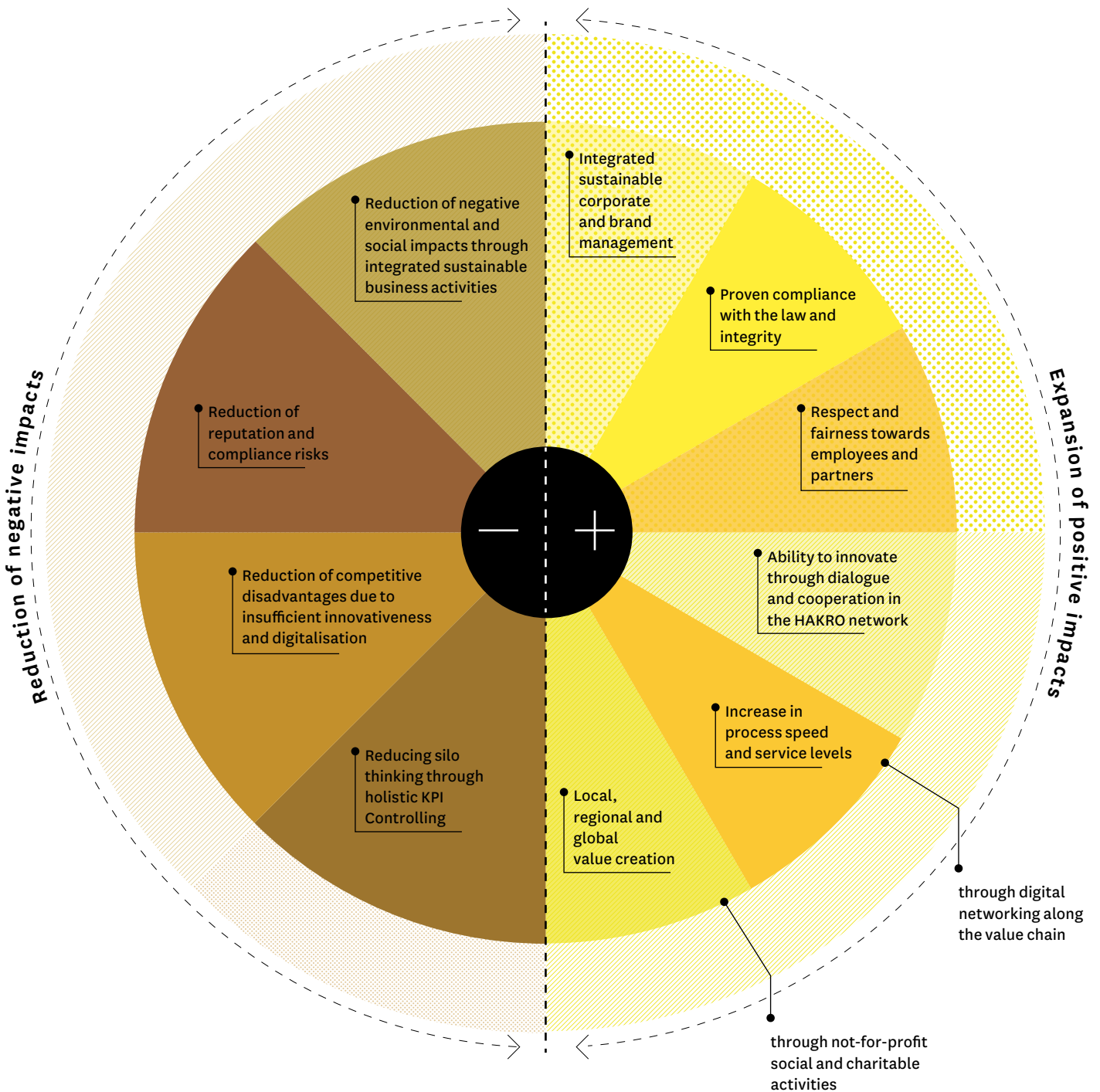
COMPANY MANAGEMENT & DIALOGUE

At our home site in Schrozberg, the various aspects of our Integrated Sustainable Business Strategy come together. This is where we make decisions about the nature and future of our company management.

What was once a matter for management, we have now made into a matter for everyone and are working – consistently using participation – on the many points of intersection between sustainability and the topics of our departments: Corporate Governance, Product Development & Purchasing, Sales, Customer Relationships, Marketing & Communication, Digitalisation, Logistics, Bookkeeping and Human Resources Management. For this, we lay the foundations – not only for our interactions with each other but also for our partnerships and the communication with our dealers, production partners and other external stakeholders, for our performance and quality standards. From Schrozberg, we also manage policy and measures in connection with our not-for-profit activities. In our region specifically, but also elsewhere.

IMPACT OF OUR INTEGRATED SUSTAINABLE BUSINESS STRATEGY

We have analysed the material impact of our work and activities. In other words, we've looked where we can strengthen what is good and where we can further reduce any negative effects of our activities. We're doing this transparently for our four fields of action.



OUR VISION

**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.**

OUR MISSIONS IN THE FIELD OF ACTION

COMPANY MANAGEMENT & DIALOGUE

01/

We consistently align the leadership and management of our company with our corporate due diligence.

02/

We ensure healthy and moderate growth and economic success.

03/

We work on (further) developments and promote innovation in all areas, also by engaging with specialist retailers, non-governmental organisations, service providers and market companions.

04/

Our digital transformation triggers processes and structures that improve our efficiency and help us remain competitive in the long term.

05/

Our continuous authentic, honest, transparent and increasingly digitalised communication inspires enthusiasm for the sustainable HAKRO brand on target group-specific, contemporary and attention-grabbing channels, both internally and externally, and promotes stakeholder dialogue.

06/

Beyond our business activities, we are committed to charitable causes locally, regionally and globally.

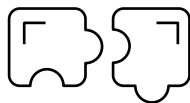
HAKRO is repositioning itself: we're systematically integrating sustainability into all business processes. Because we're convinced that this is the only way to mitigate the further increasing risks for the environment, nature, biodiversity and the climate as well as for the people in our business environment, while at the same time strengthening our competitiveness and enabling a significant contribution to social development overall.

With the Integrated Sustainable Business Strategy for 2022-2030, HAKRO has taken two major steps. Firstly, we are future-proofing ourselves and making sustainability a self-evident community task. Secondly, we're changing the way we work with each other and with others – it will include more dialogue, an even greater spirit of partnership, be consistently based on values and involve fixed guidelines for achieving our corporate vision.

OUR PRINCIPLES OF COLLABORATION

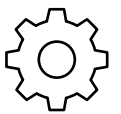
In our strategy process, we have introduced a model for collaboration with each other and with external stakeholders through clear rules on management and compliance and have stipulated this in the HAKRO Corporate Compass. You can download the wording of the HAKRO Corporate Compass on hakro.com and find an explanation of it in the “Our motivation” chapter, p. 16.

1. INTEGRITY



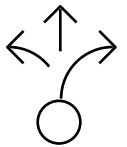
Collaboration concerns the rules for behaving with integrity, which we have made binding for our employees with our HAKRO Code of Conduct as part of the Corporate Compass. We have presented these to our team together with the Integrated Sustainable Business Strategy and regularly offer training on these at our HAKRO Academy. The Code of Conduct is a further development of the HAKRO Compass of Values from 2016 and goes significantly beyond this, particularly with regard to our compliance requirements.

2. REGULATIONS



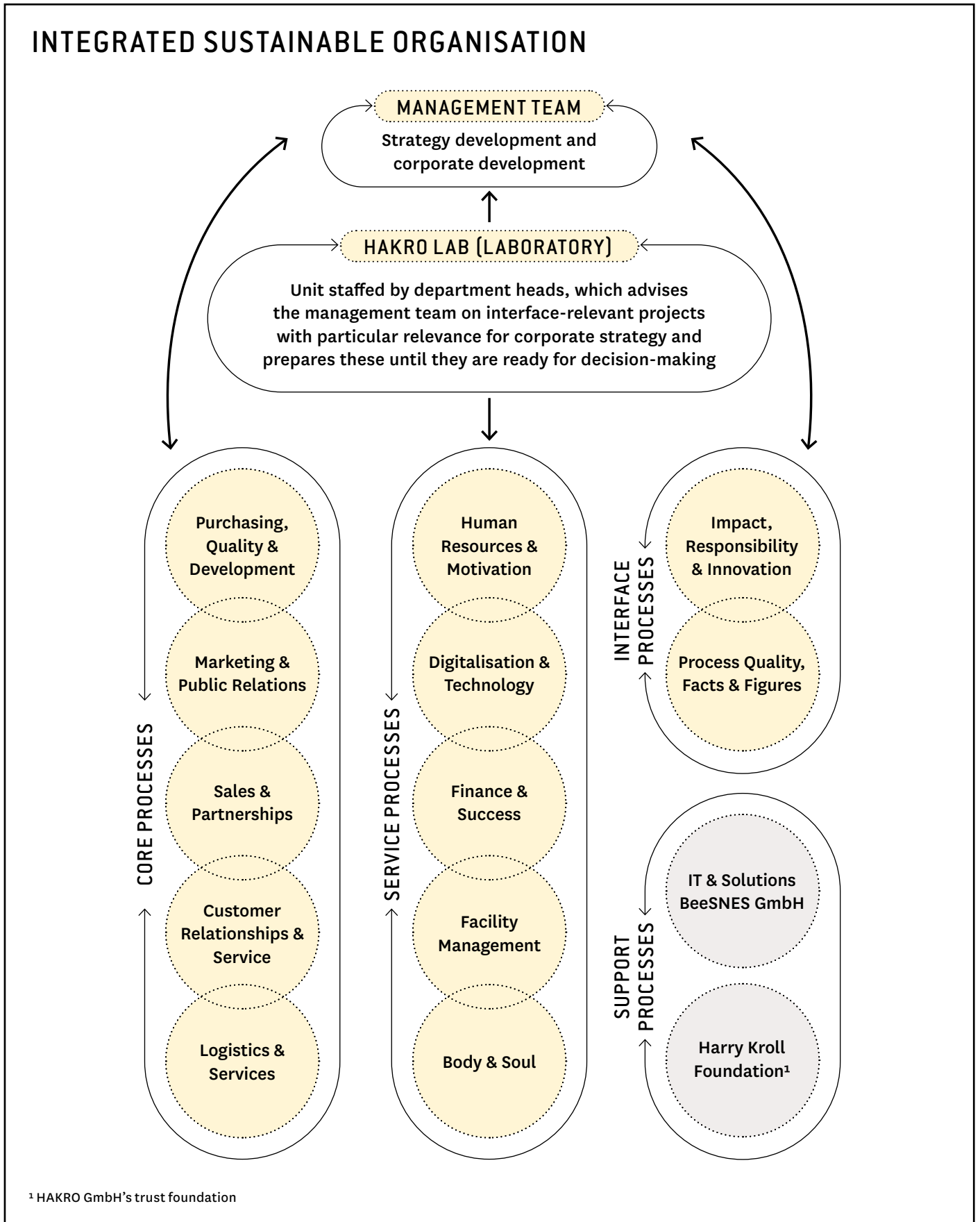
Cooperation furthermore concerns the binding guidelines that result for us from international, national or institutional regulations and to which we are committed (including the Guiding Principles on Business and Human Rights of 2011, the United Nations 2030 Agenda for Sustainable Development of 2015 and the Paris Climate Agreement of 2015).

3. INTERNAL DECISION-MAKING PATHS



The success of the internal collaboration can be measured by the quality of the decisions that are made. A new body, the HAKRO LAB ensures cross-interface and agile management. It enables, facilitates and accelerates the implementation of our ambitious objectives in equal measure. It is staffed by the HAKRO department managers and prepares decisions by the management for the implementation of our strategy. This applies in particular to complex topics with major strategic relevance for interfaces and those that require a high amount of coordinated collaboration.

The LAB is supported by an appreciative target agreement system at departmental level, which aims to share responsibility, leadership and process efficiency, and by redefining the role of our sustainability experts in the departments, who, as sustainability officers, are responsible for integrating sustainability into all department topics with interface relevance.



INTEGRATED KPI CONTROLLING

We measure our progress verifiably using our Integrated Sustainable Business Objectives for 2022–2030 and the key performance indicators they contain (all strategy objectives are available to download on hakro.com). Our compact key objectives, including their contribution to the global Sustainable Development Goals (SDGs) of the United Nations are made transparent starting on [p. 114](#). All our goals are SMART: specific, measurable, achievable, relevant and time-bound. We monitor our achievement of the goals on an ongoing basis – at least once a year as part of monitoring our integrated key figure system.

In addition, we ensure continual improvement of our fundamental management processes through

- 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, and
- a compliance management system, which will be certified according to ISO 37301 from 2023.



For our objectives in the field of action **Company Management & Dialogue**, see [p. 115](#).

DIGITALISATION

At HAKRO, we don't see digitalisation as an end in itself. It can't replace personal communication in a highly participative and partnership-based business strategy – nor should it. However, it does support us in making both our internal business processes and collaboration with our business partners along our clothing value chain yet more efficient. This means it also helps ensure our competitiveness. The course is set. See also the "Our results" chapter, [p. 30](#), the "Our motivation" chapter, [p. 16](#) and the "Team & Diversity" chapter, [p. 92](#).

NEUMARKTER LAMMSBRÄU AWARD FOR SUSTAINABILITY 2021

In 2021, we received the Neumarkter Lammsbräu Award for Sustainability in the "Family-Run Companies" category. We impressed the panel with our holistic approach. Our pioneering spirit and openness to change were praised, along with our critical and analytical view, which is needed to successfully implement sustainability within the company.

MARKETING AND CORPORATE COMMUNICATION

A strategy and its results should also be visible to stakeholders. That requires significantly greater effort in marketing and corporate communication than in the past. To this end, we have set ourselves appropriately ambitious objectives under the mission: "We use continuous authentic, honest, transparent and increasingly digitalised communication on target-group-specific, modern and attention-grabbing channels to inspire enthusiasm in the sustainable brand HAKRO both internally and externally and promote stakeholder dialogue."

The publication of our Integrated Sustainable Management Report 2022, the Social Report 2022, our Corporate Compass, our Integrated Sustainable Business Strategy, our WEWEAR brochure and the new edition of our catalogue plus the use of our new showroom, particularly by our sales staff, means we're starting 2022 with HAKRO 360° communication.

HAKRO MAKES DECISIONS.

Change needs certain conditions to succeed. Hardly anyone can assess these as well as Achim Lohrie, an expert in sustainable clothing with many years of experience, who actively supported HAKRO with the development of the Integrated Sustainable Business Strategy.

AN INTERVIEW WITH ACHIM LOHRIE ON TRANSFORMATION

How do you rank HAKRO within the industry?

After 30 years of professional experience as a sustainability manager in major companies and as a management consultant, I can say with conviction that the sustainable transformation of our industry will only succeed if the process is driven by values. In family companies, that's still simpler than it is in listed ones.

Regardless of this, I consider HAKRO a jewel. When the management team states with full conviction that: "fast fashion is no more our business than revenue and profit at any price. We think it right that our business



You can't miss the name Achim Lohrie when it comes to sustainability in the garment industry. First in the Otto Group and then as chief sustainability advisor to the Tchibo Group, he managed their integrated sustainable orientation for a long time. The recipient of the B.A.U.M. Environment Award in 2014 for outstanding commitment to environmental protection and sustainable development by decision-makers in business, Achim Lohrie has supported HAKRO in its integrated sustainable transformation since 2020.

should serve people and not the other way round," then the conditions for the transformation's success are not just in place, the company is in fact already far ahead.

You supported the participatory strategy process through advice, coaching and moderating. What did you focus on?

As we didn't first need to work out what significance sustainability has in the industry and what forms it can

take with HAKRO, I put a lot of energy into improving internal collaboration and decision-making processes. That's because it's quicker to get the strategy onto paper than it is to implement it. I'm delighted that an agile body comprising all the heads of department has been established in the form of the HAKRO LAB and that the management team delegates not just tasks but also responsibility to it. This especially applies to the strategically relevant interfaces between departmental topics and sustainability.

With all due praise to HAKRO, what was difficult?

A few things, but that's part and parcel of transformation processes. Over the course of 17 months, we implemented a comprehensive and high-quality participatory strategy process – and did so under conditions that were more difficult due to the pandemic. That was inspiring, but it was also exhausting. We couldn't avoid symptoms of fatigue along the way. In cases like that, the consultant then becomes a motivator.

And of course the decision to adopt an Integrated Sustainable Business Strategy is a deliberate change from what went before and not just part of the usual continuous improvement processes. There are also always worries, concerns and uncertainties that need to be addressed. And – I repeat – they are also part and parcel of this. A transformation must reach to the very core, otherwise it isn't a transformation.

NOT-FOR-PROFIT ACTIVITIES – HAKRO CARES

At HAKRO, we are deeply committed to not-for-profit projects – primarily local initiatives near our site or in our region, but also in our manufacturing countries. We distinguish between social commitments and charity commitments.

In terms of social commitments, HAKRO is involved with projects by cooperation partners most of which contribute regionally towards cohesion in society and towards social development as a whole. These include in particular:

- Donations by HAKRO to, for example, the “Ein Herz für Kinder” children’s charity (2021)
- Donating our employees’ working hours to social and environmental projects as part of their Team-Share commitment (paused in 2020 and 2021 due to the pandemic)
- Monetary donations to the Harry Kroll Foundation and covering its administration expenses
- Donation of funds and clothing for humanitarian disasters and other catastrophes, such as to “Aktion Deutschland hilft” and to the city of Erfstadt (to help victims of the German floods in 2021 and to equip emergency responders with workwear)

Back in 2013, HAKRO’s trust foundation, the Harry Kroll Foundation, opened an orphanage in Bangladesh with residential and childcare places for 25 children in partnership with a local foundation. We continue to support the orphanage to this day.

The Harry Kroll Foundation also champions local, regional and international charity projects of cooperation partners by donating funds. Its purpose, under its articles of association, is to support disadvantaged groups, or groups experiencing adversity, particularly of children or young people, with an emphasis on education and personal development, medicine and health.



For HAKRO’s donations in 2021, see the “Results” chapter, p. 39.

The foundation supports smaller projects, funded in part by (start-up) financing through the dedication of HAKRO employees, as part of the foundation’s “Aktion Kleeblatt”, as well as larger, in some cases longer-term, projects in cooperation with, in particular, the “Hilfe für kranke Kinder” foundation in the University Children’s Hospital Tübingen. Almost all of the ten “Kleeblatt” projects and some of the six further projects supported by the Harry Kroll Foundation in 2021 directly or indirectly also served to mitigate the physical or psychological consequences of the pandemic for children and young people.

The “Hilfe für kranke Kinder” foundation’s “Intensiv Delir” project at the University Children’s Hospital Tübingen was the Harry Kroll Foundation’s largest individual funding project in 2021, receiving funding of €30,000. It continues the funding provided in 2017 to 2019 for a gentle video endoscopy for children and for the paediatric intensive care unit and paediatric emergency outpatient clinic at the University Children’s Hospital Tübingen. The outpatient palliative team is supplied with clothing from HAKRO.

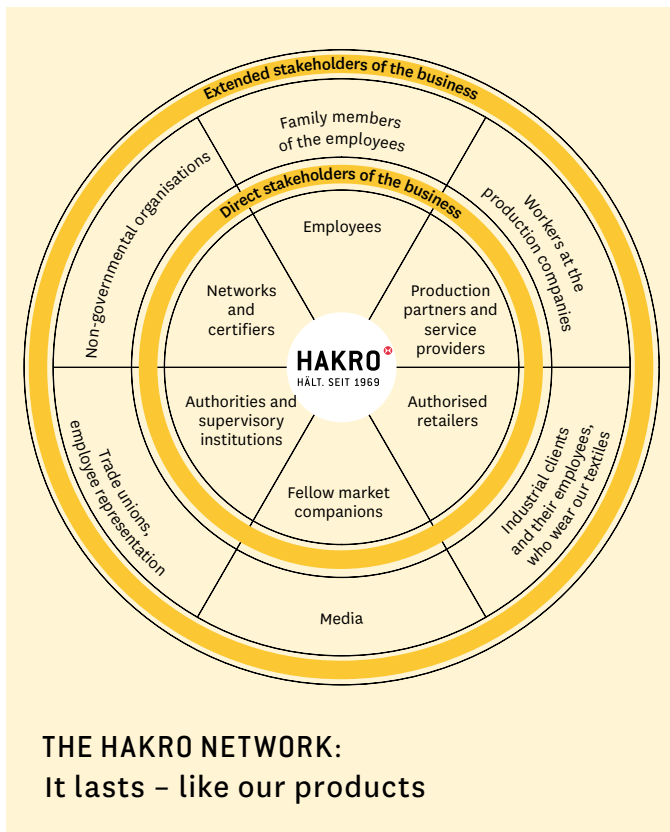
The “Kleeblatt” project in 2021 covered various funding focuses in line with the purpose of the foundation. These ranged from recreational and other care options for children and young people, including the promotion of sport through (online) learning programmes, to therapeutic horse riding, child-friendly HIV education and options for mitigating psychological consequences of emotional limit situations in families.



Philanthropy made in Schrozberg – more details about the Harry Kroll Foundation and its projects can be found on: → www.harrykroll-foundation.com

Our objective is to double the total volume of monetary donations and donations in kind to projects by HAKRO and the Harry Kroll Foundation by 2027.





IN DIALOGUE – ON PRINCIPLE

In 2016, before creating our first sustainability report “Wirkstoff”, we systematically took stock of the HAKRO network for the first time. Since then, we’ve not only regularly maintained communication with all of our internal and external stakeholders, we actively seek it out. Our business model and our success are based on cooperation and the will of many people to pull together. In recent years, we’ve gained additional trust in participatory processes and learned in even more depth how much can be done with community,

for example through our strategy process, in which we’ve incorporated central stakeholder groups from the outset and to a high degree (see also the “Our motivation” chapter, p.16). Or through the joint development of our iMPACT Program social monitoring system that we developed in close collaboration with our market companion OLYMP and Elevate, one of the world’s leading providers of sustainability and supply chain services, as well as with the involvement of experts from Fair Wear (see also the “Supply Chains & Products” chapter, p. 65). Or through collaboration with our production partners, which in some cases has already lasted decades and was one reason

we were together largely able to manage the challenges caused by the pandemic (see also the “Supply Chains & Products” chapter, p. 70).

The key concern that our stakeholder groups had in 2020 and 2021 was largely overcoming the challenges caused by the pandemic. Due to the lockdowns in the production countries, we communicated closely with our production partners about reduced production capacities, the ensuing supply bottlenecks and the consequences for planned audits etc., since on-site visits were no longer possible (see also p. 74 onwards on the existing situation with the supply chain audits). Some of our retailers had serious economic problems as a result of the lockdowns in Germany – and topics such as a decrease in demand from their commercial and industrial customers and increasing material and transport prices dominated our conversations.

Inside the HAKRO team, we were kept busy by the first period of short-time work in company history. Equally, setting up remote workplaces and working safely in our logistics centre, which required in-person work throughout, made it necessary to coordinate many matters internally and establish new communication channels.

MEMBERSHIPS AND NETWORKS

Our memberships and networks are another building block in the dialogue with our external stakeholders. They guarantee the transfer of existing knowledge on sustainability to our company, particularly from politicians and representatives of civil society, trade unions, academia and business, and vice versa. Valuable co-creation projects – in some cases also with market companions – have already arisen from them (see also the “Supply Chains & Products” chapter, from p. 80).

Memberships and networks currently at the focus of our activities:

UNITED NATIONS GLOBAL COMPACT

In 2009, we signed the United Nations Global Compact and thus joined the world's largest alliance for doing business responsibly. Its ten principles set standards for respecting human rights and enforcing international labour principles, for environmental protection, combating child labour and for the prevention of corruption.

FAIR WEAR

Since January 2021, we have been a member of Fair Wear (see also the "Supply Chains & Products" chapter, p. 59). As an internationally recognised multi-stakeholder initiative, Fair Wear assesses textile companies and the working conditions in factories in accordance with Fair Wear's Code of Labour Practices. An annual Brand Performance Check reviews our management, our supply chain monitoring and measures derived from these to ensure social justice in production.

GREEN BUTTON

Since 2020, we have been stocking products that have been awarded the Green Button. As the first government-run certification label, since the end of 2019 the Green Button, which functions as a meta-label, has been auditing companies and products using a comprehensive catalogue of sustainability criteria.

PARTNERSHIP FOR SUSTAINABLE TEXTILES

Since 2015, we have been a member of the partnership launched by the Federal Ministry for Economic Cooperation and Development. We pledge to actively work towards its overarching goals in an implementation-oriented manner: to improve the social, economic and environmental conditions along the entire supply chain of the textile and garment sector.

BANGLADESH ACCORD/INTERNATIONAL ACCORD FOR HEALTH AND SAFETY IN THE TEXTILE AND GARMENT INDUSTRY

The Bangladesh Accord was created after the collapse of the Rana Plaza garment factory in 2013. The agreement between trade unions and global textile companies ensures the enforcement of fire and safety standards in Bangladesh. We are supporting this important measure by signing the first Bangladesh Accord in 2015 and renewing the agreement in 2018 and 2021, accompanied by a new name and the ambition to expand the Accord to include additional countries.

DIVERSITY CHARTER

The diversity of our employees and their different skills and abilities are an important part of the HAKRO corporate culture. That's why we signed the Diversity Charter for Companies in Germany in 2015. Under the motto of "diversity as opportunity", this initiative advocates for the recognition, appreciation and involvement of all employees, irrespective of their gender, nationality, ethnic origin, religion, world view, physical and mental abilities, age, sexual orientation or identity.

Other memberships and networks:

- Fashion Industry Charter for Climate Action
- MaxTex – Network für Sustainable Textiles
- B.A.U.M. e.V.
- Development and Climate Alliance
- Modell Hohenlohe
- Erfolgsfaktor Familie
- NETZWERK Unternehmen integrieren Flüchtlinge
- Die Familienunternehmer
- Association of German Foundations

SUPPLY CHAINS & PRODUCTS

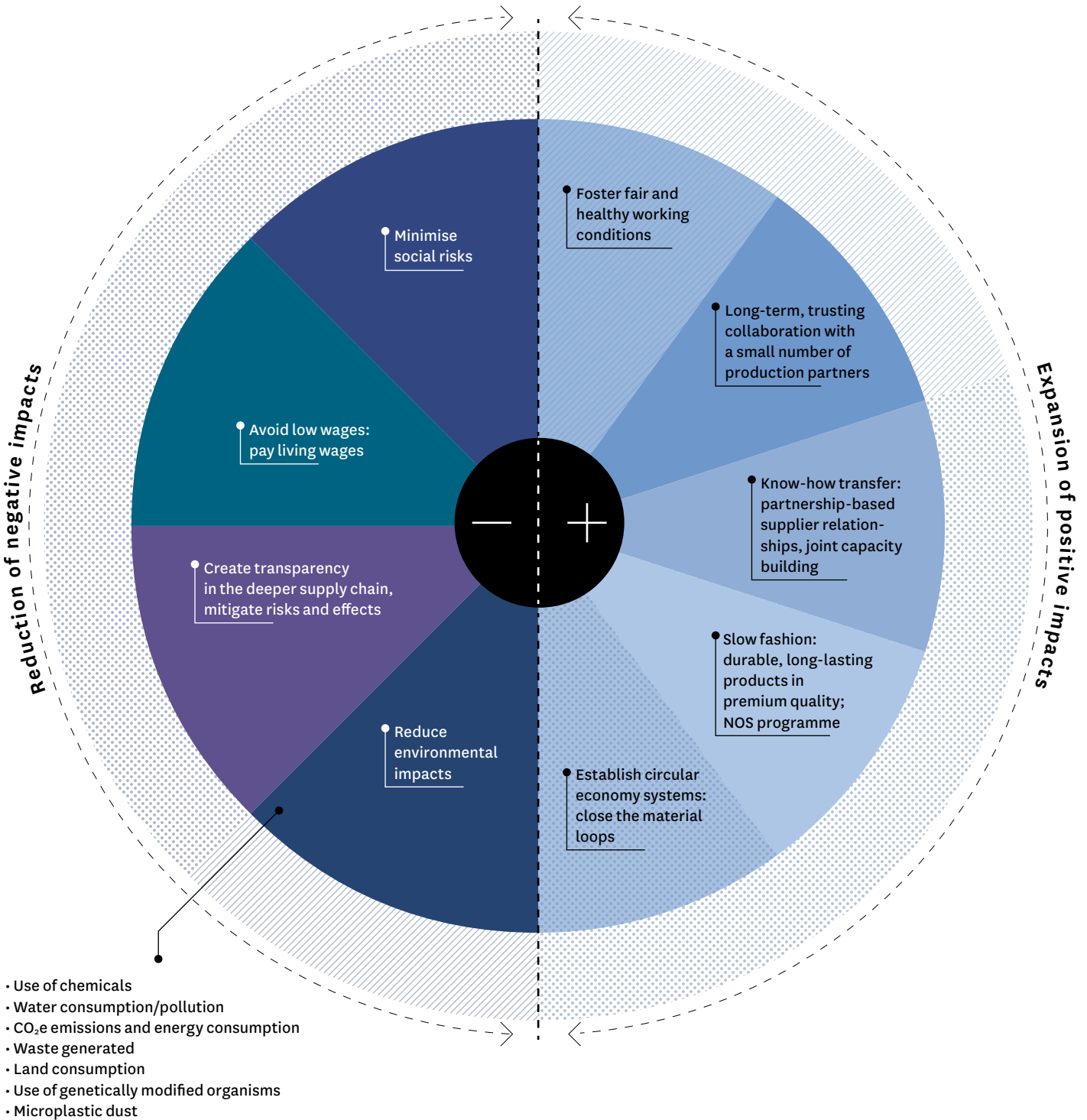
The HAKRO transformation is most noticeable in our core business – in our collaboration with our production partners and in our products: by 2030 at the latest, we want to be the leading integrated sustainable supplier of corporate wear.

Key steps included our “Green Button” certification in 2019 and joining Fair Wear in 2021. The next step was the development of our iMPACT Program social monitoring programme for better insights into the conditions in HAKRO’s supply chains. The first successes of our Integrated Sustainable Business Strategy will be palpable with the new collection in autumn 2022.

Our entire collection is already climate-neutral today. And numerous additional milestones will follow by 2030: from the circularity of all new products to Fair Wear Leader status to the use of 100% certified sustainable materials, we still have quite a few things planned.

IMPACT OF OUR INTEGRATED SUSTAINABLE BUSINESS STRATEGY

We have analysed the material impact of our work and activities. In other words, we've looked where we can strengthen what is good and where we can further reduce any negative effects of our activities. We're doing this transparently for our four fields of action.



OUR VISION

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.

OUR MISSIONS IN THE FIELD OF ACTION

SUPPLY CHAINS & PRODUCTS

01/

We know all of our direct and indirect production partners and all of our suppliers, as well as any human rights and environmental risks in our entire supply chain.

02/

We accept social responsibility for all employees who work in the companies upstream from us.

04/

We are gradually reducing and substituting dangerous chemicals in the upstream production processes through comprehensive pollutant and waste water management.

03/

We pursue sustainable climate management in the supply chain.

05/

We reduce the need for resources and think in innovative materials and solutions thanks to our sustainable packaging strategy.

06/

Our core business – the HAKRO product range – is constantly expanded with innovations made from sustainable raw materials certified to the most demanding international standards.

07/

We integrate circular thinking into our product management and include the downstream distribution stages up to the end of the product life cycle.

SUPPLY CHAINS

Responsibility and fairness are a group effort – especially when it comes to complex eco-social contexts in global supply chains. In the sustainable design of our collection and the implementation of social standards with our production partners, we build on mutual appreciation and dialogue. This succeeds on the basis of decades of trusting collaboration and as a result of cooperation with pioneering bodies that certify standards for more sustainability and intensive stakeholder dialogue in the textile industry.

2021 began for HAKRO with a forward-looking partnership: our Fair Wear membership has launched a key component of our Integrated Sustainable Business Strategy (see also p. 16). Since 2012, we have been continually working on improving the working and social conditions in the production factories.

By joining Fair Wear, we've taken the essential next step and committed to the highest social standards – a consistent advancement of our previous measures for fair and safe working conditions in our production partners' facilities. As a multi-stakeholder initiative, Fair Wear offers us unique support with its vast expertise in social standards in the textile sector, not least through its broad network of different stakeholders and players. We aim to reach Fair Wear Leader status by 2024.



From p. 114, we describe the ambitious objectives we aim to achieve by 2030 – and transparently lay out their contribution to the Sustainable Development Goals (SDGs).

As a Fair Wear member, we create a work plan each year that outlines measures we plan to realise during the coming year. During Fair Wear’s annual Brand Performance Check, our supplier management and sustainability management are reviewed in terms of social standards and our purchasing behaviour.

We successfully completed our first Brand Performance Check in April 2022. We achieved the status of “Good” straight away, which we’re very pleased with. At 60 points, our performance is far above the minimum of 30 points required for membership in the first year. In total, we audited 73% of our production volume – and this too exceeds the threshold for members in their first year. We had to postpone the audit of our production partners in Laos to 2022 due to the pandemic – see also the explanation of our audit results from [p.74](#) for details.

RESULTS OF OUR FIRST BRAND PERFORMANCE CHECK (FAIR WEAR)

| CATEGORY | POINTS ACHIEVED | POINTS POSSIBLE |
|-----------------------------------|-----------------|-----------------|
| o1 Purchasing practices | 25 | 52 |
| o2 Monitoring and remediation | 13 | 19 |
| o3 Complaints handling | -1 | 3 |
| o4 Training and capacity building | 5 | 5 |
| o5 Information management | 7 | 7 |
| o6 Transparency | 5 | 6 |
| o7 Evaluation | 2 | 2 |
| TOTAL | 56 | 94 |

Benchmarking score (points achieved divided by points possible): 60

STATUS



LEADER



GOOD



NEEDS IMPROVEMENT



SUSPENDED

OVERVIEW OF HAKRO SUPPLY CHAIN MANAGEMENT

The implementation of Fair Wear’s Code of Labour Practices (CoLP) is based on three pillars that we will explain in greater detail on the following pages:

PURCHASING PRACTICES

Principles of collaborating with production partners and intermediaries

Mandatory signing of the CoLP by Tier 1 production partners

Posting of the CoLP in the factory, visible for all production workers

Posting of Fair Wear’s grievance mechanism in the factory, visible for all production workers

Periodic exchange with our production partners & intermediaries (remote or on-site visits)

Annual supplier evaluation, including checking for implementation of the CoLP

iMPACT PROGRAM

Our social monitoring system

Carrying out iMPACT Program audits:

- Checking to ensure the CoLP is posted in the factory
- Checking to ensure the CoLP is implemented at factory level
- Checking to ensure the Fair Wear grievance mechanism is posted in the factory

Remediation processes based on the iMPACT Program audit results:

- Mutual planning and implementation of remediation measures with our production partners
- Training and capacity building of existing and new production partners
- Goal: mitigating the risk and deviations from the iMPACT Program audit

STAKEHOLDER DIALOGUE

Inclusion of Fair Wear, its country teams, and other external stakeholders

Communication with Fair Wear and its local country teams on membership and on remediation processes of the iMPACT Program audits

Dialogue with fellow Fair Wear members on best practices and opportunities for cooperation

Annual reporting:

- As part of the Integrated Sustainable Reporting of HAKRO and the Social Report to Fair Wear
- Internal disclosure to Fair Wear as a basis for the Brand Performance Check

Participation in the Fair Wear training programme

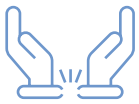
HAKRO RISK MANAGEMENT

- Bundling all supply chain data and incorporating external sources, including the **Fair Wear Country Studies**
- Analysing all sector-, country-, partner- and product-specific risks
- Deriving and prioritising targeted measures for mitigation and prevention of risks

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. FREE CHOICE OF
EMPLOYMENT



5. PAYMENT OF A
LIVING WAGE



2. FREEDOM OF
ASSOCIATION AND
THE RIGHT TO COL-
LECTIVE BARGAINING



6. REASONABLE
WORKING HOURS



3. NO DISCRIMINATION
IN EMPLOYMENT



7. SAFE AND HEALTHY
WORKING CONDITIONS



4. NO EXPLOITATION
OF CHILD LABOUR



8. A LEGALLY BINDING
EMPLOYMENT RELA-
TIONSHIP

RISK MANAGEMENT

The potential risks in the textile supply chain are many and varied (see also p. 20 for the textile industry's challenges). The HAKRO risk analysis is accordingly comprehensive; it is updated regularly following the receipt of new audit results and completely reviewed at least once a year. Our risk analysis is structurally based on the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, 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 chains.

We evaluate five different types of risk:

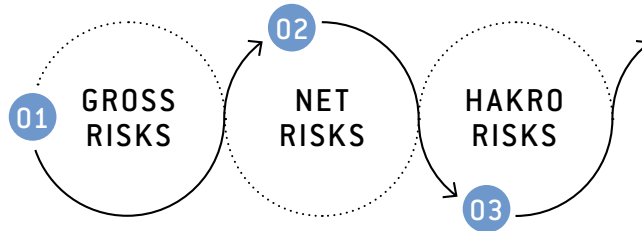
- Sector risks
- Country risks
- Raw material risks
- Partner-specific risks
- Product- and business-model-specific risks

As a general principle, we see all upstream 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 chains are not yet completely traceable, initially we are focusing on the sector-, country- and partner-specific risks in manufacturing (Tier 1). We will continually increase the traceability of our deeper supply chains until we achieve 100% by 2027. This will allow us to take account of risks in the deeper supply chains to a greater extent in future risk analyses.



We will continually increase the traceability of our deeper supply chains until we achieve 100% by 2027.

THE HAKRO RISK PROCESS



01/

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

Add additional relevant sector-specific risks (such as Covid-19 and loss of biodiversity)

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

Collect all partner-specific risks (as evaluated based on audit reports etc.)

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

02/

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

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

03/

→ Net risks in the HAKRO supply chain

TIER 2–4 PROCESSES

For the most part, we don't yet have documents available for evaluating the actual risks at production stages in the deeper supply chain.

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. 74), 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.

The data basis of the HAKRO risk analysis includes a number of partner-specific and scientific sources, such as:

- The results of our annual supplier evaluation
- 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, etc.)
- 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 the ILO, WHO, UNDP and OECD
- Additional scientific publications (partly accessed through MVO's CSR Risk Check), none older than 5 years

THE CORNERSTONES OF THE iMPACT PROGRAM:

1. **Elevate Responsible Sourcing Assessment (ERSA) audit system as basis**
→ Among other things, ERSA is based on:
 - Responsible Business Alliance (RBA)
 - Ethical Trading Initiative (ETI)
 - amfori Business for Social Compliance Initiative (BSCI)
 - Global Social Compliance Program (GSCP)
 - ICTI Ethical Toy Program
 - Sedex SMETA 6.0 Framework
 - Worldwide Responsible Accredited Production (WRAP)
2. Supplementing ERSA by the Fair Wear **Code of Labour Practices (CoLP)**, including 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 **HAKRO's requirements** (specific risk analysis and due diligence processes)
4. Integrating a **Worker Sentiment Survey** (anonymously recorded employee perspectives as part of the audit)
5. **Corrective action plan** and joint remediation process (focus on continuous improvement in partnership)

In terms of content, the iMPACT Program adopts a 360° 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 of the audit. With its emphasis on management systems, continuous improvement with the active involvement of workers, sustainable remediation measures and transparency, the iMPACT Program significantly differs from other audit systems and forms a solid foundation for sustainable development.

ISSUES COVERED BY THE iMPACT PROGRAM:

Management

- Transparency and corporate integrity
- Management systems

Human resources

- Hiring, disciplinary and termination processes
- Child labour
- Forced labour
- Migrant workers
- Subcontracting
- Home workers

Discrimination

- Harassment or abuse
- Discrimination

Freedom of association

- Freedom of association and grievance mechanisms

Wages and working time

- Remuneration and fringe benefits
- Working hours
- Health & safety

Environment

- Environmental and climate protection

iMPACT
PROGRAM

iMPACT PROGRAM – OUR OWN SOCIAL MONITORING SYSTEM

In partnership with the clothing company OLYMP Bezner KG, we have developed an extensive audit programme as part of our corporate due diligence, which forms the basis for our sustainability management in our supply chains: the iMPACT Program.

Developing an independent audit system is a major and challenging undertaking – especially for a medium-sized company. So how did it come about that HAKRO set out on this path, and why? Through our Fair Wear membership, we faced the challenge of fulfilling Fair Wear’s requirements for social audits without being able to rely solely on Fair Wear audits, as Fair Wear is not represented in all of HAKRO’s production countries. Additionally, our previous amfori BSCI audits did not provide us deep enough insight, including regarding our comprehensive risk analysis.

With our social monitoring system, we want to be able to audit all our production partners and to promote and compare them in their performance and development based on reliable data. We were also looking for an audit method that puts people in focus and pursues joint change processes.

OLYMP, also a Fair Wear member, faced a similar challenge. Thus, instead of developing individual solutions, we quickly joined forces and, in jointly teaming up with ELEVATE Ltd., also brought an experienced provider of supply chain services on board. In close consultation with the experts at Fair Wear, in 2021 we set up an audit process within nine months that brought added value for all stakeholders. “If you’re going to do it, do it right!” was and is our motto (see also from [p. 80](#) on cooperation and stakeholder inclusion).

The iMPACT Program primarily focuses on people in the supply chain, enables honest, profound insight into production conditions and sets out to motivate partner companies and employers alike to act together and as partners, expand their skills in securing social standards and thereby ensure the highest possible degree of transparency. With its unique structure, the iMPACT Program audit system brings advantages for everyone involved:

HAKRO

- Extensive, standardised audit data on all Tier 1 production partners
- Individual expansion of the ERSA audit standards and methodology and room for integrating HAKRO’s own requirements
- Integrating ELEVATE’s expertise (by comparing factory data with average values from ELEVATE’s data pool, for example)
- Performance of audits by local ELEVATE auditor teams and ensuring that the audit results are independent

PRODUCTION PARTNERS

- Audit every three years allows adequate time for a reasonable remediation process
- The comprehensive descriptive-narrative audit report (as opposed to a reduced focus on deviations) offers the possibility for genuine change built on partnership
- Including the workers’ voices through an extensive, anonymous Worker Sentiment Survey and interviews with workers and worker representatives
- HAKRO bears the costs of the audits
- The duration of the audit is based on the size of the company

FAIR WEAR

- Involvement of the Fair Wear audit experts in the development process of the iMPACT Program
- Audit reports can be used within the scope of our Fair Wear membership and as a basis for the work in the supply chains
- Integration of a wage ladder to identify the gaps between a living wage and the actual wage

MARKET COMPANIONS

- In the future, we would like to make the iMPACT Program available to other companies in the textile and clothing sectors

THE iMPACT PROGRAM – MUCH MORE THAN AN AUDIT

Our new audit system unites the aspiration for transparency and verifiable social standards at our production partners with our desire for respectful dialogue and joint learning and growth.



We would like to gain an honest insight into production conditions to motivate us and our partners to act together and in true partnership, build capacities, and attain a higher degree of credibility and transparency.

BECOMING VERIFIABLY BETTER TOGETHER

As a central component, the iMPACT Program contains monitoring and joint remediation processes for the continuous improvement of social conditions in production facilities.

One of our main objectives for 2022 is to set up a coherent sustainability controlling system that enables us to bundle all the data from our risk analysis (including audit reports) with the plans and measures of our partners and supplier evaluations and other KPIs of the supply chain. We have already taken important steps with a systematic, company-wide system of indicators behind our SMART goals of the Integrated Sustainable Business Strategy (see [p. 22](#)).

Our remediation process includes:

- Auditors' recommendations
- Root cause analyses carried out by the production partners
- Joint corrective action plans, supported by training and capacity building programmes

Together with the audit report, our production partners receive a template for corrective action plans. On this basis, they can analyse the root causes behind the deviations and recommend measures for their mitigation and prevention. To support this, we offer online training courses together with ELEVATE. A few weeks after the audit, we discuss the planning of the measures with our partners and determine what will be implemented by whom and by when.

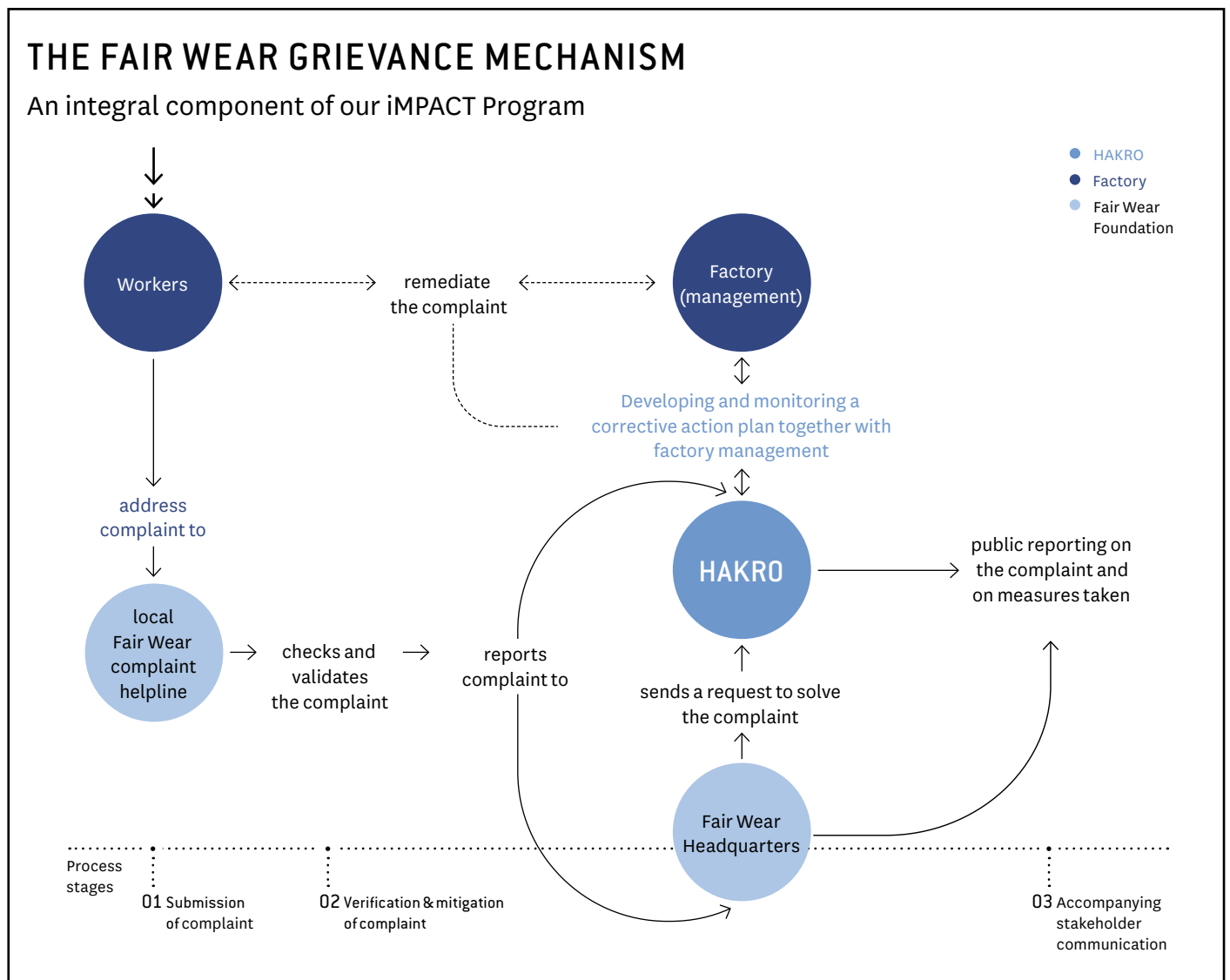
Thanks to the anonymous Worker Sentiment Survey, which can be accessed via QR code from anywhere – for example, from home – the audit also gives us insight into the direct perspectives of workers. From this, we primarily hope for detailed findings on topics such as the employment of migrant workers and other minorities (a particular risk in Turkey and China), bribery and corruption, as well as trade unions and collective bargaining (relevant in all countries). 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.

See from [p. 74](#) for the current status of the remediation processes and audits.

PROMOTING TRANSPARENCY

It is essential to know where the snags are to be able to bring about improvements. The basis for this is honest and direct communication. Therefore, integrating the Fair Wear grievance mechanism into our iMPACT Program is especially important for us. As part of the iMPACT Program audit, an on-site inspection is made to determine whether the grievance mechanism is available to all workers.

It is important to us that the grievance mechanism is understood, that trust exists (protection of the anonymity of the complainant) and that the mechanism is used appropriately and actively as a communication channel. To that end, we train our production partners and raise their awareness.



In 2020, we received one complaint – however, directly via email, through our general HAKRO email address. (For that reason as well, we are making increased efforts to raise our partners’ awareness so the official grievance mechanism is better known.) An employee at our production partner in Bangladesh complained in this email about excessive overtime and repeated insults from a supervisor. We immediately and repeatedly engaged in written dialogue with the complainant. However, the supervisor referred to in the complaint could not be identified among the employees, and the long-term employees of the department in question did not know the supervisor’s name. We also discussed the substance of the allegation with the management directly and openly – of course, without compromising the anonymity of the complainant. The complaint remains unverifiable to this day. HAKRO is currently trying to persuade the complainant to submit the complaint again, through the official Fair Wear channel, partly to enable a more in-depth investigation of the complaint. The excessive overtime mentioned within the complaint was also recorded through the iMPACT Program audit and integrated into the remediation process (see the audit results beginning on [p. 74](#)).

HAKRO PURCHASING PRACTICES

Durability and the long life of our clothing are the core of our identity and actions. Our never-out-of-stock programme (NOS) means we are not reliant either on changing collections or on seasonal business. Our product portfolio is constant – fast fashion is not our business model.

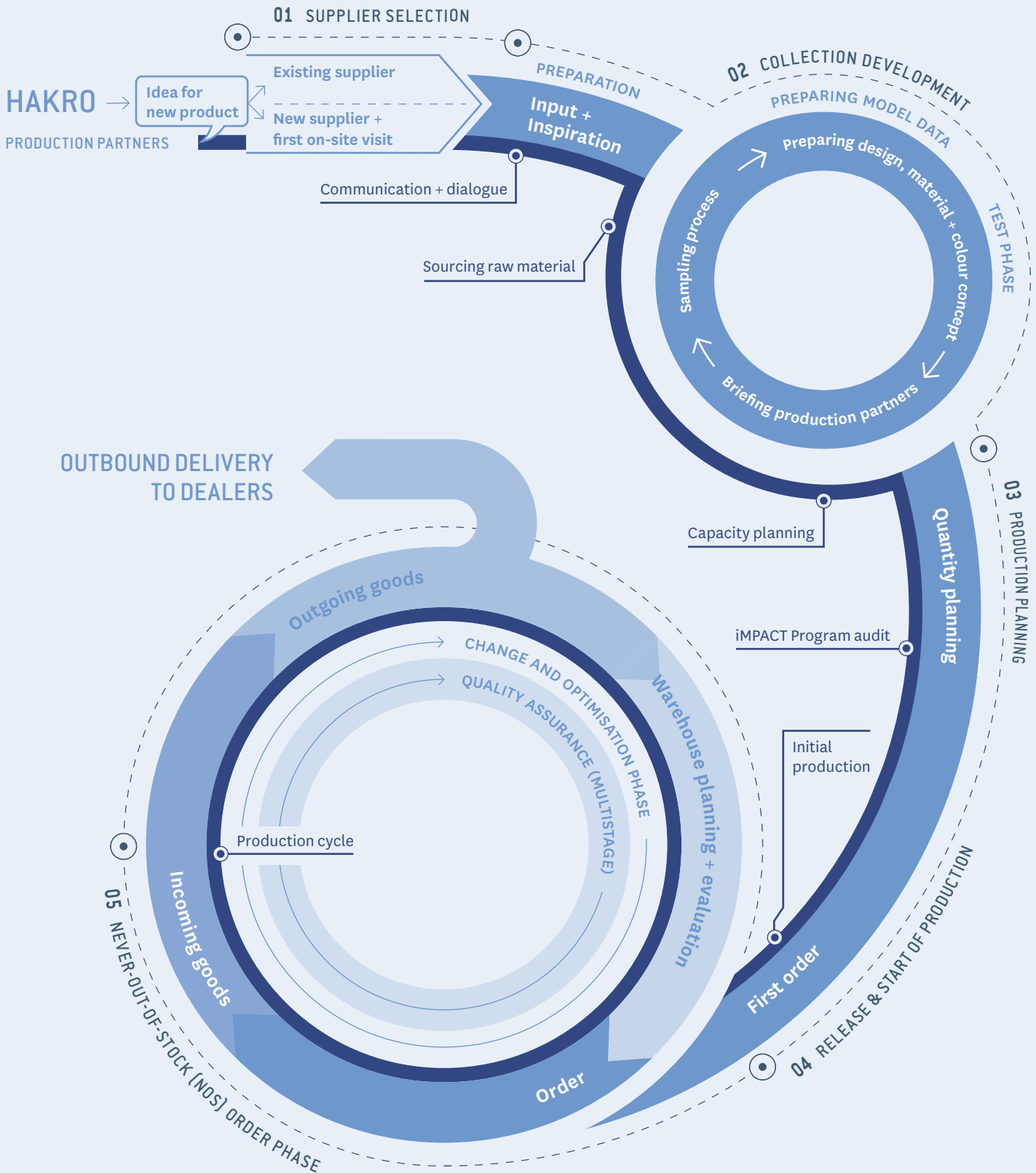
Our production planning is just as long-lasting and reliable. We do not set target prices but instead listen to our production partners when they give reasons for the prices they need to be able to produce a model. We always negotiate openly and in a spirit of partnership. The long-term collaboration with our production partners pays off in this area as well (see also [p. 72](#)). We rarely add new production partners and/or new factories belonging to our existing partners. This may occur 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, e.g. due to capacity reasons. As a general rule, before the first order is placed, we visit the production site personally and have an iMPACT Program audit conducted.



Durability and the long life of our clothing are the core of our identity and actions.

THE HAKRO PURCHASING PROCESS

Five million HAKRO garments are never out of stock. 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 want to increase awareness and active commitment to sustainability even further with sustainability prizes for our partner companies and authorised dealers.

In accordance with our business strategy, we manage the development and purchase of our products and our supply chains in an integrated, sustainable way. Our Purchasing, Design & Development department works closely together with our Sustainability, Responsibility & Innovation department and ensures that the requirements, experience and know-how from our Fair Wear membership is integrated into existing processes.

HAKRO always makes purchasing decisions holistically and in close consultation with the management team while considering factors such as delivery times, quality, communication and sustainability within the meaning of the Fair Wear Code of Labour Practices. Colleagues in the Purchasing, Distribution and Customer Service teams and our management team are informed and trained extensively and regularly on supply chain topics concerning our Fair Wear membership. We have also created an internal FAQ on our Fair Wear membership and its requirements for all colleagues in our in-house and field sales teams, to guarantee correct communication towards our retailers.

We continually exchange information on relevant sustainability topics with our purchasing intermediaries for China, Laos, Cambodia and Bangladesh. Moreover, HAKRO managers are always in personal contact with the factories. We brought our intermediaries and production partners on board before the start of our Fair Wear membership and asked them to actively support our programme. We also actively incorporate them into the remediation processes accompanying the iMPACT Program audit (see from [p. 74](#)).

By 2023, we will establish a HAKRO sustainability prize to be awarded to authorised retailers. By 2024, we will develop a corresponding HAKRO Supplier of the Year Award, which we will award to one of our partner companies every three years. In this way, we want to motivate people to work together to raise awareness and promote an active commitment to sustainability.

Despite the pandemic, we did not cancel any orders already made. It was and remains important to us not to unilaterally unload the economic consequences of the pandemic – such as, in particular, the decline in customer demand for our products – onto our production partners. Even so, in the lockdown year of 2020, we could not avoid adjusting to the demand situation as well as the lockdown situation of our production partners when placing new orders.

In the second pandemic year of 2021, we also conducted a Covid-19 survey among our production partners to record the pandemic measures they were taking and see where we could offer support. According to the survey and the audit results from 2021, there were no cases of wage loss. But due to the bottlenecks in raw materials and the number of cases of illness in individual factories, overtime increased in some places in 2021. Thus, some of our delivery dates were postponed as a result of the lockdowns. In the acute phase of the pandemic, our management team remained in constant personal contact with our production partners.

In 2016, we started a care initiative for the Eid ul-Adha holiday together with our partner in Bangladesh: All workers at the factory receive a package of goods for the festival day, which contains meat and rice for their families, toiletries and toys for the children. Mindful of the lockdown caused by the pandemic also coinciding with the approaching Ramadan, we extended this initiative in August 2020 until the end of the year and distributed monthly care packages.



Despite the pandemic, we did not cancel any orders we had already placed, thanks to our NOS business model and strong partnerships.

CHEMICAL TRAINING IN BANGLADESH

Guaranteeing safe, healthy working conditions in our entire supply chain has become an even more urgent topic, especially since Covid-19. As far as we know, all our partners have taken outstanding hygiene and security measures as a reaction to the pandemic. Guaranteeing a safe work environment was prioritised last year, especially in Bangladesh.

We are currently emphasising training in handling and storing chemicals. Out of all our direct production partners, this mainly affects our partner in Bangladesh, since this is a vertically integrated factory. At our other production partners, the wet processes at additional service providers' sites, which makes access difficult for us and reduces our direct influence and our leverage. In Bangladesh, we and our production partner are currently implementing a ten-month chemical management training programme (ACMT) for dye works managers. The training is carried out by Sustain Consulting in cooperation with the Partnership for Sustainable Textiles and should enable the dye works to design its processes to be safer and more efficient for people and the environment.

We are also planning to find an instrument or mechanism that can help us take a complete chemical inventory. We are currently testing various options to that end, such as bHive, an app that can make it easier for our production partners to take inventory and manage chemicals in compliance with the ZDHC Guidelines.



The “living wage gap” indicator measures the wage gap between the lowest wage paid in the factories of our production partners and a living wage. It’s a material result of our iMPACT Program audits and an important data basis for our future measures to improve the social conditions in our production sites.

PRODUCTION PARTNERSHIPS AND AUDIT RESULTS

We maintain a close, trusting and long-term collaboration lasting at least ten and in some cases more than twenty years with all our production partners. HAKRO takes delivery of fixed quantities each month and ensures high continuity and consistent capacity utilisation – our business model thus already significantly reduces the risk of short-term peaks and excessive overtime. The lowest wage paid in the factories is the local statutory minimum wage. The average wage is above the minimum wage in all the factories.

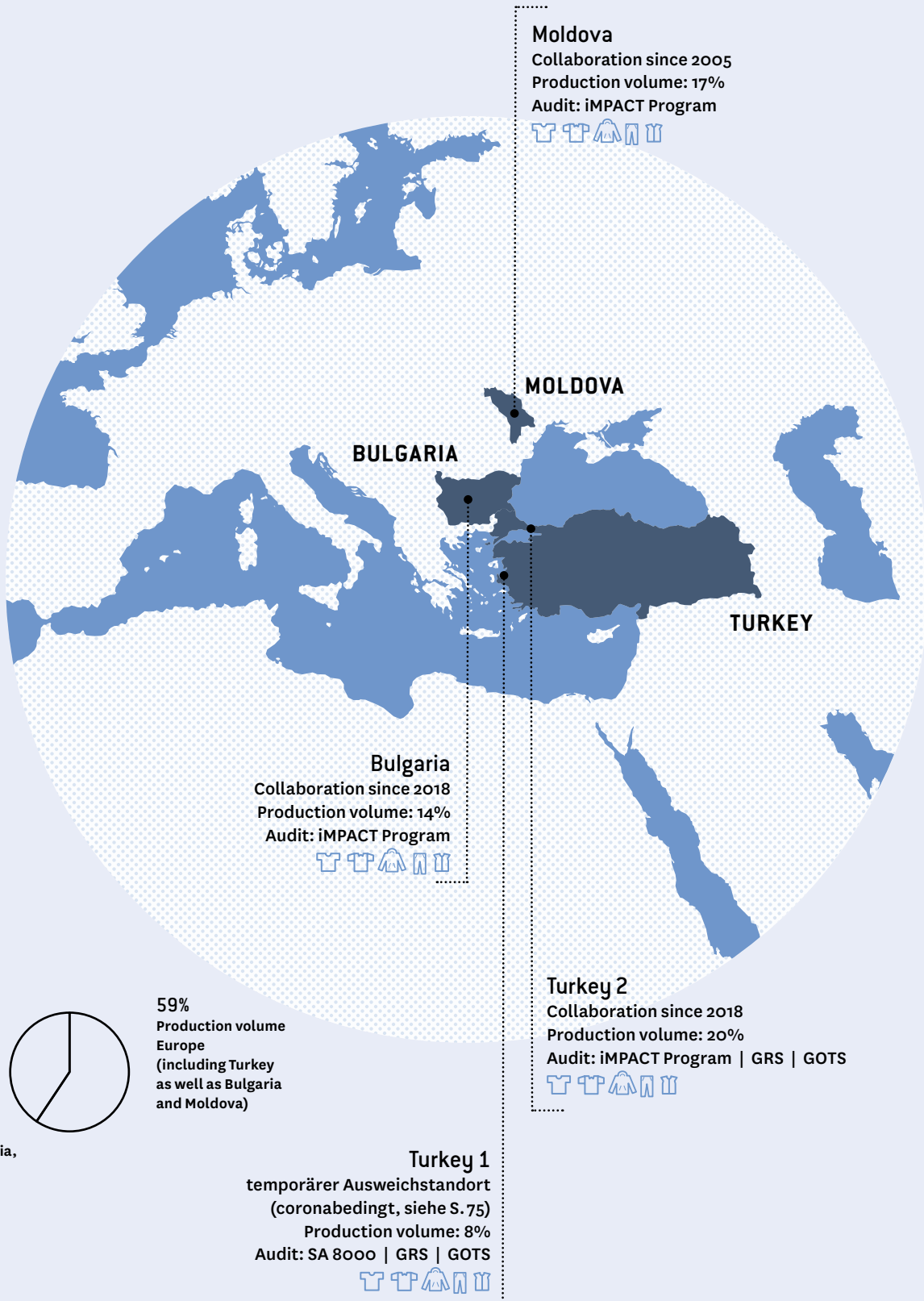
In the following, we will make the core results of our first iMPACT Program audits transparent for our eleven partner factories in seven countries (see overview on [p. 72/73](#)). During the iMPACT Program audit, we also recorded the wage gaps between the wages paid and the respective local living wage benchmark for the first time. For each production country, we therefore report the gap between the lowest wage and the living wage in addition to the audit results. We have discussed the system for recording this indicator with numerous stakeholders and experts as part of our Fair Wear membership and our iMPACT Barcamp (see [p. 80](#)).



We’ve set ourselves the goal of 100% of our Tier 1 production partners’ workers receiving living wages by 2030.












HAKRO PRODUCTION SITES

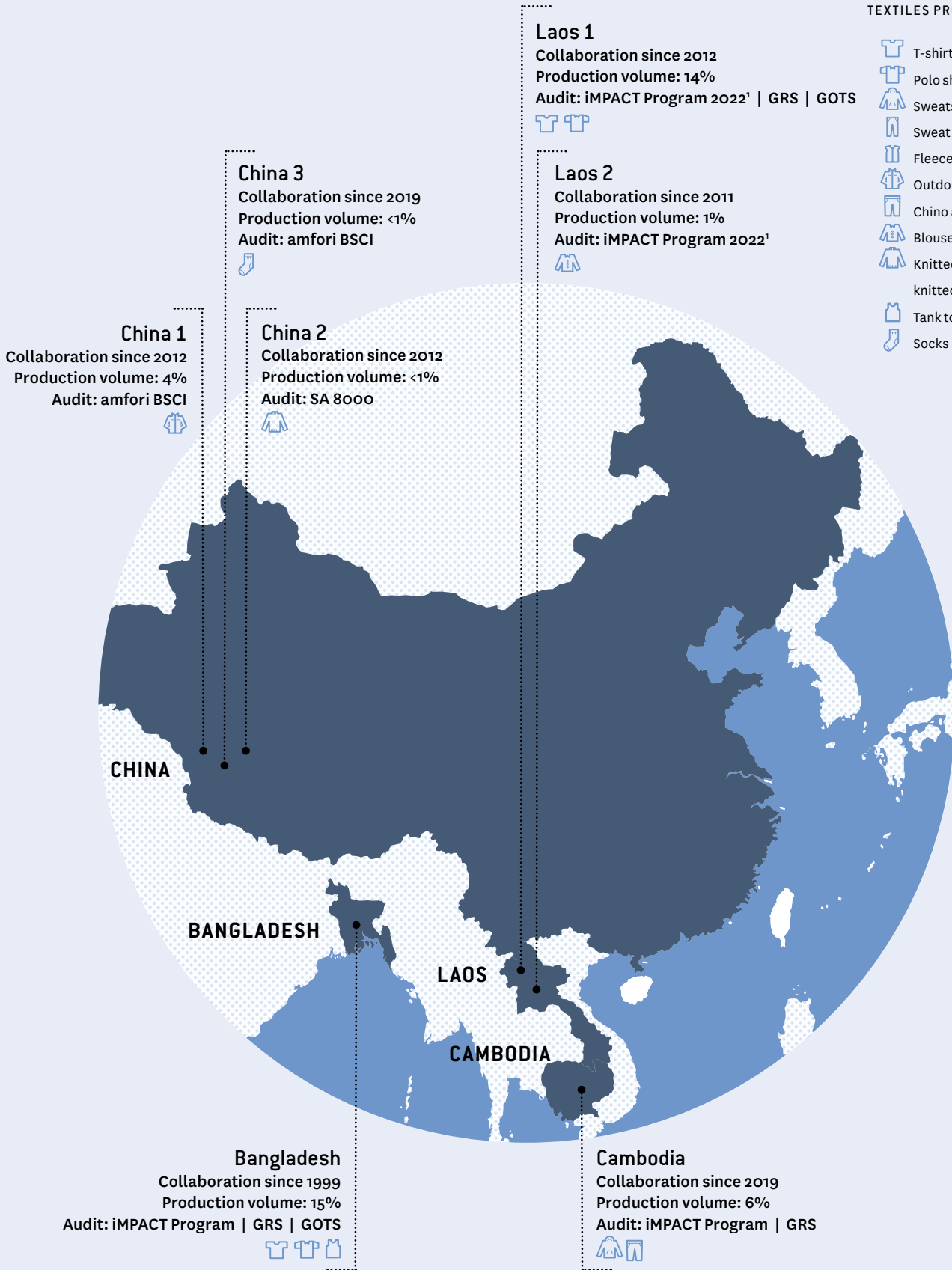
Our eight long-term production partners have factories in seven countries. We have goods produced in a total of eleven factories in Europe and Asia. In 2021, we performed the first audits according to our new iMPACT Program.



Production sites

TEXTILES PRODUCED

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



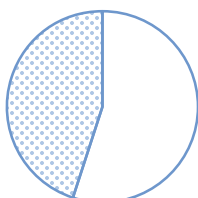
¹ Due to Covid-19 in 2021, audits were impossible because of travel restrictions. A remote audit will take place in early 2022.



BANGLADESH

Number of employees:

1,523



— of whom female: 833
 of whom male: 690

Legal minimum wage:

8,000 BDT ≈ 93 USD

Lowest wage in the factory:

9,788 BDT ≈ 114 USD

Average wage in the factory:

11,000 BDT ≈ 128 USD

Living wage¹:

17,916 BDT ≈ 209 USD

Living wage gap:

8,128 BDT ≈ 95 USD

Grievances received:

one; see p. 68

Status of remediation process:

in progress

BANGLADESH

We have collaborated with our GOTS-certified production partner in Bangladesh for over 20 years and use up to 70% of its production capacity. This committed, family-led textile company is vertically integrated, i.e. it bundles multiple production stages at one location (including knitting, dyeing, cutting, manufacturing and quality inspection of the finished product) and has modern machinery in its dye works. A generational change is currently taking place: both sons studied abroad and are taking increasing responsibility in the management. Every two years, we hold a big party to celebrate with all factory workers, with games, a raffle and music – most recently in January 2020, right before the beginning of the pandemic.

AUDIT

In March 2021, the first iIMPACT Program audit was conducted, in addition to the existing GOTS certification of the factory. HAKRO has discussed the results and the remediation process with the intermediary and production partner in a joint video conference. Our intermediary visited the factory in summer 2021.

ESTABLISHED POTENTIAL FOR IMPROVEMENT

- **Freedom of association:** At the time of the audit, the Fair Wear grievance mechanism had not been posted in the factory and was therefore not available for the workers on site. Our production partner remedied this deviation immediately. Also, there was no freely elected employee representation. The remediation process for this was finalised by the end of May 2022.
- **Wages and working hours:** Individual cases of excessive overtime were reported for 2020 and early 2021. According to our partner's root cause analysis, these were caused by the lockdowns in 2020, associated delays in the delivery of material and follow-up work after the lockdowns ended. Making advance communication between HAKRO and its production partners more open so that HAKRO can react in the purchase planning if need be was jointly defined as preventive measure.
- **Health and safety:** A need for improvement was identified in the fire and first responder training, and further training has already been conducted. Some of the protective equipment was incomplete. This was rectified during the audit.

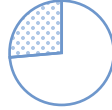
¹ according to the Global Living Wage Coalition



TURKEY 1

Number of employees: 555

— of whom female: 410
 of whom male: 145



Wage data: not yet recorded
Grievances received: none

Because of the pandemic, Turkey 1 is a temporary backup location for our Turkish production partner. For that reason, this factory has not been audited in accordance with the iMPACT Program, and the living wage gap has also not been recorded. The factory is audited according to GOTS and GRS and is visited regularly by the HAKRO team in Turkey. The location had already been producing for HAKRO between 2002 and 2018 and an amfori BSCI social monitoring was conducted on it during this time. From 2018 until the pandemic, production occurred exclusively in the Turkey 2 factory (see also details on Turkey 2).

TURKEY 2

Number of employees: 423

— of whom female: 349
 of whom male: 74



| | |
|--|--|
| Legal minimum wage: 2,825 TRY ≈ 207 USD | Living wage¹: 4,954 TRY ≈ 358 USD |
| Lowest wage in the factory: 2,825 TRY ≈ 207 USD | Living wage gap: 2,129 TRY ≈ 156 USD |
| Average wage in the factory: 3,173 TRY ≈ 233 USD | Grievances received: none |
| | Status of remediation process: completed |

The Turkey 2 production site is currently being expanded to create more capacity and production lines for HAKRO. When that expansion is finished (first half of 2022), HAKRO will once more produce only at Turkey 2, without having to resort to the capacities of the Turkey 1 factory.

¹ according to the Global Living Wage Coalition, reference value 2020 for urban living according to the Anchor method

TURKEY

Our GOTS-certified Turkish production partner, which also owns the two factories in Bulgaria and the Republic of Moldova, is one of the largest textile manufacturers in the country. It has multiple state-of-the-art manufacturing sites with exemplary working conditions and excellent social and environmental standards. We have been collaborating with this partner for more than 20 years. Each year, five of the company's employees receive a grant for their professional development. All factories are being gradually converted to green factories. For example, energy is generated from photovoltaic systems and grey water and rainwater are used to flush toilets, reducing drinking water consumption and thus contributing to environmental protection. Moreover, factories are working on implementing initial material loop solutions with waste that accumulates during cutting.

AUDIT

In March 2021, the first iMPACT Program audit was conducted and the factory is additionally GOTS- and GRS-certified. The HAKRO team in Turkey is regularly on site. HAKRO, the HAKRO team in Turkey and the factory management have discussed the results and the remediation process in a joint video conference.

ESTABLISHED POTENTIAL FOR IMPROVEMENT

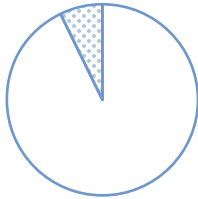
- **Wages and working hours:** In 2021, maximum overtime was sometimes exceeded. The root cause analysis revealed that this was attributable to a staff shortage in the factory due to cases of Covid-19. In addition, the site and its capacity are being expanded at this factory. This is on schedule for completion in the first half of 2022, thus increasing capacity for HAKRO.
- **Health and safety:** It was identified that the emergency alarm system had not been adequately tested. The system is being renewed during the first half of 2022 during the factory expansion. Furthermore, not enough workers had taken part in the fire safety exercises on site. The root cause analysis revealed that workers in the Covid-19 risk groups were absent when the training sessions were held. This was compensated for directly in June 2021, and the process was improved.



 MOLDOVA

Number of employees:

212



— of whom female: 197
 of whom male: 15

Legal minimum wage:
 2,172 MDL ≈ 121 USD

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

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

Living wage¹:
 14,236 MDL ≈ 793 USD

Living wage gap:
 10,736 MDL ≈ 598 USD

Grievances received:
 none

Status of remediation process:
 in progress

MOLDOVA

The manufacturing site in Moldova belongs to our Turkish partner, 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 for more than three years.

AUDIT

In November 2021, the first iMPACT Program audit was conducted. The HAKRO team in Turkey makes regular visits. HAKRO, the HAKRO team in Turkey and our production partner have discussed the results and the remediation process in a joint video conference.

ESTABLISHED POTENTIAL FOR IMPROVEMENT

- **Freedom of association:** The employee representation had been freely elected for two years in 2017, but the election had lapsed. Immediately after the audit, an election for employee representation for the next two years was held.
- **Wages and working hours:** The recording of hours worked was incomplete, making the payment of overtime incorrect. The root cause analysis revealed that communication between various management levels, and between the management and workers, is deficient. The correction of the time recording errors, the correct recording and payment of overtime, and the improvement of communication channels were agreed as remediation measures.
- **Health and safety:** It was discovered that one stairwell did not have handrails. This was fixed immediately. Furthermore, the analysis of health risks and the availability of personal protective equipment was incomplete. The remediation measures included carrying out a comprehensive risk assessment and training the management that is commissioned with the respective processes.

¹ according to the Europe Floor Wage
 Moldova Coalition



BULGARIA

Number of employees:

291



— of whom female: 273
 of whom male: 18

Legal minimum wage:

609.90 BGN ≈ 355 USD

Lowest wage in the factory:

650 BGN ≈ 378 USD

Average wage in the factory:

730 BGN ≈ 425 USD

Living wage¹:

2,239 BGN ≈ 1,302 USD

Living wage gap:

1,589 BGN ≈ 924 USD

Grievances received:

none

Status of remediation process:

completed

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 (the Worker Sentiment Survey) revealed very high employee satisfaction and that workers would recommend the employer and would like to still be employed there in a year.

AUDIT

In October 2021, the first iMPACT Program audit was conducted. The HAKRO team in Turkey makes regular visits. HAKRO, the HAKRO team in Turkey and our production partner have discussed the results and the remediation process in a joint video conference.

ESTABLISHED POTENTIAL FOR IMPROVEMENT

- **Freedom of association:** At the time of the audit, the Fair Wear grievance mechanism was not posted in the factory. Our production partner remedied this immediately.

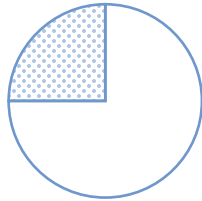
¹ according to the estimation of the campaign for clean clothing based on worker interviews



CAMBODIA

Number of employees:

465



— of whom female: 350
 of whom male: 115

Legal minimum wage:
192 USD

Lowest wage in the factory:
234 USD

Average wage in the factory:
266 USD

Living wage¹:
481 USD

Living wage gap:
247 USD

Grievances received:
none

Status of remediation process:
in progress

¹ according to Asia Floor Wage

CAMBODIA

Our production partner in Cambodia is operated as a joint venture of our intermediary together with our long-term Chinese production partner. The modern manufacturing site is housed in a factory building at ground level, which exposes it to fewer safety hazards. The management team consists mostly of Chinese employees who live in accommodation on the company premises. The young team is 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.

AUDIT

The first iMPACT Program audit was conducted in August 2021. Employees of our intermediary visited the factory in autumn 2021. HAKRO has discussed the results and the remediation process with the intermediary and production partners in a joint video conference.

ESTABLISHED POTENTIAL FOR IMPROVEMENT

- **Wages and working hours:** The payout of unused holiday days was incorrect.
- **Health and safety:** The laboratory tests for the drinking water in the factory and in the management accommodation were out of date. The laboratory tests were carried out in October 2021, and regular routine dates for the checks were planned.

Moreover, deficient heat protection equipment at the ironing stations and a lack of eye protection at the sewing machines were found. Improvements in those areas were made during the course of the audit. The managers responsible in each case were also instructed to check the status of the protective equipment daily.

Furthermore, the factory did not have fire hydrants and nor did it have sliding doors at emergency exits. Since the factory building is at ground level, the risk is manageable. However, there is a clear need for remediation. Previously, no improvement measures could be implemented because communication with the factory building's landlord was difficult.



LAOS AUDIT

The IMPACT Program audit in Laos planned for 2021 was impossible due to pandemic-related travel restrictions. As a result, the living wage gap has not yet been recorded there. The audit was subsequently conducted in 2022. No final audit report was available as of the editorial deadline.



LAOS 1

Number of employees: 1,052
 — of whom female: 868
 of whom male: 184

Wage data: not yet recorded **Grievances received:** none

Our Laos 1 factory is a manufacturing site with a connecting residential complex. Around 25% of the staff live in accommodation on the company premises, so they were able to continue to produce even during Laos's strict lockdown. The company premises house a canteen and a small kiosk.



LAOS 2

Number of employees: 612
 — of whom female: 497
 of whom male: 115

Wage data: not yet recorded **Grievances received:** none

Laos 2 is a modern manufacturing site for shirts. In recent years, the production site has always passed the amfori BSCI audit with the highest score. In the company management, we are already working together with the second generation of the family-run company.



CHINA AUDIT

We have only a small production volume produced in China: less than five per cent of our total purchasing. Therefore, IMPACT Program auditing in China is not a current focus.



CHINA 1

Number of employees: 83
 — of whom female: 42
 of whom male: 41

Wage data: not yet recorded **Grievances received:** none

The China 1 site is audited in accordance with amfori BSCI. No on-site visits took place during the reporting period.



CHINA 2

Number of employees: 287
 — of whom female: 165
 of whom male: 122

Wage data: not yet recorded **Grievances received:** none

The China 2 site is audited in accordance with SA 8000. The living wage gap has not yet been determined here. No on-site visits took place during the reporting period.



CHINA 3

Number of employees: 98
 — of whom female: 67
 of whom male: 31

Wage data: not yet recorded **Grievances received:** none

The China 3 site is audited in accordance with amfori BSCI. No on-site visits took place during the reporting period.



Action through Co-Creation: sustainability managers and experts discuss the sector's global problems at the first IMPACT Barcamp initiated by HAKRO.

HAKRO COOPERATES.

Because together we can succeed
where no one can succeed alone.

HAKRO has always been in touch and in discussions with different stakeholder groups. However, in the last few years, we have significantly strengthened our cooperative approach as the fundamental direction of our actions. The 17th global Sustainable Developing Goal (SDG) is “Partnerships for the Goals” – because meeting sustainability challenges takes more than just isolated company measures. In the garment industry in particular, you quickly come up against the systemic limits if you want to change something. So it’s time to see the bigger picture.

SHAPING SUPPLY CHAINS

We look proudly back with gratitude at the nine-month development process for our iMPACT Program audit system that we have used to comprehensively meet the Fair Wear requirements and at the same time live up to our own requirements in our supply chains (see also [p. 65](#)). Together with market companion OLYMP Bezner KG, which was facing similar challenges,

we have exploited synergies, pooled creativity and knowledge and – together with ELEVATE Ltd., an experienced provider of supply chain services – created a custom social monitoring system. Without Fair Wear’s willingness to cooperate, this plan would not have succeeded.

“The growing challenges of the global supply chain require a joint solution. That’s why we’ve joined forces with HAKRO, which stands for the same values we do, in an unprecedented collaboration. Because of the size of our companies, neither of us has yet been directly affected by the German Supply Chain Due Diligence Act, but both of us are guided by those requirements.”

Ilyta LaCombe,

Head of Corporate Responsibility at OLYMP, on the joint development of the iMPACT Program social monitoring system



Agile agenda planning at the IMPACT Barcamp: the broad range of sustainability challenges was covered in 16 sessions.

PROPERLY PROTECTING THE CLIMATE

At the start of 2022, HAKRO made its entire collection climate neutral. Most of our CO₂e emissions occur during the manufacture of our garments, in Scope 3. For this reason, this measure represents a material contribution to making our business climate friendly – and we wanted to do everything right here right from the start. When calculating our carbon footprint and climate neutrality,

we pursue the cradle-to-customer plus waste approach to record what is measurable and clearly demarcate the things we cannot (yet) influence (see also p. 85). Without the comprehensive CO₂e expertise provided by ClimatePartner, which supported us with the development of the method, this complex project would not have succeeded with the level of quality we were aiming for.

THINKING TOGETHER IN CIRCULAR WAYS

Changing business models and production methods in the textile and garment industry in the direction of closed loops is another Herculean task to whose solution we also want to contribute step by step. It is precisely here that networking and the exchange of knowledge across company boundaries are needed. In 2021, we began participating in the #circularloop project for circularity initiated by the Berlin start-up circular.fashion. Circularity is one of the most important megatrends, which is why we are also in communication with other textile companies and dealers and will soon start initial projects together. We are interested in questions such as:

- **How recyclable are our existing products?**
- **What measures can we take to think about circular loops as early as the design stage?**
- **How and where will we collect our old textiles in the future to send them to suitable recycling companies, and what will happen with the recycled fibres and threads made from them?**

CREATING SPACES

In October 2021, we held an IMPACT Barcamp on site in Schrozberg under the motto “Action through Co-Creation”. Around 40 sustainability managers from 16 German textile companies and seven sustainability standards and service providers brought many topics to the agile agenda that are material to the textile sector, including impact measurement, auditing and capacity building in the supply chain, risk analysis, regulatory duties, and the structural integration of sustainability into organisations.

In October 2022, we will enter the second round of this conversation, which was a great success with all participants. So that the discussion remains lively, we’ve built bridges: in each of the monthly IMPACT Lunch Sessions from December 2021 to April 2022, we addressed one of the Barcamp topics and explored it in greater depth together. To that end, we invited drivers of change to contribute their expertise and other perspectives.



Among people. Anna Rüchardt and Jochen Schmidt, the “Sustainability Team” at HAKRO, and HAKRO managing director Carmen Kroll in their element.

PRODUCTS

The durability of our products is key to our brand – quality and longevity are important factors that contribute to the sustainable use of clothing. We value and conserve the resources that go into producing our corporate wear. We promote the use of innovative and certified sustainable materials as well as more environmentally friendly options in packaging. What’s more, we are actively supporting the transformation of our industry towards a circular economy.



Our entire collection is climate-neutral as of January 2022. This is a significant milestone in our comprehensive climate protection strategy, which takes all stages into account – from raw materials and production to transport and emissions at our site – with the aim of reducing our footprint to the greatest possible extent.

HAKRO does not cater to trends. HAKRO makes slow fashion – as a matter of principle. Our business model is based on the never-out-of-stock (NOS) programme. This means that our product range is constant and does not follow fashion trends, and that we are dependent neither on changing collections nor on seasonal business and are never out of stock. The product life cycle of our clothing systematically takes into account the environmental and social risks and effects in each phase (see [p. 28/29](#) for a description of the HAKRO value chain and [p. 62](#) for details of our risk management approach).

A MILESTONE: OUR CLIMATE-NEUTRAL COLLECTION

We want our product range to lead the way. We achieved a major milestone in this regard at the beginning of the year. Our site in Schrozberg has been climate neutral since 2017 (see also [p. 106](#)). And now, as of January 2022, our entire collection is also climate neutral, making us the first climate-neutral corporate wear supplier to offset the greenhouse gas emissions of its entire product range. We follow the **cradle-to-customer plus waste** approach in calculating our CO₂e footprint and our climate neutrality. This means that when calculating and offsetting emissions,

all unavoidable emissions are taken into account, including those arising from raw material extraction, the processing of raw materials to produce clothing including its packaging, transport, recycling and recovery at the end of a product's life cycle. Only the utilisation phase of the garments is excluded from the evaluation, because it is not possible to make a standardised calculation of factors relating to individual customer handling of our clothing after production – such as treatment, period of wear, washing frequency, washing temperature – nor to influence this phase. We are supported in our efforts by ClimatePartner, the leading corporate climate protection solutions provider.

We offset any CO₂e emissions that are currently still unavoidable 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 intended to last at least 40 years. We have decided to support rainforest conservation because action in this area has a more direct and thus more sustainable climate-protection impact than reforestation projects.

Calculation and offsetting are the first important steps on the long road to the main objective of reducing our carbon footprint – at our sites and within our core business (see also p. 105 on the HAKRO climate protection strategy). Measuring CO₂e data enables us to identify reduction potential along our value chain. By recording more precise data, we hope to identify further emission hotspots and reduction possibilities in the medium term.

The prevention and reduction strategies we have already implemented include the gradual transition to sustainable and recycled fibres, the elimination or reduction of packaging material, the increased use of renewable energies within the supply chain and the use of sustainable biofuels for transporting goods by sea.



GOODSHIPPING

Our pilot project for reducing CO₂e emissions in the transportation of goods

As part of our climate protection strategy and in the course of making our collection climate neutral, we are identifying potential CO₂e-savings along the entire value chain. The movement of goods – and particularly sea freight – significantly contributes to global air pollution and greenhouse gas emissions through the combustion of crude oil.

Our clothing is manufactured in Europe and Asia (see also p. 72/73). We primarily use container ships to transport it from our production partners in Asia to Hamburg in Germany (this is also referred to as the long-haul transport route).

The GoodShipping initiative replaces fossil fuels with green alternatives such as certified second-generation biofuels from GoodFuels. These are obtained from production residues and plant matter previously treated as waste. How does it work? Through the use of biofuel made from certified raw material such as upcycled frying oil.

Our collaboration with GoodShipping began in 2020 and is a pilot project initially focusing on the shipments HAKRO receives from its factory in Cambodia, which travel approximately 9,000 nautical miles by ship.

60 t
of CO₂e was emitted during the pilot project period as a result of HAKRO goods shipments via sea freight from Cambodia to Germany

100%
of this was eliminated thanks to the use of biofuels with GoodShipping

THE FOUNDATION: TOP QUALITY

Sustainability also means a product that is long-lasting and can therefore be used for a long period of time. The outstanding quality and resulting longevity of our clothing have been at the heart of how we think and act since HAKRO's founding, and as such are central to our brand.

In order to ensure our quality standards are met, we perform quality tests at every process step along the value chain. A final quality assurance check takes place when goods arrive at our logistics centre in Schrozberg. This is how we ensure that only products that meet our high standards will be delivered to our dealers and their customers.

For our corporate wear and particularly for our Performance collection line made of MIKRALINAR®, this means our customers can rely on the guarantee that our products will meet the highest standards in terms of material properties and possible applications:

- Consistent high quality standards and excellent colour fastness. Our (NOS) business model requires that our customers must be able to buy their chosen styles with the same material properties and in the same colours even over many years.
- Washable at up to 60° C; MIKRALINAR® Pro line at up to 95° C
- Withstands wash cycles of at least 30–60°
- The MIKRALINAR® Performance collection is suitable for industrial laundry (excluding blouses and shirts)

This commitment to quality through durability and resilience presents certain conflicting goals in the gradual transformation of our collection towards increased sustainability in the area of raw materials. After all, many certified sustainable materials unfortunately do not (yet) meet the aforementioned quality requirements. For example, we had hoped that our GOTS-certified Organic collection line, which was launched in 2017, would have achieved much greater market penetration. However, the material properties were not reliable enough to be accepted by customers in our sector. Our experience in the last few years has demonstrated that our quality standards mean that switching to certified sustainable materials is no simple endeavour.

So there is clearly a need for product innovation here – and we are setting ourselves specific goals for this. We therefore continually monitor the market for innovative production processes, materials, smart textiles solutions, natural materials and synthetic fibres, and investigate their use from the perspective of sustainability, quality and suitability – for industrial laundry applications, for instance.

Our objective is to test at least one innovation that could be used in the company each year. We are proud that we will soon be able to present our first sustainable innovations when we introduce several new items to our collection in autumn and launch these on the market (see p. 88). Furthermore, starting in 2023, every new product will contain sustainable materials or fibres at the HAKRO premium quality our customers have come to expect, and will be tested for recyclability.



0.1%. That has been our customer complaint rate for years. We measure ourselves by the quality of our products.

NEW PRODUCTS

As enduring as the HAKRO range is, new styles are continuously added to our collection. In 2019 and 2020, we increasingly added trousers made of woven fabric to our range – we had previously only offered sweatpants. We also extended our blouse and shirt range to include casual items.

We used recycled materials for the first time with the ultralight jacket ECO. This was a valuable learning experience for us because from 2022 we are focusing on comprehensive GRS (Global Recycled Standard) certification for styles with recycled fibres to ensure complete traceability of the materials. For example, as of autumn 2022 we will bring vests and jackets made of 100% recycled polyester in accordance with the GRS standard to the market with our ECO fleece styles. We are expanding our Organic/GOTS collection in 2022 to include children's styles for the first time.



Capsule wardrobe? No problem. Our business model is based on an appreciation of clothing. The HAKRO collection accompanies people through life and work: durable, long-lasting, timeless. And infinitely combinable.

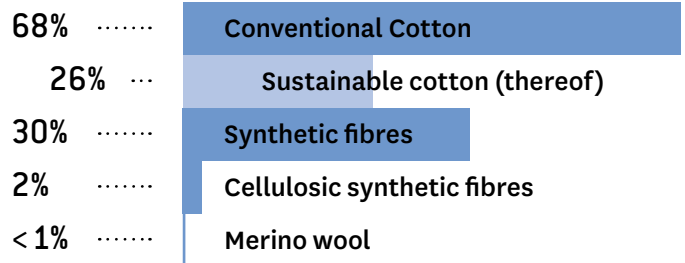


In 2019, we expanded our range to include several styles of trousers.

HAKRO MATERIALS

The fibre we use most in the production of our clothing is cotton. We blend cotton with synthetic fibres 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.

HAKRO will be using Tencel™ Lyocell (Lenzing) for the first time in its new collection starting in 2023. Tencel™ Lyocell is obtained from the renewable raw material wood in a closed manufacturing process. By recycling the process water and returning the solvent to the production cycle (90%), Tencel™ Lyocell is considered particularly sustainable and environmentally friendly.



We used recycled materials for the first time with the ultralight jacket ECO.



We consistently align the development of new products with our sustainability targets – without compromising on the HAKRO premium quality our customers have come to expect. From 2023, every new product will be evaluated for recyclability.

HAKRO COLLECTION 2022

Setting standards with MIKRALINAR® ECO and MIKRALINAR® PRO ECO

Our MIKRALINAR® and MIKRALINAR® PRO Performance collection is the strongest of our product lines. In January 2023, we will be adding two sustainable product innovations that we are very proud of and which truly set us apart. These styles combine sustainability standards with our uncompromising requirements for maximum resilience and durability.

MIKRALINAR® ECO

**50% recycled polyester (GRS),
50% conventional cotton**

We are additionally looking into using organic cotton (GOTS) or sustainable cotton (Cotton made in Africa) for our MIKRALINAR® ECO range. However, the global market does not currently offer these in the quality we require.

MIKRALINAR® PRO ECO

**50% TENCEL™ (Lenzing), 50% polyester,
special vat dyeing**

Our first TENCEL™-polyester knitted fabric to be

- certified according to Hohenstein quality standard 704
- developed to meet the highest standards: sustainable, breathable, hygienic, robust and high-quality

Made in Europe

- dyed and knitted in Germany
- assembled in Bulgaria



Motivates and supports your team, represents your company – corporate wear by HAKRO

OUR PATH: INTEGRATION OF SUSTAINABILITY STANDARDS

HAKRO works with a range of bodies that certify sustainability standards. An overview of which standards apply at the respective stage of the value chain is provided in the HAKRO value chain graphic on p. 20/21. It is almost impossible for non-experts to compare the many different sustainability standards with one another, as each implements a different approach and focuses on different sustainability requirements within the textile supply chain. This means that no single label or standard is perfect – each does, however, have a particular emphasis and rationale of its own.

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

CROSS-COMPANY STANDARDS:



Fair Wear

HAKRO has been a member of the internationally recognised multi-stakeholder initiative Fair Wear since 2021. Together with other clothing and textile companies, we promote compliance with the highest social standards within the supply chain (see also from p. 59)



Green Button

The Green Button is the first government-run meta-label for sustainable textiles in Germany. Every HAKRO model with a GOTS or GRS label (so-called supply chain standards) has been Green Button certified since 2020. The certification is applied to both textile brands/retailers and their products.

PRODUCT-SPECIFIC STANDARDS THAT APPLY TO OUR ENTIRE COLLECTION:



Standard 100 by OEKO-TEX

This is one of the best-known consumer protection labels in the world and is used to label textiles that are not harmful to health.



Climate-neutral product

Certified product climate-neutrality in cooperation with ClimatePartner following the cradle-to-customer plus waste approach (see p. 84).

PRODUCT-SPECIFIC STANDARDS THAT APPLY TO SELECTED MODELS IN OUR COLLECTION:



Cotton made in Africa (CmiA)

All of our styles from Bangladesh are CmiA labelled. This standard verifies and supports sustainability at the start of the supply chain – with the cotton farmers in the field and in the first stage of processing, the ginneries. This stage of the supply chain is not covered in this form by any other standard.



Cradle2Cradle (C2C)

C2C certifies the recyclability of products (see also p. 90). We also use this label for all of our models made with 100% cotton in Bangladesh, further expanding their environmentally friendly profile. Product-specific social standards are also covered by C2C.



Global Organic Textile Standards (GOTS)

GOTS is the world's largest and most comprehensive standard for the processing of organic cotton within the textile supply chain. GOTS sets out high-level environmental requirements along the entire textile supply chain and also monitors the social criteria to be fulfilled, including all ILO code labour standards. In order for an item of clothing to be GOTS-certified, it must consist of at least 70% GOTS-certified cotton. In addition, every processing plant within the supply chain must also be GOTS-certified.



Global Recycled Standard (GRS)

The Global Recycled Standard is the world's leading standard for the processing of recycled materials. GRS defines high environmental and social standards for the processing of fibres along the entire textile supply chain. These include the ILO core labour standards, including the prohibition of child labour. We have been GRS certified since 2020.

OUR NEXT MILESTONES IN EXPANDING THE USE OF CERTIFIED SUSTAINABLE MATERIALS

- **2023**
Animal fibres: 100% of the animal fibres used in HAKRO products are certified sustainable and mulesing-free
- **2024**
Viscose fibres: 100% of the viscose fibres used in HAKRO products are certified sustainable (as of 2022: Lenzing profiles)
- **2025**
Textile finishing: 100% of the textile finishing for HAKRO products is PFC-free (free from per- and polyfluorinated chemicals)
- **2025**
Microplastic pollution: We measure and record the microplastic pollution of our textiles containing PET (polyethylene terephthalate)
- **2030**
Synthetic fibres: 100% of the synthetic fibres used in HAKRO products are certified recycled (as of 2022: GRS certification)
- **2030**
Cotton: 100% of the cotton used in HAKRO products is certified sustainable (as of 2022: GOTS, CmiA, Fairtrade cotton, recycled cotton)

THINKING BACKWARDS FROM THE END: CIRCULARITY

For the resource-intensive textile industry, circularity is both a major challenge and a crucial lever for making the entire value creation process more environmentally friendly. The circular economy approach is very close to our hearts – and that is reflected in our efforts to help our clothing enjoy a long useful life. There are two fundamental components which are central to this:

1. The **recyclability** of garments (the reusability of their materials)
2. **Closing the loop** (the subsequent recirculation of materials within closed cycles of use and recycling)

1.

RECYCLABILITY

Textiles are deemed circular if all of the fibres can be separated and respun into yarn after the utilisation phase. This concerns both the selection of fibres and the way in which the item of clothing is produced. At present the most circular textiles are those made from single-fibre and minimally processed textiles, for instance a cotton T-shirt. When it comes to synthetic fibres such as polyester, it must be possible to break them down into their basic chemical components for them to be circular. This is the case for Cradle2Cradle-certified fibres, for instance (see also [p. 89](#)).

→ The HAKRO approach

We began collaborating with Berlin start-up circular.fashion in 2020 and had the recyclability of all of our products assessed and evaluated. As part of this collaboration, we began participating in the #circularloop circularity project in 2021, along with a number of other companies including Armedangels and the Otto Group. This marked the starting point for further ambitious objectives in relation to expanding the circularity of our products.

2.

CLOSING THE LOOP

Before textile material cycles can be completely closed, a number of systemic obstacles must be overcome, for example the lack of an industry infrastructure (see also the HAKRO value creation diagram on p. 28/29). After all, closing the loop for textiles is far beyond what a single company can achieve. It can only be the result of a joint project of an entire industry, in which we participate in the spirit of our HAKRO values of cooperation and community, side-by-side with solutions-oriented fellow market participants, pioneers, NGOs and solutions providers (see also p. 54 for our stakeholder approach).

OUR NEXT MILESTONES AS WE EXPAND CIRCULARITY

- **2023**
All new products are circular
- **2025**
We establish a collaborative network with recycling partners
- **2025**
We offer textile recycling as a service for dealers and end customers
- **2026**
We conduct a lifecycle analysis (LCA) in accordance with ISO 14040 and ISO 14044 for all products



The development of MIKRALINAR® was initiated by commercial laundries, which were looking for a fabric that durably withstands industrial washing, drying and ironing processes. With MIKRALINAR®, we achieved just that without any loss of comfort. This meant MIKRALINAR® quickly became one of our most successful fabrics and the favourite of countless industrial laundries in Germany, Austria, Switzerland and France.

TEAM & DIVERSITY

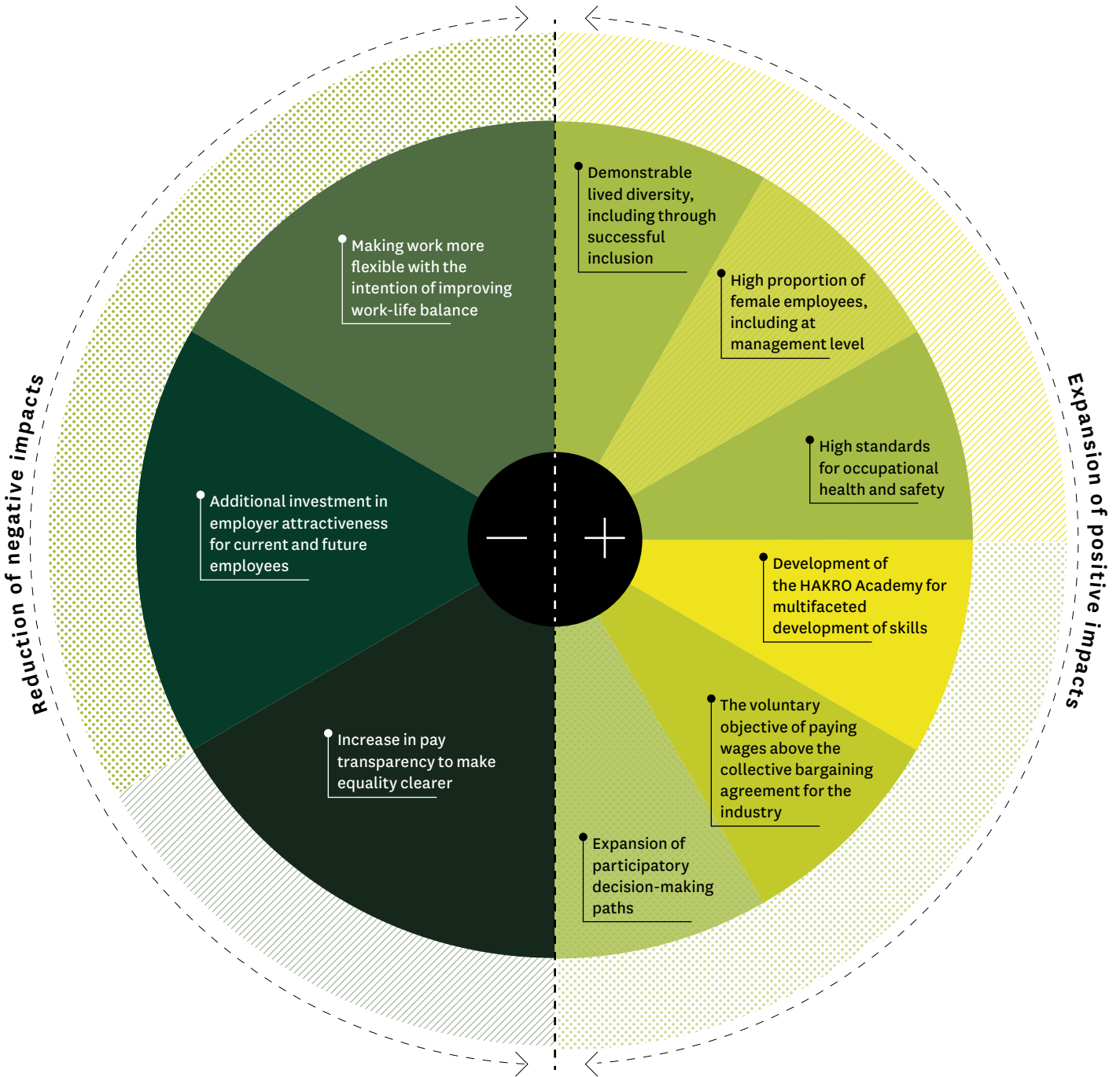
We are particularly proud of our special HAKRO spirit and sense of community. HAKRO brings people together and unites them – because our company serves people, and not the other way around.

We are just as committed to values such as openness, diversity and individuality as we are to honesty, reliability, justice, respect, appreciation and trust. The high degree of satisfaction among our employees speaks to the fact that we are doing plenty of things right. Expressed as a grade (where 1 = the highest grade and 6 = the lowest), HAKRO received a 1.2 in 2021 in the internal satisfaction survey HAKRO conducts every two years in the category of “overall satisfaction with and at HAKRO”.

We have established ourselves as an important and attractive employer in the region and are building on the Schrozberg site. A non-central location does not automatically mean disadvantages. The HAKRO team is continuously growing, partly through a large number of unsolicited applications.

IMPACT OF OUR INTEGRATED SUSTAINABLE BUSINESS STRATEGY

We have analysed the material impact of our work and activities. In other words, we've looked where we can strengthen what is good and where we can further reduce any negative effects of our activities. We're doing this transparently for our four fields of action.



OUR VISION

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.

OUR MISSIONS IN THE FIELD OF ACTION

TEAM & DIVERSITY

01/

We accept social responsibility for all employees. HAKRO is valued as a safe, sustainable and outstanding employer.

02/

We live diversity and equal opportunities and see a diverse team as an enrichment for HAKRO.

03/

Our commitment to the health of our employees results in a comprehensive occupational health management system.

04/

We support our junior staff, train them in an appreciative way and offer our employees a comprehensive development and training programme.

HAKRO is team spirit. We are a community, and we support each other. Empathy, respect, trust, loyalty and integrity mark our interactions with each other. To keep it this way, we invest significantly in constantly further developing programmes for our employees.

What took a long time is finally complete: all our employees received a piece of the puzzle with the invitation to the presentation of our new corporate vision.



As a flourishing employer, we are growing continuously. We're building here, in the truest sense of the word, on our regional site in Schrozberg and are creating the space for healthy, networked and joyful work with our long-term building planning (see also the "Site & Resources" chapter from [p. 108](#) for our site concept).

The development of our Integrated Sustainable Business Strategy for 2022–2030 also has consequences for the future direction of the programmes for our employees. This is because acting in an integrated way requires additional knowledge, skills and an appropriate mindset. Sustainability is already integrated in the interview guidelines for the application process for new employees. This is continued with a diverse range of training options in our HAKRO Academy.



The "Results" chapter presents our human resources key figures for 2021 (see from [p. 42](#)).

TEAM AND CULTURE

Our much-vaunted HAKRO spirit is far more than aspiration. It can be felt at all times and everywhere in our day-to-day work, it has supported us through the challenging times of the pandemic and it is lived by our employees. We're grateful for this and therefore strive to constantly optimise the conditions needed for good and healthy work. The fact that we're already doing a lot right here can be seen from the result of our internal satisfaction survey, which we conduct every other year. In 2021, our employees gave us a grade of 1.2 here (where 1 = the highest grade and 6 = the lowest), in the category of "overall satisfaction with and at HAKRO".



The management team around Carmen Kroll presents figures, objectives and the new business strategy at the staff meeting "Come Together".



The four new fields of action of our Integrated Sustainable Business Strategy for 2022-2030 were communicated interactively, playfully and with a great deal of fun.



Our employees gave HAKRO a grade of 1.2 in the category of "overall satisfaction with and at HAKRO" in the internal satisfaction survey in 2021 (where 1 = the highest grade and 6 = the lowest).

A key aspect regarding the satisfaction and health of our employees is the opportunity to make their working hours more flexible with the intent of improving work-life balance, including at different life stages. There are various working hours models available at HAKRO and we can find an individual solution for every requirement – whether for those returning to work after taking parental leave or for people caring for a family member. With the exception of logistics, where physical presence is essential, our employees also have the option of working from home up to two days a week in consultation with their manager and their teams, including after the end of the pandemic-related rules. Our goals for the "Team & Diversity" field of action also include the option of a sabbatical for all permanent employees, the provision of a school holiday programme for children (aged 5 to 15) and funding child-care options for our employees' children (3 months to 7 years).



“Many I’s – one we”. The new HAKRO artwork, which was made public on the 2022 Diversity Day, translates the diversity of the HAKRO workforce into pictures.

DIVERSITY AND EQUAL OPPORTUNITIES

We are proud of the diversity of our workforce. In our team, all employees are given a chance – irrespective of their personal characteristics. We are approachable and welcome people with talent who bring an open style of communication and sense of community to our team (see also p. 101). Our two diversity and inclusion officers are available to our employees at any time to answer any questions about equal opportunities.

Living diversity requires equality – and that starts with salary. We have already been orienting ourselves on the collective bargaining agreement for wholesale and foreign trade for many years. From 2024 onwards, we want to exceed this. Our wage and salary structure ensures that our employees’ pay does not depend on their personal characteristics, and particularly not on their gender. Transparency is an important foundation of fairness and equal opportunities. We are going to make our wage and salary structure even more transparent and comprehensible for our employees.

We have not only signed the Diversity Charter, we also live it. This includes taking part in the German Diversity Day with great commitment each year. This year, we participated with the motto of “Viele Ichs – ein Wir” (many I’s – one we). To this end, the artist Dorothea Schulz had a personal and confidential conversation with each and every one of our employees and depicted their essence in a sketch. As a result, over time she wove a “tapestry of conversations”, which was presented at the 2022 Diversity Day as a multi-part artwork (see pictures). As a sign of our solidarity, we had the artwork framed and had it installed in the arcade for all to see.



Artist Dorothea Schulz personally interviewed all HAKRO’s employees over the course of many months and captured the diversity of their perspectives in watercolour and gouache drawings.

DIVERSITY AS A TEAM



HAKRO'S TEAM WEAR

As a supplier of corporate wear, we naturally also provide our employees with team wear. As much as we value team spirit, we also want to enable our employees to show their individuality with their work clothing. That's why we introduced new team wear in 2021.



Our employees now have the opportunity to choose their favourites from more than 120 styles – completely in keeping with the HAKRO collection's maxim that everything matches, can be endlessly combined and allows maximum scope for your own interpretation. The unifying element is always our slogan "HÄLT.," or "It holds", which runs through the entire collection like our brand logo.

Even during the pandemic, we were not deterred and showed that “colourful” can also work at a distance: in 2020, we called on everyone in Schrozberg to transform the streets into a giant chalk work of art as part of our diversity campaign. We were overwhelmed by the many moving contributions! We then made the wide variety of artworks accessible to everyone in Schrozberg in a gallery.



The “tapestry of conversations” was installed in the new HAKRO arcade – as a reminder that diversity is a value that enables community and enriches our lives.

GROWING AND LEARNING

The continuous training of our workforce and the provision of future-proof ongoing training approaches is one of the core tasks of our Human Resources & Motivation department.

Our HAKRO Academy offers our employees an extensive personal development programme and seminars with external and internal speakers on topics in the fields of:

- **Communication and social skills**
- **Specialist knowledge**
- **Sustainability**
- **Health and fitness**
- **Safety**
- **Music, dance and art**



The HAKRO Academy’s diverse range of options is continuously being expanded.

By 2024, we are going to extend the HAKRO Academy programme with more e-learning services. We also support the individual and professional training of our staff and offer training positions for apprenticeships or dual study programmes for young people and young adults in numerous career profiles. From 2023 on, our training programme will also include work shadowing on social projects. By 2030, we want to offer all permanent employees the option of educational scholarships. Once a year, we hold interviews with our employees in which we together analyse their individual development potential and agree concrete steps in this regard.

We are also accompanying HAKRO's strategy development and transformation with corresponding formats. In 2021, we started a workshop series on the topic of change management and digitalisation, which is aimed at all employees. We want to use the workshops to reduce fear of interaction and promote internal discussion on innovations.

We've developed our Integrated Sustainable Business Strategy through participatory processes. In particular, we have incorporated our employees' creativity and wealth of ideas (see the "Our motivation" chapter, p. 16).

With information and training formats, we support our employees with participating in the continuous further development of our strategy with advice and action.

HEALTH AND SAFETY

Our safety officers focus on ensuring safe and healthy working conditions – whether it's for physically demanding work in the logistics centre or office work with ergonomically designed workstations. We have also had height-adjustable tables installed at our packing stations in our logistics centre for back-friendly work.

Furthermore, since 2018, one employee has exclusively be responsible for the holistic promotion of our 180 employees' health, including individually when needed. This ranges from massages and a fitness and yoga programme to brief inspirational talks and health and nutrition tips.

As a result of the expansion of our logistics centre, we now have appropriate facilities for sport and exercise. We're going to remodel our bistro in the logistics centre, where employees have been able to prepare or heat up food they have brought with them, by 2023. It will be turned into an inviting canteen with its own chef, where healthy dishes will be freshly prepared. Our current health programme will be transferred into in a holistic corporate health management strategy by 2024.

In the 2021 reporting period, there were no serious accidents. At an average of 92%, our health rate is very high.

THE PANDEMIC AND SHORT-TIME WORKING

The coronavirus has posed a range of challenges for the HAKRO team – primarily due to the need to implement short-time working for the first time in company history. In times of economic uncertainty and largely unpredictable risks for our company, we have also at times made use of this as an instrument to secure our employees' jobs. In this way, we were also able to keep the average number of our employees at the previous year's level in 2020. We topped up the short-time working allowance to 80% for everyone. At the end of April 2021, short-time working ended.

Social distancing has proved particularly difficult for those of us who value warmth and closeness. Still, we got off lightly in terms of Covid-19 cases. Our comprehensive hygiene protocol was effective, despite Schrozberg having the highest rates of infection in the whole of Germany for some of the first lockdown in 2020. We followed the "hands, face, space" rules and regularly tested ourselves. Our logistics team split itself into two separate teams so as to remain operational in the event of a major outbreak of infection. We offered three vaccinations to our entire workforce.

In our internal satisfaction survey in 2021, we also asked our employees about their pandemic experiences in the company. They told us that not only were they fundamentally satisfied with our measures for health and occupational safety, they felt safe even during the acute phase of the pandemic.

HAKRO MEANS BUSINESS.

Mainstream labour market for the first time

Everyone has talents. Some people need a little more support for these to unfold. Our partnership with Sozialtherapeutische Gemeinschaften Weckelweiler e.V., which helps people with handicaps achieve their potential with employment and training options, has a long tradition.

A permanent external group of up to 13 people has worked in the Logistics & Services department since 2017. For some of them, it is their first regular job and their first opportunity to earn their own money – giving them stability and guidance and creating inclusion.



13 colleagues with handicaps from Sozialtherapeutische Gemeinschaften Weckelweiler e.V. support our logistics team.

We are delighted that we have already been able to hire two employees with handicaps from this cooperation directly at HAKRO. This means they're integrated in the mainstream labour market for the first time – an example of how participation can succeed.

And we're not stopping here either. By 2030, we want to increase the proportion of people with handicaps at HAKRO, including our "Weckelweiler teams", to 15%. Even without this team, at 6.11% we are already exceeding the statutory quota of 5%.

By 2025, we also want to double the opportunities for our employees to participate in shared projects with people with handicaps outside their working hours in comparison with 2022.

In 2019, HAKRO was awarded first place in Sonnenhof e.V.'s Inclusion Award for its cooperation with Sozialtherapeutische Gemeinschaften Weckelweiler e.V. and in 2020, it was one of the five nominees for the LEA-Mittelstandspreis, a prize for SMEs awarded by the state of Baden-Württemberg.



SITE & RESOURCES

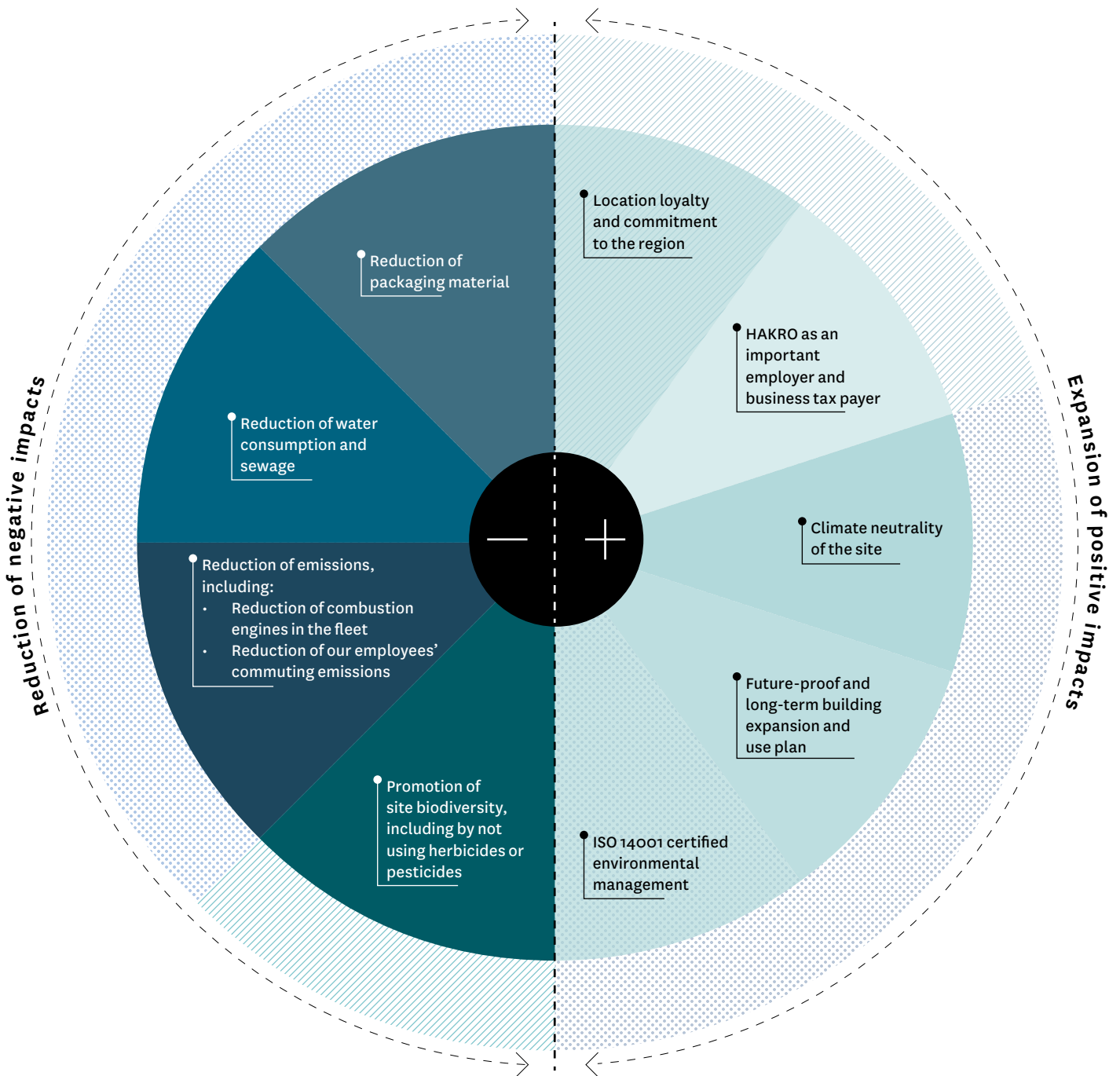
HAKRO has had its site in rural Schrozberg, in the Hohenlohe plain in northern Baden-Wuerttemberg, from the beginning. We have deep ties to the region and invest a great deal in the future of the municipality and in doing business in an environmentally friendly way.

HAKRO is growing. Our yes to Schrozberg stands rock solid – forever. We want to develop ourselves at and with the site. Although we were able to deal with the first few decades of our growth through re-purposing and expansions of existing buildings, since 2000 we have been continuously investing in the construction and expansion of a modern, multifunctional logistics centre, including a showroom and New Work workspaces.

We have been climate neutral at our site since 2017. We are going to expand our holistic climate-protection strategy to include science-based targets in accordance with the Science Based Targets initiative by 2024. We produce green electricity through our photovoltaic systems and offer flora and fauna an ecological compensation site on a 10,000 m² wildflower meadow.

IMPACT OF OUR INTEGRATED SUSTAINABLE BUSINESS STRATEGY

We have analysed the material impact of our work and activities. In other words, we've looked where we can strengthen what is good and where we can further reduce any negative effects of our activities. We're doing this transparently for our four fields of action.



OUR VISION

**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.**

OUR MISSIONS IN THE FIELD OF ACTION

SITE & RESOURCES

01/

We conserve resources and rely on a consistent waste management system.

02/

The Schrozberg site remains climate-neutral.

03/

We are committed to protecting ecosystems and biodiversity at the Schrozberg site.

Growth in and with the region, the international procurement of goods and employees' changing needs are not mutually exclusive. To keep it this way, we invest significantly: in the community, in the environment and in buildings that are as functional as they are contemporary and naturalistic in design.

Location Schrozberg. In addition to the town itself, the area's 6,000 inhabitants live in 53 villages, hamlets, farms and individual houses. This is where HAKRO was born, this is where HAKRO grew up and this is where HAKRO wants to stay. Our business success has already proved that "from Schrozberg to the world" works. In future, we will place and even greater emphasis on "the world to Schrozberg". To this end, we have developed a comprehensive site concept and already completed major phases of the building extension and new construction.

We are particularly proud of the HAKRO showroom in our logistics centre, where we have been receiving customers, partners and guests since 2019 and which we use on a daily basis for internal discussions, events and team meetings (see also the "Site & Resources" chapter from p. 110). We have already reserved an area of 20,000 m² for further growth stages. In the future, all new construction and remodelling at our site will be based on the criteria of the German Sustainable Building Council (DGNB).



Our photovoltaic systems produce more electricity than we need. We feed part of the electricity we generate into the public grid and use part of it ourselves.

SYSTEMATIC ENVIRONMENTAL MANAGEMENT AT THE SITE

Beyond the building management, we also want to keep our environmental footprint at the site as small as possible (for the supply chain relating to our clothing, see also from p. 56). In order to reduce the consumption of resources and energy at our site, we analyse our processes and ensure that we act efficiently. We close material cycles wherever possible. Our environmental management has been ISO 14001 certified since 2020. For several years now, we have been recording, preparing an account of and publishing 100% of our energy and resource consumption at the site.

HAKRO CLIMATE PROTECTION STRATEGY

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

We have recorded all our site-related climate data 2017. ClimatePartner calculates the company's corporate carbon footprint every year (see box on p. 107).

On the basis of this primary data, we identify our further reduction potential, because avoiding and reducing emissions are our climate protection strategy's most important aims. We've already achieved a number of things here: we cover 100% of our electricity needs from sustainable sources, with the majority of this in fact coming from generation from our photovoltaic systems on the roofs of our administrative and logistics buildings.

In 2021, we used 53% of this self-generated electricity ourselves and fed the remaining 47% into the public grid. We purchase the rest of the electricity we need as green electricity. This means that there are no electricity-related CO₂e emissions (Scope 2). In addition, there's a lot of further reduction potential, for which we are setting ourselves ambitious targets (see our core goals starting on [p. 114](#)).

However, putting the reduction measures into practice takes a lot of time. Therefore, until we've fully realised these measures, we are compensating for negative climate effects by offsetting our still unavoidable emissions – at the site since 2017 and additionally for the entire HAKRO collection since 2022. Offsetting is not the only solution for us, but it is a meaningful intermediate step. We choose our certified offsetting projects carefully. It's important to us that these have a long-term approach, make a direct and verifiable contribution to climate protection and also bring added value to society. For example, the offsetting measures we support include a drinking water project in Cambodia and investments in protecting old-growth forests in Brazil (see [p. 85](#)).

By 2024, we will gradually expand our strategy with 1.5° C-aligned science-based targets (SBTs) in order to make a measurable contribution towards achieving the Paris Agreement.



HAKRO's Schrozberg site has been climate-neutral since 2017. By 2024, we are going to expand our climate protection strategy to include science-based targets.

As of 2023, we will calculate the effects of the advancing digitisation of our work processes on our carbon footprint. By 2030, we will have completely switched all vehicles with combustion engines to sustainable mobility in our HAKRO fleet. For our further goals, see also our overview of our goals starting on [p. 114](#).

KNOWING AND PRESERVING REGIONAL BIODIVERSITY

Effective environmental protection relies on each and every individual playing a part. That's why we have set ourselves the objective of raising the awareness of at least 10% of our employees on the topics of ecosystems at our site and biodiversity in general each year until 2023. As a comprehensive biodiversity measure, we had a 10,000 m² wildflower meadow planted next to our logistics centre in 2018. It provides a habitat for a growing number of flowers, grasses, birds and insects. This area will also become home to our first bee colony this year. Accordingly, for the extensive maintenance of our other green spaces, we completely avoid the use of chemicals and employ more natural methods instead.



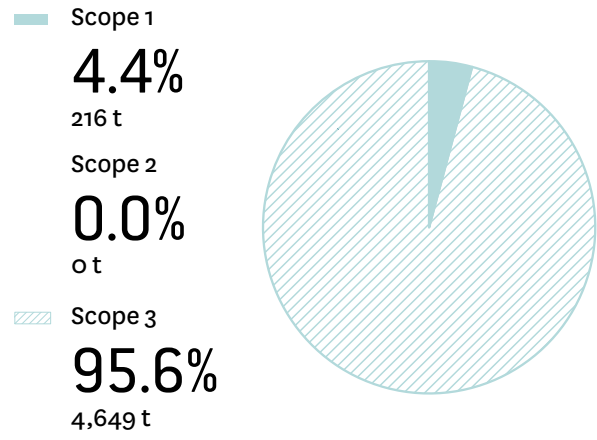
The "Results" chapter presents our environmental key figures for 2021 (see from [p. 44](#)).



Our one hectare wildflower meadow is more than just a symbol of the protection of biodiversity at our site. It offers a habitat and food for bees and other insects.

OUR CARBON FOOTPRINT AT THE SCHROZBERG SITE

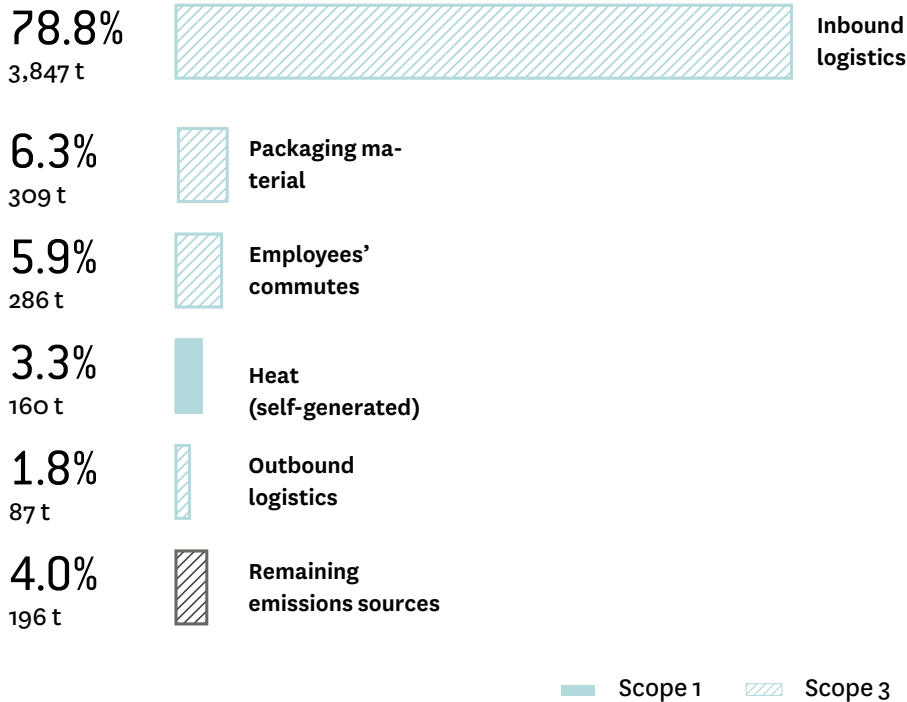
The corporate carbon footprint of our company, including its site in Schrozberg, was 4,884.49 t CO₂e in 2021. To make the site climate neutral, we offset these emissions through a forest conservation project in Brazil. By far the greatest share of our emissions are in Scope 3 – in the supply chains involved in the production and transport of our garments. That's why, in addition to our site, we have also made our entire collection climate neutral since the start of 2022 (see "Supply Chains & Products" chapter, p.84).



Our CO₂e emissions sources in 2021

BREAKDOWN OF THE CO₂e EMISSIONS IN 2021

Over 85% of the emissions that are attributable to our site processes and rendered climate neutral are due to logistics of goods and people. Of these, the largest component is incoming goods logistics.



OUR REDUCTION TARGETS

Our absolute CO₂e emissions have risen since 2019 – because HAKRO is growing too. With our reduction targets, we are targeting the most important lever, Scope 3 emissions. We have set ourselves the goal of reducing emissions in textile processing and in upstream goods transport (long distance) by at least 30% relative to the total produced quantity in units by 2030 (base year 2022).

HAKRO IS BUILDING.

At the site, in the region and for the future.

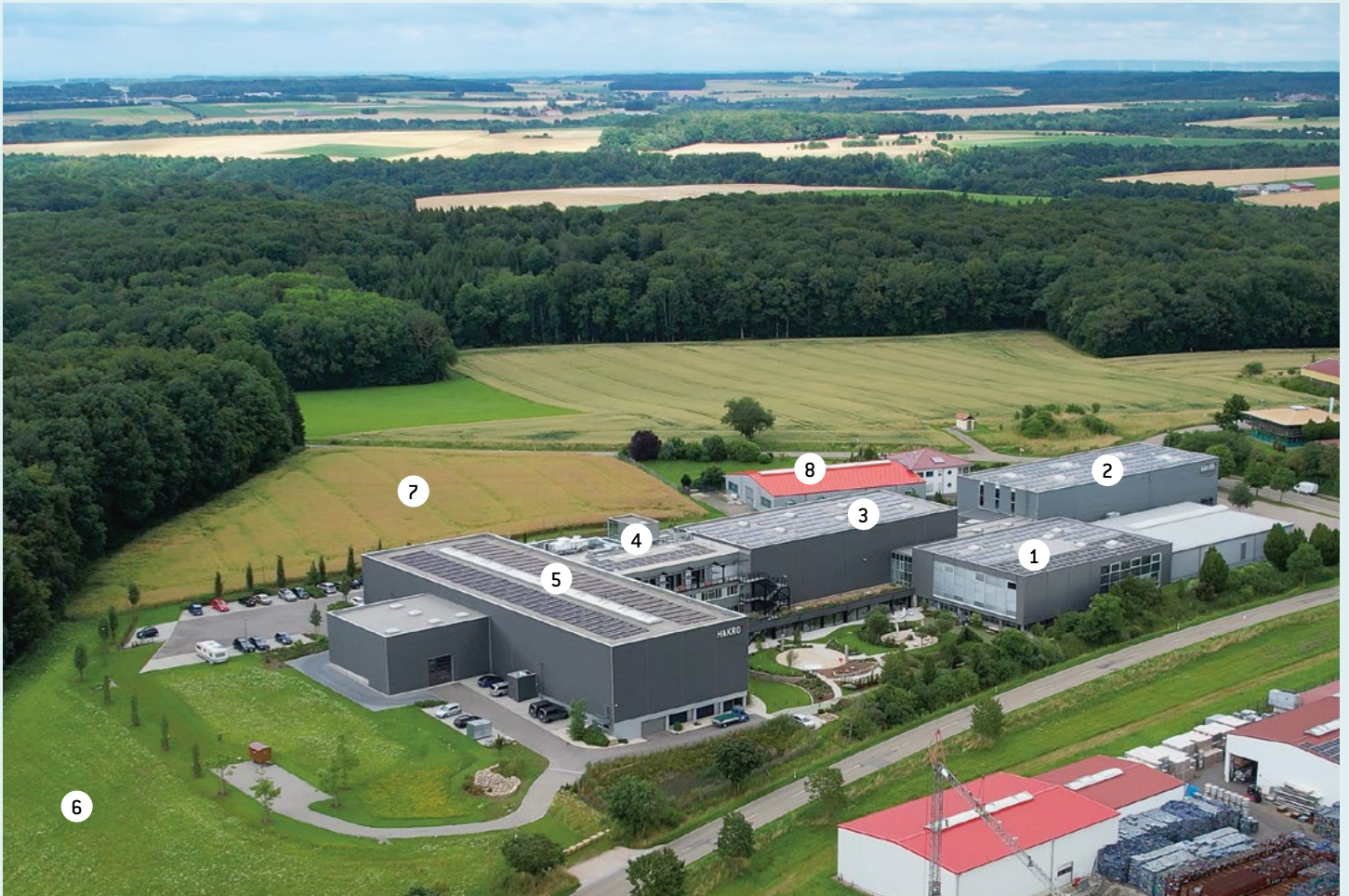


The “old school” in Schrozberg. The site of HAKRO’s administration since the end of the 1980s and the home of the company’s founders Marianne and Harry Kroll to this day. In the early days, the warehouse and even a textile screen printing works were also housed here.

HAKRO today. A logistics centre complete with showroom and New Work concept has been constructed in the Schrozberg industrial area over four construction stages and 20 years.



Site concept



① Our current picking and dispatch warehouse was the very first (and at that time only) HAKRO warehouse on the 9,000 m² site at the start of the 2000s.

② The first HAKRO high-bay warehouse followed.

③ Our high-bay warehouse II was part of the third construction stage.

④ The passage to the latest construction stage on the left houses a new unloading hall, new offices for logistics and the HAKRO showroom with Harry's Bar.

⑤ In 2019, we put our high-bay warehouse III into operation and completed the fourth construction stage.

⑥ The 10,000 m² HAKRO wildflower meadow attracts both people and bees with its floral splendour in the summer.

⑦ Space for expanding the business

⑧ Workshop and photo studio

HAKRO SHOWROOM

Bringing the world to Schrozberg. Making HAKRO's corporate wear and values come alive – instead of just talking about them elsewhere. That was the idea when designing the 600 m² HAKRO showroom, which was completed in 2020. The HAKRO showroom is the first part of our far-reaching future-oriented overall concept for the company headquarters in Schrozberg – and a declaration of our love for the region.

The sustainable greening concept ensures a healthy indoor climate and natural feeling of well-being. As an intelligently planned multifunctional space, the showroom offers many opportunities to work and exchange ideas with teams, customers and partners in meetings and at events. Our Integrated Sustainable Business Strategy was in large part developed here.





The HAKRO showroom. HAKRO corporate wear you can touch, HAKRO spirit you can feel and a clear commitment to the Schrozberg site.



The HAKRO showroom is a meeting place that combines New Work and product presentation. Five individual meeting spaces create room for head and heart. There is also space for events right up to large company celebrations.

Madam Mayor, what is your view of Schrozberg and HAKRO?

Jacqueline Förderer is Schrozberg's mayor. The 33-year-old has been in office since 2016 and represents the important HAKRO stakeholder groups as the representative of the town and municipality of approximately 6,000 inhabitants.

How's Schrozberg doing as a business location?

If you look at our rural location and region, the business location of Schrozberg is developing very well. We have a varied range of jobs, products and services.

What does Schrozberg do to make itself more attractive for business people?

We are one of the first municipalities in the Schwäbisch Hall district to offer a fast glass fibre network with comprehensive coverage. This makes the information superhighway even more important for us than the actual autobahn connection, around 30 km away. There's also attractive commercial space on favourable terms. It's personally important to me to maintain contact with all our business people, to have my finger on the pulse.

Unfortunately, realistically, there's not a lot we can do about e-commerce and shop standing empty in town centres, which we're also experiencing. Especially as we already have a diverse range of products on offer locally – if you consider purchasing power and supply.

Can you describe your first contact with HAKRO?

That was an aha moment for me. In my very first conversation with Ms Kroll in 2016, she told me that statistically, there's at least one item of HAKRO clothing hanging in almost every wardrobe in Germany. When I got home, I went through my wardrobe and did indeed find a HAKRO T-shirt with a club logo, which I'd owned since as far back as 2005.

What role does HAKRO play for Schrozberg?

A very big one, of course. HAKRO is a large and attractive employer. HAKRO stands for quality and sustainability, and the town also benefits from this positive public image and aura. HAKRO's also a reliable partner for our clubs and associations and supports many projects financially and in non-material ways.

What do you wish regarding HAKRO?

I wish for HAKRO to continue to invest in strengthening its site, to retain jobs and to expand as far as possible. I also wish for a continuation of our good relations and open and personal communication. And if I may be permitted to wish something for HAKRO, then it's continued positive development of the business, joy at work and success on the exemplary and exciting path to integrated sustainable business activities.



“In an interview with HAKRO, Ms Kroll told me that, statistically speaking, there's at least one item of HAKRO clothing hanging in almost every wardrobe in Germany. At home, I went through my wardrobe and did indeed find a HAKRO T-shirt with my club logo.”

Jacqueline Förderer,
Mayor of Schrozberg

OUR KEY OBJECTIVES 2022–2030 IN EACH FIELD OF ACTION

We demonstrate the contribution each of our key objectives makes to the UN Sustainable Development Goals (SDG).

To that end, we distinguish between **essential contributions** (large icons) and **accompanying contributions** (small icons).

The full catalogue of all missions and objectives in each field of action is available for download in the download section at [hakro.com](https://www.hakro.com).

Key objectives

| Objectives in each field of action | Attainment | SDG |
|--|------------|--|
| COMPANY MANAGEMENT & DIALOGUE | | |
| Implementing a respectful system for target agreements, target agreements with each department | 2022 |  |
| Applying ethically sustainable or eco-social selection criteria to 100% of our financial investments | 2022 |  |
| Holding over 100 valuable appointments between our sales department and dealers at the Schrozberg site, partially as a substitute for taking part in trade fairs | 2022 |   |
| Promoting co-creation through at least two development projects a year together with external participants and affected parties | 2022 |  |
| 100% of our communication content is sustainability content across all the attention-grabbing communication channels we use | 2022 |   |
| Transferring our compliance requirements into an ISO 37301-certified compliance management system | 2023 |   |
| Annual award of a HAKRO sustainability prize to authorised dealers | 2023 |  |
| Needs-based publication of our supply chain on Tier 1 | 2023 |   |
| Promoting co-opetition through at least one joint project a year with fellow market participants, especially regarding sector-specific risks | 2024 |  |
| Integrating innovation management into the organisation | 2025 |  |

Our key objectives for 2022–2030 in each field of action

| Objectives in each field of action | Attainment | SDG |
|---|------------|--|
| Opening our HAKRO Academy to external stakeholders, up to 10% of the Academy programme | 2026 |  |
| Doubling the donation volume to the Harry Kroll Foundation for charitable purposes compared with 2022 | 2027 |   |
| Doubling the volume of donations in cash and kind for nonprofit purposes (social and charitable) compared with 2022 | 2027 |   |
| Collaborating exclusively with ethically sustainable financial service providers | 2030 |  |
| Multiplying our values and sustainability goals and integrating them into the sales activities of commercial and industrial end customers through our authorised retailers (at least 90%) | 2030 |   |
| Carrying out a potential analysis for opening up new (integrated sustainable) business areas | 2030 |  |
| Digitalising our internal and external services, 100% disruption rate of the defined processes compared with 2022 | 2030 |  |
| Attaining the maximum reasonable degree of digitalisation in all departments | 2030 |  |
| Needs-based publication of our supply chains on Tiers 1–4 | 2030 |  |

Key objectives

Objectives in each field of action

Attainment

SDG

SUPPLY CHAINS & PRODUCTS

Evaluating and prioritising all sector-, country-, supplier-, and raw-material-specific potential and actual risks along the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector at least once a year and deriving appropriate measures

2022



Inviting our production partners (Tier 1) to evaluate HAKRO's purchasing practices, cooperation, communication and integrated sustainable management each year

2022



At least every 3 years, auditing all of HAKRO's direct production partners (Tier 1) in accordance with the criteria of the iMPACT Program as part of our membership in the Fair Wear Foundation

2022



Offer support in selecting needs-based and suitable training programmes for all factories audited in accordance with the iMPACT Program

2022



Together with our direct production partners (Tier 1), support all political, systemic and individual measures that pursue the objective of promoting a living wage over the medium and long term

2022



Our key objectives for 2022–2030 in each field of action

| Objectives in each field of action | Attainment | SDG |
|---|------------|--|
| Material composition of new shipping cartons: at least FSC mix (Forest Stewardship Council) | 2022 |  |
| 100% compensation for (still) unavoidable or non-reducible CO ₂ e emissions in accordance with the GHG Protocol in textile processing and upstream goods transport (long distance) via certified climate protection projects to maintain at least the climate neutrality of our products | 2022 |  |
| 100% of the animal fibres processed in HAKRO products certified as sustainable and mulesing-free (status as of 2022: Responsible Wool Standard [RWS]) | 2023 |  |
| Testing innovative materials for sustainability according to recognised evaluation standards (such as the HIGG Index) and for industrial washing suitability in accordance with ISO 15797/ISO 30023, at least one innovation a year | 2023 |  |
| Circularity of all new products we develop | 2023 |  |
| Testing all our products and materials for recyclability | 2023 |  |
| Achieve Leader status as a member of the Fair Wear Foundation for supply chain management on Tier 1 | 2024 |  |

Key objectives

| Objectives in each field of action | Attainment | SDG |
|---|------------|--|
| Certified sustainability for 100% of the viscose fibres processed in our products (status as of 2022: Lenzing profiles) | 2024 |  |
| Ensuring traceability of our supply chain, including all upstream operations along the direct production stages – from manufacturing back to raw material extraction | 2025 |  |
| Measuring microplastic abrasion in 100% of our textiles that contain PET (polyethylene terephthalate) | 2025 |  |
| At least every three years, auditing of all upstream wet processing operations to analyse and reduce the ecological and human-rights risks, unless they are already ensured through chain certification standards | 2025 |  |
| Balancing all Scope 1 and Scope 2 CO ₂ e emissions of our direct production partners (Tier 1) in accordance with the GHG Protocol (Greenhouse Gas Protocol) | 2025 |  |
| Acknowledging and signing the ZDHC MRSL (Zero Discharge of Hazardous Chemicals/Manufacturing Restricted Substances List) by all upstream wet process operations | 2025 |  |

Our key objectives for 2022–2030 in each field of action

| Objectives in each field of action | Attainment | SDG |
|---|------------|--|
| Sustainable material for all unavoidable repackaging used by HAKRO (recycled post-consumer material or sustainable material innovations) | 2025 |  |
| Consumption reduction of 20% (by weight) for new cardboard packaging, relative to units sent, compared with 2022 | 2025 |  |
| 100% PFC-freedom (per- and polyfluorinated chemicals) in the textile finishing of our products | 2025 |  |
| Building a cooperation network with recyclers (covering all material compositions in the HAKRO product portfolio by at least one recycler)/integrating textile recycling into the services offered to our dealers and their end customers | 2025 |  |
| Ensuring the traceability of all suppliers (ingredients, materials and services) in the supply chain | 2027 |  |
| Relative to incoming goods per year, 50% weight reduction of our polybags in repackaging | 2027 |  |

Key objectives

Objectives in each field of action

Attainment

SDG

At least every three years, auditing of all indirect production partners to analyse and reduce the ecological and human-rights risks, unless they are already ensured through chain certification standards

2030



Based on political, systemic and individual measures, ensuring that workers at 100% of our direct production partners (Tier 1) earn living wages (according to the Anker methodology)

2030



(Further) reduction of CO₂e emissions in accordance with the GHG Protocol in textile processing and in upstream goods transport (long distance) relative to the total produced quantity in units by 30%

2030



Certified sustainability for 100% of the cotton processed in our products (status as of 2022: GOTS (Global Organic Textile Standard), CmiA (Cotton made in Africa), Fairtrade cotton, recycled cotton)

2030
















Certified sustainability for 100% of the synthetic materials processed in our products (status as of 2022: GRS – Global Recycled Standard)


2030

















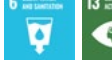



Our key objectives for 2022–2030 in each field of action

| Objectives in each field of action | Attainment | SDG |
|--|------------|--|
| TEAM & DIVERSITY | | |
| Integration of the topic of sustainability into the interview guidelines for job interviews | 2023 |   |
| For each trainee, work shadowing in social projects, integration in our training programme | 2023 |   |
| Exceeding the respective collective bargaining agreement rates for wholesale and foreign trade in the wage and salary structure | 2024 |  |
| 20% share of e-learning in the HAKRO Academy's total offering | 2024 |   |
| Offer a sabbatical for permanent employees | 2024 |   |
| Offer flexible working time to 100% of our employees | 2025 |  |
| Offer of holiday programmes for children (5–15 years) for 100% of the parents among our employees | 2025 |  |
| Doubling the opportunities for our employees to participate in shared projects with people with handicaps outside their working time in comparison with 2022 | 2025 |   |
| Transparency and comprehensibility of our wage and salary structure in wage and salary groups for all employees | 2026 |  |

Key objectives

| Objectives in each field of action | Attainment | SDG |
|--|-------------|--|
| Day care offer for the children (3 months – 7 years) of 100% of the parents among our employees | 2027 |  |
| 50% more special leave days used compared with the base year 2022 as part of our TeamShare project | 2030 |   |
| Use of our company pension plan by all permanent employees | 2030 |  |
| Increasing the percentage of people with handicaps in the HAKRO team to 15% | 2030 |   |
| Offers for external professional development (such as scholarships) taken advantage of by 15% of our employees | 2030 |   |

SITE & RESOURCES

| | | |
|---|-------------|--|
| Compensation for all (still) unavoidable or non-reducible direct and indirect CO ₂ e emissions on site (Scope 1+2) through certified climate protection projects | 2022 |         |
| Keeping our own bee colonies in the insect-friendly HAKRO wildflower meadow and producing honey (partly to raise our employees' awareness of biodiversity) | 2022 |     |
| Dispensing with the use of herbicides and pesticides during the extensive maintenance of our other green spaces | 2022 |       |

Our key objectives for 2022–2030 in each field of action

Objectives in each field of action

Attainment

SDG

Basing all new construction and remodelling on the criteria of the German Sustainable Building Council (DGNB)

2023



Illustrating the effects of digitalisation in our climate footprint

2023



Reducing the CO₂e emissions from our employees' trips to work by 20% compared to the base year 2022

2026



Excluding vehicles with a combustion engine from our vehicle fleet

2030



ABOUT THIS REPORT

The Integrated Sustainable Management Report 2022 is the first management report by HAKRO GmbH and continues its prior sustainability reporting. It depicts the business activities of the whole of HAKRO GmbH, which does not hold any subsidiaries or equity investments.

Since 2015, HAKRO has provided transparency on its sustainability performance each year. The last sustainability report, which was entitled “Hält”, was published in 2019 for the reporting year 2018. There was subsequently a fundamental strategic reorientation of HAKRO GmbH and, as a result of this, of its reporting and the presentation of data.

The Integrated Sustainable Management Report 2022 contains data for financial years 2019–2021, takes stock of the five-year sustainability strategy cycle “Wirkstoff 2017–2022” and explains HAKRO GmbH’s future path. It has been reviewed and approved by the management team. The key business figures contained in this report have been audited by our auditor. For future integrated sustainable management reports, we plan to expand the auditor’s report to include the sustainability figures. The editorial deadline for this report was the end of May 2022.

The report is prepared in accordance with the GRI Standards (2021 version) and meets the transparency requirement for a social report pursuant to the Fair Wear Foundation (FWF). It is our progress report to the UN Global Compact (UNGC) and to the state of Baden-Württemberg’s WIN Charter.

The report contains forward-looking statements that are based on current assumptions and expectations. Various factors may lead to the results differing from the assessments presented here.

The report is available in German and in an English translation as a digital report. The printed version does not contain an annex, for reasons of resource conservation. We are making this available on our website as a separate download.

→ www.hakro.com/en/service/downloads

In future, the integrated sustainable management report will be published every two years.

THREE-YEAR COMPARISON OF HAKRO KEY FIGURES

| Key figure | Unit | 2021 | 2020 | 2019 |
|---|-------|-----------|-----------------------|----------------------|
| COMPANY MANAGEMENT & DIALOGUE¹ | | | | |
| Revenue (net) | €'000 | 93,397.0 | 86,585.9 ² | 92,541.3 |
| Personnel expenses | €'000 | – | 6,974.6 | 7,481.7 ³ |
| After-tax return | % | – | 5.7 ⁴ | 4.6 |
| Equity ratio | % | – | 85.0 ⁵ | 75.6 |
| Total donations by HAKRO to the Harry Kroll Foundation ⁶ | € | 70,000 | 53,745.0 | 78,300.0 |
| Total donations by others to the Harry Kroll Foundation | € | 17,300 | 11,100.0 | 11,800.0 |
| Total donations by HAKRO for projects outside of the Harry Kroll Foundation | € | 33,190 | 16,300.0 | 20,500.0 |
| HAKRO clothes donations | items | c. 22,000 | 10,400.0 | 1,284.0 |
| Funding provided by the Harry Kroll Foundation to “Kleeblatt” projects | € | 24,900 | 25,700.0 | 28,700.0 |
| Funding provided by the Harry Kroll Foundation to other projects | € | 47,700 | 46,800.0 | 56,800.0 |
| SUPPLY CHAINS & PRODUCTS | | | | |
| Total fibres | t | 5,939 | 3,736 | 4,155 |
| of which cotton | % | 68 | 64 | 67 |
| of which sustainable cotton | % | 26 | 16.4 | 15.2 |
| of which synthetic fibres | % | 30 | 34 | 31.0 |
| of which cellulosic synthetic fibres | % | 2 | 1.8 | 1.6 |
| of which merino wool | % | <1 | <1 | <1 |

Three-year comparison

| Key figure | Unit | 2021 | 2020 | 2019 |
|---|--------|-----------------|------------------|------------------|
| Production countries | Number | 7 | 7 | 7 |
| of which countries with first-time recording of the wage ladder (living wage gap) | Number | 5 | n/a ⁷ | n/a ⁷ |
| Production partners | Number | 8 | 8 | 8 |
| Factories | Number | 11 | 11 | 11 |
| Proportion of production volume in Asia | % | 59 | 49 | 43 |
| Proportion of production volume in Europe | % | 41 | 51 | 57 |
| Production volume audited according to the iMPACT Program | % | 80 ⁸ | n/a ⁹ | n/a ⁹ |
| Total packaging material ¹⁰ | kg | 199,308 | 161,052 | 201,234 |

TEAM & DIVERSITY

| | | | | |
|--|-----------|------|-----------------|-----------------|
| Number of employees as of 31 December | Headcount | 180 | 171 | 174 |
| of which full-time | % | 63.3 | 63.7 | 64.4 |
| of which part-time | % | 22.2 | 22.8 | 22.4 |
| of which marginal employment (mini job) | % | 13.3 | 12.3 | 10.9 |
| of which on parental leave | % | 1.2 | 1.2 | 2.3 |
| of which parents | % | 65 | — ¹¹ | — ¹¹ |
| of which women | % | 65 | 66 | 66 |
| of which employees with a handicap | % | 6.1 | 5.8 | 5.7 |
| Number of managers | Headcount | 15 | 13 | 13 |
| of which women in management positions | % | 60 | 54 | 54 |
| Hours of continuing training | Number | 4.3 | 2.5 | 8.7 |
| Apprenticeship rate | % | 5 | 4.1 | 6.9 |
| Health rate | % | 92.5 | 93.8 | 93.1 |
| Accident rate | % | 3 | 2.5 | 1.2 |
| Nationalities in the team | Number | 13 | 15 | 15 |
| Proportion of senior managers recruited from the local community ¹² | % | 100 | 100 | 100 |
| Employee turnover | Headcount | 16 | 12 | 20 |
| Employee turnover rate | % | 8.3 | 6.5 | 10.4 |
| New hires | Headcount | 20 | 10 | 25 |

Key figures

| Key figure | Unit | 2021 | 2020 | 2019 |
|---|---------------------|---------|---------|---------|
| SITE & RESOURCES | | | | |
| Total electricity consumption | kWh | 354,005 | 371,364 | 368,056 |
| Electricity purchases (100% green electricity) | kWh | 228,896 | 234,684 | 236,189 |
| Generated by our own photovoltaic system | kWh | 267,809 | 290,809 | 280,569 |
| of which own use | kWh | 125,109 | 136,680 | 131,867 |
| of which fed into the electricity grid | kWh | 142,700 | 154,129 | 148,702 |
| Heating procurement (natural gas) | kWh | 878,008 | 680,400 | 725,400 |
| Water consumption | m ³ | 1,579 | 1,830 | 1,017 |
| Consumption of photocopying paper | Sheets | 746,850 | 986,643 | 731,125 |
| Waste generated | t | 221 | 192 | 220 |
| Recycling rate ¹³ | % | 95 | 95 | 95 |
| Company car fuel consumption | l | 20,961 | 12,887 | 34,871 |
| Vehicles in the HAKRO fleet | Number | 18 | 18 | 18 |
| Proportion of vehicles with combustion engines in the HAKRO fleet | % | 84 | 84 | 89 |
| Total greenhouse gas emissions | t CO ₂ e | 4,885 | 4,910 | 3,045 |
| of which Scope 1 | % | 4.4 | 3.2 | 7.7 |
| of which Scope 2 | % | 0 | 0 | 0 |
| of which Scope 3 | % | 95.6 | 96.8 | 92.3 |

1 2021 revenue audited, other key business figures for 2021 after audit in the next integrated sustainable management report

2 Dip in revenue due to the pandemic in 2020

3 Effect in 2019 as a result of the anniversary bonus

4 Lockdown-related lower inventory of clothing, lower distribution costs

5 Further increase in risk resilience

6 The donations by HAKRO to the Harry Kroll Foundation also include campaigns and employee donations.

7 We introduced recording of the wage ladder in 2021 with our new iMPACT Program social monitoring system.

8 The difference from 100% is due to pandemic-related lockdowns, as a result of which we had to postpone the audit until 2022 in some production countries.

9 We introduced our iMPACT Program social monitoring system in accordance with the Fair Wear standard in 2021.

10 In 2019 and 2020 only cardboard sent from Schrozberg; in 2021 cardboard including additional polybags and tissue paper

11 The proportion of parents has been recorded since 2021.

12 All our managers come from the region and started as employees in our teams.

13 Annual quantity of yellow bags (used in Germany for recyclable waste made of plastic, metal or composite materials) is not recorded and their recycling is not verifiable.

ANNEX

The annex with the following report indices is available digitally:

→ www.hakro.com/en/service/downloads

- GRI/UNGC content index
- Fair Wear Foundation index
- WIN Charter index

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PUBLISHED BY

HAKRO GmbH
Oberstettener Straße 41
74575 Schrozberg
Telephone: +49 (0) 7935 9118-100
www.hakro.com

www.instagram.com/hakro1969
www.twitter.com/hakro1969
www.facebook.com/HAKRO1969
www.linkedin.com/company/hakro-gmbh

PERSON RESPONSIBLE

Carmen Kroll, *Managing Partner and
Managing Director*
Thomas Müller, *Managing Director*
Danny Jüngling, *Executive Management /
Authorised Signatory*

POINT OF CONTACT AND EDITORIAL STAFF

Impact, Responsibility & Innovation
Jochen Schmidt,
jochen.schmidt@hakro.com
Anna Rüchardt,
anna.ruechardt@hakro.com

CONCEPT AND TEXT

Fährmann
Unternehmensberatung GmbH

EXPERT ADVICE AND MODERATION

Achim Lohrie, *Sustainability Expert*

TRANSLATION

wordinc GmbH
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original of the Integrated Sustainable
Management Report 2022.

This report is available digitally in German and in English translation.

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In our Integrated Sustainable Management Report 2022, we provide information on our new strategy and on many first times on the way to jointly shaping HAKRO's future. And we announce our vision of becoming the best in the industry by 2030. HAKRO – the leading integrated sustainable company for corporate wear.