

**HAKRO**   
HÄLT. SEIT 1969

# SOCIAL REPORT 2022

Transparency about the implementation  
of social standards in our supply chains



The Social Report 2022 is our first transparency report on the management of social standards in the textile supply chain. It primarily addresses the social aspects of our textile production and meets the guidelines of the Fair Wear Foundation, which we have been a member of since January 2021.

The Social Report also provides an overview of our Integrated Sustainable Business Strategy 2022–2030 and summarises other central aspects of our sustainability management.

We explain our integrated, sustainable approach comprehensively in our first Integrated Sustainable Management Report, which will be published in May 2022. In addition to the transparency requirements of Fair Wear, the management report meets the Standards of the Global Reporting Initiative (GRI) and presents our progress report according to the ten principles of the Global Compact of the United Nations (UNGC) and the WIN Charta of the State of Baden-Württemberg.

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## DEAR READER,

HAKRO set a course for the future in 2021. This was an important year for us in many respects.

By means of a participatory process conducted with our key stakeholders, we developed an Integrated Sustainable Business Strategy for 2022–2030 which replaces our current sustainability strategy. The new holistic approach recognises that a “silo” mentality is insufficient to meet the complex sustainability challenges we are actively working to overcome. With our new business strategy and the management processes based on it, we have laid the foundation for quantifiable and verifiable networked planning and action.

2021 also saw us become a member of the Fair Wear Foundation, by which we commit to the highest social standards throughout our supply chain. This membership is strategically important for us, because our success as a leading corporate wear supplier is largely built on the contributions of people and organisations working in global supply chains. In view of this, a core corporate responsibility concern for us is to maintain an overview of the entire value chain. Our Integrated Sustainable Business Strategy effectively operationalises the high standards of the Fair Wear as codified in its Code of Labour Practices (CoLP), while also consistently reinforcing them with measurable goals.

We are delighted to report the tangible progress we have made in the area of environmental responsibility. As of the start of 2022 we are making our entire collection climate-neutral, by funding a certified climate protection project to offset any continuing CO<sub>2</sub>e emissions. We are also addressing the ongoing prevention and reduction of emissions with our climate protection strategy, which will focus on the production of raw materials and on how our clothing is transported; this builds on the fact that our Schrozberg site has already been climate-neutral since 2017.

Our vision: by 2030 we want to be the first choice in our industry for sustainable corporate wear. We cannot achieve that alone. Transparency, cooperation, and appreciation as a necessary condition for success are among the central HAKRO values in business. We would be delighted if you engage with us too – with your feedback, your questions and your suggestions.

Our management team

**Carmen Kroll**  
Managing Partner  
and Managing Director

**Thomas Müller**  
Managing Director

**Danny Jüngling**  
Authorised Signatory

# AT A GLANCE

HAKRO looks back at 2021 – the first year of its Fair Wear membership. Our Quality, Values & Sustainability department takes stock of our first steps towards implementing the Fair Wear Code of Labour Practices with our production partners.

## A CONVERSATION WITH JOCHEN SCHMIDT AND ANNA RÜCHARDT

### 2021 – year two of the Covid-19 pandemic How did it influence your work?

**JS** — In August 2020, after first being paralysed with shock at the pandemic, we began to see it as an opportunity and started an exciting process. So, 2021 was a year shaped by change for us. With the development of our new Integrated Sustainable Business Strategy for 2022–2030, we have initiated a process of transformation throughout the company. We are building on our previous sustainability strategy “Wirkstoff 2017–2022”, with which we have gathered plenty of essential experience and a good deal of courage, and are gradually integrating sustainability into all of our business activities.

**AR** — Our Fair Wear membership ties in wonderfully with this, because together with the multi-stakeholder initiative and our fellow members, we are able to champion fair working conditions in the supply chain. And we can only do that if we look at the broader context. Avoiding overtime, fostering living wages, establishing grievance mechanisms – all of this can only be done if we as sustainability team work closely together with our colleagues in Purchasing and Product Development, with our direct production partners and of course with the full commitment of our management team. We have, therefore, integrated our responsibility for the working conditions within the supply chain consistently and systematically into our business strategy and enshrined it in targets for various areas. These include, for example, ensuring that all of our production partners’ workers earn a living wage by 2030 at the latest, conducting supplier ratings based on regular dialogue and supporting joint, ongoing improvement of working conditions on the basis of our risk analysis.



Anna Rüchardt, Project Manager, and Jochen Schmidt, Head of Quality, Values & Sustainability (QVS)

“The first year of our Fair Wear membership saw encouraging experiences from the successful collaboration with our partner factories for better working conditions. It is exciting, challenging and continually inspiring to be part of this process.”

**Anna Rüchardt,**  
Project Manager Quality, Values & Sustainability

**This requires you to take a close look at the processes and structures of your production partners.**

**AR** — Yes, it does. Our iMPACT Program is a great help with this. It is a comprehensive social auditing programme that we have developed in partnership with OLYMP Bezner KG and the international service provider ELEVATE Ltd. We also involved and continuously consulted Fair Wear in the development of the iMPACT Program, right from the start. After all, the iMPACT Program is based on the Fair Wear Code of Labour Practices and gives us and our production partners a good external view of the working conditions at the manufacturing sites, as well as a broad and consistent data base. This has given us even deeper insight than the auditing system we previously used so we know specifically what potential for improvement exists and what we can work on together.

**JS** — The fact that this can come with major challenges is something that we especially experienced during the pandemic. While more than 70% of our manufacturing volume in 2021 came from manufacturing sites that have already completed their first iMPACT Program audit, the strict local lockdowns in Laos, for example, put paid to our audits there. We will conduct these postponed audits in early 2022.

**AR** — Not to mention: one element of our iMPACT Program is a wage ladder that allows us to calculate the living wage gap for each manufacturing site for the first time. This is a key metric for us, even if it is not always easy to calculate, as we are partly missing reliable benchmarks and statistics to be able to create a wage ladder. Having said that, we were able to draw a wage ladder for five out of seven production countries in 2021 and have thus demonstrated what we and our production partners still need to achieve together.

**What other effects has the pandemic had on the relationship with your production partners – and what challenges are persisting?**

**JS** — We have all learned that working together effectively can also be done remotely – but of course it is different from regularly being on site in person to gain direct insight and maintain relationships in person. We miss that. Thankfully, we were in Bangladesh in January 2020 and celebrated a big event with the roughly 1,600 workers. A few weeks after our return, the first lockdown came into force. Since then, we haven't been able to visit any of our manufacturing countries.

**AR** — So the global ELEVATE network of local auditors helped gain detailed insight into whether, and the extent to which, the pandemic was affecting the working conditions of our production partners. Our business model in itself – our NOS strategy and the long-term and close partnerships with our production partners – stands us in good stead. We didn't have to cancel any orders and were able to delay delivery dates. Despite this, the various lockdowns and increasing delays in material deliveries did partly lead to excessive overtime. Also, the Fair Wear grievance mechanism hasn't yet been fully established and integrated with all partners. We still have plenty of work to do here.

**So, 2021 was a successful year for you?**

**JS** — Absolutely. I am particularly proud of the fact that we had all of our strategic partners on board right from the start of our Fair Wear membership. We had done quite a bit of persuading before joining and continually highlighted the benefits we saw in our membership, both for our partners and for us. The feedback from our partners regarding the first iMPACT Program audits has also been highly positive.

**AR** — With the start of our Fair Wear membership in 2021, we have laid the foundation. In 2022, we can look forward to our first brand performance check and the continuing implementation of remediation processes with our partners. And because we have lofty goals for ourselves, one thing is clear: we aim to achieve Fair Wear Leader status by 2024, at the latest.

“Our first Social Report is being published at a significant moment for us. With our Integrated Sustainable Business Strategy, we are setting new standards when it comes to our level of ambition and collaboration. Our next step: Fair Wear Leader status.”

**Jochen Schmidt,**  
Head of Quality, Values & Sustainability

# WE ARE HAKRO

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

## HAKRO TODAY

HAKRO GmbH is a family business founded in 1969 by 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
- **58%** of all managers are women
- **5.6%** of our employees are handicapped
- **13** nationalities are in our team
- **1.2** is the employee satisfaction in grades

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

### PRODUCT OVERVIEW

We produce and sell T-shirts, polo shirts, sweatshirts & jackets, blouses & shirts, outdoor vests & 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 & 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 is climate-neutral since the beginning of 2022; our company site in Schrozberg, 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 fulfil the Standard 100 by OEKO-TEX® and we are continually expanding the share 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'. We were praised for our attitude towards change and making a fresh start, among other things.

### 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.

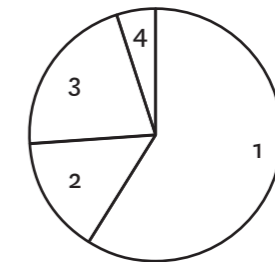
**100%** is the percentage of the workers of our production partner in Bangladesh we've supported with care packages as part of our 'HAKRO FriendShare' programme

### WE WORK WORLDWIDE

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

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

- 1 Turkey with production sites in Istanbul, Bulgaria and Moldova (59%)
- 2 Bangladesh (15%)
- 3 Laos and Cambodia (21%)
- 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're leading 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, according to 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 in 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 personnel management
- Doubling our commitment to not-for-profit social and charitable purposes
- Strengthening our external sustainability communications with 360°

\* Excerpt from objectives for 2022–2030. See p. 60 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 will 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, all of our retailers, 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 (SDG) form the guidelines for a healthy development of economy, politics, and society by 2030.



→ We explain which of our key objectives contribute to the SDG, and how, in our overview on p. 60.

# 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 goals to him.

1960–1990

## BEGINNINGS

Marianne and Harry Kroll sell their first clothing items in the 60s from the boot of their car and at weekday markets.

Soon, there’s a brick-and-mortar ‘Harry Kroll Clothing’ store in Schrozberg. The decision is made to have textiles produced for the store, so that the quality is good enough. Harry Kroll participates in a manufacturer for 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 subsidiaries grows in the Hohenlohe region and the bordering 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 time, and intended to be suitable for printing and embroidery with company and association names and made to last as long as possible.

A former school building in Schrozberg is purchased for the company site. 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 the company founder, 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 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, which combines the global, national, and regional charitable commitment 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.

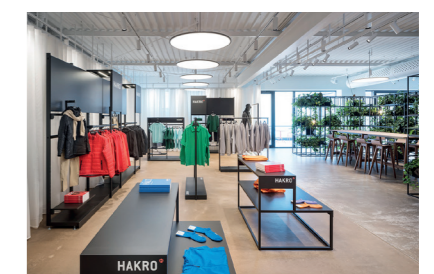
In 2018, HAKRO is nominated for the German sustainability prize, and in 2021, HAKRO receives the Neumarkter Lammsbräu Award for Sustainability.

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 the Fair Wear and adopts the Integrated Sustainable Business Strategy 2022–2030.

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



HAKRO today: our showroom in Schrozberg



# STRATEGY & MANAGEMENT

In a time calling 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 ecologically and socially viable and promotes social development.

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

HAKRO has been taking a systematic approach to sustainable action since 2015. In 2017, with our sustainability strategy 'Wirkstoff', we phrased 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.

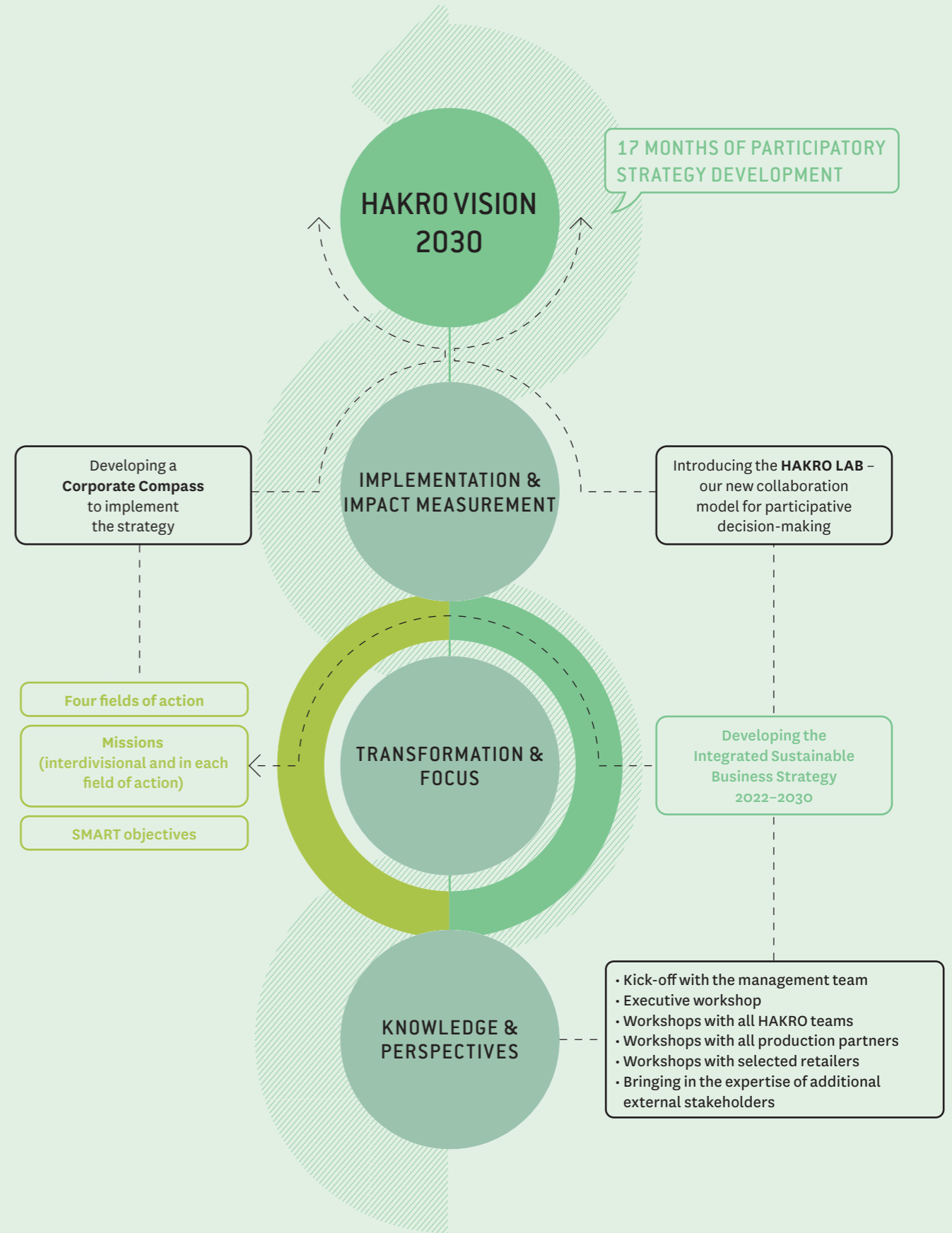
We have achieved a lot, but have also encountered barriers. We've hit dead ends, and, in light of the dramatically increasing global environmental damage and precarious working conditions in the global textile supply chains, have not yet achieved satisfactory results everywhere.



**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.

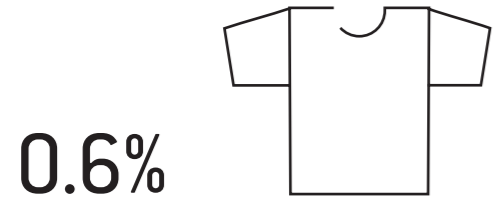
## INTEGRATED SUSTAINABLE BUSINESS STRATEGY 2022–2030

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



## SOCIAL AND ECOLOGICAL EFFECTS OF THE TEXTILE INDUSTRY

The context within which we move



equals the percentage of worldwide purchasing volume represented by the clothing industry. The negative ecological effects are much higher:

> 1% of worldwide greenhouse gas emissions allotted to the sector

1.1% of worldwide water consumption for cotton cultivation and dye works

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 cotton cultivation

> 300 Mio.  
workers work in the textile industry worldwide



65% is their overall risk of being a victim of violations against 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"

## 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 illustration 'Corporate Compass' p. 23).

## THE PRESENT AND THE FUTURE ARE A COMMUNITY RESPONSIBILITY

From August 2020 to December 2021, we have developed our new strategy and have already begun to carry it out. During that process, we integrated all employees, across all functions and hierarchical levels, many of our retailers, 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 the friction) that arises whenever different perspectives come 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:

→ 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 direct operative 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 department 'Quality, Values & Sustainability' (QVS) acts as an in-house corporate consultancy to carry the knowledge of environmental protection and social responsibility into the LAB and the departments, wherever QVS does not carry them out themselves.

## MAKING THE MOST OF OPPORTUNITIES

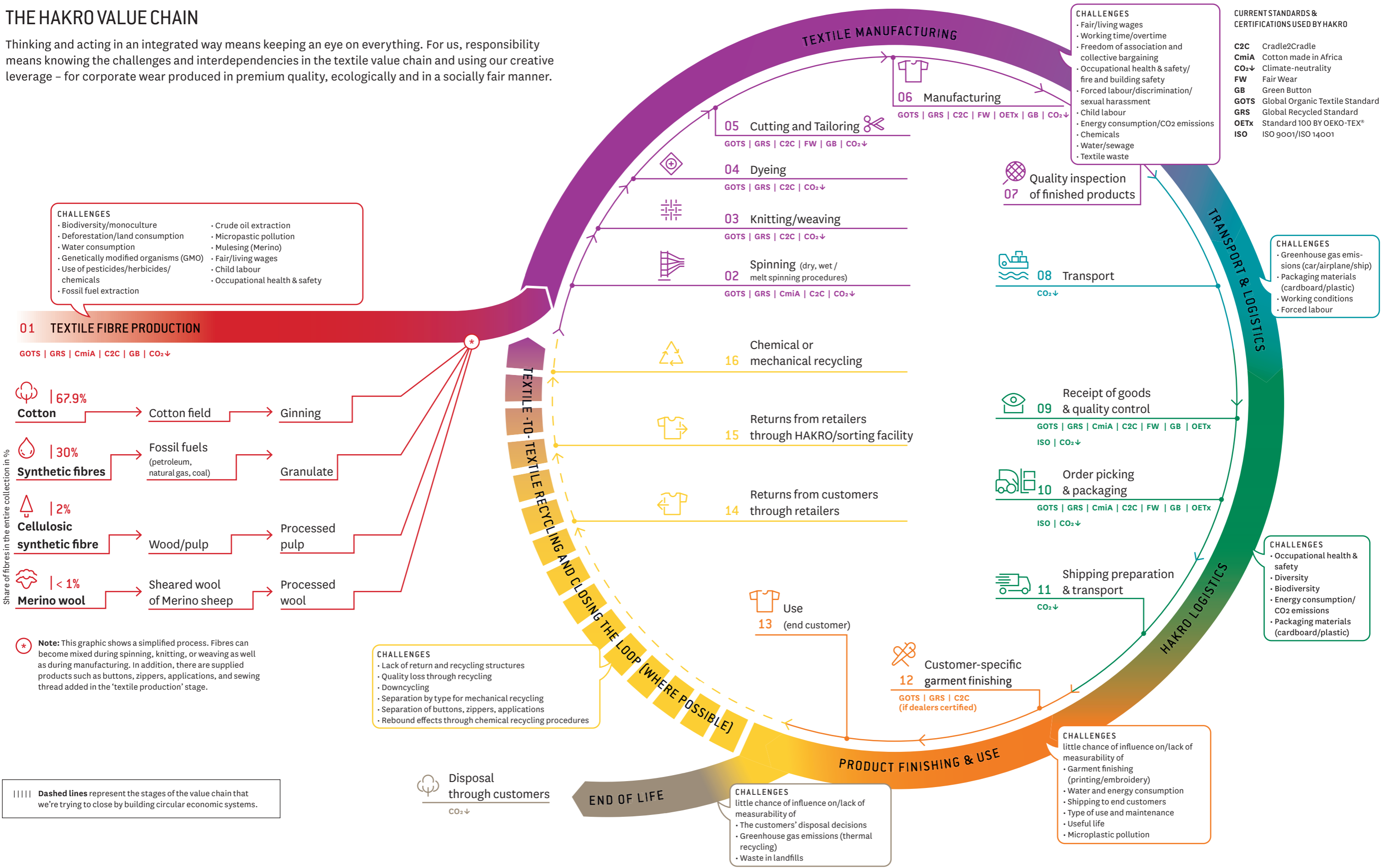
The starting point for our strategic reorientation was a results analysis of our previous sustainability management. At the same time, we've thoroughly explored current and future opportunities and risks for our company to set the right course for our business model.

The textile industry entails various **risks** for the environment and for people (see also p.18 and the graphic p.20/21). 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 leading sustainable development in products and in the supply chain, through organisational transformation and agile decision mechanisms, and through strategic, integrated corporate communication and an attractive employer brand.

# THE HAKRO VALUE CHAIN

Thinking and acting in an integrated way means keeping an eye on everything. For us, responsibility means knowing the challenges and interdependencies in the textile value chain and using our creative leverage – for corporate wear produced in premium quality, ecologically and in a socially fair manner.



## 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 are available in the download section at [www.hakro.com](http://www.hakro.com).
- Our focus is on working conditions in the global supply chains and the protection of human rights. These include the Code of Labour Practices (CoLP) of the Fair Wear, the core labour standards of the International Labour Organisation (ILO), the Universal Declaration of Human Rights of the United Nations (UN) and the UN Guiding Principles on Business and Human Rights. 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.
- 4 With our **corporate vision**, interdivisional **missions** related to fields of action, and appropriate smart objectives, we're implementing our Integrated Sustainable Business Strategy in 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. This allows us to impose binding requirements for their conduct toward 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.

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.

## IN DIALOGUE – ON PRINCIPLE

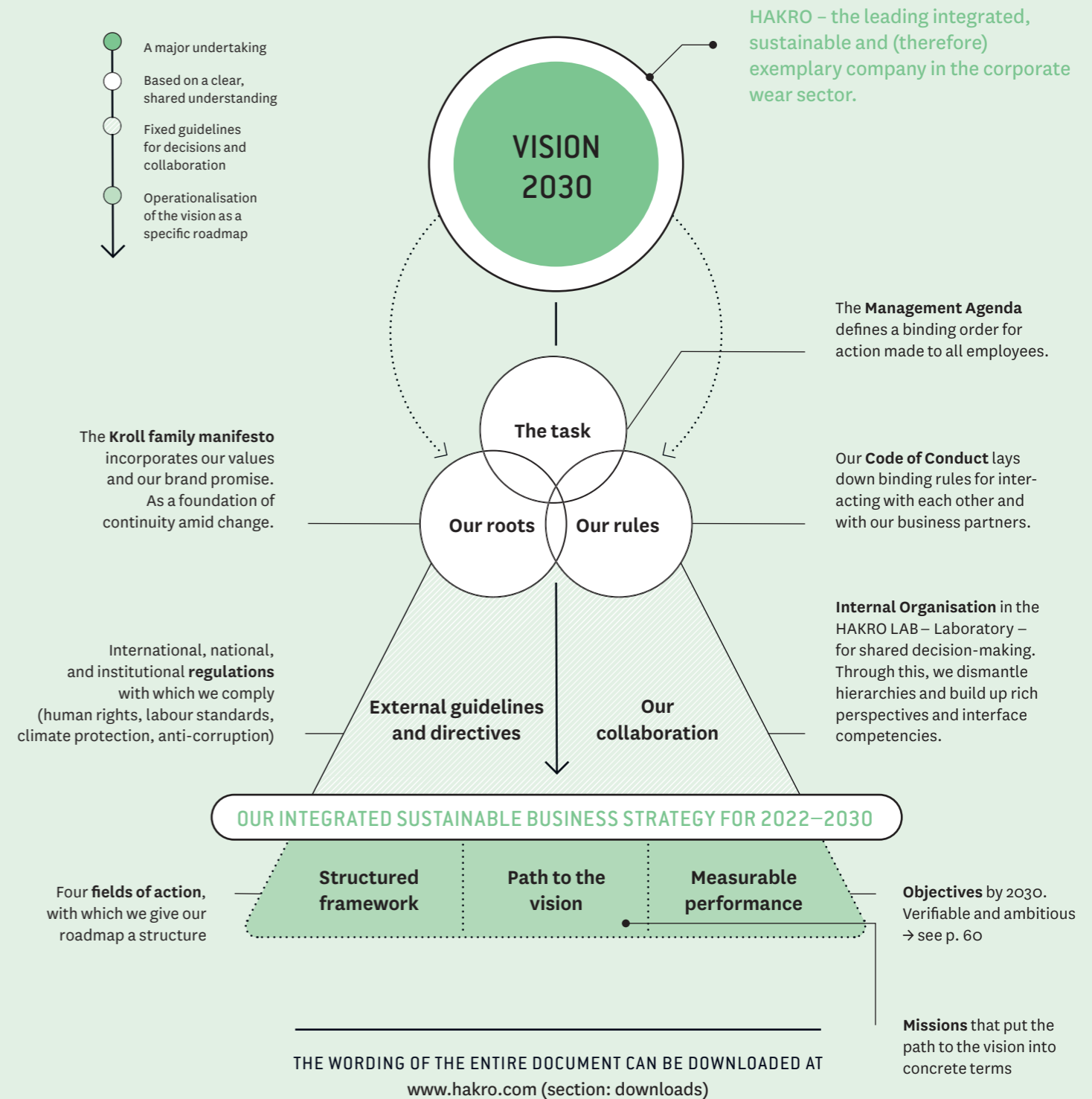
In 2016, while creating our first sustainability report, we systematically took stock of the HAKRO network for the first time. We not only regularly maintain an exchange with all of our stakeholder groups, we actively seek it. Our business model and our success are based on cooperation and collaboration and the will of many people to pull together. In recent years, we've gained additional trust in participatory processes and learned in depth how much can be done with community.

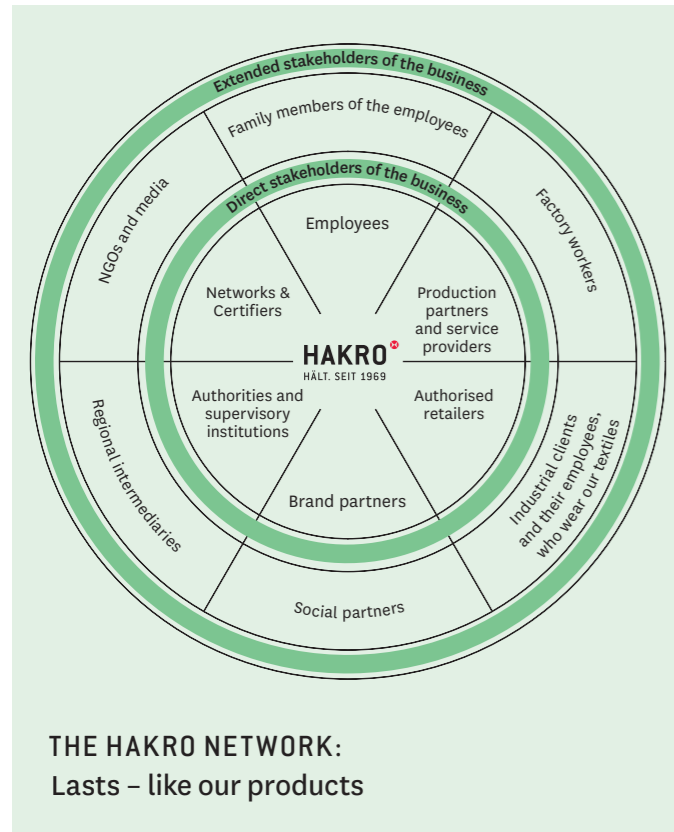
Whether it's our strategy process in which we've incorporated our central stakeholder groups from the outset and to a great degree (see also p. 19) or the iMPACT Program social audit system that we've developed in close collaboration with our market companion OLYMP and globally leading provider of sustainability and supply chain services elevate, while including experts from Fair Wear (see also p. 31). Or whether it's the collaboration with our production partners that in some cases has already lasted decades, which was one reason we and our partners largely withstood the challenges caused by the pandemic (see also p. 37).

## CORPORATE COMPASS

### Our central controlling instrument

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





The key issues that concerned our stakeholder groups in 2020 and 2021 were primarily related to overcoming the challenges caused by the pandemic. Through 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, since on-site visits were no longer possible (see also p.37 on the status quo of the supply chain audits). Some of our retailers had to deal with looming threats of insolvency caused by the lockdowns in Germany – and our conversations with them were dominated by topics such as supply bottlenecks and increasing material and transport prices. The HAKRO teams were kept busy by the first period of short-time work in company history. And setting up remote workplaces and working safely in our logistics centre, which absolutely required in-person work, made it necessary to coordinate many matters internally and establish new communication channels (see also p. 57).

## CREATING ROOM FOR JOINT SOLUTIONS

In October 2021, HAKRO held an IMPACT Barcamp on site in Schrozberg under the motto ‘Action through Co-creation’. The idea: Learn from each other, share challenges, be inspired by new points of view, discover new and different paths together, think creatively, and successfully create together. Around 40 sustainability managers from 16 German textile companies and seven sustainability standards and service providers answered the call and brought many topics to the agile agenda that are material to the textile sector, amongst them impact measurement, auditing and capacity building in the supply chain, risk analysis, regulatory duties, and the structural integration of sustainability into organisations.

The continuation of this conversation, which was a great success with all participants, is planned for 2022. Until then we're keeping the dialogue going: starting in December 2021, we've create the format of monthly, digital IMPACT Lunch Sessions to take up the Barcamp topics and delve deeper together. To that end, we invite drivers of change who bring additional expertise perspectives.



According to the motto “Action through Co-Creation”, the first IMPACT Barcamp took place in Schrozberg

## VOICES OF OUR STAKEHOLDERS

“Sustainability is still ignored in the corporate wear 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 actively holding these strategy workshops. I would like to continue this format for the positive future of our planet and our business.”

**Dieter Jacob**, *Managing Director Textiles, on HAKRO’s strategy process*

“The workshop gave us a forward-looking perspective on crucial topics that will affect all of us: perspective to see that the terms ‘textiles’ and ‘sustainability’ do not 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 HESKO Arbeitsschutz GmbH, regarding the HAKRO strategy process*

“The growing challenges of the global supply chain require a joint solution. Therefore, we have entered into an unprecedented cooperation with HAKRO, who promotes the same values we do. Because of our company’s size, neither of us has been directly affected by the German Act on Due Diligence in Supply Chains (“Lieferkettensorgfaltspflichtengesetz”) so far, but both are guided by those requirements.”

**Ilyta LaCombe**, *Head of Corporate Responsibility OLYMP, on the joint development of the IMPACT Program*

“What was special about the Team Workshops 2030 was that every single employee was given a chance to speak. This means our business strategy is made up of all our diverse HAKRO voices, thoughts, ideas, and visions. Together, we put dreams into words on paper, which is our joint objective at HAKRO. It binds us together and brings us a little closer as a team.”

**Jasmin Zink**, *Customer Relations & Service, on the HAKRO strategy process*

FOR ALL OF YOU, THE IMPACT BARCAMP WAS, IN A WORD...

MIND-BLOWING  
**MOTIVATING** IMPACTFUL MEGA!  
 EXCITING DIVERSE **INSPIRING**  
NICE BROADENING HORIZONS SAME MISSION

Participants in the first IMPACT Barcamp organised by HAKRO – a dialogue format for sustainability experts in the textile industry

# SUPPLY CHAINS

Responsibility and fairness are a group effort – especially when it comes to complex ecosocial 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. The success of this is based on decades of trusting collaboration with our production partners and by cooperating with pioneering sustainability standards as well as an 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 our production partners' 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 improving social standards in the textile sector, not least through their broad network of various stakeholders. We aim to reach Fair Wear Leader status by 2024.



On p. 60 we describe the ambitious objectives we aim to achieve by 2030 and transparently lay out their contribution to the Sustainable Development Goals (SDG).

## 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:

HAKRO PURCHASING PRACTICES	IMPACT PROGRAM	STAKEHOLDER DIALOGUE
Principles of collaborating with production partners & intermediaries	Our social audit system	Inclusion of Fair Wear, their country teams, and other external stakeholders
Mandatory signing of the CoLP by Tier 1 production partners	Carrying out <b>iMPACT Program audits</b> :	<b>Exchange</b> with Fair Wear and their local country teams on membership and on remedial processes of the iMPACT Program audits
<b>Posting of the CoLP</b> in the factory, visible for all production workers	<ul style="list-style-type: none"> <li>Checking to ensure the CoLP is posted in the factory</li> <li>Checking to ensure the CoLP is implemented at factory level</li> <li>Checking to ensure the Fair Wear grievance mechanism is posted in the factory</li> </ul>	<b>Dialogue</b> with fellow Fair Wear members on best practices and opportunities for cooperation
<b>Posting of Fair Wear's grievance mechanism</b> in the factory, visible for all production workers		<b>Annual reporting:</b>
<b>Periodic exchange</b> with our production partners & intermediaries (remote or on-site visits)	<b>Remediation processes</b> based on the iMPACT Program audit results:	<ul style="list-style-type: none"> <li>As part of the Integrated Sustainable Reporting of HAKRO and the Social Report to Fair Wear</li> <li>Internal disclosure to Fair Wear as a basis for the brand performance check</li> </ul>
<b>Annual supplier evaluation</b> , including checking for implementation of the CoLP	<ul style="list-style-type: none"> <li>Mutual planning &amp; implementation of remedial measures with our production partners</li> <li>Training &amp; capacity building of existing and new production partners</li> <li>Goal: mitigating the risks and deviations arising from the iMPACT Program audit</li> </ul>	<b>Participation in the Fair Wear training programme</b>

## 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 audit 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 COLLEC-  
TIVE 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  
RELATIONSHIP**

As 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. Our first brand performance check is scheduled for the first half of 2022.

**RISK MANAGEMENT**

The textile supply chain entails many risks (see also p.18 for the challenges of the textile industry). The HAKRO risk analysis is accordingly comprehensive: it is updated regularly after new audit results are available 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 and individually expanded by special factors such as the COVID-19 pandemic and the topic of biodiversity. Both topics are highly relevant for the sector and across our supply chain.

We evaluate five different types of risk:

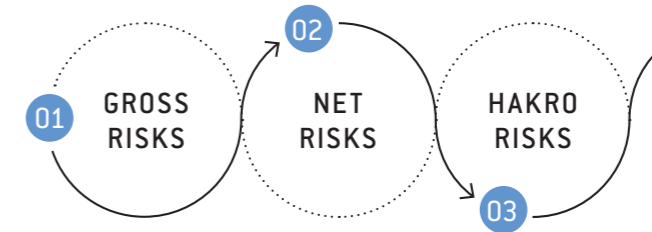
- Sector risks
- Country risks
- Raw material risks
- Partner-specific risks
- Product- and business-model-specific risks

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 chain is not yet completely traceable, for now we are focussing on the sector-, country-, and partner-specific risks in manufacturing (Tier 1). We will continually deepen traceability of our supply chains until we achieve 100% by 2027. This will allow us to increasingly focus on risks in the deeper supply chains in future risk analyses.



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

**THE HAKRO RISK PROCESS**



**01**  
Collect all potential sector risks to human rights and the ecology (= gross risks) according to the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

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

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

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

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

**02**  
Determine the actual risks (net risks) and prioritise risks through assessment of

- a) the probability that the risks will occur
- b) the severity of the risks using
  - **the scope** (How many people are affected?)
  - **the irreversibility** (How can damage that might arise be compensated for?)
  - **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 have no documents available for evaluating the actual risks to underlying production stages.

For those stages, we estimate the potential risks based on the information available (especially sector- and country-specific risks).

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

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 ILO, WHO, UNDP, OECD and many others
- Additional scientific publications (partly retrieved through the CSR Risk Check of MVO), 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, among other things, a comparison of the wage data with a living wage benchmark by creating a wage ladder within the scope of the audit

### 3. Adapting the contents to the requirements of HAKRO and OLYMP (specific risk analysis and due diligence processes)

### 4. Integrating a Worker Sentiment Survey (anonymously recorded employee perspectives as integral 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 degree perspective. Ambitious bundling of the standards of ERSA and Fair Wear with the specific requirements of HAKRO and OLYMP sets new benchmarks in terms of depth, durability, and scope. With its emphasis on management systems, continuous improvement under active incorporation of workers, sustainable remediation measures and transparency, the iMPACT Program significantly differs from other audit systems and forms a solid foundation for sustainable development.

## ISSUES COVERED BY THE iMPACT PROGRAM:

### Management

- Transparency and corporate integrity
- Management systems

### Personnel

- 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 NEW SOCIAL AUDIT 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 quite an endeavour – especially for a medium-sized company. So how did HAKRO set out on this path, and why? Through our Fair Wear membership, we faced the challenge of fulfilling the requirements for social audits without being able to rely solely on Fair Wear audits, since 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, also regarding our comprehensive risk analysis.

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

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 remains our motto (see also p. 22 on cooperation and stakeholder inclusion).

The iMPACT Program primarily considers 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 grant 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 own requirements
- Integrating ELEVATE's expertise (by comparing factory data with average values from ELEVATE's data pool, for example)
- Carrying out audits by local ELEVATE auditor teams and ensuring that the audit results are independent

### PRODUCTION PARTNERS

- Full audit every three years allows adequate time for a reasonable remediation process
- The comprehensive descriptive-narrative audit report (as opposed to 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 worker interviews
- HAKRO will bear 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 chain
- Integration of a wage ladder helps 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 AUDITS

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 growing.



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 all our partners 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 and 60).

Our remediation process includes:

- auditors' recommendations
- root cause analyses carried out by the production partners
- joint improvement plans, supported by training and capacity building programs

Together with the audit report, our production partners receive a template for improvement plans. On this basis, they can analyse the root causes behind the deviations and recommend measures for mitigation and prevention. To support this, we offer 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.

## PROMOTING TRANSPARENCY

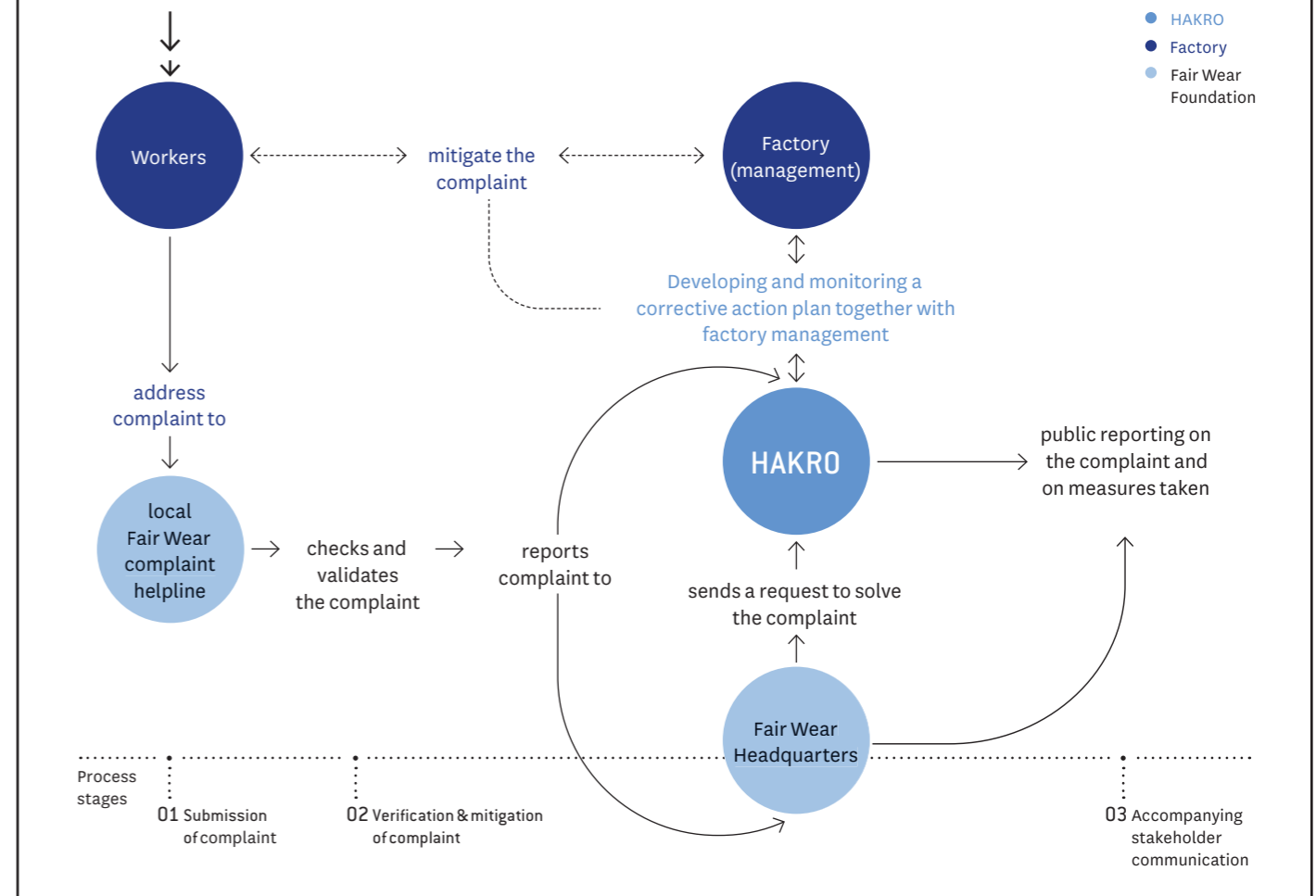
It is essential to know where the snags are to be able to encourage improvements. The basis for this is honest and direct communication. Therefore, integrating the Fair Wear grievance mechanism into our iMPACT Program is especially important for us. As part of the iMPACT Program audit, an on-site inspection 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 exist (protecting 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.

Thanks to the Worker Sentiment Survey, the audit report also provides us insight into the workers' perspective. From this, we primarily hope for detailed findings on topics such as the employment of migrant workers and other minorities (an increased risk in Turkey and China), bribery and corruption, 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 p. 40 for the current status of the remediation processes and audits.

## THE FAIR WEAR GRIEVANCE MECHANISM An integral component of our iMPACT Program



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 engaged in thorough, and repeated 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 identity. 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 unverified to this day. HAKRO is currently trying to persuade the complainant to submit the complaint again, through the official Fair Wear channel, 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.40).

### HAKRO PURCHASING PRACTICES

Durability and the long life of our clothing is at the core of our identity and actions. Through our never-out-of-stock business model (NOS), we depend neither on changing collections nor on seasonal business. Our product portfolio is constant – fast fashion is not our business model.

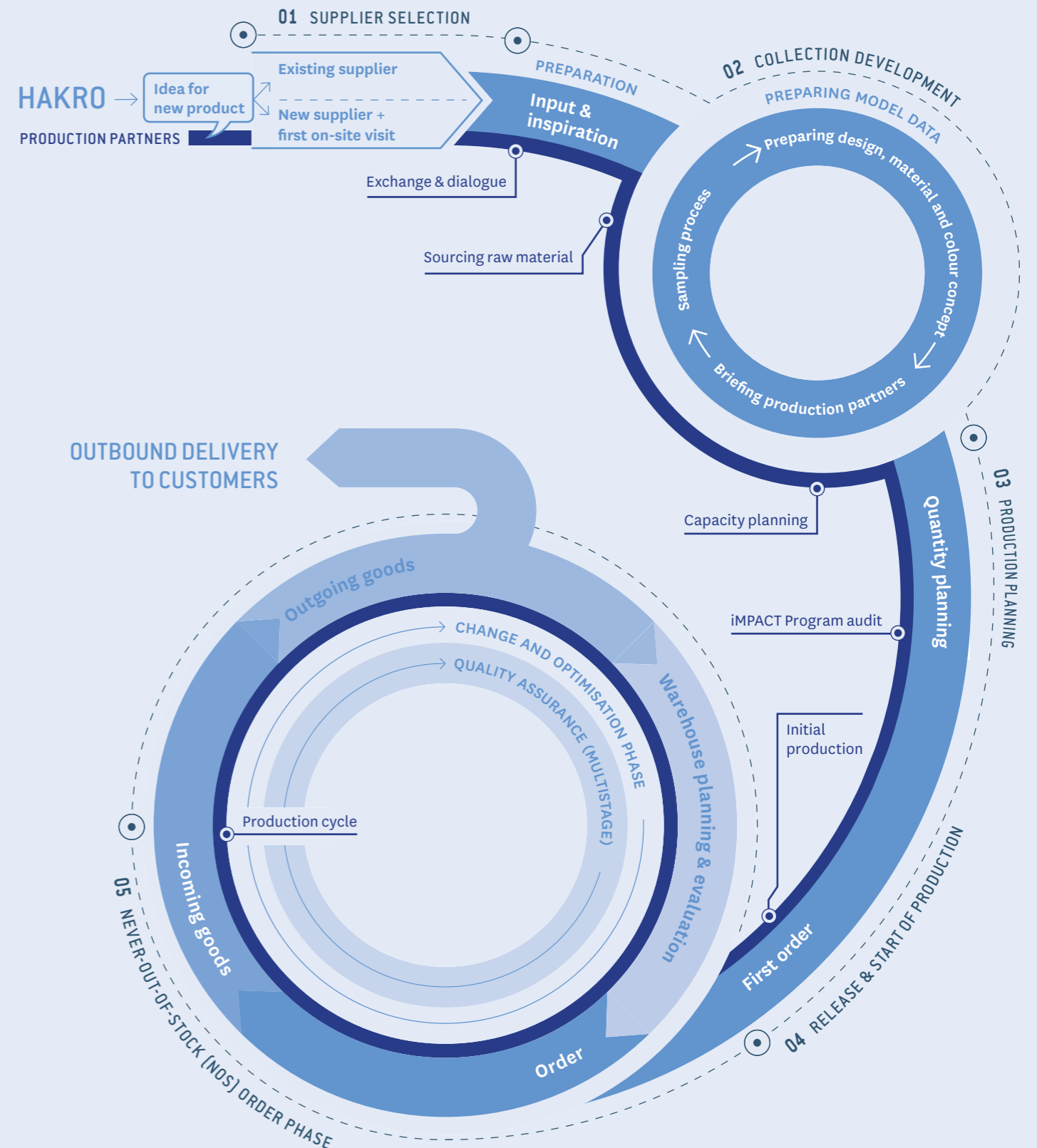
Our production planning is just as long-lasting and reliable. We do not set target prices, but instead listen to our production partners when they account for the prices they need to be able to produce a model. We always negotiate openly and cooperatively. The long-term collaboration with our production partners pays off in this area as well (see also p. 37). We rarely add new production partners and/or new factories of our existing partners. This can be the case in connection with new product developments if these cannot be implemented by our production partners, for example because of the level of expertise required. Or if existing production partners expand the number of their factories e.g. due to capacity reasons. Our principle: 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

Six million HAKRO textiles are always deliverable. This NOS collection is at the heart of our purchasing and production process. Whenever new developments occur, we work in close cooperation with our production partners at every stage.





**We aim to increase awareness and active commitment to sustainability even further with sustainability prizes for our partner companies and authorised retailers.**

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

HAKRO always makes purchasing decisions holistically and in close conjunction with the business management while considering factors such as delivery times, quality, communication, and sustainability according to the Fair Wear Code of Labour Practices. Colleagues in the Purchasing, Distribution, and Customer Service teams, as well as our management team are informed and trained extensively and regularly on supply chain topics concerning our Fair Wear membership. We have also created a FAQ on our Fair Wear membership and its requirements for all colleagues in our in-house and sales teams, to guarantee correct communication toward 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 audits (see p. 40).

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 will be given to one of our partner companies every three years. In this way, we want to motivate joint awareness and promote an active commitment to sustainability.

During the pandemic, we did not cancel any standing orders. It was and remains important to us not to unilaterally unload the economic consequences of the pandemic onto our production partners, such as the decline in customer demand for our products. 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 took a COVID-19 survey with 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 illnesses in individual factories, overtime partly increased 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 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 of the factory received a package of produce for the festival day, which contained meat and rice for their families, toiletries as well as toys for the children. Mindful of the lockdown caused by the pandemic also coinciding with the approaching Ramadan, we extended this campaign in August 2020 until the end of the year and distributed monthly care packages.



**During the pandemic, we did not cancel any standing orders, 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 take place using additional service providers, 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.



**We are aiming for 100% of our Tier 1 production partners' workers to earn living wages by 2030.**



**The indicator known as the 'living wage gap' measures the wage gap between the lowest wage paid in the factories of our production partners and a living wage. It is an essential result of our iMPACT Program audit and an important data base for our future measures to improve the social conditions in our production sites.**

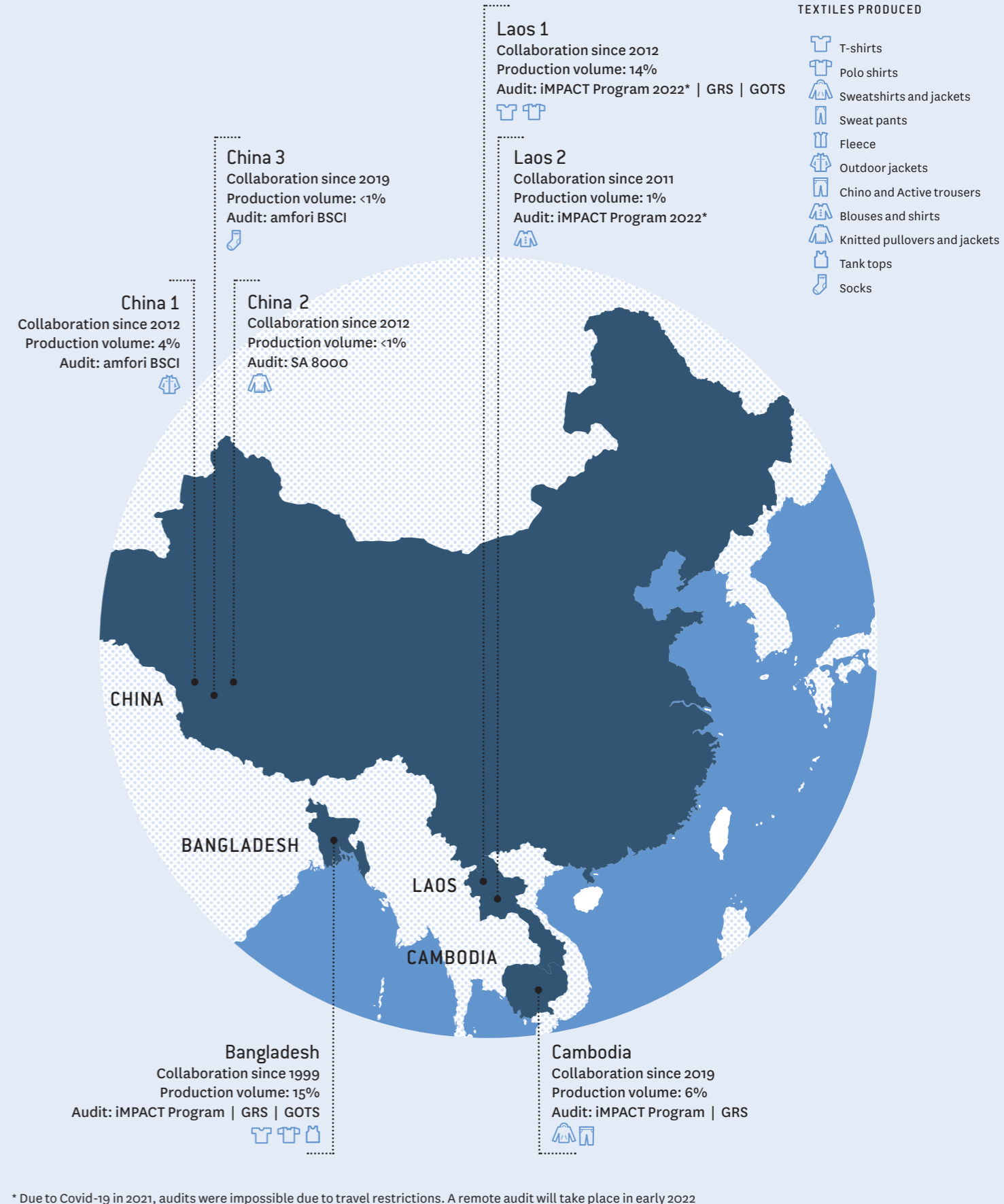
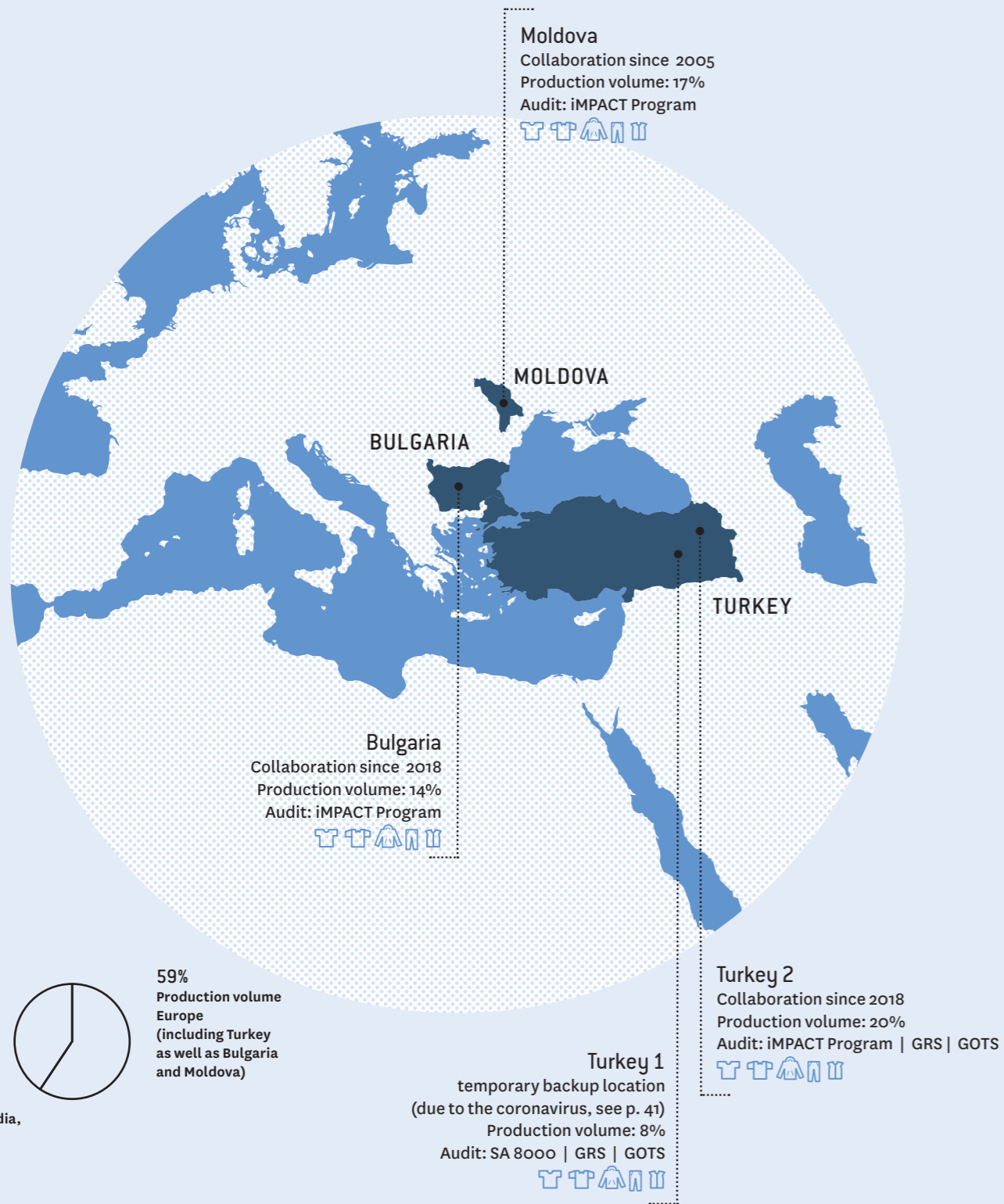
## PRODUCTION PARTNERSHIPS AND AUDIT RESULTS

We have maintained a trusting, long-term collaboration of at least 10 to 20 years or more with all our production partners. Each month, HAKRO purchases firmly agreed quantities and ensures high continuity and steady capacity – which considerably reduces the risk of short-term peaks and excessive overtime through our business model alone. The lowest wage paid in the factories is at least equal to the local legal minimum wage. The average wage is also above the minimum wage in all factories.

In the following, we show the key results of our first round of iMPACT Program audits, transparently displayed, for our eleven partner factories in seven countries (see overview on p. 38/39). As part of the iMPACT Program audit, we've also included the wage gap between the wages paid and the respective calculation of the local living wage level for the first time. This means we are showing not only the audit result, but also the difference between the lowest wage and the living wage, per production country. We have discussed the system for including this key figure with numerous stakeholders and experts as part of our Fair Wear membership as well as our iMPACT Barcamp (see p. 24).

## HAKRO PRODUCTION SITES

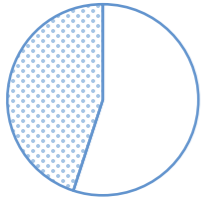
Our eight long-term production partners have factories in seven countries. In all, we produce in eleven factories in Europe and Asia. In 2021, we performed the first audits according to our new iMPACT Program.



\* Due to Covid-19 in 2021, audits were impossible due to travel restrictions. A remote audit will take place in early 2022



Number of employees:  
**1523**



— 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 wage\*:**  
17,916 BDT ≈ 209 USD

**Living wage gap:**  
8,128 BDT ≈ 95 USD

**Grievances received:**  
one; see p. 34

**Status of remediation process:**  
in progress

\*according to the Global Living Wage Coalition

## BANGLADESH

We have collaborated with our GOTS-certified production partner in Bangladesh for over 20 years and use up to 70% of their production capacity. This committed, family-led textile company is vertically integrated: it bundles multiple production stages at one location (including, knitting, dyeing, cutting, manufacturing, and quality inspection of the finished product) and has a modern machinery pool in its dye works. A generational change is currently taking place: both sons 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 iMPACT 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 elected employee representation. The remediation process on this should be finalised by the end of March 2022.
- **Wages & 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 of 2020, accompanying delays in the material delivery and follow-up work after the lockdowns ended. Making advance communication between HAKRO and its production partners more open (so HAKRO can react in the purchase planning if need be) was jointly defined as preventive measure.
- **Health & safety:** A need for improvement was identified in the fire and first responder training. Appropriate remediation measures have been taken by training more workers as firefighters and first responders. Some of the protective equipment was incomplete. This was rectified during the audit.



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 backup location for our Turkish production partner. For that reason, this factory has not been audited in accordance with the iMPACT Program, so the living wage gap has 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 was socially audited according to amfori BSCI during this time. From 2018 until the pandemic, production occurred exclusively in the Turkey 2 factory (see also details on Turkey 2).



Number of employees: 423  
— of whom female: 349  
..... of whom male: 74



**Legal minimum wage:**  
2,825 TRY ≈ 207 USD

**Lowest wage in the factory:**  
2,825 TRY ≈ 207 USD

**Average wage in the factory:**  
3,173 TRY ≈ 233 USD

**Living wage\*:**  
4,954 TRY ≈ 358 USD

**Living wage gap:**  
2,129 TRY ≈ 156 USD

**Grievances received:**  
none

**Status of remediation process:**  
completed

The Turkey 2 factory 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.

\*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, to which the two factories in Bulgaria and the Republic of Moldova also belong, 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 them for more than 20 years. Each year, five of the company's employees receive a grant for their professional development needs. All factories are being gradually converted to green factories. For example, energy is gained from photovoltaic systems and grey and rain water are used to flush toilets, reducing the drinking water consumption and thus contributing to environmental protection. Moreover, factories are working on implementing initial recycling 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 & working hours:** In 2021, maximum overtime was partly exceeded. The root cause analysis revealed that this was attributable to a staff shortage in the factory due to cases of COVID-19. The site and its capacity are also being expanded, a project planned to be completed in the first half of 2022. This will hopefully prevent future capacity shortages.
- **Health & safety:** It was identified that the emergency alarm system had not been adequately tested. The system was 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: 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**

## MOLDOVA

The manufacturing site in Moldova belongs to our Turkish partner, and HAKRO uses 100% of their production capacity. 78% of the workers live in the city in which the factory is located. Over 64% of the staff have been employed here more than 3 years.

**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 wage\*:**  
14,236 MDL ≈ 793 USD

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

**Grievances received:**  
none

**Status of remediation process:**  
in progress


**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 elected in 2017 for two years, but the election had lapsed. This was remedied after the audit and a new election was held.
- Wages & 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 & 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.

\*according to the Europe Floor Wage Moldova




**BULGARIA**

## BULGARIA

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

**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 wage\*:**  
2,239 ≈ 1302 USD

**Living wage gap:**  
1,589 BGN ≈ 924 USD

**Grievances received:**  
none

**Status of remediation process:**  
completed


**AUDIT**

In October 2021, the first iMPACT Program audit was conducted. The HAKRO team in Turkey visits regularly. 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.

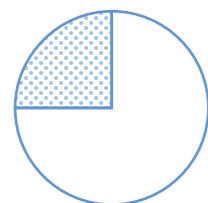
\*according to the estimation of the campaign for clean clothing based on worker interviews



**CAMBODIA**

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**Number of employees:**  
**465**



— of whom female: 350  
..... of whom male: 115

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**Legal minimum wage:**  
192 USD

**Lowest wage in the factory:**  
234 USD

**Average wage in the factory:**  
266 USD

**Living wage\*:**  
481 USD

**Living wage gap:**  
247 USD

**Grievances received:**  
none

**Status of remediation process:**  
in progress

\*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 partner in a joint video conference.

### ESTABLISHED POTENTIAL FOR IMPROVEMENT

- **Wages & working hours:** The payout of unused holiday days was incorrect.
- **Health & 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, by which the issue was remedied.

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 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 communicating with the landlord of the factory building was problematic.



**LAOS**

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**LAOS 1**



**Number of employees:** 1.052


— of whom female: 868  
..... of whom male: 184

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**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 houses a cafeteria and a small kiosk.

**LAOS 2**



**Number of employees:** 612

— of whom female: 497  
..... of whom male: 115


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**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.

### 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. Audits for both sites will be carried out early in 2022.




**CHINA**

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### 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 our 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

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**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

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**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.

# 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 protect 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.



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) strategy. 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. The product lifecycle of our clothing consistently takes into account the environmental and social risks and effects in each phase (see p. 20/21 for a description of the HAKRO value chain and p. 29 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 p. 55). 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.



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.

We follow the **cradle-to-customer plus waste** approach in calculating our CO<sub>2</sub>e 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, packaging, transport, recycling and recovery at the end of a product’s lifecycle. Only the utilisation phase of our corporate wear 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 CO<sub>2</sub>e 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 long-term (at least 40 years). We have decided to support rainforest conservation because action in this area has a more direct and sustainable climate-protection impact than reforestation projects.

Calculation and offsetting are the first important steps, on the long road to the main goal of reducing our footprint – at our sites and within our core business (see p.55 on the HAKRO climate protection strategy). Measuring CO<sub>2</sub>e 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 CO<sub>2</sub>e 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 CO<sub>2</sub>e savings along our entire value chain. The movement of goods – and particularly sea freight – significantly contributes to global air pollution and greenhouse gas emissions through the burning of crude oil.

Our clothing is manufactured in Europe and Asia (see p. 38/39). We primarily use container ships to transport it from our production partners in Asia to Hamburg, 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 CO<sub>2</sub>e 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 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:

- the same 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 degrees; MIKRALINAR® Pro line at up to 95 degrees
- 30-60 wash cycles without any loss of quality
- the MIKRALINAR® Performance collection line 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, launched in 2017, would have achieved much greater market penetration. Our experience in the last few years has demonstrated that our quality standards and requirements mean that switching to certified sustainable materials is no simple endeavour.



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



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

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

Our goal: every year we will research at least one innovation that we could potentially use. 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 September and launch these on the market (see p.49). 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.

## 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. From autumn 2022, 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® 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

#### 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.

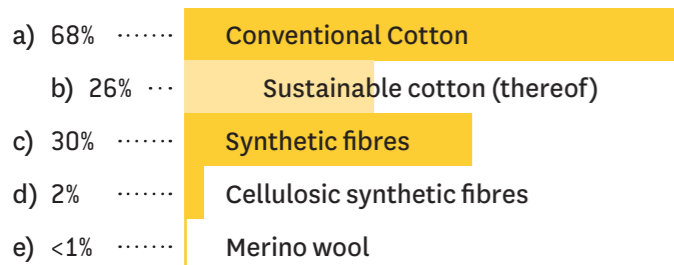


Motivates and supports your team, represents your company – corporate wear by HAKRO

## 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™ (Lenzing) for the first time in its new collection starting in 2022. Tencel™ is a fibre which is obtained from the renewable resource of wood, and then industrially processed. Due to the almost 100% closed production cycle, Tencel™ is considered especially sustainable and environmentally friendly.



## OUR PATH: INTEGRATION OF SUSTAINABILITY STANDARDS

HAKRO works with a range of bodies that certify sustainability standards. You can find an overview showing which standards pertain to which section of the supply chain in the HAKRO value chain chart on page 20/21. It is almost impossible for non-experts to compare the many different sustainability standards with one another; each implements a different approach and focuses on different sustainability requirements within the textile supply chain. This means that no single standard is perfect – each has a particular emphasis and rationale of its own.

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

### CROSS-COMPANY STANDARDS:



#### Fair Wear Foundation

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 the highest social standards within the supply chain (see also the “Supply chains” chapter from p. 26)



#### Green Button

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



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.

### PRODUCT-SPECIFIC STANDARDS THAT APPLY TO OUR ENTIRE COLLECTION:



#### Standard 100 by OEKO-TEX

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



#### Carbon neutral product

Certified product climate-neutrality in cooperation with ClimatePartner following the cradle-to-customer plus waste approach (see p. 46).

### 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 examines and supports sustainability at the start of the supply chain – at the cotton farmers in the field and in the first stage of processing: the ginneries that process the cotton bolls. 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 p. 52). We also use this label for all of our models made 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 leading, 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.



Certified by CU 1056577

#### Global Recycled Standard (GRS)

GRS 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. Among others, these entail 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 abrasion: We measure and record the microplastic abrasion of our textiles containing PET (polyethylene terephthalate)
- **2030**  
Synthetic fibres: 100% of the synthetic fibres used in HAKRO products are certified recyclable (as of 2022: GRS certification)
- 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 policy of ensuring our clothing enjoys 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 recyclable if all of the fibres can be separated and respun into yarn after the utilisation phase. Recyclability pertains to both the selection of fibres and the way in which the item of clothing is produced. At present the most recyclable garments are those made from single-origin and minimally processed, 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 in order for them to be recyclable. This is the case for Cradle2Cradle-certified fibres, for instance (see p. 51).

- **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 recyclability 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 recyclability 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 the HAKRO value creation chart on p.20/21). After all, closing the loop by recirculating textiles is far beyond what a single company can achieve: it can only be the result of a joint venture of an entire industry. As such, and in the spirit of our HAKRO values of cooperation and community, we are working side-by-side with solutions-oriented market companions, pioneers, NGOs and solutions providers (see p. 22 for our stakeholder approach).

**OUR NEXT MILESTONES AS WE BUILD UP CIRCULARITY**

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



# MANAGEMENT SYSTEM, SITE ECOLOGY AND STAFF

At our site in Schrozberg, the various aspects of our Integrated Sustainable Management Strategy come together. This is where we make decisions about the nature and future of our management. This is where we define how we treat our staff, protect resources and where we commit to not-for-profit causes, particularly in our region.



In 2021, we received the Neumarkter Lammsbräu prize for sustainability in the “Family-Run Companies” category. Among other things, we were praised for our attitude towards change and making a fresh start.

With the Integrated Sustainable Business Strategy for 2022–2030, HAKRO has set itself ambitious targets based on its corporate vision and derived objectives for each field of action (see also page 60 for our core targets). We have also introduced a model for collaboration with each other and with external stakeholders based on clear management and compliance rules and established this in the HAKRO Corporate Compass (see p. 22).

## INTEGRATED MANAGEMENT SYSTEM

Our strategy spans all HAKRO activities and departments. This includes, in particular, product development and purchasing, including supply chain management, product marketing and corporate communication, sales, digitisation, HR and site management. The relevant cross-interface and agile management by a new body, the HAKRO LAB (laboratory), enables, improves and accelerates the implementation of our ambitious goals. 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 internal collaboration.

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

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

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

In 2021, we received the Neumarkter Lammsbräu prize for sustainability in the “Family-Run Companies” category. We impressed the panel with our comprehensive approach. Our pioneering spirit and openness to change were praised, along with our critical and analytical view, which is required in order to implement sustainability within the company.



HAKRO’s Schrozberg site has been climate-neutral since 2017. By 2024, we want to expand our climate protection strategy with Science-Based Targets.

## ENVIRONMENTAL RESPONSIBILITY AT OUR SITES

We want to keep our environmental footprint as small as possible – including at our Schrozberg site, (for the supply chain relating to our clothing, see also p. 46). 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.

HAKRO pursues a comprehensive climate protection strategy that monitors and manages CO<sub>2</sub> emissions as well as all other greenhouse gas emissions (expressed as CO<sub>2</sub> equivalents, CO<sub>2</sub>e). By 2024, we will expand our strategy gradually with Science-Based Targets (SBTs) aiming at the 1.5-degree target in order to make a measurable contribution towards achieving the Paris Agreement.

Our site has been climate-neutral since 2017. ClimatePartner calculates HAKRO’s corporate carbon footprint every year. (see p. 56). Over 85% of the climate-neutral emissions attributed to our site processes are due to the logistics of goods and people. Of this, the biggest proportion – 79.1% – is accounted for by incoming goods logistics. At 6.0%, the second largest item is accounted for by our employees’ commutes, followed by 4.4% of the direct emissions from facilities of our company and fleet.

Since 2018, our four photovoltaic systems have produced so much green electricity that we are able to cover nearly 75% of our site’s electricity demand from renewable sources. Next to our logistics centre, we have planted a 10,000 m<sup>2</sup> wild-flower meadow as a habitat for a growing number of flowers, grasses, birds and insects. During the course of 2022, this area will also become home to our first bee colony, in partnership with the Bienen-AG bee initiative of a local school. Correspondingly, when tending to our other green spaces, we completely avoid the use of chemicals and employ more natural methods instead. Newbuilds and renovations at our site will, in future, adhere to the criteria of the German Sustainable Building Council (DGNB). As of 2023, we will calculate the effects of the advancing digitisation of our work processes on our carbon footprint. By 2030, we want to completely switch the HAKRO fleet over to electric vehicles.



**HAKRO ENVIRONMENTAL IMPACT ASSESSMENT 2021**

<b>Gross electricity consumption</b>	<b>228,896 kWh</b>
of which generated by own photovoltaic system	167,966 kWh
<b>Net electricity consumption (after deduction of own generation)</b>	<b>60,939 kWh</b>
<b>Natural gas for heating</b>	<b>878,008 kWh</b>
<b>Water consumption</b>	<b>1,579 m<sup>3</sup></b>
<b>Paper consumption, photocopying</b>	<b>746,850 sheets</b>
<b>Waste</b>	<b>221 mt</b>
<b>Recycling rate</b>	<b>90%</b>
<b>Fuel consumption, HAKRO fleet</b>	<b>20,961 l</b>
<b>Proportion of vehicles with combustion engines in the HAKRO fleet (17 vehicles)</b>	<b>83%</b>
<b>Greenhouse gas emissions, total</b>	<b>4,864.57 tonnes CO<sub>2</sub>e</b>
of which Scope 1	215.54
of which Scope 2	0
of which Scope 3	4,649.03



The HAKRO logistics campus features a sport studio, massage rooms and a recreational area for our team.

**TEAM & DIVERSITY**

We are particularly proud of our special HAKRO spirit and sense of community. HAKRO brings people together and unites them. We are just as committed to values such as openness, diversity and individuality as we are to reliability, community and respect. The high degree of satisfaction among our employees speaks to the fact that we are doing plenty of things right. HAKRO received a top grade (1.2) in the 2021 employer rating via our internal job satisfaction survey, which we carry out every two years.

Our HAKRO Academy offers our employees an extensive personal development programme and seminars with external and internal speakers on topics such as communication, soft skills, expertise and digitisation. By 2024, we want to extend the HAKRO Academy programme with more e-learning services. We also support the individual and professional development of our staff and offer training positions for a range of vocations for apprentices and students on dual-course study programmes. From 2023 on, our training programme will also include work shadowing on social projects. From 2024, we want to offer all permanent employees the opportunity of taking a sabbatical and, by 2030, educational scholarships. Our remuneration strategy is based on standard rates for wholesale and external sales. From 2024 onwards, we want to exceed these.

Our safety officers help to ensure safe, healthy working conditions – whether it’s for physically demanding activities in the logistics centre or in the office with ergonomically designed workstations. One full-time employee in particular has also been helping to promote the well-being of our 180 staff since 2018 with massages, a fitness and yoga programme and tips on health and nutrition. Our health programme will be transferred into in a comprehensive corporate health management strategy by 2024.



**Our staff gave HAKRO a top grade (1.2) in its internal job satisfaction survey in 2021.**



13 colleagues with handicap from Sozialtherapeutische Gemeinschaften Weckelweiler e.V. support our team Logistics & Services.

We offer all staff the option of flexible working hours in order to make the company more family-friendly and to further improve their work/life balance. There are various working hours models available and we can find a tailored solution for every requirement, including for those returning to work after taking parental leave. With the exception of logistics, where physical presence is essential, our employees also have the option of working from home up to two days a week in consultation with their line management and teams, including after the end of the pandemic-related requirement to work from home. From 2025, we will be offering holiday programmes for our employees’ children (aged between 5 and 15) and from 2027, we want to offer childcare (aged between 3 months and 7 years).

We are proud of the diversity of our workforce. Our partnership with Sozialtherapeutische Gemeinschaften Weckelweiler e.V., which helps people with disabilities achieve their potential with employment and training options, has a long tradition. A fixed external group of 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. So far, two of these colleagues have already been hired directly by HAKRO so they could be integrated into the so-called first job market.

The pandemic posed a range of challenges for the HAKRO team – primarily due to the necessity to implement short-time working for the first time in company history. Social distancing has also proved 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.



**HAKRO SOCIAL IMPACT ASSESSMENT 2021**

<b>Employees (headcount)</b>	<b>180</b>
of which full-time	63%
of which part-time	22.2%
of which marginal employment	13.3%
of which parents	65%
of which on parental leave	1.1%
of which women	65%
of which women in management positions	58%
of which with a disability	6.11%
of which with a migrant background	25%
<b>Number of nationalities in the team</b>	<b>13</b>
<b>Apprenticeship ratio</b>	<b>5%</b>
<b>Health ratio</b>	<b>92.5%</b>
<b>Accident ratio</b>	<b>3%</b>



**Two employees with disabilities have already been hired directly by HAKRO thanks to the partnership with Sozialtherapeutische Gemeinschaften Weckelweiler e.V., thus integrating them directly into the so-called first job market.**



## NOT-FOR-PROFIT ENGAGEMENT – 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 towards social solidarity within the region and towards social development as a whole. Some of these include:

- Donations by HAKRO to the “Ein Herz für Kinder” children’s charity (2021)
- Donating our employees’ working hours to social and environmental projects as part of their TeamShare commitment (paused in 2020 and 2021 due to the pandemic)
- Monetary donations to the Harry Kroll-Foundation and covering their 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 work wear).

Back in 2013, the HAKRO trust foundation, 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, as well as medicine and health. The foundation supports smaller projects, generally funded by start-up financing, as part of its “Aktion Kleeblatt”, as well as longer-term projects, for example in cooperation with the “Hilfe für kranke Kinder Foundation in the University Childrens’ Hospital Tübingen”. Almost all of the ten „Kleeblatt“ – projects and some of the six further projects supported in 2021 directly or indirectly served to mitigate the effects of the pandemic on children and young people.

By 2027, it is our aim to double the total volume of monetary donations and donations in kind to HAKRO projects and projects of the Harry Kroll-Foundation.



### HAKRO DONATIONS 2021

<b>Total donations by HAKRO to Harry Kroll-Foundation</b>	<b>€70,000</b>
.....	
<b>Donations by others to Harry Kroll-Foundation</b>	<b>€17,300</b>
.....	
<b>HAKRO donations for projects outside of the Harry Kroll-Foundation</b>	<b>€33,190</b>
.....	
<b>HAKRO clothes donations</b>	<b>approx. 22,000 items</b>
.....	
<b>Harry Kroll-Foundation donations to “Kleeblatt”-projects</b>	<b>€24,900</b>
.....	
<b>Harry Kroll-Foundation donations to further projects</b>	<b>€47,700</b>



The Harry Kroll Foundation funds projects supporting children and teenagers. Both at our doorstep, and abroad: especially in the HAKRO production partners’ countries, like here in Bangladesh.

# 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://hakro.com).

Objectives in each field of action	Attainment	SDG
<b>COMPANY MANAGEMENT &amp; DIALOGUE</b>		
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 retailers 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 communication channels we use	2022	 
Transferring our compliance requirements into a compliance management system certified according to ISO 37301	2023	 
Annual award of a HAKRO sustainability prize to authorised retailers	2023	
Needs-based publication of our supply chain on tier 1	2023	 
Promoting co-opetition through at least one joint project a year with market companions, especially regarding sector-specific risks	2024	
Integrating innovation management into the organisation	2025	

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 and 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	

Objectives in each field of action	Attainment	SDG
<b>SUPPLY CHAINS &amp; PRODUCTS</b>		
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 terms	2022	



Objectives 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) not avoidable or reduceable CO2e 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	
Recyclability 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	

Objectives in each field of action

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 CO2e 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	

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)/ including textile recycling in the service offers for our retailers 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	

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 Anchor method)	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	

Objectives in each field of action	Attainment	SDG
<b>TEAM &amp; DIVERSITY</b>		
Integration of the topic of sustainability into the interview guide for application interviews	2023	
For each trainee, work shadowing in social projects, integration in our training programme	2023	
Exceedance of the respective tariff for wholesale and foreign trade in the wage and salary structure	2024	
Share of 20% e-learning courses in the entire offerings of the HAKRO Academy	2024	
Offer a sabbatical for employees in permanent positions	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 offer for our employees to participate in shared projects with people with disabilities 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	

Objectives in each field of action	Attainment	SDG
Daycare offer for the children (3 months – 7 years) of 100% of the parents among our employees	2027	
50% more claimed special leave days than in the base year 2022 as part of our TeamShare project	2030	
Use of our company pension plan by all employees in permanent positions	2030	
Increasing the percentage of people with disabilities in the HAKRO team to 15%	2030	
Offers for external professional development (such as stipends) taken advantage of by 15% of our employees	2030	
<b>SITE &amp; RESOURCES</b>		
Compensation for all (still) not avoidable or reduceable direct and indirect CO2e emissions on site (Scope 1+2) through certified climate protection projects	2022	
Keeping our own bee colonies in the insect-friendly HAKRO wildflower meadows and manufacturing honey (partly to make our employees aware of biodiversity)	2022	
Dispensing with the use of herbicides and pesticides during the extensive maintenance of our other green spaces	2022	

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 digitalisation effects 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	

**PUBLISHED BY**  
**HAKRO GmbH**  
 Oberstettener Str. 41  
 74575 Schrozberg  
 Telephone: +49 (0) 7935 9118-100  
[www.hakro.com](http://www.hakro.com)

[www.instagram.com/hakro1969](https://www.instagram.com/hakro1969)  
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**PERSON RESPONSIBLE**  
**Carmen Kroll**, *Managing Partner and Managing Director*  
**Thomas Müller**, *Managing Director*  
**Danny Jüngling**, *Executive Management | Authorised Signatory*

**POINT OF CONTACT & EDITORIAL STAFF**  
**Quality, Values & Sustainability**  
**Jochen Schmidt**, [jochen.schmidt@hakro.com](mailto:jochen.schmidt@hakro.com)  
**Anna Rüchardt**, [anna.ruechardt@hakro.com](mailto:anna.ruechardt@hakro.com)

**CONCEPT & TEXT**  
**Fährmann Unternehmensberatung GmbH**  
 Achim Lohrie, Sustainability Expert

**TRANSLATION**  
**wordinc GmbH**  
 The authoritative version is the German original of the Social Report.

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