

HÄLT.

2019 Sustainability Report

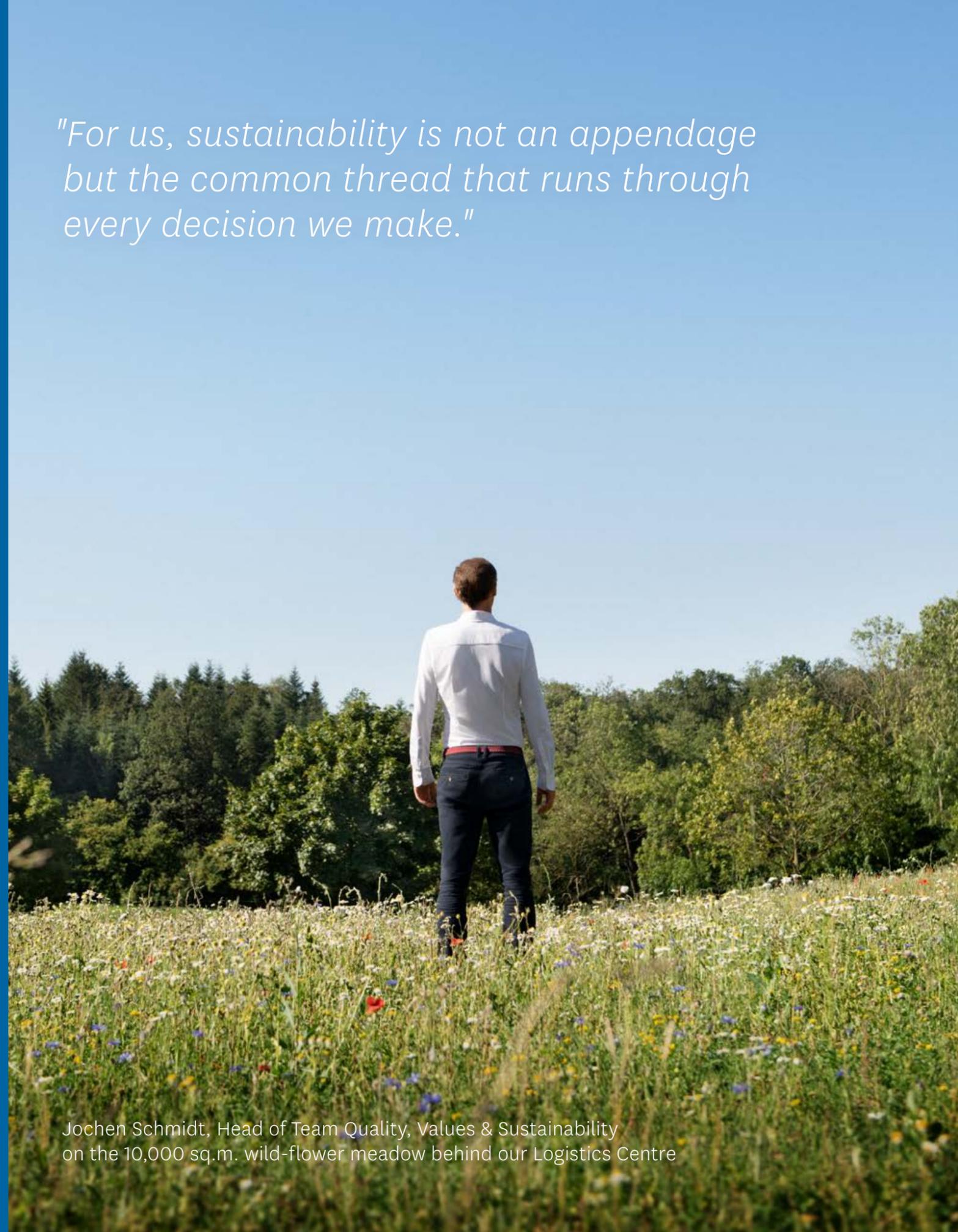
HAKRO 
HÄLT. SEIT 1969

.TJÄH

2019 Sustainability Report

 **HAKRO**
HÄLT. SEIT 1989

"For us, sustainability is not an appendage but the common thread that runs through every decision we make."



Jochen Schmidt, Head of Team Quality, Values & Sustainability
on the 10,000 sq.m. wild-flower meadow behind our Logistics Centre



HAKRO HÄLT. SINCE 1969

Dear Readers,
dear Customers, dear Team,

HAKRO HÄLT. By this we mean more than our products. Durability, consistency and cohesion provide the basis for the way in which we think and act at every level. From manufacturing our garments to the social interaction with our staff, production partners, retail partners and customers. And all this for precisely 50 years.

HÄLT. (*keeps*) is also the title of this sustainability report. The abbreviated form of our brand promise embraces the five fields of action in our approach to sustainability management. When it comes to *keeping* our word in corporate governance, to products that *keep* up quality, to *keeping* our staff together as a team, to *keeping* our environment healthy as well as to *keeping* committed to young people and children as part of our engagement for charitable causes. We want to illustrate these aspects more closely and talk about challenges, measures implemented as well as future projects on sustainability.

Behind every progress made is the work of many members of staff as well as external partners, service providers and experts. Under the *Companions* banner, we are presenting some of these people and their very personal view of our company.

We wish you some interesting and informative reading and look forward to sharing inspiration with you.

Carmen Kroll
Managing Director

Thomas Müller
Managing Director

Are you familiar with HAKRO?

PROFILE IN BRIEF

HAKRO is a leading provider of corporate fashion for work, leisure and sport. Particularly durable, our textiles accompany people in the work they do every day. They are hard-wearing, comfortable and certified under the Standard 100 by OEKO-TEX®. Our family business is based in the small town of Schrozberg, Baden-Württemberg, Germany, where a dedicated 167-head team attends to our administration and logistics.

We are convinced that responsibility, fairness and humanity are possible at every single step along the value chain. This is why we have set out to become one of the most sustainable providers of corporate fashion and are implementing this maxime throughout the company.

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Durability rather than fast fashion

OUR PRINCIPLES

Our collection is not governed by short-lived trends but by our own high standards and our customers' needs. Carefully selected materials, meticulous workmanship and colourfast dyes mean that our garments can be washed ever so often thus enhancing their service life. This makes sustainability a central element of our business model.

Planning certainty for our partners

Long-term cooperation with a few selected production partners provides the key to guaranteeing the exacting quality of our products. We purchase set quantities agreed every month to ensure a high level of continuity and keep capacities utilised at a constant rate. This avoids short-term peaks and overtime. It gives our business partner planning certainty – an important basis for being able to invest in high social and environmental standards.

Classics with fast availability

Most of our garment models have been available on the market for many years in virtually unchanged form. We only extend our range when there is a specific need to do so, and always in close cooperation with our authorised retail partners. Whether T-shirt, polo shirt, knitwear, fleece, outdoor jacket or trousers, everything matches, can be colour-combined across models and materials and remains available for many years.

Our end-users may replace and extend their staff clothing without long delivery times. In our Never Out of Stock (NOS) high-bay warehouse, over six million textiles are constantly in stock and shipped out to our authorised retailers within 24 hours.

Quality conserves resources

We operate an all-embracing quality-control regime throughout the production process. This enables us to detect and rectify flaws and irregularities straight away, reducing waste to a minimum and conserving resources. Our complaints rate has been below 0.1 percent for many years.

HAKRO HÄLT. SINCE 1969

COMPANY CHRONICLE



1969-1986

Quality from the very start

Retailer Harry Kroll and his wife Marianne open the "Bekleidungshaus Harry Kroll" clothing store in Schrozberg. He places particularly high expectations on garment quality. Which is why he decides to have the textiles manufactured himself. Demand is so great that, with time, he is able to set up a small network of stores in Baden-Württemberg and Bavaria.

1987

The brand is born

Marianne and Harry Kroll decide to concentrate on producing high-quality textiles. They sell the retail stores and invest the proceeds in

building up their own clothing brand. The name Harry Kroll becomes the HAKRO brand. HAKRO Textilimport-Warenvertriebs GmbH embarks on having its first own collection made.

1998-2006

New generation

Carmen Kroll, the company founder's daughter, joins the company. She becomes managing partner in 2003 and runs the company with Thomas Müller. The two of them introduce selective sales through authorised retailers and NOS warehousing. They establish a colour-management system that rules out colour fluctuations between different production batches and product groups.

2007-2013

Sustainable growth and commitment

Order book and sales grow, commitment to sustainability is systematically expanded. HAKRO joins the *United Nations Global Compact* and the *Business Social Compliance Initiative (BSCI)*, publishes annual progress reports and henceforth has all production partners regularly audited by independent third parties. The first large photovoltaic system goes into operation at Schrozberg. Involvement in charitable causes is anchored in the *Harry Kroll Foundation*. From donations, the *Harry Kroll Orphanage* is being set up in southern Bangladesh.

2014-2019

Transition to all-embracing sustainability management

HAKRO's quality management system is awarded certification under ISO 9001:2008 in August 2014. HAKRO ships its products to authorised retailers in a climate neutral way and is introducing electronic invoicing. The first sustainability report is published in 2016 with an inventory of all ecological, economic and social measures. This is followed by the 2017 - 2022 *Wirkstoff* sustainability strategy with ambitious goals and measures in all five fields of action.

Company

CLEAR STANCE FOR 50 YEARS

"Back in our day, sustainability was a term not used by anybody." – A conversation with Marianne and Harry Kroll, founders of HAKRO and Carmen Kroll's parents.

The both of you founded HAKRO 50 years ago. How do you see the company today?

50 years is a very long time. We certainly never expected to look back on such a long tradition when we opened our first store in Schrozberg in 1969 on around 40 square metres of floor space, selling socks, stockings, blouses and jackets. But even before then, we had gathered initial experience at regional weekly markets where we sold our textile products to our customers from a simple market stall or sometimes even straight out of the boot of the car.

We are incredibly proud of what our daughter, Carmen, together with Thomas Müller and their team have made of our HAKRO. Today still, we enjoy regularly roaming the company and always look forward to the opportunity of talking with staff. The conversations we have keep us young and up to date on what's happening at the company.

Were sustainability and staff well-being already an issue then?

50 years ago, the word sustainability wasn't even used in the context it is today. Back then, we simply wanted to offer top-quality products our customers would be able to enjoy for a long time. It was also important to us to show appreciation for our members of staff. Cohesion, empathy, respect and openness – these are values that have shaped our company from the very beginning. From our point of view, this is simply a matter of decency. We are delighted

that these values, in just the same way as our pursuit of quality, are still practised at HAKRO to this very day. This also applies to the understanding of "family business". When we speak of family business, we mean that we, the Kroll family, are there for the company and its members of staff, and not the company for us. After all, it is all down to the commitment of our staff that HAKRO is so successful, and this is why we really want everyone who is involved in its success to benefit from it. This applies to Schrozberg as well as to the staff at our production partners and along the supply chain.

Did you find it difficult to let go and pass the business on to the next generation?

We were so happy when Carmen decided to return to Schrozberg and take over the company after graduating from university and starting a career outside HAKRO. Actually, letting go, however, wasn't that easy after all. What did help us a lot was a transition phase in which our daughter gathered work experience in all departments and formed her own picture. Then we could say with a clear conscience: "Now it's up to you, you can always come to us if you need our advice, but now do things your own way". And this is precisely what she has done.

What makes you both particularly proud?

Oh, there are so many aspects. For example, experiencing the passion and loyalty with which everyone involved teams up and contributes to



The start-up team: company founders Marianne and Harry Kroll.

HAKRO's success. This starts with our staff and extends all the way through to our long-standing production partners whose businesses and owners in Turkey and Bangladesh used to work with HAKRO back in our day and who, in the meantime, have even become good friends. But HAKRO's broad-ranging involvement in social

work in the region or its commitment to the children in our orphanage in Bangladesh, also makes us very proud.

This may sound somewhat hackneyed now: but we are also proud of the fact that, even 50 years ago, we managed to get some things right.

WHAT WE DO FOR SUSTAINABILITY AND HOW WE REPORT ON IT

The first HAKRO Sustainability Report was published in 2016. It contains a comprehensive stock-take of the ecological, economic and social measures we implemented from 2011 - 2015. This provided the basis for developing our current sustainability strategy for 2017 - 2022. It was structured along our five fields of action, with long-term goals and a wide range of measures for all walks of the company. We document the progress we have made and the plans we have in our annual Sustainability Report. We compare the results of each field of action with our 2017 - 2022 sustainability strategy and complement them with new goals and measures. In terms of form, the report is based on the internationally recognised standard of the *Global Reporting Initiative* (GRI).

Responsibility in our region and in our producing countries

As one of the larger employers in Schrozberg, we bear responsibility for our employees, the environment and society. This is where we create jobs, train apprentices and pay taxes. We also promote the common weal through a wide range of activities.

Good work conditions and sustainability along the entire supply chain are of tremendous importance to us. This is why we only have our textiles manufactured by carefully selected partners whose production conditions and environmental standards meet our exacting demands.

Suppliers as partners

We work with a small group of firmly established production partners in Europe and Asia – and, in some cases, have done so for decades. We employ their services throughout the year and procure previously agreed monthly quantities. This continuity ensures the consistent high quality of our collection and gives our partners planning certainty. In intensive dialogue we help these businesses to provide good working and social conditions. This is our contribution to improving the structures in the producing countries with lasting effect.

Certificates and independent audits

All of our products are certified under the Standard 100 by OEKO-TEX®. Our Organic collection carries the *Global Organic Textile Standard* (GOTS) seal. We are *bluesign* system partner and member of the *Bangladesh Accord*.

Our six production partners in Turkey, Bangladesh, Laos and China are audited annually in compliance with the requirements of *amfori BSCI*. These audits provide detailed insight into the working and social conditions at the various production sites. Based on the audit results, we help our partners to implement improvement measures for their staff, provide living wages and introduce eco-friendly production conditions.

Our contribution to the Global Goals

Global challenges can only be met by working hand in hand. The United Nations have created the basis for this with the *2030 Agenda for Sustainable Development*. It covers 17 sustainable development goals to promote peace and prosperity by 2030 and to create a healthy environment for everyone. This vision is being implemented worldwide by governments, businesses and many other stakeholders in civil society. We support all 17 Global Goals, but concentrate on six of them. Our field of business enables us to make the greatest possible contribution in this regard.



SUSTAINABLE DEVELOPMENT GOALS



Our sustainability principles

HAND, HEART AND ATTITUDE FOR A FUTURE WORTH LIVING

HAKRO bears responsibility for its products and production conditions, for its staff and customers as well as for the environment and society. We can only be successful in the long run if we live up to this responsibility.

As a family business, this is something we have long since realised. This is why we link our business goals with the eagerness to act in an ecologically and socially compatible manner. Although this is not always easy to do in a complex world, it marks out the path we resolutely follow – with hand, heart and attitude.

Formulating the expectations we share

Our sustainability principles were established in 2016. They provide the framework for the measures and decisions we take. They were developed by those who know HAKRO best: our members of staff.

The team commented on the first draft of the sustainability principles and gave valuable

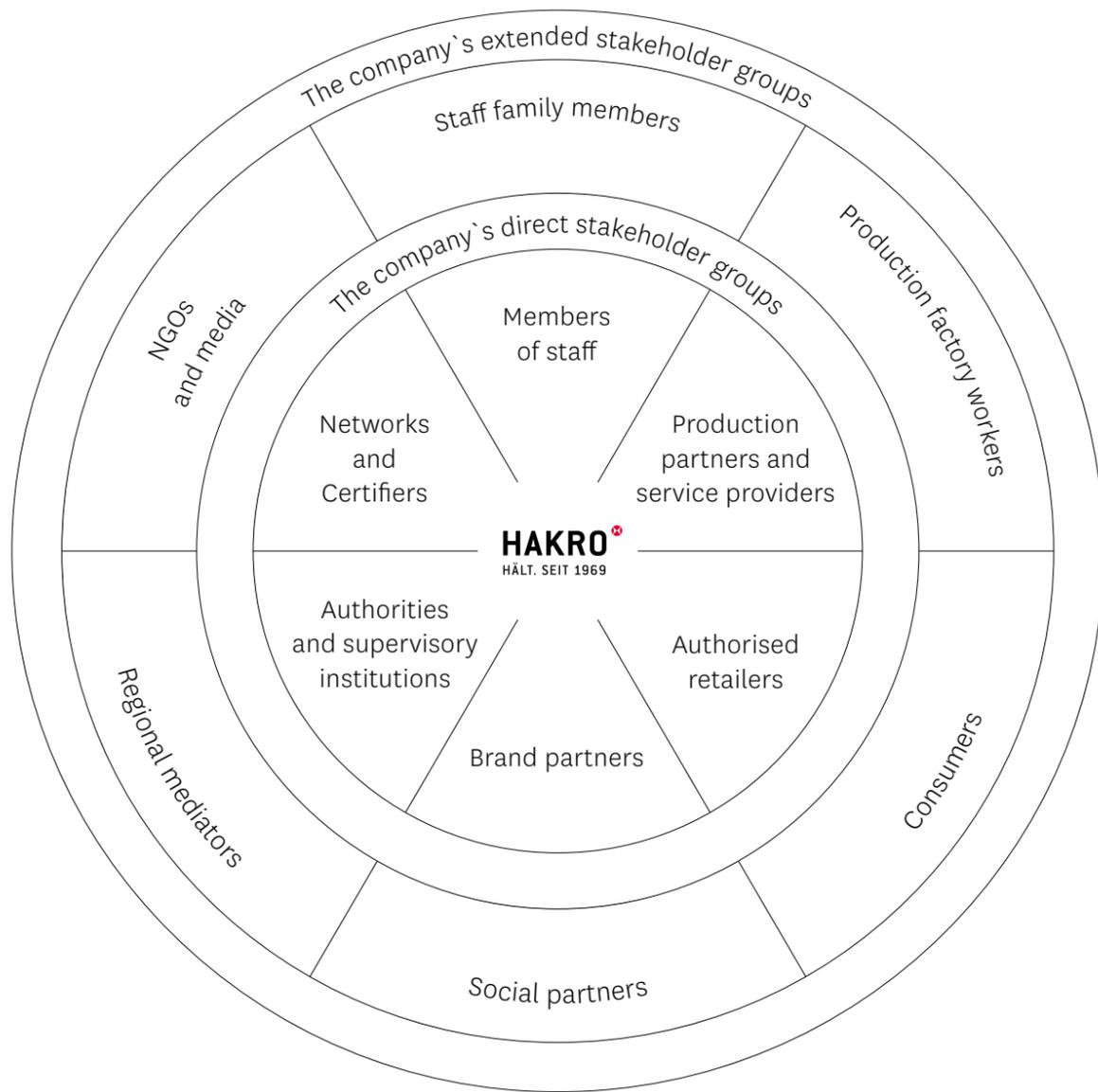
feedback and suggestions. We bundled those contributions, creating six subject areas as a basis on which to formulate guiding principles. These proposed wordings were returned to the team, discussed and finalised. This produced the present version of our sustainability principles which were signed by HAKRO's staff in June 2016.

<p><i>Products</i> HAKRO stands for long-lasting, high-quality clothing Our products are distinguished by their high level of quality. The use of high-grade and hard-wearing materials, precision manufacturing and classic designs give them a long life. We raise of our customers' awareness of the associated ecological aspect.</p>	<p><i>Environment</i> HAKRO conserves natural resources We want to keep our environmental footprint as small as possible, both on our own premises and along our textile' production chain. We analyse our processes and strive for efficiency in order to reduce resources and energy requirements. We close materials cycles whenever we can.</p>
<p><i>Production</i> HAKRO sources responsibly To produce our textiles we work with carefully selected suppliers and production partners. Long-term business relationships make us a reliable partner for them. They, in turn, are committed to meeting our stringent ecological and social standards and to creating fair working conditions.</p>	<p><i>Members of staff</i> HAKRO values the individual We offer our staff attractive, long-term workplaces and equal opportunities – regardless of age, gender, nationality and other distinguishing characteristics. We appreciate personality, encourage diversity and achieving a balance between work and home life. Learning new things from one another is important to us – and key to our success.</p>
<p><i>Society</i> HAKRO lives up to its social responsibility We are committed to Schrozberg as a location. We create jobs, place orders with local partners and pay taxes. On site, we are committed to promote the common good. Through our own foundation, we support disadvantaged children and young adults not only in the region but also in the countries in which we produce.</p>	<p><i>Corporate governance</i> HAKRO's actions are all value-based We believe in values such as decency, fairness and loyalty, and live them in our interaction with customers, partners and members of staff. As a signatory of the UN Global Compact, we follow its ten principles for responsible entrepreneurship. We are gradually expanding our activities to create an all-embracing system of sustainability management.</p>

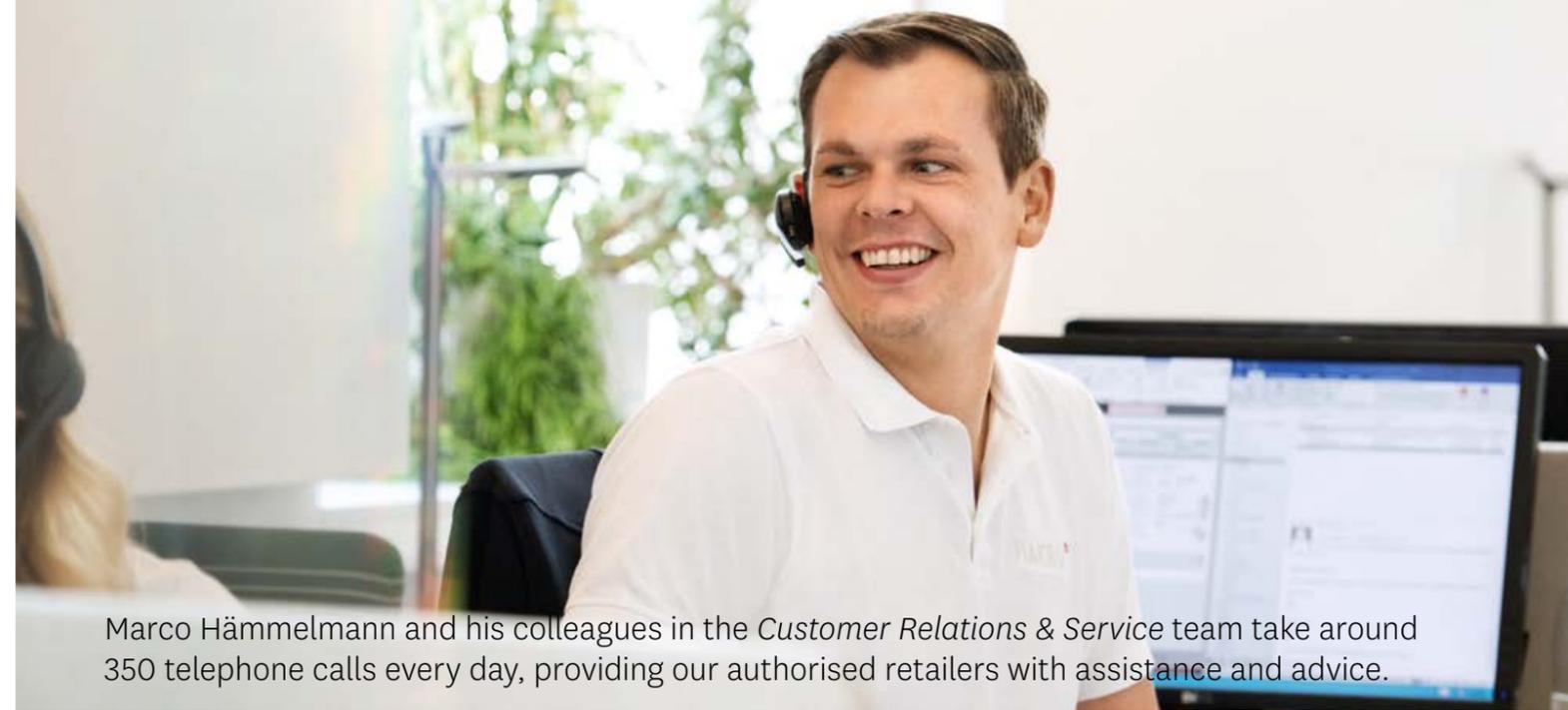
Various stakeholder groups

SUSTAINABILITY UNITES

As a family business, we foster an open, personal and sincere business culture. We also want to apply this attitude to the dialogue with our stakeholder groups.



For our first sustainability report in 2016 we took stock of our network. We divided the circle of people we talk to into direct and extended stakeholder groups. Because we want to continue improving, we maintain a constructive dialogue with all of these partners.



Marco Hämmelmann and his colleagues in the *Customer Relations & Service* team take around 350 telephone calls every day, providing our authorised retailers with assistance and advice.

Personal and cooperative

Close dialogue with our authorised retailers

All members of our staff are the brand's ambassadors. Every day, our *Sales & Partnership* team is in personal contact with our authorised retailers either on location or by telephone or e-mail. The *Customer Relations & Service* team attends to purchase orders and meets requests in house. Customer contact is not always a matter of product lines, quantities and colours. Many of our authorised retailers share our commitment to sustainability. They support our measures, such as reducing packaging material, and give us valuable ideas and suggestions.

Dialogue and media

Communication channels

We are member of or participant in involved in numerous associations and networks. We maintain contacts with all of them but, for reasons of time, are unable to participate in the same way everywhere.

We keep our members of staff up to date on internal news through team information bulletins. Our employee newspaper, called *Lesestoff* (German for 'Reading Matter'), is published quarterly and written by an in-house editorial

team. The whole team meets up once a year for a big come-together. The management gives a review of the past business year and presents future projects. Afterwards, there is the opportunity to ask questions and hold discussions.

In 2020 we will be editing a new *HAKRO Newsletter* for our production partners. It aims at providing up-to-date environmental and sustainability information of particular relevance to our production partners. It includes valuable information on our memberships and on alterations in requirements from our standard-making-bodies. In this newsletter we also cover aspects, such as tools, guidelines and other practical aids, to assist our partners in their work.

Online communication

Facebook, Instagram & Co

The importance of sustainability is also reflected in our website.

An overview of our five field of action and news can be found in the Company section. We use social media channels, such as Facebook, Twitter and Instagram, not only for product communication but also for building awareness in the area of sustainability and for providing insight into the HAKRO world.

CORPORATE GOVERNANCE

KEEPING OUR WORD

We bear responsibility for the people we work with, for the quality of our products, for the considerate treatment of the environment and use of resources, and for the relations we have with our production and trading partners. Take us by our word.

"Trust is the certainty of being able to rely on each other in every situation."

Danny Jüngling, Authorised Signatory and Assistant to Management



Corporate governance

OUR VISION: all businesses in the clothing industry do as much as they can to achieve the goals set out in the United Nations' 2030 Agenda for Sustainable Development.

OUR MISSION: to follow a course of resolute sustainability management and become one of the most sustainable suppliers of corporate fashion, workwear, leisurewear and sportswear.

OUR GOALS: from the 2017-2022 Sustainability Strategy

- *Shape sustainable growth*
- *brand relaunch*
- *Develop value compass*
- *Achieve integrated management*
- *Intensify dialogue*

NEW GOAL: expand on digitalisation



FROM MANAGEMENT MATTER TO COLLECTIVE MATTER

What actually happens when every company decision is placed under the aspect of sustainability? A great deal, as our progress in the field of corporate governance shows.

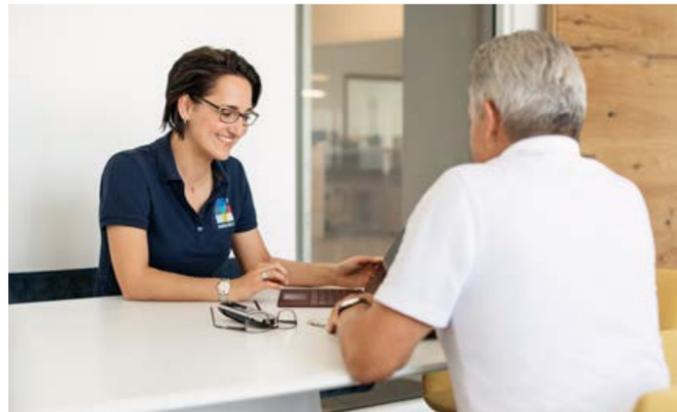
At HAKRO, sustainability has long since ceased to be a matter purely for the management. Henceforth, we will be giving our staff even more responsibility in this matter. Because 167 pairs of eyes see more, and this is where everyone can do their bit. For example, our team suggested to use only black and white ink in our printers, thereby - reducing the use of toner by 30%. The ideas of using e-bikes as company vehicles and setting up beehives on the wildflower meadow next to our logistics operation also came from our staff.

Our aim is to encourage and broaden in environmental protection. In our new sustainability forum, staff from all departments meet on a regular basis to gather ideas, evaluate them and get on putting them into practise as quickly as possible. Now that absolutely everyone at our company is looking for ways to protect the environment and conserve resources, our sustainability management is filled with more life than ever.

Corporate governance

PROGRESS MADE IN 2018/2019: OUR MILESTONES

This is what we have implemented within our sustainability strategy in the field of corporate governance.



Every idea counts

Sustainability Forum established

In 2018, we set up the HAKRO Sustainability Forum intended to identify ways of stepping up sustainability across the company, encouraging dialogue and speeding up the process of putting ideas into practice. The sustainability coordinators from our divisions and teams meet once a quarter, each time devoting their attention to one particular aspect.

Thus, we gradually want to examine all parts of the company, define future projects and put them in place across the board in the most efficient manner possible.

Goal: intensify dialogue



Dialogue with the top league

Name sponsoring - HAKRO Merlins Crailsheim

We are treading new ground in dialogue with our stakeholder groups. This way, we have broadened our long-standing partnership with the Crailsheim Basketball Premier League Club made it rise from jersey sponsor to name sponsor. The partnership with HAKRO Merlins Crailsheim connects us more closely with the people in the region and reinforces HAKRO's brand identity well beyond our home state of Baden-Württemberg. The HAKRO Merlins enable us to talk to authorised retailers, customers, future members of staff and basketball fans.

→ www.hakro-merlins.com

Goal: intensify dialogue

Transparency & attention to values

New names for teams and divisions

A small but very important measure was the renaming of our company's divisions. We wanted to give each team the name that goes with its actual function and reflects our attention to values. We have nothing against the good old HR department, but for us it is also about making sure everyone is motivated and happy. Now the *Human Resources & Motivation team* takes care of all staff matters, the accounts department is named the *Finance & Success team*, the sales department has become the *Sales & Partnership team*, and we have changed our customer service department's name into *Customer Relations & Service team*.

Goal: achieve integrated management

FURTHER PROGRESS IN THE CORPORATE GOVERNANCE FIELD OF ACTION:

Successful close of business year

Net turnover reached € 88.9 million, up 11% on the previous year.

Refer to the Business Statement on page 29.

External recognition

Competitions and Rankings

In June 2018, we were nominated for the 11th German Sustainability Award (Deutscher Nachhaltigkeitspreis - DNP) from a standing start in the *Medium-Sized Companies* category. The DNP team particularly commended the integrated consideration of all three sustainability dimensions: Economics, Ecology and Social Quality. A piece of advice they gave us was to further increase the measurability of our activities and goals on the basis of key performance indicators.

We were among the TOP 10 in the category of *Small and Medium-Sized Enterprises* in the ranking of the *Institute for Ecological Economy Research* and the *Entrepreneur Initiative future* in February 2019. The *Wirkstoff - Sustainability Strategy 2017-2022* report instantly took us to place 9 out of a total of 40 sustainability reports submitted.

Together with the *Hamburg Institute of International Economics*, Germany's Focus Money magazine has drawn up a list of businesses that make a valuable contribution to Germany on the basis of their ecological, economic and social responsibility. In the industry sector, we ranked 29th.

Goal: intensify dialogue



Klaus-Dieter and Frank Seifert are father and son at the helm of an embroidery in Dörzbach. They have been authorised HAKRO retailers since 2002 and finish our products with perfect embroidery.

Companions STICKEREI ALFRED SEIFERT & SÖHNE

"We don't just look at figures, there needs to be good interaction between the companies as well."



"HAKRO and Seifert are on a similar wavelength, it simply works at a personal level and everything is wonderfully intertwined," says Frank Seifert, "we have been working together for two generations, and that, I think, is when you can talk about routine – a very gratifying routine, mind you," he adds with a smile.

Stickerei Seifert has specialised in the finishing of corporate fashion. Frank Seifert is the fourth generation to run the company. In the same way as Carmen Kroll, he took over the business from his father. Together, they have grown. *"Originally, our family business started in fashion embroidery, dirndl dresses, traditional costumes and lace. Demands on quality has always been particularly high. This has been passed on from one generation to the next. Another thing we have in common with HAKRO."* Staff and sustainability are dear to the heart of both companies. Stickerei Seifert operates a 165 kWp photovoltaic system as well as an 80 kW battery accumulator, and has been self-sufficient in electricity since 2017. Being in each other's proximity, the two companies can work hand in hand. *"If customers need T-shirts from one day to the next or if ever anything is missing from a consignment, you can quickly go and fetch new supplies from HAKRO's Logistics Department."* Needless to say, with the company fleet of electric vehicles.

Corporate governance

MEMBERSHIPS AND STANDARDS



United Nations Global Compact

In 2009 we signed the *Global Compact of the United Nations* and, in doing so, joined the world's biggest alliance for responsible business practices. The Ten Principles of the Global Compact set the standards for compliance with human rights and the implementation of international working principles, care for the environment, the fight against child labour, and preventing corruption. Every year we report on what we have done to promote these Ten Principles.

amfori BSCI

As a member of amfori BSCI (Business Social Compliance Initiative) since 2012, we have been committed to significantly improving the working and social conditions in the production facilities. We expect our suppliers to comply with the requirements of the amfori BSCI Code of Conduct: this concerns management practice, working times and remuneration, the ban on child labour, the freedom of assembly, the avoidance of discrimination, and health and safety at work. Independent auditors check on site to ensure that our production partners comply with this code.

Partnership for Sustainable Textiles

As a member of the *Partnership for Sustainable Textiles*, HAKRO is committed to taking an active part in achieving the partnership's overarching goals: verifiably improve the social, economic and ecological conditions along the entire supply chain in the textile and clothing sector.

ISO 9001 – System-based quality

HAKRO's quality management processes have been certified by TÜV Süd according to ISO 9001:2015. ISO 9001 is the most important quality management standard both nationally and internationally. It provides the basis for our continuous internal improvement activity.

The Family Entrepreneurs

Today, 90% of all companies in Germany are family-run companies. They are notable for their particularly strong social standards and responsibility. The "Die Familienunternehmer" (The Family Business Entrepreneurs) association represents over 6,000 family-run companies on a political level. We have been a member since 2017, and we adhere to the "Governance Code for Family Businesses" developed by the association.



**DIE FAMILIEN
UNTERNEHMER**

Corporate governance

BUSINESS STATEMENT 2018

11%+
Turnover
2017-2018



13%+
Incoming Goods &
Textiles Shipped,
2017-2018

<0.1%
Complaints Rate
2018



Turnover (net, in € million)	88.9
Incoming Goods (incoming deliveries from production facilities)	388
Orders Received	179,400
Amount of Textiles Shipped (in millions)	10.1
Amount of Packages Sent	293,000

Corporate Governance

REVISION OF GOALS

This is what we have achieved so far. Strategic goals, progress made and future projects for the Corporate Governance field of action.

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Future projects up to 2022
→ Shape sustainable growth <i>Running</i>	✓ <i>Successful close of business year</i> <i>Net turnover reached € 88.9 million, up 11% on the previous year.</i>	
✓ Brand relaunched <i>Launch of a new brand image with the HAKRO HÄLT claim. Since 1969. Done 2017</i>		
✓ Develop value compass <i>Formulation of principles, instruments and responsibilities as well as guidelines for all 5 action fields. Done 2017-2018</i>		
→ Achieve integrated management <i>Systematic integration of the sustainability aspect in all company domains and work processes. Running</i>	✓ <i>New names for teams and divisions</i> <i>Names that reflect function and attention to values.</i>	→ <i>Certification of the environmental management</i> <i>Decision on auditor and start of certification. (→ 2020)</i>

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Future projects up to 2022
→ Intensify dialogue <i>Broader use of online media, regular reporting on the subject of sustainability, 50th anniversary. Running</i>	✓ <i>Sustainability Forum established</i> <i>Internal forum for speeding up the process of putting measures into practice.</i> ✓ <i>Name sponsoring - HAKRO Merlins Crailsheim</i> <i>Connect with the region and increase awareness for HAKRO.</i> ✓ <i>Competitions and rankings</i> <i>Nomination for the 11th German Sustainability Award, voted 9th by the Institute for Ecological Economy Research, voted 29th among Germany's most valuable businesses, Focus Money.</i>	→ <i>Sustainability communication at product level</i> <i>Inform authorised retailers and consumers on the HAKRO Collection's marks of sustainability. (→ 2020)</i> → <i>Supplier dialogue on sustainability</i> <i>Information, dialogue and joint measures to improve sustainability across the supply chain. (→ 2020)</i> → <i>Involvement in the discourse on sustainability</i> <i>Make sustainability clear to and raise awareness for it among our authorised retailers and consumers. (→ 2020)</i>

→ NEW GOAL expand on digitalisation <i>Define and implement potentials for digitalisation in all parts of the company.</i>		→ <i>Logistics 4.0 Transformation</i> <i>Relief for logistics staff, traceability of the supply chain, review of integration of BigData and artificial intelligence. (→ 2020)</i> → <i>Use of smart building technologies</i> <i>Switch to demand-controlled building management technology. (→ 2020)</i>
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FUTURE PROJECTS: SHAPING CHANGE

This is what we are planning as part of our sustainability strategy.

New strategic goal: expansion of digitalisation

Over recent years, new technological capabilities have changed our world faster than ever before. In the future, we want to make even greater use of the opportunities available from digitalisation in all areas of the company and formulate measures and projects accordingly. Among these are Logistics 4.0, traceability in the supply chain and dialogue with all of our partners and stakeholder groups.

→ 2020

Certification of environmental management

Since 2016, we have continuously developed and expanded our sustainability management system. The next logical step is to obtain certification for our environmental management regime. *"Along the certification process, everything we do for the environment is classified and evaluated by a comprehensive catalogue of criteria"*, explains Anna Röchardt from the Quality, Values & Sustainability team. *"The eyes of independent experts help us to optimise and to find new levers. This is the type of assistance we also want for our environmental management activities."*

Goal: achieve integrated management

→ 2020

Sustainability communication at product level

"Sustainability is practised in all walks of our company, yet if you page through the HAKRO catalogue, there are only a few products that are clearly identifiable as being sustainable: such as the T-shirts and poloshirts from our GOTS certified organic collection. However, sustainability is firmly anchored in every single HAKRO product,

and this is what we want to make even clearer to our customers in future," says Sarah Kremer from the Customer Relations & Service team. In particular, this includes the growing share of sustainably produced cotton across our entire collection. We want to make sure that customers can instantly recognise product-specific sustainability traits, such as our support of the Cotton made in Africa initiative.

Goal: intensify dialogue

→ 2020

Supplier dialogue on sustainability

"We work very closely with our production partners, and have done so in many cases for decades. Hand in hand, we want to enhance sustainability across the entire supply chain. There are many exciting new developments and opportunities, which makes dialogue and sharing ideas so very important," says Heike Schmidt from the team Purchase, Design & Development. As an initial measure, we are planning a regular newsletter for all production partners – covering topical matters, case reports and background information.

Goal: intensify dialogue

→ 2020

Logistics 4.0 transformation

Logistics 4.0 heading is often associated with concerns about job loss. We would not want to miss any single one of our employees. In the spirit of our health management regime, our aim is to reduce physical stress for our colleagues in logistics. The staff at our high-bay warehouse cover a distance of up to 18 kilometres a day while picking goods consignments. To reduce these long ways is one of our targets. In this context, Carlos Perry from the Engineering & Digitalisation team says: *"We want to get Logistics 4.0 up and running without cutting jobs. This is the only way digitalisation and HAKRO will go together"*. For us, further important aspects in the field of digitalisation include: traceability in the supply chain from producer to consumer as well as BigData and Artificial Intelligence (AI).

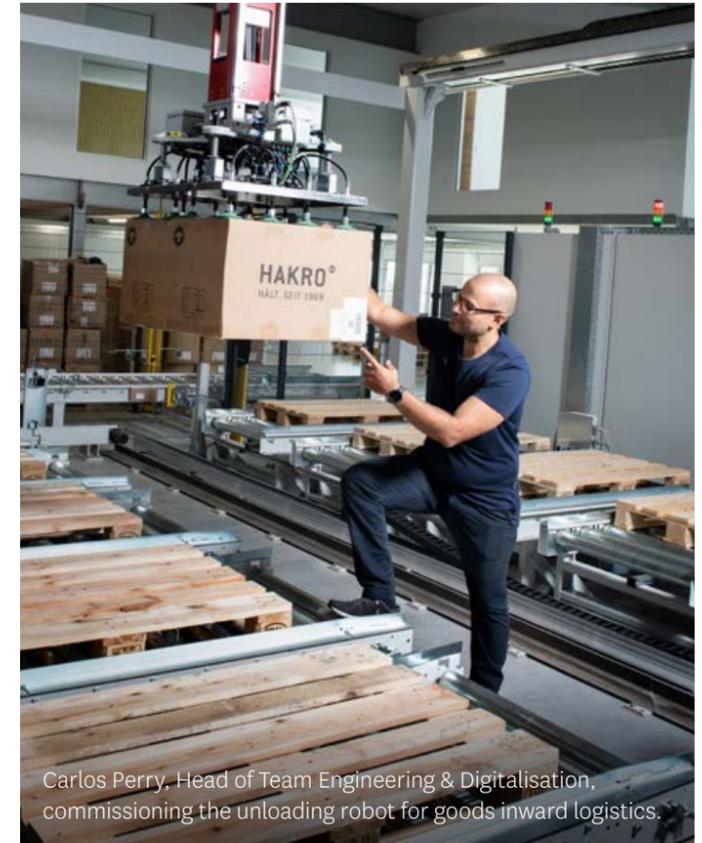
New goal: expand on digitalisation

→ 2020

Use of smart building technologies

Digitalisation can considerably contribute to saving resources in buildings. We are planning to restructure our two operating bases in Schrozberg by using demand-controlled smart building technology. This mainly concerns the way in which lighting is controlled, e.g. using motion detectors.

New goal: expand on digitalisation



Carlos Perry, Head of Team Engineering & Digitalisation, commissioning the unloading robot for goods inward logistics.

FUTURE PROJECTS IN THE CORPORATE GOVERNANCE FIELD OF ACTION:

→ 2020

Involvement in public discourse on sustainability

Make sustainability clear to and raise awareness for it among our authorised retailers and consumers.

PRODUCTS

KEEPING UP QUALITY

Our products keep what we promise. They are made to withstand the most rugged wear and tear, i.e. to retain their shape and colour even after the umpteenth commercial wash. We have them manufactured by a small group of long-standing production partners whom we help in meeting as well as continually improving our social and environmental standards.

"Quality and sustainability go hand in hand and enhance each other."

Carmen Kroll, Managing Director



Checking the colour shade of a HAKRO polo shirt under standardised lighting conditions. Vanessa König, team Customer Relations & Service | Private Label and Fanny Andorn, team Purchase, Design & Development.

Products

OUR VISION: manufacturers and consumers showing a respectful and responsible attitude in producing and purchasing clothing. This ensures sustainable consumption and production in the spirit of the United Nations "Agenda 2030 for Sustainable Development".

OUR MISSION: to offer a range of high-quality clothing that reflects the needs of the market and provides a particularly long service life while originating from socially and ecologically responsible production.

OUR GOALS: from the 2017-2022 Sustainability Strategy

- *Cooperate in partnership*
- *Ban hazardous substances*
- *Encourage textile recycling*
- *Use alternative fibres*
- *Reduce the need for resources*



EVERY FIBRE COUNTS: MORE COTTON FROM SUSTAINABLE FARMING

Sustainability is a continuous process. 2018 took us a significant step forward with our most important raw material, cotton. Across our collection, the share from sustainable farming accounted for 24%.

A lovely feeling: cotton touching the skin. The cotton plant's soft yet hard-wearing fibres are found in many of our products. Unfortunately, however, growing cotton the conventional way is paired with major ecological and social problems. The reasons for this are found in the high levels of fertilisers and pesticides used as well as the vast consumption of water. This is why we have set ourselves the target of increasing the percentage of sustainably produced cotton in our entire collection to as much as 50% by 2022. This kind of modification in the supply chain affects all levels of production which makes them extremely complex.

Because there must be no compromising on quality either – we use particularly high-quality, long-staple cotton fibres. To source cotton that meets our ecological and social expectations as well as our high standards of quality, we have teamed up with our production partners to establish new supply structures. This is where we work with two of the most prevalent sustainability standards in the cotton sector: the *Global Organic Textile Standard (GOTS)* – the world's leading standard for processing organic natural fibres, and *Cotton made in Africa* – the leading standard for sustainably grown cotton from Africa (→ p. 45, *Cotton made in Africa*).



Polo NO. 800

UNCHANGED SINCE 1979

Happy Birthday, Polo NO. 800. Our oldest and best-selling model has been produced unchanged since 1979 and is made entirely of high-quality cotton piqué. Only the material of the three buttons and the formula of the dyes have been brought in line with today's environmental requirements. Except for that, it is the same as it has always been: simply perfect.



Polo NO. 818

INDESTRUCTIBLE SINCE 2019

Welcome, Polo NO. 818. Our latest and most hard-wearing model is part of the High Performance Collection which was developed specifically for professions that place exacting demands on hygiene and involve extreme degrees of soiling. The Mikralinar[®] polo shirt is chlorine and UV-resistant, boil-proof at 95°C and, made from yarn coloured with vat dyes, absolutely colourfast.

Products

PROGRESS MADE IN 2018/2019: OUR MILESTONES

This is what we have done as part of our sustainability strategy in terms of products.

Shirts and blouses without metal clips and cardboard inserts

Packaging elements reduced

Having announced that we would further reduce our packaging material as of March 2019, we received e-mails from our retailers who welcomed this move. For blouses and shirts, we have now done away with metal clips, plastic inner collar reinforcements, cardboard inserts, tissue paper and hang tags. This step saves us around 4 tonnes of paper and cardboard as well as 1.5 tonnes of plastic a year.

Since 2018, we have supplied most of our T-shirts in poly bags containing 10 shirts rather than packaging them individually. This meant that in 2018 we were able to save around 1.2 million poly bags, accruing to some 10.5 tonnes of polyethylene. Since spring 2019, we have also applied larger packaging units to long-sleeved shirts (10-shirt poly bag) and polo shirts (5-shirt polybag). This alone saves us approx. 22 tonnes of plastic a year. Further steps to reduce packaging are in the pipeline. This is a combined effort we have embarked on with our retailers: *"At last! All of us here think that's absolutely fantastic! A step in the right direction, less packaging = less rubbish = fewer wasted raw materials AND far less working time spent on unpacking and disposal! = more profit for all"*, is what Markus Herrmann from our retail partner XXL Agentur für Textilveredelung GbR wrote.

Goal: reduce the need for resources

More Cotton made in Africa

Share of sustainably produced cotton increased to 24%

Sustainability must not be a niche. This is why we would like to use more sustainably produced cotton for our entire collection.

By 2022 we want to increase this share to as much as 50%. 2018 took us a major step nearer towards achieving this goal. In this context, we mainly use cotton grown in compliance with the *Cotton made in Africa* (CmiA) standard.

Goal: use alternative fibres

Trousers complete the outfit

Broader product range

April 2019 saw the addition of business chinos to our product line-up. *"Our new trousers style is what our customers had asked us for, and now we can offer a complete outfit"*, Jürgen Pruy, Head of Sales & Partnership, is pleased to say. On top of this, we now bridge the gap between functional workwear and the classic business look. We have them made at our partner in Laos. The trousers are produced from conventional cotton twill with a small percentage of Elastan for a comfortable fit.

Goal: Cooperate in partnership



Commitment to reducing CO2 along the supply chain

Climate charter signed

We are amongst the first signatories of the *Fashion Industry Charter for Climate* published in December 2018. We therein pledge to commit to the goal of cutting greenhouse-gas emissions along the entire supply chain by 30 % until 2030 compared with 2015 levels. The signatories undertake to reduce the need for energy in their value chain, employ renewable energies and use raw materials that are produced on an ecologically sustainable basis.

The Charter is an initiative of international textile companies and was presented at the United Nations Climate Change Conference in Katowice, Poland, in December 2018. This is based on the Paris Agreement adopted by the international community in December 2015, the targets of which HAKRO pledged to meet in December 2015.

→ <https://unfccc.int>

Goal: reduce the need for resources

Sustainable materials rather than polystyrene

Clothes hangers made of renewable resources

In May 2019, we replaced the polystyrene clothes hangers we had been using by more environmentally friendly models from the Pro Nature Line of a German supplier. The new

hangers are made of AgriPlast fibre composite. It contains cellulose fibres from grass (30-75%) and recycled plastics (25-70%). The meadow grass comes from the Odenwald meadow uplands in the German state of Hessen. Compared to conventional clothes hangers, we significantly reduce the amount of virgin plastic needed to make this indispensable utensil. Our authorised retailers can order the new hangers from our online shop. The former hangers are reused and now serve in our staff's wardrobes.

Goal: reduce the need for resources

FURTHER PROGRESS REGARDING PRODUCTS:

Participation in Bangladesh Accord extended

Agreement on fire and building safety in Bangladesh.

Mulesing added to product guideline

Preventive animal welfare for merino sheep.

Assistance for production partners in recording inventory of chemicals

In accordance with the list recorded in the inventory of the Partnership for Sustainable Textiles.



Companions THE HAKRO TURKEY QUALITY TEAM

"Quality is when you realise mistakes before they occur."

Complaints rate below 0.1 %. We owe a large part of this figure to Murat Dinc and his colleague Muhterem Gunercan from the HAKRO quality team. *"We are part of the HAKRO quality-assurance system and work directly on location at our Turkish production partner. This is where we check quality at every stage of production,"* Murat Dinc explains. From raw material to dyeing, and from cutting to measuring the finished items once they are sewn together. And all this for hundreds of thousands of T-shirts, polo shirts, sweatshirts, sweat jackets, trousers and fleece. *"Irregularities need to be detected before they run through an entire batch,"* he adds. Here, they work hand in hand with the Turkish production staff. Customers and suppliers in one team? *"Yes, perhaps that's the secret behind our success. All of us here want the best possible result. It's often a matter of tiny little nuances."* And it is precisely these that are so important, such as the colour consistency in HAKRO products. *"We share the same exacting demands on the finished result, and that unites us",* Murat Dinc says. *"The work we do brings Istanbul and Schrozberg very close together."*

Murat Dinc and Muhterem Gunercan from HAKRO Turkey ensure end-to-end quality control at our production partner. They have both been part of our team for 25 years.



Neema Joseph is one of over a million smallholder farmers who grow sustainable cotton in partnership with the Cotton made in Africa initiative.

Cotton made in Africa **FOR THE ENVIRONMENT, FOR MILLIONS OF PEOPLE, FOR AFRICA**

The *Cotton Made in Africa* (CmiA) initiative shows that tremendous ecological and social progress can be made within a few years if everyone involved works together as partners on a level playing field.



Waita Simeyi, cotton farmer in Uganda

We have been partnering with *Cotton made in Africa* (CmiA) since 2017. The initiative supports smallholder farmers in sub-Saharan Africa in growing sustainable cotton, and also verifies the first step of cotton processing. The farmers receive comprehensive training in all aspects of sustainable agricultural methods. *CmiA* excludes the use of pesticides classified as being hazardous, as well as of modified seeds and artificial irrigation. Child labour is strictly prohibited. Farmers are particularly sensitised of this important issue in the training they receive. *CmiA* also invests in setting up and expanding the school infrastructure in rural regions and helps

women through special educational programmes. In business management training courses, smallholder farmers learn about the benefits of sustainable agricultural methods in cotton growing – and how these can help to improve their own living conditions. "*Literacy for adults helps farmers keep records of their agricultural activities and sell their cotton better,*" Waita Simeyi explains. He is a cotton farmer and teacher of '*Functional Adult Literacy*' (FAL) in Uganda and teaches other smallholders how to read and write. "*My livelihood has improved so much that I was able to build a house and send my two children to school,*" he proudly says.

MEMBERSHIPS AND STANDARDS



Standard 100 by OEKO-TEX®

The "Confidence in Textiles" label represents the STANDARD 100 BY OEKO-TEX®. This is an independent test and certification system for untreated, intermediate and finished textile products at every level of processing. Testing for harmful substances includes substances that are banned or legally regulated as well as substances known to be harmful to health. Every HAKRO garment carries this mark of quality.

Cotton made in Africa (CmiA)

Cotton made in Africa is an internationally acknowledged standard for sustainably produced cotton from Africa. CmiA supports African cotton farmers and their families, and promotes environmentally friendly cotton farming. Rather than relying on donations, CmiA activates market forces, thereby contributing significantly to economic independence. HAKRO is part of the network of companies that purchase CmiA certified cotton and whose licence fees support agricultural training, environmentally-friendly farming methods and social projects.



The Global Organic Textile Standard (GOTS)

The *Global Organic Textile Standard (GOTS)* is the world's leading standard for the processing of textiles made from organically grown natural fibres. It defines the environmental requirements along the entire production chain as well as the social criteria that need to be observed. The T-shirts and polo shirts in HAKRO's Organic collection are made of 100% organic cotton, and are certified to the Global Organic Textile Standard (GOTS). Certified by Ceres licence no. 0388.

Accord

The *Bangladesh Accord* was established after the collapse of the Rana Plaza textile factory in 2013 with the aim of preventing such a tragedy from ever occurring again. The agreement between trade unions and global textile companies ensures that fire prevention measures and safety standards are tracked in Bangladesh. We support this important measure by signing the first *Bangladesh Accord* in 2015 and by renewing the agreement in 2018.



bluesign® system partner

bluesign® System is an all-embracing initiative by the textiles industry to promote sustainability along the supply chain. All participating companies – from chemical suppliers to manufacturers to brands and retailers – must undergo stringent testing. Aims focus on using resources sparingly, minimise environmental pollution and promote innovations. We have been a *bluesign®* system partner since 2009.



MANUFACTURING

Our collection is manufactured by a small group of responsible production partners. They have committed themselves to strict social and environmental standards and implement them throughout.

Firm and longstanding partnerships

We do not operate any manufacturing facilities of our own. All of our textiles are produced by carefully selected partners in Turkey, Bangladesh, Laos and China. They are family businesses that have evolved with us over the last few decades. We are connected by common values, the exacting demands placed on the quality of our products and the responsibility we practise as entrepreneurs. As a reliable partner, we employ our producers' services throughout the year and purchase previously agreed monthly quantities well in advance. In this way, we create the basis for providing good social and working conditions and for implementing pioneering environmental standards.

Code of Conduct and extensive audits

All of our production partners have acknowledged and committed themselves to the *amfori BSCI* Code of Conduct. It defines standards in respect of management practice, working times and remuneration, the ban on child labour, the freedom of assembly, the avoidance of discrimination, health and safety at work and ethical business practice. Once a year, independent auditors review the way in which our six production partners comply with this code of conduct. Assessment covers 13 categories, shows progress made and identifies shortcomings. These audits are an important tool for continuously improving working and social conditions. A process in which we assist our partners in every way we can.



Production partner

BANGLADESH

Exemplary work, social and environmental standards are also in place in Bangladesh. We have been working with a responsible production partner in Dhaka for 20 years. The GOTS-certified company produces T-shirts, polo shirts, tank tops and garments from our organic collection.

Textile production in Bangladesh

Bangladesh is the most densely populated state in the world. With an estimated 5,000 factories in the textile sector, the capital Dhaka is considered to be the centre of the clothing industry. Can you really produce textiles here with a clear conscience? Our experience shows: you can. Bangladesh too has progressive businesses that value the well-being of their employees and invest in good and safe working conditions, social benefits and environmental protection.

Our production partner

We have been working with a committed, family-run textile company in Bangladesh since as long ago as 1999. Meanwhile in the second generation. The modern clothing factory consolidates several production stages at one location (*Ready made Garment Factory*). This is where garments are knitted, dyed, cut out and finished. In recent years, our production partner has repeatedly invested in measures to improve occupational health and safety as well as environmental protection. For example, fabrics are dyed and finished in a self-contained water system. Every drop of water is cleaned in a treatment process and can be used several times.

Audit results

In the 2018 audit assessment, the company received the top A rating in 8 of 13 categories. Particular progress had been made in occupational health and safety. Regular inspections by fire and safety experts also take place under the *Bangladesh Accord (Accord on Fire and Building Safety in Bangladesh)*.

Our production partner in Bangladesh:

Factory site: **Dhaka**

Start of partnership: **1999**

Share in HAKRO's production volume: **32%**

Products: **T-shirts, polo shirts**

amfori BSCI Audit: **8 out of 13 activities**
Top rating of A, overall rating of C



Production partner

TURKEY

Most of our products are manufactured in Turkey. Our long-standing production partner provides excellent quality and very good working and social conditions.

Textile production in Turkey

Turkey ranks sixth in the worldwide list of textile producers. Traditionally, most textiles are made of cotton. Among the strengths of the Turkish textile industry are the high level of technical expertise, a broadly diversified product portfolio and relatively short delivery distances.

Our production partner

Our production partner is one of the country's biggest textile manufacturers. It owns several state-of-the-art production facilities with exemplary working conditions and very good social standards. Our products are made at a site near Istanbul. This is where we also have custom-coloured and private-label collections made. Our own quality team is permanently on site, works hand in hand with the partner company's staff and inspects every stage of production.

Audit results

In the 2018 audit, the manufacturer received the highest rating of A in 11 of 13 categories. Employees are paid above the minimum wage, there is a free bus transfer, a staff restaurant and a permanently staffed first-aid centre as well as a company physician. The facility is GOTS-certified which means the company is able to produce textiles in compliance with GOTS standards.

Our Turkish production partner has taken over an additional operating base in the Republic of Moldova which will be audited in the course of 2019 in line with our requirements under the *amfori BSCI* Code of Conduct. At the start of the cooperation partnership, we also inspected the site in person to make sure that the environmental and social conditions there met our expectations.

Our production partner in Turkey:

Factory site: **near Istanbul**

Start of partnership: **1996**

Share in HAKRO's production volume: **40%**

Products: **T-shirts, polo shirts, sweatshirts, sweat jackets, sweat bottoms, fleece**

amfori BSCI audit: **11 out of 13 activities**
Top rating of A, overall rating of A

Production partners

LAOS

The highest possible audit rating went to our two partner businesses in Vientiane. In 2018, the top A rating was awarded in 13 of 13 assessment criteria. The operations in Laos manufacture our shirts and blouses as well as Function models.

Textile production in Laos

Laos is located on the Indonesian peninsula between Vietnam, Thailand, China, Cambodia and Myanmar. The majority of the population lives from traditional rice growing. In 2018 there were about 1,100 textile factories providing 740,000 jobs in Laos. Among other garments, the predominantly Buddhist country produces high-quality shirts and blouses.

In Laos we work with two partner companies. Both are based near the capital Vientiane.

Our production partners and audit results

Our first partner business has been manufacturing some of our Function garments since 2011. The textile factory's set-up reflects the very latest production standards and meets all requirements defined in the *amfori BSCI* Code

of Conduct. Many of the people working there come from rural areas. On top of their pay, which exceeds the minimum wage, they receive free accommodation and meals, part of their travel expenses to their home towns and villages as well as annual bonus payments.

The second partner operation in Laos has been producing shirts and blouses for our Business collection line since 2012. We now work with the family business in the second generation. This business too exceeded the requirements of the *amfori BSCI* Code of Conduct. The audit results returned no suggestions for improvement whatsoever. Our production partner is also committed to matters of sustainability. Together, we have reduced the packaging elements and stopped using metal clips and collar reinforcements made of plastic.

Our production partners in Laos:

Factory site: **Vientiane**

Start of partnership: **2011**

Share in HAKRO's production volume: **23%**

Products: **Function**

amfori BSCI audit: **13 out of 13 activities**
Top rating of A, overall rating of A

Factory site: **Vientiane**

Start of partnership: **2012**

Share in HAKRO's production volume: **2%**

Products: **shirts & blouses**

amfori BSCI audit: **13 out of 13 activities**
Top rating of A, overall rating of A

Production partners

CHINA

We enjoy long-standing partnerships with two textile manufacturers in China. Their modern production facilities manufacture our technically demanding outdoor jackets and knitted products for us.

Textile production in China

China is the world's biggest exporter of textiles. Like in many Asian countries, there is still a deficit of government regulations in China to protect employees and the environment. We are working on constantly improving production conditions in partnership with our carefully selected Chinese manufacturers.

Our production partners and audit results

We have our outdoor jackets manufactured at our partner company in Dongguan. In the 2018 audit, the company was given the top A rating in 9 out of 13 categories. The auditors see a need for action in the field of social management systems and working hours. In this specific case,

the number of overtime hours allowed per month was exceeded. This will need more attention. Since we are only a small customer, our impact naturally is but slight. We seek dialogue with other customers of the factory in a joint effort to achieve improvement with regard to working hours.

Another factory in Dongguan knits our cotton and merinowool products as well as our socks. The operation is currently being audited under the SA 8000 standard of the *Social Accountability International (SAI)* which is acknowledged by *amfori BSCI*. Like all of our partner operations, we also visit the family business personally at least once a year.

Our production partners in China:

Factory site: **Dongguan**

Start of partnership: **2011**

Share in HAKRO's production volume: **2%**

Products: **outdoor jackets**

amfori BSCI Audit: **9 out of 13 activities.**
top rating of **A**, overall rating of **C**

Factory site: **Dongguan**

Start of partnership: **2012**

Share in HAKRO's production volume: **1%**

Products: **knitwear & socks**

SA 8000 Audit recognised



Garments made up at our production partner in Turkey:



Shirt production in our partner operation in Vientiane, Laos.



Production site for our merino knitwear in Dongguan, China.

Products

REVISION OF GOALS

This is what we have achieved so far. Strategic goals, progress made and future measures for the Products field of action.

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Future projects up to 2022
<p>→ Cooperate in partnership With our producers, authorised retailers and consumers. Running</p>	<p>✓ Participation in Bangladesh Accord extended Agreement on fire and building safety in Bangladesh.</p> <p>✓ Broader product range Business chinos incorporated into product range.</p>	<p>→ Extend social audits Among at least 60% of production operations. (→ 2020)</p> <p>→ Establish complaints mechanism Among at least 60% of production operations. (→ 2020)</p> <p>→ Transparent supply chain Inclusion of the deeper supply chain (→ 2020)</p> <p>→ Support of the Living Wage initiative Initiated by the Partnership for Sustainable Textiles. (→ 2022)</p>
<p>→ Ban hazardous substances Rule out the use of hazardous substances banned in manufacturing (Manufacturing Restricted Substances List - MRSL) as defined in the initiative for eliminating hazardous chemicals (Zero Discharge of Hazardous Chemicals -ZDHC) at production partners. Running</p>	<p>✓ Assistance for production partners in recording inventory of chemicals In accordance with the list recorded in the inventory of the Partnership for Sustainable Textiles.</p>	<p>→ List of substances banned in manufacturing (Manufacturing Restricted Substances List - MRSL) under ZDHC (Zero Discharge of Hazardous Chemicals) No use of listed substances. (→ 2022)</p>
<p>→ Encourage textile recycling Create ways of recycling textiles and fibres in a socially and ecologically meaningful manner. Running</p>		<p>→ Recycling own textile waste Recycling remnant textiles from quality control. (→ 2020)</p>

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Future projects up to 2022
<p>→ Use alternative fibres Increase the percentage of sustainably produced natural, synthetic and recycled fibres. Running</p>	<p>✓ Share of sustainably produced cotton increased to 24% By producers holding certification under the Cotton made in Africa standard.</p> <p>✓ Mulesing added to product guideline Preventive animal welfare for merino sheep.</p>	<p>→ Increase share of sustainably produced cotton to as much as 50% Broaden cooperation with Cotton made in Africa. (→ 2022)</p> <p>→ Examine and reduce the microplastic footprint of our products Analyse market for alternative fibres as well as PFC-free alternatives for textile finishing. (→ 2022)</p> <p>→ 100% certified sustainable merino wool Preventive animal welfare for merino sheep. (→ 2022)</p>
<p>→ Reduce the need for resources Along the supply chain and for labels, hang tags, needles and clamps, outer packaging, such as poly bags and advertising/promotional material. Running</p>	<p>✓ Packaging elements reduced Shirts and blouses without metal clips and cardboard inserts.</p> <p>✓ Fashion Industry Charta for Climate Action signed Commitment to reduce CO2 along the supply chain.</p> <p>✓ Clothes hangers from regenerative material Sustainable materials rather than polystyrene.</p>	<p>→ Reduce demand for non-recycled packaging material by 50% Minimise cardboard and polyester bags. (→ 2022)</p> <p>→ Reduce greenhouse gases along the textile supply chain by 30% Reduce emissions produced in connection with manufacturing our collection, compared to 2015. (→ 2022)</p>

Products

FUTURE PROJECTS: ENHANCE TRANSPARENCY

This is what we are planning as part of our sustainability strategy.



→ 2020

Extend social audits

Each of our partner companies undergoes regular social audits in line with *amfori BSCI*. The feedback we receive from these audits gives us valuable insight with regard to working with our production partners. Together with our partners, we work on the continuous improvement of working conditions in production. We want to enhance and deepen the audits in the future and are planning to extend social audits for at least 60 % of our production partners.

Goal: Cooperate in partnership

→ 2020

Establish complaints mechanism

We would like to give the staff at our partner companies the opportunity to file complaints, submit suggestions for improvement and report problems to a neutral body on an anonymous basis and at any time. In an initial step, we aim

at setting up a complaints-management system in at least 60% of our partner businesses. To this purpose, we have already taken part in an initiative by the Partnership for Sustainable Textiles and conducted a number of preparatory talks with our partners.

Goal: cultivate a style of cooper. based on partnership

→ 2022

Reduce greenhouse gases along the textile supply chain by 30%

In cooperation with our partners, we want to address the issue of reducing CO₂ and of using renewable energy along the entire supply chain. Our aim is to reduce the emissions resulting in our production countries from manufacturing our collection by 30 % over 2015 levels.

Goal: reduce the need for resources

→ 2020

Transparency in the deeper supply chain

We have known many of our production partners for decades, visiting and auditing them on a regular basis in line with *amfori BSCI*. But what is the situation like with their suppliers and at deeper levels in the supply chain? This is something we want to know in detail. This is why we wish to cover all of our production partners' suppliers in one go, to find out more about the origin of packaging materials, such as polyester bags and cardboard boxes. Transparency in the deeper supply chain makes it easier for us to identify problems and challenges, and find solutions in collaboration with our partners.

Goal: cultivate a style of cooper. based on partnership



→ 2022

100% certified sustainable merino wool

Some of our knitwear is made of fine merino wool from farms in Australia and South Africa. In the future, we will be stepping up the demands we place on the suppliers of merino wool in terms of preventive animal welfare. As of 2022 at the latest, they will be required to hold certification under the Responsible Wool Standard (RWS) or in line with a standard of certified organic livestock production.

Goal: use alternative fibres

FUTURE PROJECTS REGARDING PRODUCTS:

→ 2022

Increase share of sustainable cotton to as much as 50%

For the entire collection.

→ 2022

Examine and reduce the microplastic footprint of our products

Analyse market of alternative fibres as well as PFC-free alternatives for textile finishing.

→ 2022

List of substances banned in manufacturing (MRSL) under ZDHC (Zero Discharge of Hazardous Chemicals)

No use of substances listed under the ZDHC programme.

→ 2022

Reduce demand for non-recycled packaging material by 50%

Minimise cardboard and polyester bags.

→ 2020

Recycling own textile waste

Ways of recycling textile left over from quality control.



MEMBERS OF STAFF

KEEPING TOGETHER

In our team we live a culture of diversity and value the unique personality of each and every individual. Tolerance, respect and empathy create a spirit of solidarity at all levels. We see integration and inclusion as an opportunity and enrichment for our sense of togetherness.

"Diversity reflects our fundamental philosophy and, for us, means accepting every team member and every customer or business partner as the individual they actually are."

Maria Schneider, Human Resources & Motivation

Alexander Mohr, Marcus Christian, Ionela Bacila and Gökmen Karib using a short break for a duel in table football.

Members of staff

OUR VISION: a world where everyone in the working population has a decent job and is able to live a decent life on their income – within the meaning of the United Nations "Agenda 2030 for Sustainable Development".

OUR MISSION: secure jobs for our members of staff in an attractive working environment defined by fairness, openness and equal opportunities.

OUR GOALS: from the 2017-2022 Sustainability Strategy

- *Boost staff involvement*
- *Encourage health protection*
- *Broaden training opportunities*
- *Initiate a think-tank*
- *Open staff restaurant*

NEW GOAL: live diversity



DON'T PUT OFF HAPPINESS UNTIL AFTER WORK

We spend most of our lives at work. Weekends and holidays alone are not sufficient to lead a truly full and content life. A simple formula you can't open your eyes to often enough.

Working time is living time. It is with a respectful, diverse and lively corporate culture that we want to give our staff the best possible conditions for a happy working life. We not only value the work that is done but, above all, those who do it. This means accepting each and every one for who they are and giving them equal and fair chances and opportunities. Regardless of gender, age, ethnic origin, religion or philosophy

of life, sexual orientation and physical condition. This implies a partnership among equals, respect for a person's individual needs, reliability and the reassurance of knowing that it is okay to sometimes make mistakes.

All of this is doubtlessly the reason for our low staff-turnover rate of 3 %. In 2018, the average length of service with the company was over seven years.

Members of staff

PROGRESS MADE IN 2018/2019: OUR MILESTONES

This is what we have done as part of our sustainability strategy with regard to our members of staff.



Wide-ranging information

HAKRO's little sustainability library

Knowing how. We want to motivate our team to behave in an ecologically and socially sustainable manner in their private life, too. However, instead of pointing a critical and admonishing finger, we prefer to inspire them in another way. In spring 2019, we distributed around 60 different brochures and guides on the subject topic of sustainability in everyday life. HAKRO's little Sustainability Library displays books on healthy eating and saving energy, on data and consumer protection, on responsible holidays and on ecological gardening, including packets of wild-flower seeds to sow at home. In total, we handed out some 3,000 brochures from public authorities as well as from environmental and consumer organisations.

Goal: boost staff involvement



Massage service

Wider range of health treatments

Since the beginning of 2018, our team has been able to benefit from a range of particularly gratifying health treatments. Tense neck and back muscles are treated once a week by a trained physiotherapist. A 20-minute massage costs an employee a mere 5€. The money is then passed on as a donation to the Harry Kroll Foundation.

Goal: encourage health protection

Payslip enriched

Sustainable tips that help save money

Sustainability not only goes easy on the environment but also the purse. With this in mind came the idea of providing every payslip with a list of ten tips on how to save money and resources by practising ecologically sound behaviour in everyday life. Free added value for

everyone. Topics covered cleaning, cooking, avoiding waste, environmentally friendly travel and mobility.

Goal: boost staff involvement

Logistics on a personal note

Taking delivery of parcels for staff

Online commerce is booming, additionally impacting the environment in many different ways from parcel-service delivery traffic. We want to cut the number of drop-offs for parcel carriers and save our team unnecessary leg-work after work. For this reason, members of staff can have parcels delivered directly to our logistics department.

Goal: boost staff involvement

FURTHER PROGRESS IN THE MEMBERS OF STAFF FIELD OF ACTION:

Participation in Sustainability Week

Running measure with the Schrozberg School on aspects, such as upcycling and sustainable consumption.

Staff survey conducted

Second survey among the HAKRO team.

Leasing company bicycles

Bicycles and e-bikes for members of staff.

Presentation on Syria by photojournalist Lutz Jäkel

Organised by our apprentices.

Host for non-profit organisations

Heilbronn-Franken Diversity Network come to visit.

Entrepreneur initiative

Right of residence through work

Diversity is part of our corporate culture. The 167 staff members in our team come from 15 nations. Some of them are employees who fled to Germany with their families. They have long since become indispensable and valued colleagues in our workforce. Recent years have shown us many times over how difficult it is to create an official basis for a permanent employment contract for refugees. This is why we support the demand of the *Baden-Württemberg Entrepreneur Initiative* to ease access to work for refugees and to protect those from the threat of deportation who found a job. The initiative was launched by the managing directors of VAUDE Sport and the Clemens Härle Brewery in spring 2018 in an effort to persuade the Baden-Württemberg state government and the German Federal government to grant the right of residence in Germany to refugees who are in permanent employment or apprenticeship. Some 150 companies from Baden-Württemberg joined this initiative within just a few months. In May 2019, the initiative received a symbolic "recognition award" when the state of Baden-Württemberg presented its first *Integration Prize*. In the meantime, however, the legal situation has improved but slightly. It is for this reason that member companies remain committed to giving the integrated refugees in work a perspective to stay and to provide businesses with planning certainty.

→ www.unternehmer-initiative.com

GOAL: practise diversity



Companions SOZIALTHERAPEUTISCHE GEMEIN- SCHAFTEN WECKELWEILER E.V.

"We work at HAKRO."

The Weckelweiler Community is home to and place of work for 370 people with different handicaps and specific support needs. Reflecting their aptitudes and abilities, they work in the Community's 23 workshops. But not only there. Since 2017 a cooperation partnership has been in place between HAKRO and the Weckelweiler Community. As many as 13 colleagues from Weckelweiler provide our logistics team with valuable assistance.

"Inclusion and acknowledgement are things every individual wants," says Prof. Dr. Steffen Koolmann, Chairman of the Weckelweiler Community. *"Not being left out, and being involved as a staff member in the normal run of things simply feels good, makes our people proud and boosts their self-esteem. At the same time, there are also benefits for HAKRO's staff,"* he adds. *"In normal working life you also encounter differences between people. The colleague you work with is, of course, different from yourself. That's not a bad thing either. It's just that differences here are a bit bigger."*

In the logistics team, the colleagues from Weckelweiler are considered a huge asset. You practise tolerance and a readiness to help, overcome barriers and become more open-minded. In the meantime, the active and enthusiastic support from the Weckelweiler team is invaluable in most areas of logistics. This makes Steffen Koolmann particularly pleased: *"We see that our people learn a lot, become more confident and pick up new abilities and skills. Increasingly, they are given work to do that entails more responsibility. To the extent that they are taken on as permanent employees. This is our objective: to include and involve people in normal everyday work life on a meaningful and permanent basis, even if this means we lose them to the first job market."*

Group photo with colleagues from Weckelweiler Social Therapy Community (Sozialtherapeutische Gemeinschaft Weckelweiler e.V.). Front row from left to right: Patrick Rathke, Sascha Dvorak, Kai-Ingo Leuthold. Back row from left to right: Michael Wisniewski - team Logistics & Service, Tobias Hofmann - Social Therapy Supervisor, Dennis Herbold, Patrick Graetz, Christian Steil, Thorsten Pfaffhausen, Nils Hüper, Johann Suess, Prof. Dr. Steffen Koolmann.

Members of staff

MEMBERSHIPS AND STANDARDS



Diversity Charta

The aim of the *Diversity Charta* company initiative is to promote diversity in businesses and to create a working environment that is free of prejudice. All staff should experience appreciation regardless of gender, nationality, ethnic origin, religion or philosophy of life, disability, age, sexual orientation and identity. We have signed the Diversity Charta and implement its requirements in line with our sustainability strategy.



Success Factor Family

Combining family and career is something that has always been particularly important to us. Which is why we are part of the *Erfolgsfaktor Familie* (Success Factor Family) network. The programme, initiated by the Federal Ministry of Family Affairs, the leading associations of German industry and the German Trade Union Confederation (DGB), offers companies expertise, ideas and the opportunity to engage in dialogue. Family friendliness should be promoted in many different ways and become a trademark of German industry.



Luxembourg Declaration

As a responsible employer, we want to do even more to promote the health of our staff. That is why we have committed to the principles of the *Luxembourg Declaration on the promotion of Health in the Workplace*. It covers improving work organisation and working conditions as well as encouraging active staff involvement and boosting personal skills.

Members of staff

2018 SOCIAL STATEMENT

167

Members of staff
in 2018



66%

women
in 2018

15

Apprentices in
2018



Members of staff (31.12.2018)	167
of whom employed on a full-time / part-time basis (in %)	63 / 24
of whom in 'Minijob' marginal employment / on parental leave (in %)	11 / 2
Staff with a handicap*	9
Nationalities within the team	15
Cases of discrimination (German General Act on Equal Treatment - AGG)	3
Work and commuting accidents	5
Hours of vocational training per employee (average in 2018)	6.2

* Our colleagues from the Weckelweiler social therapy communities are not included here as an external working group. On average, 10-13 colleagues from Weckelweiler support us.

Members of staff

REVISION OF GOALS

This is what we have achieved so far. Strategic, progress made and future measures regarding our members of staff.

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Future projects up to 2022
<p>→ Boost staff involvement Broadening of internal company communication and development of further measures.</p>	<p>✓ <i>HAKRO's little sustainability library</i> Motivation with regard to sustainability in private life.</p> <p>✓ <i>Sustainability tips that help save money</i> Enclosed with payslip.</p> <p>✓ <i>Taking delivery of parcels for staff</i> Personal parcel deliveries to the Logistics Centre.</p> <p>✓ <i>Participation in Sustainability Week</i> Running measure with the Schrozberg School.</p> <p>✓ <i>Staff survey conducted (June 2019)</i> Second survey among the HAKRO team.</p>	<p>→ <i>Set up Better box</i> For criticism, suggestions for improvement and for problems. (→ 2019)</p> <p>→ <i>Human Resources & Motivation team</i> Staff matters and concerns brought together from all departments. (→ 2019)</p>
<p>→ Encourage health protection Measures to achieve an occupational health rate of at least 95%. In progress</p>	<p>✓ <i>Leasing company bicycles</i> Bicycles and e-bikes for members of staff.</p> <p>✓ <i>Wider range of health treatments</i> Massage service for staff.</p>	<p>→ <i>"Systematic Safety" seal of quality from BGHW</i> (German Employers' Liability Insurance Association for Trade and Goods Logistics) Meet catalogue of criteria. (→ 2020)</p> <p>→ <i>Logistics building sportsroom</i> For the HAKRO Academy and preventive health care. (→ 2019)</p> <p>→ <i>Health manager</i> Permanent position. (→ 2019)</p> <p><i>Kneipp foot bath</i></p> <p>→ <i>Install a regenerative foot bath for the team in Logistics.</i></p>

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Future projects up to 2022
<p>→ Broaden training opportunities Extend range of training opportunities and get more staff to use the HAKRO Academy. In progress</p>		<p>→ <i>More HAKRO Academy for everyone</i> Motivate colleagues from Logistics and increase number of hours spent on vocational training. (→ 2020)</p>
<p>→ Initiate a think-tank Introduce an employee suggestion scheme. In progress</p>	→ In progress	
<p>→ Open staff restaurant At the HAKRO Logistics operating base. In progress</p>	→ In progress	

<p>→ New goal for 2019 Practise diversity Develop and implement measures to broaden and foster diversity in everyday work routine.</p>	<p>✓ <i>Right of residence through work</i> Baden-Württemberg Entrepreneur Initiative.</p> <p>✓ <i>Presentation on Syria by photojournalist Lutz Jäkel</i> Organised by our apprentices.</p> <p>✓ <i>Host for non-profit organisations</i> Heilbronn-Franken Diversity Network.</p>	<p>→ <i>Free German language courses</i> Courses offered to staff during working hours. (→ 2019)</p> <p>→ <i>Broaden involvement in Diversity Day</i> Diversity Charta in the working world. (→ 2020)</p> <p>→ <i>Continue visits to Weckelweiler</i> Staff excursions to the Social Therapy Community.</p> <p>→ <i>Joint activities with Weckelweiler team</i> Staff walk on the Hohenlohe section of the Way of St. James pilgrim route. (→ 2020)</p>
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Members of staff

FUTURE PROJECTS: TO LISTEN AND LEARN

This is what we are planning as part of our sustainability strategy.

New strategic goal: live diversity

We see diversity in everyday work routine as a huge asset. The various lifestyles, nationalities, age groups, religions, philosophies of life and physical abilities of our staff give the HAKRO team its very own character. Because HAKRO is painted in many colours and the broad spectrum of people who work for us makes us what we are. This is why we want to live and foster diversity to an even greater extent in the future. Particularly in this day and age, we see it as our duty in society to show every commitment to promote humanity, openness, tolerance and integration.

→ 2019

Set up Better Box

Ideas only become reality if you share them. Wishes only come true if someone knows about them, and problems only resolved if you talk about them. Even if we practise a culture of openness and, at regular intervals, ask our employees in written and anonymous form to tell us how happy they are, something important may always be left unsaid. A Better Box is intended to help us become even better in many areas. Whether it's about ideas related to the company and sustainability, suggestions for improvement, criticism or unresolved problems, simply write them down and post them in the Better box. The direct and discreet line to the HAKRO management.

Goal: boost staff involvement

→ 2019

Human Resources & Motivation team

So far, *Human Resources & Motivation* have mainly been aspects attended to by our colleague Maria Schneider. Various other staff matters are currently in the hands of colleagues in

different departments, such as coordination of traineeship, the subject of TeamShare or planning staff events. We intend to bring together all employees involved in staff matters under the umbrella of the *Human Resources & Motivation team*.

Goal: boost staff involvement

→ 2020

More HAKRO Academy for everyone

For the past four years, we have grouped together and constantly expanded our programme of vocational training as well as our company health management regime in the HAKRO Academy. Seminars and other classes are on offer covering safety, music, dancing & art, health & fitness, IT, specialist knowledge as well as communication and social skills. Anything missing? Yes, the colleagues from logistics – on average they take part in HAKRO Academy events fewer than most others. This is something we would like to change and provide for more hours of training to our staff.

Goal: broaden training opportunities

→ 2022

Visits to Weckelweiler

Since 2017, women and men with special support needs who are at home in the Weckelweiler Social Therapy Community have been integrated into our team. They work in our Logistics Department with great personal commitment. These colleagues are very popular and are known in the team as the company's fair souls. Following the first visit by members of HAKRO staff to Weckelweiler, both sides expressed the wish to offer regular staff excursions to the Social Therapy Community. We couldn't be more happy to put this idea into practice.

Initiated in 2019, we now also want to continue the joint walk along the Hohenlohe section of the Way of St. James pilgrim route. HAKRO employees are invited to join the Weckelweiler walking group for a day as part of our Team-Share volunteer service.

Goal: practise diversity



FUTURE PROJECTS IN THE MEMBERS OF STAFF FIELD OF ACTION:

→ 2020

Systematic Safety seal of quality from BGHW (German Employers' Liability Insurance Association for Trade and Goods Logistics)

Meet catalogue of criteria.

→ 2019

Set up sportsroom in the new Logistics building

For the HAKRO Academy and preventive health care.

→ 2019

Recruit health manager

Permanent position.

→ 2020

Kneipp foot bath for Logistics team

To bring a new lease of life to tired legs at break times.

→ 2019

Free German language courses

Courses offered to staff during working hours.

→ 2020

Broaden involvement in Diversity Day

Diversity Charta, for diversity in the working world.

→ 2019

Supplementary health insurance for our staff

Voluntary additional insurance cover with valuable benefits from a company health insurance plan.

ENVIRON- MENT

KEEPING THE ENVIRONMENT HEALTHY

It is part of our responsibility to protect the environment and conserve its natural resources, both at our operating base in Schrozberg and in the countries we produce in. This is why we are working on minimising our ecological footprint and on closing material cycles.

"The best investments are those made in the future of our planet."

Thomas Müller, Managing Director



Our Logistics Centre is located in the Schrozberg industrial area, about a kilometre from head office. The extension work is due to reach completion in spring 2020. Besides the NOS warehouse and dispatching of goods, this will also provide a staff restaurant as well as a sportsroom and loungerooms for our employees.

Environment

OUR VISION: a world worth living in, in which people make sustainable use of natural resources and limit climate change – in keeping with the United Nations' Agenda 2030 for Sustainable Development.

OUR MISSION: to keep the ecological footprint in our value chain as small as possible in an ongoing process.

OUR GOALS: from the 2017-2022 Sustainability Strategy

- *Implement energy concept*
- *Achieve carbon-neutral operating bases*
- *Reduce mobility emissions*
- *Fine-tune procurement*
- *Promote biodiversity*



FULL SPEED AHEAD, WITH RENEWABLE ENERGY

In the Environment field of action, we report on ecological measures concerning our company headquarters in Schrozberg, our members of staff as well as travel and the transportation of goods.

As a pioneering project, we have put in place an innovative energy concept at our Logistics Centre, operated by solar energy and a combined heat and power unit. Depending on the time of year, the new energy system supplies 80% to 100% of the electricity we need. Surplus power is stored in a 100-kWh battery or fed into the grid. An intelligent building-management system controls all of the technical appliances and ensures that solar energy can be used as effectively as possible. From the end of January to the beginning of December, the system can run almost autonomously. The small percentage of outsourced electricity also stems from

renewable sources, making the supply of energy 100 % emission-free even today.

It is not possible in all areas to avoid climate-harmful emissions. Yet to contribute towards global climate protection as quickly as possible, we have decided to compensate for all currently unavoidable CO₂ emissions at our Schrozberg headquarters, offsetting them back as far as 2016. This also includes all air and business travel as well as our staff's journeys to and from work every day. In addition to this annually updated, ongoing compensation, we are planning further measures to reduce emissions.

Environment

PROGRESS MADE IN 2018/2019: OUR MILESTONES

This is what we have done as part of our sustainability strategy in the Environment field of action.

Greenhouse-gas emissions compensated

Climate neutral site achieved: HAKRO in Schrozberg

In our 2017- 2022 sustainability strategy we set ourselves the goal of achieving climate neutrality for our Administration and our Logistics Centre in Schrozberg by the end of 2020. By offsetting all greenhouse-gas emissions, we were able to achieve this goal earlier than planned. Our *Corporate Carbon Footprint* was drawn up by *ClimatePartner*. The result for 2017 was around 661 tonnes of CO₂ equivalent. To this end, we have invested around € 10,000 euros in climate protection projects through *ClimatePartner*. This amount finances around 760 clean cooking stoves, enabling families in Bangladesh to halve their fuel needs and, at the same time, avoid polluting indoor air with fumes (→ also refer to page 79). Likewise, we have also had our operating site emissions offset for the 2018 business year, along with all emissions from air and commuter traffic since 2017. This comprises our staff's journeys to and from work every day. In addition, we want to get all of our emissions from 2016 offset retroactively.

→ climatepartner.com/12661-1811-1002

Goal: achieve carbon-neutral operating bases

Green spaces

Extensive cultivation

Behind our logistics centre we have had a wild-flower meadow planted on an area of 10,000m², providing habitat for a growing number of flowers, grasses, insects and birds. It placing beehives is planned. We have this meadow managed extensively without artificial manure or synthetic pesticides.

Goal: promote biodiversity

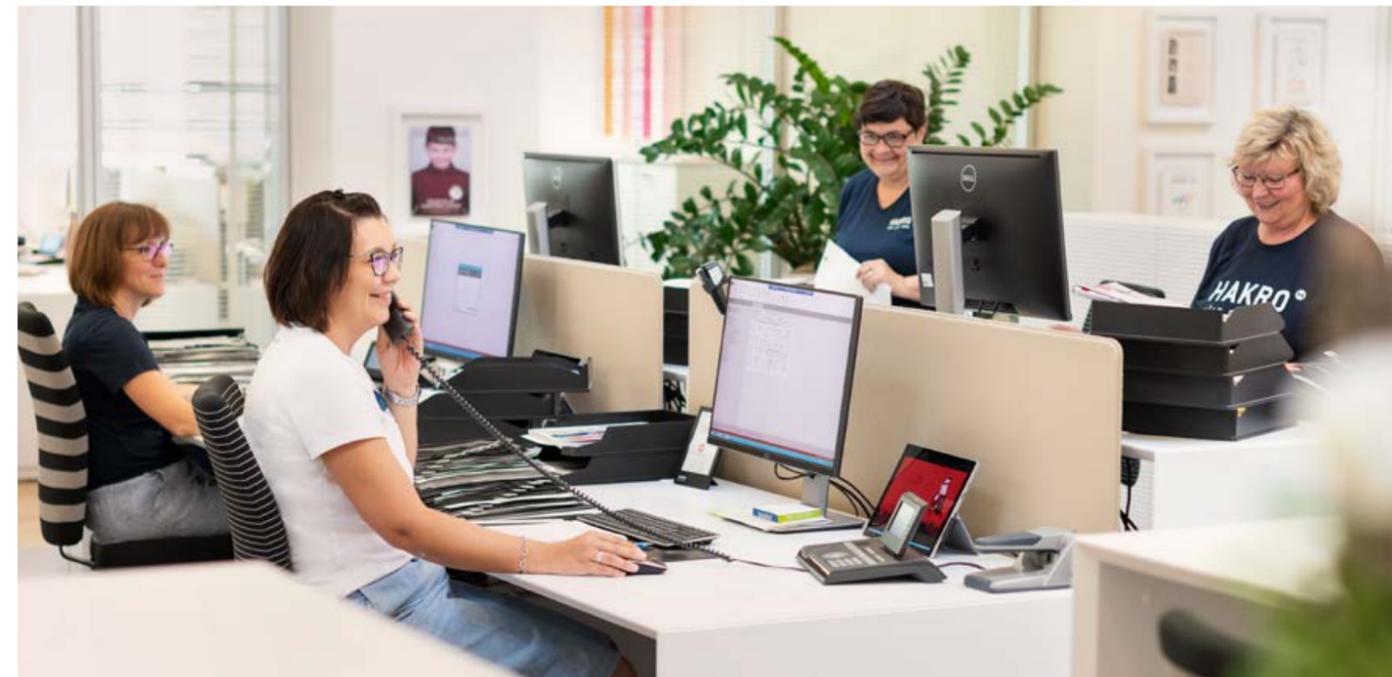
Carbon footprint of cardboard shipping boxes

Re-usable alternative examined

How would the carbon footprint of HAKRO's shipment of goods improve if we were to use re-usable boxes instead of disposable boxes made of corrugated cardboard? This question was examined by student Annika Uebach in her bachelor's degree dissertation for *Landshut University of Applied Sciences*.

Completed in April 2019, the study showed that the cardboard boxes we currently use emit 1.6 kilograms of CO₂ – while they are being made, used only once for shipment and then recycled. For a re-usable box, which may be used about 150 times, it would only be 0.9 kilograms of CO₂ per delivery.

This means we could significantly reduce our carbon footprint. However, return shipment would also add emissions. The total cost of shipping would almost double. At present, this is not feasible for us, neither logistically nor economically. However, the carbon footprint is still better because many of our retailers use the boxes for making deliveries to their customers.



By means of a representative survey we want to find out how we can encourage our authorised retailers to continue using them.

Goal: achieve carbon-neutral operating bases

Energy concept implemented

Logistics centre self-sufficient in electricity

The first photovoltaic system was installed on the roof of our logistics building in 2012. The last of the solar modules were connected to the grid in January 2019. Intelligent building technology and a 100 kWh battery storage system provides our Logistics Centre with sufficient in-house generated energy for 280 days.

Goal: implement energy concept

FURTHER PROGRESS IN THE ENVIRONMENT FIELD OF ACTION:

Company-wide use of LED lamps

Complete changeover in administration and logistics.

HAKRO joins Alliance for Development and Climate

Initiative by the German government to implement the goals set out in the 2030 Agenda. → www.allianz-entwicklung-klima.de

Ecosia is set up as a standard search engine

Proceeds will be used to plant trees. → www.ecosia.org

Mobility emissions reduced

Third electric car in the fleet.

Water dispenser and stainless-steel water bottles for all members of staff

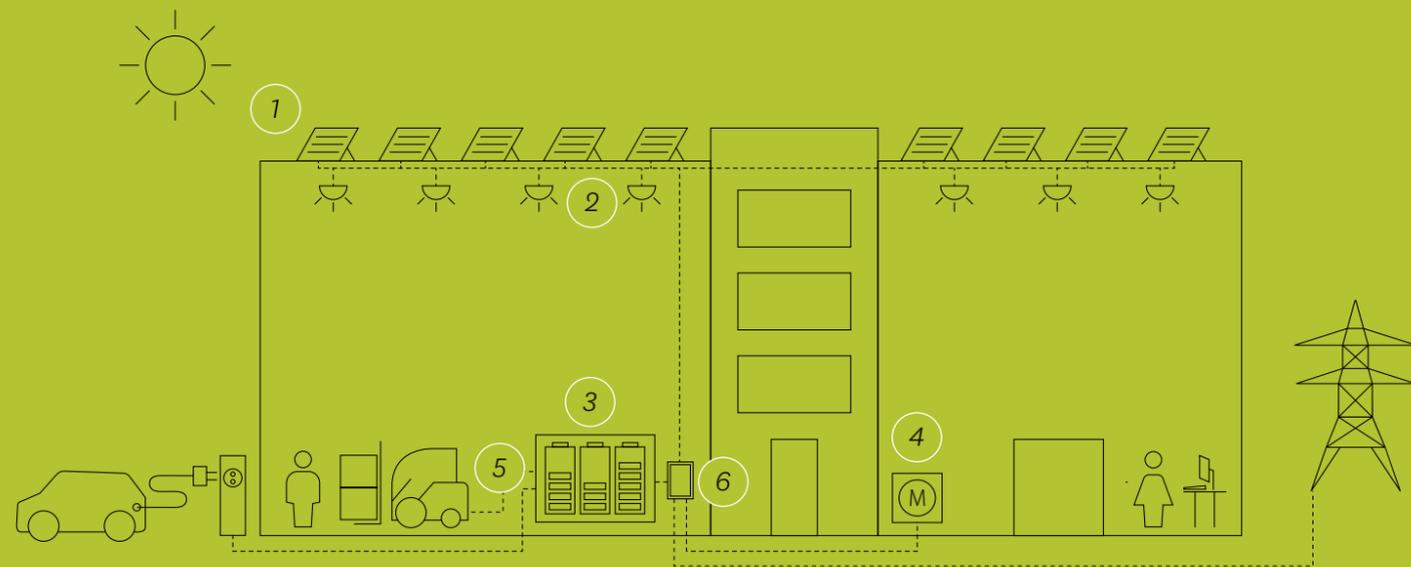
Save plastic and resources.

Procurement guideline introduced

Definition of socio-ecological criteria for purchasing office supplies and everyday necessities.

Reducing CO₂ with solar energy & biogas

THIS IS HOW OUR ENERGY SYSTEM WORKS



- 1 Roof/Sun
Power from the sun**
Installed on our logistics building's 6,000 m² of roof space are 1,900 m² of photovoltaic modules. Together, they generate 290,000 kWh of electricity.
- 2 LED Lamps
Low consumption**
Energy-saving terminal devices, such as LED lamps for indoor lighting, reduce power consumption to a minimum.
- 3 Battery Storage System
Independence by storing energy**
A 100-kWh battery storage system provides an uninterrupted supply of power for the entire building complex. Our logistics operation can be run self-sufficiently on regenerative energy for 280 days of the year.

- 4 CHP, Combined Heat and Power Unit
Combined heat and power unit (CHP) for heat and additional electricity**
The CHP operates on biogas, produces the heat necessary for all logistics buildings and 95,000 kWh of additional electricity.
- 5 Controlled Energy Consumption
Intelligent Building management**
The demand for energy and heat in all building segments is recorded on a differentiated basis and matched to the level of electricity being generated. For example, electric cars and fork-lift trucks are only charged during the day when there is plenty of solar energy available.
- 6 Interface to the grid
Load management – Save The Grid**
The maximum amount of electricity drawn by the system from the power grid while it is running is defined at the transfer point. This avoids peaks.

CO₂ offset by climate-protection project

CLEAN COOKING STOVES FOR FAMILIES IN BANGLADESH

As yet, part of the CO₂ emissions cannot be avoided. We would like to prevent these from additionally impacting on the global climate. This is why we offset all greenhouse-gas emissions caused at company headquarters as well as the emissions from all business trips and staff commutes to and from work by making offset contributions to climate-protection projects.



This is where we have made a very conscious decision in favour of a climate-protection project in our country of production, Bangladesh. Through *ClimatePartner* we are helping to fund the nationwide *Clean Cooking Stoves* carbon offset project. The project not only reduces CO₂ emissions but also makes a key contribution to protecting health.

How do cooking stoves help fight global warming?

In many of the world's poorer regions, families cook their meals over an open fire, often in enclosed spaces. The large amount of smoke caused is one of the biggest threats to health in

Bangladesh. Women and children are exposed to smoke at home for up to 7 hours a day. 60,000 tonnes of firewood are used for cooking in Bangladesh every year. Traditional stoves use the fuel with an efficiency of only 10 – 15%.

Clean cooking stoves are simple constructions made of cement, clay or metal, with a chimney that leads the smoke outside. This protects the health of those using them. In addition to this, they save 50% of fuel and produce much fewer carbon emissions. This makes them effective contributors to climate protection. The stoves can be built directly within the village communities. This provides a basis for founding businesses and creating jobs.

MEMBERSHIPS AND STANDARDS



B.A.U.M.

B.A.U.M. stands for the German Environmental Management Association. We are part of this association which is the biggest corporate network for sustainable management in Europe. B.A.U.M. aims at supporting companies, communities and organisations with the ecologically effective, economically meaningful and socially fair realisation of sustainable measures.



Alliance for development and climate

We have supported the *Alliance for Development and Climate* since 2019. It is a multi-stakeholder initiative for development and climate protection that was initiated by the Federal Ministry for Economic Cooperation and Development. As a member of this alliance, we help to achieve climate neutrality or even climate positivity.



The Paris Pledge for Action

The Paris Agreement came into effect on 4 November 2016. All 150 participating countries committed for the first time to changing world industry in a climate-friendly manner. The pledge is a breakthrough in climate protection. A short time later, companies also committed to the aims of the government organisations. Signing the *Paris Pledge for Action*, commit ourselves to playing our part in reducing global warming.



Hohenlohe Model

Companies all around our Schrozberg operating base have joined together to form *Modell Hohenlohe e. V.* The aim is to connect and foster sustainable management, environmental awareness and corporate responsibility in the Heilbronn-Franken region. The Hohenlohe Model creates synergies and provides support in implementing future-proof solutions in business practice.

2018 CARBON FOOTPRINT

106%+

Of our energy is generated in-house (photovoltaic system) 2017-2018



11%+ Heating-related CO₂ emissions* (offset) 2017-2018

0.0^t

Of electricity-related CO₂ emissions 2018



Electricity procured, gross (kWh)	267,192
Electricity generated internally from photovoltaic system (kWh / %)	213,826 / 80
Heat procured, natural gas (kWh)	581,300
Heat-related CO ₂ emissions (t)	143.1
Water procured (m ³)	1,509
Company car / fuel requirement (l)	12 / 32,806
Waste volume generated (t) / recycling rate (%)	208.8 / 96
Cardboard-box requirement (t)	186.5
Office stationery requirement (sheets of paper)	1,143,050
Investment in environmental protection (net in €)	11,746

*as a result of the space added to our Logistics Centre



Companions **ALEXANDER FUNK - ENERGY MANAGER**

"Sustainability means looking into the future and acting boldly."

Speed and service are among the key benefits HAKRO can provide. We also deliver large order quantities to our authorised retailers within 24 hours. This is made possible by our modern Logistics Centre and our NOS (never out of stock) high-bay warehouse. When an extension became necessary in 2015, we also wanted to use this building project to establish a sustainable energy concept. We started to look for an experienced expert and found one in Weikersheim, just a few kilometres down the road from Schrozberg.

"In my company, I have specialised in photovoltaics, and carried out all sorts of integrated projects in recent years. This is how I came into contact with HAKRO. This has turned out to become an exceptional partnership", Alexander Funk says. *"There was immediate excitement about the things that are possible today in the world of energy,"* he recalls. Together, both set themselves the goal of combining the generation of renewable energies with using them intelligently. *"It's not just about generating solar energy but also involves questions such as: What do I do whenever the sun doesn't shine? Can the energy be stored on site? How do you produce heat for heating the building?"* Alexander Funk says. The result was a groundbreaking set-up with a 290,000 kWp photovoltaic system, a high-capacity battery-storage system, a combined heat and power unit and the capability, if need be, of supplying the entire Logistics operation independently of the power grid. *"At HAKRO, I see how sustainability is something that is put into practice with exacting demands right across the board. This also inspires others to venture more of what is possible."* And do so far beyond the confines of Baden-Württemberg. A guided tour was held for interested businesses in spring 2019. The visitors came from Japan.

Alexander Funk is an expert in photovoltaic systems and integrated building services engineering. Together with his company, sol-technics-solutions GmbH, he developed and implemented the solar-energy system in Logistics.

Environment

REVISION OF GOALS

This is what we have achieved so far. Strategic goals, progress made and future measures for the Environment field of action.

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Planned Projects up to 2022
<p>✓ Implement energy concept <i>Done 2019</i></p>	<p>✓ <i>Energy concept implemented</i> <i>Logistics centre self-sufficient in electricity.</i></p> <p>✓ <i>Company-wide use of LED lamps</i> <i>Complete changeover in administration and logistics.</i></p>	
<p>✓ Achieve carbon-neutral operating base <i>Done 2019</i></p>	<p>✓ <i>Carbon-neutral operating base achieved</i> <i>Emissions offset since 2017.</i></p> <p>✓ <i>Re-usable alternative examined</i> <i>CO₂ life-cycle assessment of cardboard shipping boxes.</i></p> <p>✓ <i>HAKRO joins Alliance for Development and Climate</i> <i>Initiative by the German government to implement the goals set out in Agenda 2030.</i></p> <p>✓ <i>Ecosia is set up as a standard search engine</i> <i>Proceeds will be used to plant trees.</i></p> <p>✓ <i>Water dispenser and stainless-steel water bottles for all members of staff</i> <i>Save plastic and resources.</i></p>	<p>→ <i>CO₂ offset for all of our staff's journeys to work</i> <i>Running (→ 2022)</i></p> <p>→ <i>CO₂ offset for all business travel</i> <i>Running (→ 2022)</i></p>

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Planned Projects up to 2022
<p>→ Reduce mobility emissions <i>Running</i></p>	<p>✓ <i>Mobility emissions reduced</i> <i>Third electric car in the fleet.</i></p>	<p>→ <i>Reduction in upstream transportation emissions</i> <i>Examine alternative transport routes. (→ 2022)</i></p> <p>→ <i>Restructuring the vehicle fleet to embrace future-oriented mobility</i> <i>Running (→ 2022)</i></p>
<p>→ Fine-tune procurement <i>In progress</i></p>	<p>✓ <i>Procurement guideline introduced</i> <i>Socio-ecological criteria defined.</i></p>	<p>→ <i>Changeover to paperless work processes</i> <i>First department to complete the switch (→ 2022)</i></p> <p>→ <i>Changeover to electronic billing</i> <i>Inform and motivate customers to use this option. (→ 2020)</i></p>
<p>→ Promote biodiversity <i>In progress</i></p>	<p>→ <i>Green spaces</i> <i>Extensive management of the wild-flower meadow at the Logistics Centre.</i></p>	

Environment

FUTURE PROJECTS: BROADER CLIMATE PROTECTION

This is what we are planning as part of our sustainability strategy in the Environment field of action.

→ 2022

CO₂ offset for all staff travel

As our company is located in a rural area where public transport is not a viable alternative, most of the workforce has no alternative than to get to work by car. In 2017, we began fully offsetting our staff's journeys to and from work through *ClimatePartner*. We will continue implementing this measure in the years to come.

Goal: reduce mobility emissions

→ 2022

CO₂ offset for all business travel

Every year, several members of staff travel to our production countries by air. In just the same way as all other business-related travel, we will continuously offset these currently unavoidable emissions through *ClimatePartner* on the basis of CO₂ certificates. We began operating with this scheme in 2017. We support the *Clean Cooking Stoves in Bangladesh* project with offset contributions.

Goal: reduce mobility emissions

→ 2022

Changeover to paperless work

The work taking place in our Quality Inspection team has been done exclusively on a digital basis since April 2018. "To begin with, of course, this was quite an adjustment," says Gül Beck, "but paperless working has the big advantage of information being available far more quickly and readily, also for communication with colleagues in other teams. This makes a lot of things easier and really does save a huge amount of paper,

time and running about." Now that we have seen how well this works in the first team, we want to get the whole company changed over to paperless work wherever we can.

Goal: fine-tune procurement

→ 2022

Reduction in upstream transportation emissions

As none of our collections change from season to season, we usually don't need to get our goods shipped quickly to Schrozberg from the countries of production. Most of the goods are delivered from Asia to German ports in ocean-going containers. From there, goods are brought to Schrozberg by lorry. Goods from Turkey also come by truck. So, there is still a number of ways to reduce CO₂ emissions. We are currently exploring alternative transport routes, by rail or water, using environmentally friendly fuels that are free of heavy fuel oil.

Goal: reduce mobility emissions



Jürgen Pruy, Head of Sales & Partnership, is on location at our customers on some 100 days a year. These travel-related emissions are offset.



FUTURE PROJECTS IN THE ENVIRONMENT ACTION FIELD:

→ 2020

Restructuring the vehicle fleet to embrace future-oriented mobility

Running

→ 2020

Changeover to electronic billing

Inform and motivate customers to use this option.

COMMITMENT

KEEPING COMMITTED

We love and practise social responsibility. At our Schrozberg base, in the Hohenlohe region and in our production country of Bangladesh, we give our backing to a wide range of projects that provide people with ongoing support.

"We are involved in many different activities and cases because everyone connected with our company is important to us. In this way, we do everything we can for our staff, for our production partners' staff, for the common good and, through the Foundation, for children and young people across the globe."

Sinah Grosseibl, Foundation & Commitment

A group of two women and several children are sitting together in front of a building with a window. The women are smiling and looking towards the camera. The children are of various ages and are looking in different directions. One child in the foreground is wearing a red shirt with 'city' written on it. Another child is wearing a blue shirt. The background shows a window with a metal frame and a yellow wall.

Sinah Grosseibl and Carmen Kroll together with children in Bangladesh where the Harry Kroll Foundation supports various projects.

Involvement

OUR VISION: a world that makes the fight against the poverty and discrimination of so many people its common cause – in the spirit of the United Nations "2030 Agenda for Sustainable Development".

OUR MISSION: to be involved in a variety of ways for the common good and, in particular, to support people in need by improving their living conditions and opportunities to participate in society. Above all, but not only, in our region.

OUR GOALS: from the 2017-2022 Sustainability Strategy

- *Keep up involvement in charities*
- *Increase donation volume*
- *Continue TeamShare voluntary service*
- *Use the FriendShare Solidarity Fund*
- *Establish Harry Kroll Foundation*



EMPATHY – LOCAL AND GLOBAL.

Businesses are an important part of our society, and have the power to change things for the better. It is under the HAKRO CARES banner that we wish to make the greatest possible contribution to the common good. Our involvement is threefold.

Our company's members of staff

We are always happy to go one step further for the good and well-being of our team. Our voluntary benefits include contributions to the company pension scheme, the weekly Happy Friday, the HAKRO Academy and a range of care treatments to promote health. Our staff also showed great commitment and dedication in setting up the *Harry Kroll Foundation*. In addition to this, they are also involved in nonprofit projects in our region as part of our *TeamShare Corporate Volunteering* project.

Fellow citizens from across the region and the globe

Through the work of our trust foundation, the *Harry Kroll Foundation*, we support projects for children and young people in our Hohenlohe region, in the countries we produce in and well

beyond. The foundation's work all began with building an orphanage in Bangladesh. As a textile manufacturer, we can also provide direct help through our products. We donate large quantities of clothing to families in need. This is where we cooperate with various partners who regularly organise relief shipments to countries in need.

Staff at our production partners

We feel responsible for all people involved in manufacturing our products. This is why it is of great importance to us to improve the working and living conditions of the staff at our production partners - in Bangladesh, for example. Here, our involvement consists of making regular food donations and donations in kind, setting up health care and working on projects in the surrounding community.

Involvement

PROGRESS MADE IN 2018/2019: OUR MILESTONES

This is what we have done as part of our sustainability strategy when it comes to Involvement field of action.

Passion for Schrozberg

Broader local involvement

There is always something that can be done to make our hometown of Schrozberg even more endearing. We, too, are lending a helpful hand. Full of drive and ideas. For example, by giving support for TSV Schrozberg Sports Club. This cooperation partnership goes back a long way. In 2019, we kitted out all of the club's football teams with new jerseys and helped the club to finance the purchase of technical equipment. For many years, we have also had a liaison with the Schrozberg School through joint projects. This year, with a donation of € 10,000, we are fulfilling the long-cherished wish on the part of pupils and teachers for a football cage for the playground.

One goal: keep up involvement in charities

Support for children and young people

Harry Kroll Foundation established

Happiness can be shared is the Harry Kroll Foundation motto. The foundation goal is to support disadvantaged and needy children and young people. In the business year 2018, the Harry Kroll Foundation raised around € 63,000 in donations, of which € 51,209 came directly from HAKRO GmbH. Personnel and administrative costs are also borne by HAKRO (→ see Statement, page 97).

In recent years, the Harry Kroll Foundation has extensively broadened the range of projects it supports and helps to fund. In 2018, eight projects received funding to the tune of € 32,000.

These include initiatives throughout our sphere of activity, both in the Schwäbisch Hall and Hohenlohe-Franken region as well as in the production countries. In addition, the projects supported are presented in detail on the Harry Kroll-Foundation website.

→ www.harrykroll-foundation.com

Goal: establish the Harry Kroll Foundation



TeamShare statement

Work hours donated

Every year, we give our members of staff the opportunity to take a day of paid special leave if they volunteer to use that day for the common good. The TeamShare project was launched in 2017. In the 2018 business year, HAKRO employees spent time with sick children at Tübingen University Children's Hospital, visited old people's homes, took part in games afternoons for children in refugee homes, or planted trees. In the 2018 business year, no fewer than 39 members of staff took part in the campaign. Through their commitment, we were able to donate a total of 218 hours of working time for the welfare of people in our region.

Goal: continue TeamShare voluntary service

T-shirt donations

Crailsheim is colourful

People from all cultures are to feel at home in our region and, with open minds, live every day at peace with one another, no matter whether they were born here or in other countries. To achieve this, we are more than happy to do everything we can. We supported the participants of the Crailsheim is colourful – For Diversity and Tolerance, Peacefully and Without Violence demonstration, which took place in March 2019 in Crailsheim, with 250 HAKRO T-shirts in cheerful colours.

Goal: keep up involvement in charities

Call to vote in the European election

Europe is diverse

We took Europe Day on 9 May 2019 as an opportunity to hand out brochures and guides on the European Union to our team. During the lunch break, over 60 members of staff followed a call and gathered for a blue-and-yellow group picture under the European flag. A few days later on Facebook we posted the call made by Danny Jüngling, assistant to management at HAKRO: *My home is HAKRO. My home is Europe.* A call to take part in the European election. The social-media campaign was launched before the election by the Pulse of Europe initiative.

→ pulseofeurope.eu

Goal: keep up involvement in charities



OTHER PROGRESS MADE IN 2018/2019:

Entrepreneurs for Future

Learning from school students.

Harry Kroll Foundation website

Launch of its own website.

→ www.harrykroll-foundation.com

FriendShare Solidarity Fund set up

Contributions of up to 1% of our annual purchasing volume for the staff at our production partner in Bangladesh.

Volume of donations and sponsoring increased.

(→ refer to Statement, page 97)



Companions

HELP FOR SICK CHILDREN FOUNDATION

"The proven partnership with HAKRO and the Harry Kroll Foundation gives us courage to tread new paths for seriously ill children."

Every year, around 12,000 children come to the University Children's Hospital Tübingen for in-patient treatment and over 57,000 for out-patient treatment. Particularly in the field of medicine, the progress being made in science and technology is of tremendous benefit to patients, whether very young or somewhat older. *Help for sick children* - over the past 20 years, the foundation at the University Children's Hospital Tübingen has been able to build up and support many important projects through donors and sponsors.

Donations from the *Harry Kroll Foundation*, for example, were used to fund the introduction of the latest endoscopy technology in gastroenterology and pulmonology. The new equipment permits gentle methods of diagnosis; pain and anxiety are reduced significantly for the children. The out-patient palliative team (PALUNA) is another project of the *Help for Sick Children Foundation*. It cares for children with limited life expectancy and their families, and is available to them around the clock. HAKRO has kitted out the palliative team with team clothing.

"These activities have resulted in regular dialogue that is defined by mutual appreciation and openness. In the Harry Kroll Foundation, we have found a partner who gives us the necessary support for the projects funded," says Thomas Hassel, Chairman of the *Help for Sick Children Foundation*. *"In the latest project being funded, this has also encouraged us to tackle a still largely unknown topic: care for children with intensive delirium".*

So-called intensive delirium occurs in almost one in every three children during the course of treatment in an intensive-care unit. Children are then very restless and show greatly changed behaviour. They often have hallucinations and get frightened because they are unable to say what they want. *"Delirium of this kind can have serious consequences and even increase the mortality rate. On top of this, it also affects the whole family: parents hardly recognise their children is a great shock for them,"* Thomas Hassel explains. The team at the children's intensive-care unit has developed a bundle of measures that helps to address this problem. As a central element, the facility of additional care from curative educating nurses was created with the support from the *Harry Kroll Foundation*. A completely new idea in German children's hospitals, with only a few comparable projects found elsewhere in the world. *"For us, the liaison with HAKRO and the Harry Kroll Foundation is an excellent example of the partnership between a nonprofit organisation and a business acting in awareness of its responsibility. Both in terms of project work and also at a personal level."* Because HAKRO's involvement and commitment go beyond donations. HAKRO employees were also at the University Children's Hospital in a voluntary capacity as part of the *TeamShare* voluntary service and spent time there with sick children.

Thomas Hassel, Chairman of the *Help for Sick Children Foundation* and Dr. Astrid Kimmig, Medical Director of the PALUNA Palliative Team

MEMBERSHIPS AND STANDARDS



WIN Charter

The *WIN Charter* aims at acknowledging sustainable management in Baden-Württemberg and making it visible to the public. It was established by the state government, and is aimed at companies for whom sustainability is an important factor in their corporate philosophy. By signing the WIN Charter, we have committed ourselves to its twelve guiding principles and goals of sustainable management.

Association of German Foundations

The *Federal Association of German Foundations* (Bundesverband Deutscher Stiftungen) is Europe's largest and oldest association of foundations. It represents the interests of the more than 22,000 foundations in Germany. Set up by HAKRO, the Harry Kroll Foundation is a member of the Association of German Foundations. It supports projects involving children and young adults in the area around HAKRO and in the countries where our production partners are located.

Guiding principles of good practice for foundations

We structure the foundation work done by the Harry Kroll Foundation in compliance with the requirements of nonprofit and foundation law and the *guiding principles of good practice for foundations*. Set up in 14 principles by the Association of German Foundations, these action guidelines are acknowledged as binding and rigorously implemented by the *Harry Kroll Foundation*.



2018 DONATIONS AND SPONSORSHIPS STATEMENT



12,339 DONATIONS
Donations in kind & sponsoring in kind
- Textiles

€ 610,262
Sponsoring

€ 86,100 Donations

€ 51.209
Of this, donations to the
Harry Kroll Foundation

Involvement

REVISION OF GOALS

This is what we have achieved so far. Strategic goals, progress made and future measures for the Involvement field of action.

Goals for the 2017-2022 Sustainability Strategy	Progress made 2018-2019	Future projects up to 2022
<p>✓ Keep up involvement in charities Unbroken positive effect on common good in the region.</p>	<p>✓ Broader local involvement Passion for Schrozberg.</p> <p>✓ Crailsheim is colourful T-shirt donations.</p> <p>✓ Entrepreneurs for Future Learning from school students.</p> <p>✓ Europe is diverse Call to vote in the European election.</p>	<p>→ Continue to broaden involvement Continue and, wherever possible, broaden existing projects. (→ 2022)</p> <p>→ Continue donating textiles Continue cooperation within recipient group. (→ 2022)</p>
<p>→ Increase donation volume Running</p>		
<p>→ Continue TeamShare voluntary service In progress</p>	<p>✓ TeamShare statement 218 hours of work time donated.</p>	<p>→ Continue TeamShare Increase hours donated and motivate staff to take part. (→ 2020)</p>
<p>→ Use the FriendShare Solidarity Fund In progress</p>	<p>→ FriendShare Solidarity Fund set up for the staff at our production partner in Bangladesh. (→ 20XX)</p>	
<p>→ Establish Harry Kroll Foundation In progress</p>	<p>→ Harry Kroll Foundation established</p> <p>→ Launch of foundation website With detailed information on funded projects.</p>	<p>→ Boost awareness of the Harry Kroll Foundation Attract donations from customers and external sources. (→ 2022)</p> <p>→ Expand the Harry Kroll Foundation's involvement in the region Attract regional projects. (→ 2020)</p>

Involvement

FUTURE PROJECTS: VISIBILITY AND GROWTH

This is what we are planning as part of our sustainability strategy.

→ 2020

Continue TeamShare

We want to use the TeamShare project to foster and support our team's commitment to social ecology. In this way, we contribute to the common good of our home region. Since 2017, every member of staff has had the option of requesting one day's paid special leave a year to use for voluntary activities on this day. In the future, we want to motivate our employees even more to use our TeamShare exchange in an effort to increase the number of hours we donate to charity.

Goal: increase donation volume

→ 2022

Boost awareness of the Harry Kroll Foundation

At the moment, most of the work done by the Harry Kroll Foundation is financed by HAKRO as well as by our staff. To attract more customers and external donors in future, we want to raise awareness for the Foundation, especially in our home region.

As an initial measure, we have already created a dedicated website and dedicated social-media channels for the Foundation. In the future, we want to use these on a broader scale to draw attention to the Foundation's purposes.

Goal: establish the Harry Kroll Foundation

→ 2020

Expand the Harry Kroll Foundation's involvement in the region

The Harry Kroll Foundation supports disadvantaged and needy children and young persons both in our own region and across the globe. Above all, we want to broaden involvement at a regional level. In the Cloverleaf campaign, we are looking for further projects in the Schwäbisch Hall, Hohenlohe-Franken district.

Goal: establish Harry Kroll Foundation

FUTURE PROJECTS IN THE INVOLVEMENT ACTION FIELD

→ 2020

Continue to broaden involvement

Continue and, wherever possible, broaden existing projects.

→ 2020

Continue donating textiles

Continue cooperation with recipient group.

REPORT PROFILE

FACTS

The subject matter of the report focuses on the goods and services provided by HAKRO GmbH which owns no subsidiaries or holdings. The report meets the guidelines of the Global Reporting Initiative (GRI).

Report profile SUSTAINABILITY REPORT 2019

Our reporting history

Our reporting activity began with our progress notifications for the UN Global Compact (UNGC) which we published for 2010 - 2014.

In August 2016, the first HAKRO Sustainability Report entitled "*Hand, Heart And Attitude For A Future That Is Worth Living*" was published as a comprehensive and systematic stock-take of our previous measures in the field of sustainability, while presenting all figures from 2011 - 2015.

Reporting content in the second Sustainability Report for 2017 *Wirkstoff* is based on the first report. Much of the coverage here focuses on our fundamental sustainability strategy for 2017 - 2022 which provides a condensed summary of our approaches to sustainability management.

The interim report that followed in 2017/18 follows the structure of the Baden-Württemberg *Business Initiative on Sustainability Charta* (Wirtschaftsinitiative Nachhaltigkeit - WIN), which we signed in 2015. In particular, the focus is on responsible entrepreneurship and regional added value in line with the Charta's guiding principles.

The current 2019 Sustainability Report relates to the 2018 business year and builds on the previous reports in terms of content. We report on progress achieved, further running goals and projects as set out within our sustainability strategy for 2017 - 2022. Provided in concentrated form, this report gives a summary of our disclosure obligations, contains our progress report for the UNGC and our second report on implementing the WIN Charter.

Report & Report Index on the Internet

This report has been prepared in accordance with the latest standards of the Global Reporting Initiative (GRI). As in our 2017 Sustainability Report, we have not published any comprehensive GRI Index in an effort to save paper.

Those interested can download the balance sheet – as well as the report itself – in electronic form from our website.

→ www.hakro.com/service/downloads

Our website provides an overview of our many different measures, progress and developments in sustainability management at:

→ www.hakro.com/unternehmen/nachhaltigkeit/

Note on linguistic form

For reasons of better readability, we do not distinguish between male and female forms and make every effort to simplify the style of language used. All personal designations apply to all people, regardless of their gender identity.

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HAKRO HÄLT. TAKE US BY OUR WORD.
OUR 2019 SUSTAINABILITY REPORT INFORMS
YOU ON THE PROGRESS WE HAVE MADE AND ON
THE PROJECTS WE PLAN IN THE FIVE FIELDS
OF ACTION UNDERLYING OUR ALL-EMBRACING
SUSTAINABILITY STRATEGY.