# HUNKEMÖLLER ENVIRONMENTAL STRATEGY

## Scope

This Environmental Strategy is applicable to our own business operations and all authorised direct Business Partners, their subcontractors and other supply chain actors, who do business directly or indirectly with Hunkemöller. Standards equally apply to all business units directly owned, partially owned, joint ventures, subcontracted, rented, separate buildings and separate factory locations. Our approved suppliers must comply with all laws and regulations relating to environmental protection in the countries in which they operate. Hunkemöller's production facilities must have policies and procedures in place to ensure environmental impacts are minimized with respect to air, water, biodiversity, emissions and other significant environmental risks. We also require our approved suppliers to have a system in place to ensure that negative impacts in the supply chain are not caused by any partner/subcontractor and to understand the steps they need to take for water conservation and chemical management and to ensure compliance with the requirements set out in this policy. By recognizing this Policy, Hunkemöller Business Partners acknowledge and accept their responsibilities to:

• Follow (inter)national guidelines, laws and regulations, as well as community-specific standards of the regions they operate in.

• Take action to continuously improve their performance.

Establish specific areas of improvement, targets and timelines to reach these improvements.

#### **Continuous Improvement**

We are committed to regularly viewing and updating our Environmental Strategy to reflect emerging best practices, technological advancements, and evolving sustainability standards. We will continually seek opportunities to improve our environmental management practices and set new targets aligned with our sustainability goals.

### **Management Oversight**

The Environmental Strategy is a key part of Hunkemöller's Environmental, Social and Governance (ESG) strategy. Hunkemöller's corporate sustainability team leads the development of the company's Environmental Strategy, working with a cross-functional team including finance, real estate, operations, buying, merchandising, and legal. The ESG Working Committee meets monthly to review the company's sustainability progress and prioritize and ensure accountability at all levels of the organization. The Environmental Strategy is reviewed at least annually by the Hunkemöller board. The company assesses environmental risk annually, conducting an in-depth, scenario-based environmental risk assessment periodically (last updated in 2022). We also continue to monitor ongoing physical and transition risks.

# **1. Climate Policy**

# 1.1 Introduction

In 2022, the Intergovernmental Panel on Climate Change (IPCC) emphasized that the climate system is facing unprecedented changes. Climate change is one of the biggest challenges of our time, profoundly impacting all regions of the world, all sectors of society, as well as our ability to access raw materials due to unpredictable or extreme weather events. Global warming is predicted to reach 2°C above preindustrial levels unless greenhouse gas (GHG) emissions are drastically decreased. This can only be done when we all become part of the solution and take collective action across our industry. As an omnichannel retailer with many customers worldwide, tackling climate change is a key priority for Hunkemöller. This means managing physical and transition risk, measuring and managing greenhouse gas emissions, championing energy conservation and efficiency, and phasing out non-renewable energy sources across our own operations. In 2023, Hunkemöller officially committed to setting Science-Based Targets (SBTs) in line with the Paris Agreement, to limit global warming to below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. Working with the Science Based Targets Initiative (SBTi) to review and approve our methodology and targets, validating them as science-based, in 2025, we will be setting actual GHG emission reduction targets. The SBTi is a collaboration between CDP (formerly the Carbon Disclosure Project), World Resources Institute (WRI), World Wide Fund for Nature (WWF), and United Nations Global Compact (UNGC). Setting SBTs will mark another milestone in our Together Tomorrow journey to reduce GHG emissions. We believe that a strong climate action strategy will help us manage the physical and transition risks associated with climate change, strengthen the resilience of our business, and help us create value for stakeholders.

## **1.2 Our Climate Policy Approach**

To develop our climate policy, we first mapped and reviewed our entire value chain to understand and quantify its impact. We have chosen a scientific approach to do so and have decided to align our climate policy and structure with our future targets using SBT standards. In 2021, we set our first tentative steps in tracking part of our GHG emissions. It was the first year in which we offset the carbon emissions for our own operations. Since then, we have expanded our scope. Simultaneously, we have strengthened the governance and processes throughout our business to better integrate sustainability goals within individual departments and embed climate risk as a principal business risk. Two of the UN Sustainable Development Goals that we have aligned our CSR strategy with focus on this area: 12 Responsible Production and Consumption and 13 Climate Action.

To reduce our GHG emissions, we have adopted a series of initiatives, including:

- Governing our climate policy through accountable leadership and assessing climate risk;

Reporting on progress with transparency, verifiable data and science-based methodologies, as well as encouraging our suppliers to join our journey by setting ambitious targets and report on their progress;
 Mitigating emissions to achieve approved science-based targets by 2025, covering our global

operations and product supply chain;

- Implementing standards for raw materials and sustainable material use;

- Reducing the use of air transport for purchased goods;

- Introducing sustainable packaging materials;

 Collaborating with stakeholders to support efforts and solutions that can help decarbonise the fashion industry.

With the same goal, we aim to adopt the following initiatives:

- Establishing energy efficiency programmes in our operations;

- Increasing the use of renewable energy in our operations while also collaborating closely with our suppliers to raise awareness about the importance of using renewable energy in their production facilities;

-Further reducing packaging waste.

## 1.3 Scope 1 emissions

Scope 1 emissions, "Direct Emissions," are direct emissions from owned or controlled sources. We are taking action to reduce our scope 1 emissions by:

- Reducing our own direct emissions where possible, e.g. by increasing energy efficiency, increasing share of renewable energy and reducing waste.

Purchasing carbon offsets to compensate for the emissions that are produced in our own operations.

## 1.4 Scope 2 emissions

Scope 2, "Indirect Emissions," are indirect emissions from the generation of purchased energy. We are taking action to reduce our scope 2 emissions by:

 Receiving BREAAM certification to integrate environmental performance management and resource efficiency for our DC into the buildings our stores operate from.

- Making improvements in our store environmental performance.

- Reducing resource consumption in key impact areas in our offices.

#### 1.5 Scope 3 emissions

Scope 3, "Other Indirect Emissions," are all indirect emissions that occur in the value chain of the company, including both upstream (supply chain) and downstream (consumer use) emissions. The apparel industry's most significant climate impact is in the global supply chain; a large proportion of our overall footprint therefore lies within our supply chain. In 2023 we have started gathering all necessary data to set science-based targets in 2025. We are taking action to reduce our scope 3 emissions by: – Optimizing our transportation networks to reduce the emissions associated with the delivery of goods through more efficient transportation modes, such as rail or water, or reducing the distance that goods need to travel. We also encourage the use of carbon neutral energy sources;

 Piloting an innovative programme aimed at reducing our environmental impact from wet processing in the supply chain;

- Working with our suppliers to increase the amount of renewable energy that they are using in their production processes and encourage the adoption of sustainable practices;

Designing our products to be more energy-efficient, recyclable, and with a lower carbon footprint;

- Adopting circular economy principles, such as reusing and recycling materials, to reduce emissions associated with the disposal of waste and the production of new materials.

With the same goal, we aim to adopt the following initiatives:

- Reducing our commuting-induced emissions by encouraging the use of public transport and creating awareness about sustainable transport;

- Reducing emissions from logistics and home delivery by maximising fuel efficiency across load, route planning and driver behaviour.

# 1.6 Setting Goals

Our GHG reduction strategy is based on six action areas that are the most critical for mitigating emissions in our supply chains, as well as relevant to our suppliers' businesses: energy, water & chemical use, nature (agriculture, land use and deforestation), waste, packaging, transportation and product design & use.

Pillar	Relevance for Lowering Emissions	Actions we (encourage suppliers to) take
Energy	Energy generation and procurement is often a	• Reduce energy demand through optimization
efficiency	key source of a business' greenhouse gas	and efficiency;
	emissions.	Advocate for and support suppliers in
		transitioning to renewable energy sources,
		such as solar or wind power, by providing
		information on available incentives or
		partnering with renewable energy providers
		• Encourage suppliers to conduct the required
		environmental audits to identify areas of high
		energy consumption and inefficiencies in their
		processes.
Water	Reducing water usage helps preserve local	<ul> <li>Encourage the implementation of water</li> </ul>
Conservation	ecosystems, ensures the availability of water	recycling and reuse systems to reduce the
	for communities, and minimizes the	demand for fresh water and minimize
	environmental impact of wastewater discharge	wastewater generation;
		<ul> <li>Promote the adoption of water-efficient</li> </ul>
		machinery and technologies, such as low-
		water dyeing processes and high-pressure
		water jets for cleaning;
		<ul> <li>Collaborate with suppliers to support and</li> </ul>
		participate in water stewardship initiatives that
		address water-related challenges in local
		communities.
Chemical	Implementing sustainable chemical	<ul> <li>Deep knowledge of RSLs, specifying</li> </ul>
Management	management practices, including reducing	chemicals that should be avoided or limited
	hazardous chemicals and promoting safer	due to their environmental and health
	alternatives, can prevent pollution and	impacts;
	minimize environmental and health risks.	<ul> <li>Encourage the use of safer and eco-friendly</li> </ul>
		alternatives to hazardous chemicals.

Proper handling and disposal of chemicals can	
prevent contamination of water bodies and	
soil, protecting ecosystems and biodiversity.	
Scientists estimated that restoring, renewing	<ul> <li>Help protect, more sustainably manage, or</li> </ul>
and replenishing nature can provide one-third	restore forests through sustainable packaging
of the solution to climate change.	and material certification;
	<ul> <li>Increase our use of sustainable (packaging)</li> </ul>
	materials;
	Implement standards for raw materials and
	sustainable material use.
Reducing and diverting waste from landfills	<ul> <li>Address product and material waste;</li> </ul>
can have a significant impact on GHG	<ul> <li>Join a garment disposal programme;</li> </ul>
emissions, increase operating efficiency and in	Research potential partners fibre-to-fibre
some cases, lower costs.	recycling;
<b>,</b>	• Limit write offs and returns by implementing
	a strict sorting process (repair, resell, reuse,
	recycle).
Reducing packaging (waste) and using more	Reduce unnecessary packaging;
sustainable materials reduces GHG emissions.	Use more sustainable packaging materials
	and increase packaging reuse and recycling;
	<ul> <li>Optimize packaging to reduce the overall</li> </ul>
	weight and volume of shipments, leading to
	lower transportation fuel consumption and
	associated emissions.
Fossil-fuel powered vehicles produce	Use the most efficient modes of
greenhouse gas emissions during their	transportation (e.g., ships instead of planes;
operation and are typically a major source of	rail instead of trucks);
value chain emissions.	• Transition to low or no carbon fuels;
	Incentivize customers to choose more
	environmentally friendly/lower impact
	transport options;
Product design and use impacts several kev	Design products to reduce emissions
scope 3 categories, including use of sold	throughout the product lifecycle, from use of
products and end-of-life treatment of sold	raw materials in manufacturing the product
products.	(sustainable materials, regenerative
	production materials, single fibre garments) to
	end use (reuse, repurpose, recycle).
	<ul> <li>Promote circularity strategies;</li> </ul>
	Proper handling and disposal of chemicals can prevent contamination of water bodies and soil, protecting ecosystems and biodiversity. Scientists estimated that restoring, renewing and replenishing nature can provide one-third of the solution to climate change. Reducing and diverting waste from landfills can have a significant impact on GHG emissions, increase operating efficiency and in some cases, lower costs. Reducing packaging (waste) and using more sustainable materials reduces GHG emissions. Fossil-fuel powered vehicles produce greenhouse gas emissions during their operation and are typically a major source of value chain emissions.

# 1.7 Climate Risk Assessment

By 2050, climate change's impact on weather patterns, including increasing the likelihood of heat waves, heavy rainfall, and droughts, is likely to affect the production, distribution, and (in some cases) the viability of consumer products. To inform the company's climate mitigation and adaptation strategies, Hunkemoller periodically conducts a scenario-based risk assessment. We updated the risk analysis in

2022, considering climate-related risks in the short-, medium-, and long-term. This risk analysis underscores the relevance of enhancing the resilience of our supply chains.

Modelled Risk	Climate Variables	Considerations for Mitigation and Adaptation		
<ul> <li>HQ, DC and Retail Stores</li> <li>Increased heating and cooling cost</li> <li>Damage to buildings and inventory</li> </ul>	<ul> <li>Heat</li> <li>Extreme wind</li> <li>Extreme precipitation</li> <li>Flooding (riverine and coastal)</li> </ul>	<ul> <li>Disaster preparedness and response</li> <li>Energy initiatives</li> <li>Real estate: facilities siting; construction specifications</li> </ul>		
<ul> <li>Supply Chain</li> <li>1 commodities (cotton,) considered at-risk from climate change</li> <li>Cotton commodity shortages due to temporary or permanent yield reductions</li> <li>Disruption in production and distribution of cotton textile products reliant on agriculture</li> </ul>	<ul> <li>Heat</li> <li>Drought</li> <li>Extreme wind</li> <li>Extreme precipitation</li> <li>Flooding (riverine and coastal)</li> </ul>	<ul> <li>Surety of supply initiatives</li> <li>Local sourcing efforts</li> <li>Country of origin assessments</li> <li>Resilient produce sourcing</li> <li>Sustainable commodities initiatives</li> </ul>		
<ul> <li>Communities</li> <li>Displaced associates and customers, reducing their proximity to retail stores</li> <li>Physical and mental health impacts</li> <li>Financial well-being</li> </ul>	<ul> <li>Flooding (riverine and coastal)</li> <li>Heat</li> <li>Extreme wind</li> </ul>	<ul> <li>Disaster preparedness and response</li> <li>Selection of sites for future stores</li> <li>Public policy advocacy</li> </ul>		

# **1.8 Climate Challenges**

• Achieving the Intergovernmental Panel on Climate Change (IPCC) goal of reducing global greenhouse gas (GHG) emissions to net-zero by 2050 requires action from all parts of society.

• Uncertainties around national and international regulation of climate-related disclosures and shifting stakeholder expectations for ever greater commitments, action, and reporting create tensions that are difficult to navigate and may leave some stakeholders unsatisfied.

• Certain factors beyond Hunkemöller's control impact our ability to achieve its own targets, including changes to local energy grids; our physical presence in geographic areas without available necessary

technology, equipment or capabilities; and weather patterns increasing the number of days requiring facility heating and cooling.

• Achieving our targets will require innovation and technology that is not available or fully scalable today, including the evolution and accessibility of renewable energy, manufacturing and agricultural technologies. A critical mass of potential consumers of these new technologies is a necessary precondition to their development, deployment and scaling.

• Hunkemöller is dependent on the cooperation and performance of certain third parties, including business partners providing clean/green services and suppliers' capacity and willingness to implement emissions reductions projects, and measure Scope 1, 2, and 3 emissions can pose challenges to our meeting targets.

• Shifting inventory methodologies (e.g., GHG Protocol Corporate Standard, Land Sector and Removals Guidance, etc.) can complicate calculation efforts and can pose challenges to our meeting targets.

• Public policies may not support actions aligned with Hunkemöller's Science-Based Targets or the ambitions of the Paris Climate agreement, including by not encouraging the development and deployment of low-carbon or low-emissions technologies at scale and public policies that can negatively impact the supply or cost of renewable energy projects at scale.

• Hunkemöller's business will continue to evolve and grow. This growth and changes in our model may require additional facilities and/or an expansion of our footprint, which may create pressure on our targets.

 Value chain (Scope 3) emissions measurement and reporting remains an immature field; lack of standardized approaches and comprehensive data sets limit the ability to generate comparable, reliable, and decision-useful information.

• National and global catastrophic events (e.g., pandemics, recessions and economic downturns, natural disasters, geopolitical instability) can exacerbate many of the above factors.

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# 2. Biodiversity Policy

## 2.1 Introduction

Biodiversity - the variety of plant, funghi, animal species and other living organisms - has in recent years been declining at an alarming rate. This decline is mainly due to human activities and takes the form, among others, of species extinction and habitat destruction, caused by land conversion, air and water pollution and global warming. According to the Intergovernmental Science Policy Platform on Biodiversity and Ecosystems (IPBES), these human pressures on nature are putting a staggering one million species at risk of extinction, many within decades. We must take action to stop this loss. At Hunkemöller, products begin their lives in fields, forests and other ecosystems around the world. Biodiversity provides soil nutrients in which to grow cotton, water for the irrigation of crops and the processing of materials, land on which to grow timber for fibre and much more. This means that the careful stewardship of these landscapes, protecting and developing biodiversity within our business operations and through our entire value chain is fundamental to our continued success. Therefore, our Biodiversity Policy is a crucial part of our overall Environmental Sustainability Strategy and will guide us towards environmentally and ethically responsible business decisions, which are also economically sound.

Our Biodiversity Policy aims to protect, preserve and develop biodiversity affected by our business processes and especially the raw materials we use. Additionally, our Water and Climate Strategies are heavily intertwined with biodiversity. For example, maintaining the environmental quality of river and marine ecosystems along our supply chain ensures that water-reliant raw materials sourced from these regions are not threatened and that communities have continued access to clean drinking water. Minimising energy use and carbon emissions reduces global warming, and the negative effects this has on biodiversity.

Finally, there are strong links between climate change and the degradation of biodiversity. Both are caused by human activities and reciprocally drive each other. Climate change has significant effects on the erosion of biodiversity, particularly through physical consequences such as droughts, rising water levels, floods, heat waves, etc. However, biodiversity also influences the climate, especially in the context of the fight against climate change through its capacity to store and sequester carbon. Neither will be effectively resolved unless both are tackled together. The Hunkemöller Biodiversity Policy should therefore be read in conjunction with the Hunkemöller Climate Policy.

## 2.2 Our Biodiversity Policy Approach

The Biodiversity Policy is a comprehensive, long-term plan to protect nature and reverse the degradation of ecosystems. It contains specific actions and commitments for each of the key areas of our value chain (e.g., raw materials production & materials preparation and processing, production manufacturing, transport and distribution, retailing, use, end of life) and a system of indicators which will help our management team understand and manage the biodiversity footprint of our global operations. To protect, preserve, and develop biodiversity, Hunkemöller has aligned the Biodiversity Policy with the UN

Convention on Biological Diversity and the Planetary Boundaries Framework from the Stockholm Resilience Center. In this framework (see below) the global boundaries for the planet are represented. Crossing these boundaries generates the risk of triggering large-scale irreversible environmental changes. According to this framework, the loss of biosphere integrity (the ability of ecosystems to regulate themselves) and genetic diversity (diversity of species and genotypes within them) already exceed the defined planetary boundary. Two of the UN Sustainable Development Goals that we have aligned our CSR strategy with focus on this area: 6 Clean Water and Sanitation and 12 Responsible Production and Consumption.



## 2.2.1 Raw-Material Production

Many of our business impacts on biodiversity occur at the early stages of the supply chain. Both natural and synthetic fibres are directly related to biodiversity. There is no perfect material. For instance, conventional cotton requires agrochemicals such as fertilisers and pesticides and is water intensive. Synthetic fibres can destruct natural habitats thanks to the mining for petroleum. In order to have a positive impact on biodiversity, in 2023 we will commit to setting Science Based Targets (SBTs). The first couple of steps in this process consist in looking at our raw materials supply chain to understand our impacts and dependencies on nature. We will work to understand these impacts and reduce them through:

• Setting SBTs by July 2025 latest, to have a positive impact on biodiversity;

• Increasing supply chain transparency to better assess our impacts on nature, as well as understand dependencies and potential risks;

• Ensuring that all plant and animal-based raw materials in our supply chain come from legal, verifiable sources at a minimum, closely adhering to guidance issued under CITES, the IUCN Red List, and other relevant national and international conventions;

- Research lower-impact alternatives to conventional fibres (protect, restore, regenerate);
- Scaling up the use of more sustainable & certified materials in our collections;
- Avoiding sourcing materials that pose a risk to endangered species, animal well-being and forests;
- Working with our supply chain partners to implement best practices including training and guidance.

## 2.2.2 Material Preparing, Processing and Manufacturing

Air, land and water pollution derived from manufacturing and processing, stand as the most significant impact on biodiversity in this phase. Biodiversity loss and climate change are interdependent and mutually reinforcing—one accelerates the other, and vice versa. For example, protecting forests could help reduce greenhouse-gas emissions. In turn, the rise of global temperatures increases the risk of species extinction. We believe that many of our activities contemplated within our Environmental Strategy and, more specific, our Water Stewardship Policy will positively impact biodiversity. To encourage resource efficiency and waste reduction to achieve a more sustainable production, and reducing the demand on natural resources and ecosystems we:

• Track the chemicals used by our suppliers (RSL and MRSL);

• Engage with our production facilities to regulate their use of hazardous chemicals and wastewater discharge to comply with Reach and wastewater guidelines.

• Actively research new technologies to reduce nonbiodegradable waste (waterless dyeing, digital printing, 'greener' chemicals, natural dyes etc.).



#### 2.2.3 Raw Materials Goals

Our Biodiversity Policy is based on two main goals:

- Stemming biodiversity loss;
- Restoring ecosystems and species.

To achieve these goals, at the design concept stage we make decisions that do not have or prevent impacts on areas of high conservation. With regards to materials, we try and reduce biodiversity impacts through alignment with science and certification.

Pillar	Relevance for Protecting Nature and	Actions we (encourage suppliers to) take
	reverse the degradation of ecosystems	
Pulp & Paper	Scientists estimated that restoring, renewing	<ul> <li>Items made of pulp, paper, and timber will</li> </ul>
	and replenishing nature can provide one-third	be sourced deforestation and conversion-free
	of the solution to climate change.	by 2025;
		<ul> <li>Increase our use of FSC-certified paper;</li> </ul>
Cellulosic Fibers	Scientists estimated that restoring, renewing	<ul> <li>Ensure that none of the man-made cellulosic</li> </ul>
	and replenishing nature can provide one-third	fibres used in our products are derived from
	of the solution to climate change.	ancient and endangered forests, or from
		endangered species' habitats or other
		controversial sources;
		<ul> <li>Increase our use of sustainable &amp; certified</li> </ul>
		cellulosic fibres;
Cotton	Scientists estimated that restoring, renewing	<ul> <li>100% of cotton sourced as "more</li> </ul>
	and replenishing nature can provide one-third	sustainable" by 2025.
	of the solution to climate change.	

# 2.2.4 Transport and Distribution

Hunkemöller works to improve efficiency throughout its DC. In 2022, work started on our new DC in Almere. This DC, which will be BREEAM-certified (a science-based certification and certification system for a sustainably built environment), will be operational in 2023. With a 75 precent score for the design process, the DC should become almost energy neutral in its operations thanks to solar power. The DC will also have the highest levels of 'water & waste' and 'health & safety' management. This reduces the amount of energy used in our operations and supply chain, which in turn reduces greenhouse gases, air pollution and has a smaller impact on biodiversity. We will also continue to offset the GHG emissions of our own operations.

Regarding our transport, we are looking to integrate sustainable transportation practices into our operations to significantly reduce the environmental impact of transportation and contribute to a more eco-friendly supply chain. Our long-term plan is to:

• Optimize logistics and routes by minimizing the distance traveled, avoid unnecessary detours, and consolidate shipments whenever possible;

• Collaborate with our logistic partners to switch to low-emission vehicles by investing in a modern and fuel-efficient fleet of vehicles (electric or hybrid vehicles);

• Promote sustainable transportation practices by encourage employees to use public transportation, carpool, or cycle to work, especially for commuting within cities;

• Provide incentives, such as subsidies or preferred parking, for employees who choose eco-friendly commuting options;

• Opt for rail/road transport for long-distance shipments whenever feasible, as trains and trucks are generally more energy-efficient and emit fewer greenhouse gases compared to air freight;

• Engage with suppliers to encourage them to adopt sustainable transportation practices for their deliveries to your company;

• Monitor and measure the environmental impact of your transportation operations regularly.

## 2.2.5 Retailing (HQ, DC and Retail Sites)

The biodiversity impact at our offices, DC and retail sites is considered to be minimal. We will however work to ensure that our general procurement service embeds biodiversity protection and development into their purchasing practices.

## 2.2.6 Product Life and End Use

The biodiversity impacts of consumer use and disposal of Hunkemöller products will be considered in the context of our growing engagement in this value chain stage. The emissions associated with the use of our products are the use of water at the washing stage, the use of electricity to wash, iron and dry our clothing and microfiber shedding. Disposal of any garments to landfill and incineration can have biodiversity impacts, both from the emissions generated by the decomposition or burning of the clothing and from the land use change necessary to build the landfill or incineration plant. Moreover, smart end of use practices offer large opportunities in terms of natural resources savings. Hunkemöller knows the importance of investing in circular product design. Our ultimate ambition is a 'closed loop' business model. To minimize the biodiversity impacts of product life and end use we will:

• Further educate our customers to make simple behavioural adjustments and consumption choices (wash in cold water, filter microfibers, use water-efficient washing machines etc.);

Research the possibilities of new business models (repair, recycling and resale);

• Research ways to increase the longevity and durability of our products.

		Land and	Pollution	Climate	Over-
		Water		Change	exploitation
Raw Material Production for Natural and Synthetic Fibers	Cotton Agriculture	Soil degradation from excessive water use. Habitat loss from area expansion	Chemically intensive crop production	GHG emissions from deforestation and pulp production	Mono cultures for tree-based natural fibers can replace natural forests and threaten native biodiversity
	Wood-based Natural Fibers	Deforestation and biodiversity loss through monoculture Country of origin assessments Resilient produce sourcing Sustainable commodities initiatives	Agrochemicals used in plantation forests and pollutants discharged by pulp mills		

					-
	Natural fibres	Disruption of			Over-
	from wild	food chain and			exploitation of
	animals	trapping of			certain species
		nontarget			for their skins,
		species			fur and wool
	<b>Biobacod fibras</b>	Soil degradation	Chemically	Energy use for	Ethical debate
	biobased libres	from executive	intensive crop	fibre production	about the use
		II UIII EXCESSIVE	nicensive crop	nore production	of agricultural
		water use.	production		Unagricultural
					land for fibres
		Habitat loss			instead of food
		from area			considering the
		expansion			fast increase in
		0.100.000			the world's
		Discuption of			population
		feed shain			
		Toou chain	A 12	E	
	Synthetic fibres	Destruction of	Antimony	Energy use for	
1		natural habitats	contaminated	synthetic fibre	
		of mining for	wastewater	production	
		petroleum for	from production		
		Polyester			
Material			Textile dyeing	Energy use for	
preparation.			and treatment:	fabric	
processing and			freshwater	preparation,	
product			contamination	during and	
monufacturing	j j		through	washing	
manuracturing			chamical runoff	, , , , , , , , , , , , , , , , , , ,	
			and non		
			and non-		
			biodegradable		
			waste		
			Leather tanning:		
			air, ground and		
			water pollution		
			from chemicals		
			and toxins		
Dictribution				Emissions from	Spread of alien
				air ca road or	charies evicting
and transport				all, sea, road of	species. existing
				i an freight	and an end and here
					endangered by
					imported allen
					species
Retailing,	Waste disposal	Washing:	Ground		
product use	by landfill:	waterway	pollution from		
and end of life	habitat loss for	pollution from	chemicals and		
	use as landfills	washing	toxins		
		Pollutants from			
		landfills.			
		incineration and			
		leakage into			
		icakage into			
		waterways			

# 2.3 Material Biodiversity Risk Assessment

Hunkemöller is continuously identifying potential sources of biodiversity risks which may arise from its activity in order to prevent and/ or repair them in the hypothetical case that an unforeseen event should occur. These are the modelled risks for each of the key areas of our material value chain (e.g., raw

materials, manufacturing, and waste) and a system of indicators which will help our teams understand and manage the biodiversity footprint of our materials.

Modelled Risk	Climate Variables	Considerations for Mitigation and Adaptation
<ul> <li>Raw Material Availability</li> <li>Agriculture is vulnerable to climate change. Higher temperatures eventually reduce yields. Changes in precipitation patterns increase the likelihood of short-run crop failures and long-run production declines. Climate change will affect cotton production as a result of higher concentrations of CO2 and average warming temperatures.</li> <li>Weak environmental regulations</li> <li>Water scarcity: irreversible degradation from reduced water availability for natural habitats due to diversion for irrigation.</li> <li>Cumulative impacts that contribute to deforestation: irreversible loss of natural habitat through conversion and fragmentation from expansion.</li> </ul>	<ul> <li>Heat</li> <li>Drought</li> </ul>	<ul> <li>Adaptation</li> <li>Switch to regenerative agriculture practices.</li> <li>Switch to alternative farm crops (flax, hemp).</li> </ul>
<ul> <li>Raw material for natural fibre</li> <li>Weak forest management practices or regulation: loss of forest &amp; deforestation</li> <li>Water scarcity: particularly if plantations are involved.</li> </ul>	<ul><li>Heat</li><li>Drought</li></ul>	<ul> <li>Disaster preparedness and response.</li> <li>Local sourcing efforts.</li> <li>Resilient fibre sourcing.</li> </ul>
<ul> <li>Manufacturing processes - particularly wet processes</li> <li>Water scarcity: the water used for manufacturing processes can have negative impacts on native species and ecosystems, if used unsustainably.</li> </ul>	<ul> <li>Heat</li> <li>Drought</li> </ul>	<ul> <li>Research more sustainable production process.</li> <li>Improve water use, water treatment and reduce chemical use.</li> <li>Country/region of origin assessments.</li> </ul>

Waste	•	Waterway & land pollution
<ul> <li>Chemical runoff, liquid waste, solid waste in landfill and microfibers.</li> </ul>		

## 2.4 Biodiversity Challenges

• The market share and yield of sustainable cotton is small and converting conventional cotton to organic cotton takes time.

• Increasing and maintaining supply chain transparency and traceability can be challenging, particularly when it comes to ensuring that biodiversity strategies are implemented at each stage. Lack of visibility and control over supplier's practices can undermine our efforts to uphold our biodiversity commitments.

• Developing effective recycling and waste treatment systems poses a challenge due to the complex nature of textile waste.

• Finding alternative, eco-friendly chemicals or adopting cleaner production methods is a challenge that the textile industry must address.

• Upholding biodiversity strategies requires collaboration among stakeholders, including textile manufacturers, suppliers, policymakers and NGOs. Creating awareness about the importance of biodiversity and fostering cooperation among different entities can be challenging, as it requires overcoming different interests, establishing common goals and driving collective actions.

## 3. Deforestation Policy

## **3.1 Introduction**

At Hunkemöller, we recognize the significant impact of deforestation on climate change, biodiversity loss, and the well-being of local communities. In line with our efforts to become more sustainable, we are committed to comply with the European Union Deforestation Regulation (EUDR) and taking proactive measures to combat deforestation. In alignment with the UN Sustainable Developments Goals 12 (Responsible Production and Consumption) and 13 (Climate Action), we acknowledge the importance of sustainable sourcing practices, both in our supply chain and company-operated facilities.

## 3.2 Scope

In June 2023, the European Commission has passed the European Union Deforestation Regulation (EUDR), a legislation to prevent companies from placing products that are linked to deforestation or forest degradation on the EU market, and to make it illegal to import such products within the EU. This policy thus applies to all aspects of Hunkemöller's operations, including sourcing, manufacturing, packaging, and distribution of our products.

# **3.3 Our Commitments**

• <u>Zero Tolerance for Deforestation</u>: Hunkemöller does not tolerate any direct or indirect involvement in deforestation activities. We actively avoid sourcing materials from regions and suppliers linked to deforestation, forest degradation or forest conversion.

• <u>Supply Chain Transparency</u>: we will work towards complete transparency in our supply chain. This includes engaging with suppliers to gather information about the origin of the materials used in our products and packaging, and ensuring that all suppliers adhere to our no-deforestation commitment. Thanks to the geo-location technology pushed by the EUDR, traceability in the supply chain is thus key to ensure the compliance with our deforestation-free standards.

• <u>Responsible Sourcing</u>: Hunkemöller prioritizes sourcing materials from suppliers who demonstrate a clear commitment to sustainable and responsible practices, particularly those with Forest Stewardship Council (FSC) or equivalent certifications. Please refer back to our Materials Manual if you would like to find out more about our commitment to using sustainable materials in our products and packaging.

• <u>Continuous Improvement</u>: we will continuously assess and improve our policies and practices to minimize the risk of deforestation in our supply chain. This includes monitoring the environmental impact of our operations and conducting regular audits to ensure compliance with this policy.

# 3.3.1 Minimum requirements for products made using man-made cellulosic fibers

Hunkemöller is committed to using reasonable efforts so that its supply chain protects ancient and endangered forests and the ecosystem values they contain such as clean water, carbon storage and biodiversity. To do this, Hunkemöller is implementing programmes aimed at ensuring that its products do not contain fiber made from dissolving pulp sourced from any of the unwanted sources set above. To accomplish this, Hunkemöller will:

• Support collaborative processes that advance transparency in the supply chain regarding the implementation of this forest product policy.

• Use, when appropriate, independent third-party certification and verification audit systems.

• Consider the application of the forest certification to fabrics and apparel fibers throughout the supply chain.

## 3.3.2. Minimum requirements for paper products

Hunkemöller prioritizes the certification of its paper products under the Forest Stewardship Council (FSC) standard. As a transitional measure, and in those cases where it is not possible to obtain products with these characteristics, as a minimum requirement, certification based on the PEFC international standard or equivalent is required. When products are made from timber sourced from countries with ancient and endangered forests, we will avoid sourcing from these ancient and endangered forests and also require Forest Stewardship Council (FSC) certification.

## 3.4 Risk Assessment and Mitigation

a. Identifying High-Risk Areas: We will conduct thorough risk assessments to identify high-risk regions and suppliers associated with deforestation or illegal land use change. These assessments will be based on reliable data and information from reputable sources, like the data base that the European Commission will create to centralize information about deforestation.

b. Mitigation Strategies: Based on the risk assessment, we will implement appropriate mitigation strategies. These may include engaging with suppliers to address deforestation concerns or finding alternative sources.

## 3.5 Reporting and Accountability

Hunkemöller is committed to being transparent about our progress in addressing deforestation. We will publish updates on our efforts to combat deforestation in our annual Sustainability Report, which will include updates on risk assessments, mitigation actions, and progress towards our sustainability goals.

## 3.6 Compliance and Enforcement

Non-compliance with this deforestation policy will not be tolerated. We expect all employees and suppliers to comply fully with the policy, and violations can ultimately lead to the termination of business relationships. By implementing this deforestation policy, Hunkemöller aims to play a role in preserving forests and contributing to a sustainable future. We will continue to explore innovative ways to reduce our environmental impact and promote responsible practices throughout our supply chain!

#### 4. Water Stewardship Policy

#### 4.1 Introduction

Water is the foundation of all life. The textile industry is a huge consumer of water globally, relying heavily on water throughout the various stages of the manufacturing process, such as washing, dying and printing. Water is similarly vital for growing key raw materials, such as cotton. While the textile industry's water consumption is substantial, an even more pressing issue arises from the resulting water pollution, particularly in developing countries. Due to lack of the strict regulations imposed on corporations in many countries, manufacturers sometimes discharge wastewater directly into waterways. This chemically polluted wastewater contains chemicals that can degrade the quality of the water and soil when it mixes with natural resources and its dependent habitats and environment. This causes the risk of deteriorating the ecological environment.

At Hunkemöller, we recognize the vital importance of water as a precious resource and the need for responsible water management. We are committed to minimizing our water footprint, protecting freshwater resources, and promoting sustainable water practices throughout our own operations and along our value chain. Reducing the use of water and improving the quality of the textile discharge water in our supply chain operations is very important, since it has the potential to have a significant positive impact on the environment, particularly on marine and freshwater habitats and the communities living nearby. Our water stewardship strategy is based on two main pillars – *protect* and *reduce* – that touch every aspect of our operations and production facilities. Within the *protect* pilar, we support organisations that look at water protection initiatives in wet processing facilities and their sound waste & chemical management (including effluent). Within the *reduce* pilar, we support organisations that look at resource efficiency (energy and water), as well as increasing the use of water-saving technology in wet-processing facilities. We are also supporting agricultural practices that reduce water consumption and regenerative practices.

## 4.2 Approach

We aim to reduce freshwater consumption across our entire value chain by encouraging efficient water performance in our production facilities, in the communities in which they operate and by optimizing production processes. Reducing water consumption through more efficient management programmes and technologies implies reducing energy consumption and its associated emissions. Therefore, reducing the impact of water consumption is a goal that not only contributes to the preservation of a vital resource for the planet, but it is also key to achieving our decarbonisation targets. From 2024 onwards, we are looking to collaborate with our suppliers to share best practices, foster knowledge exchange, and drive continuous improvement in water management throughout the entire supply chain. To measure and monitor the water consumption in our production facilities, we use the Higg FEM tool.

## 4.2.1 Reduce Water Consumption in our Supply Chains

We aim to reduce overall water consumption by encouraging wet production facilities to implement water efficient technologies and processes. This could involve optimizing dyeing and finishing

techniques, implementing closed-loop systems and upgrading machinery to minimize waste water. It could also involve implementing systems for treating and recycling wastewater for cleaning or rinsing, Finally, we also encourage suppliers to harvest rainwater and explore opportunities for reusing water in non-production areas like landscaping or sanitation.

## 4.2.2 Minimize Water Pollution in our Supply Chains

We encourage our suppliers to promote responsible water use and prevent water pollution by improving their textile dyeing and finishing practices. To minimise the risk of freshwater contamination they should: • Wastewater Discharge

 Make sustainable improvements in environmental performance and require the same of their suppliers and sub-contractors.

 Ensure that all wastewater (including domestic and process water) is treated before being discharged into the natural environment.

Provide regular water and sludge test reports when necessary.

Meet both legal and Hunkemöller requirements and hold all relevant, up-to-date permits.

Chemical Management

Properly label and store chemicals and hazardous substances in secure and ventilated areas. Chemicals
must be disposed of in a safe and legal manner, in accordance with applicable laws.

• Ensure that chemicals are labelled in the local language and the language spoken by workers, if different from the local language.

• Ensure that workers receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. We encourage the use of ecofriendly detergents, and chemicals, minimizing the risk of water pollution.

Microfibre and Microplastics Mitigation

 Implement mitigation measures to reduce microfibre leakage at the manufacturing phases, actively research technologies for microfibre removal from- and invest in systems that capture microfibre particles in wastewater.

Business partner must not cause or knowingly permit contamination of soil and groundwater. Production facilities must meet all legal requirements and holds all relevant, up-to-date permits governing contaminated land, soil and groundwater pollution prevention. To measure and monitor the chemical management and waste in our production facilities, we use the Higg FEM tool.

# 4.2.3 Reduce Water consumption in Agriculture

Crops - especially cotton – needs lots of water to grow. To reduce our water footprint, we're continuing to focus on sourcing more sustainable cotton, including Better Cotton. The Better Cotton Initiative (BCI) helps farmers find more water efficient and productive methods for cotton cultivation. Certified organic cotton - such as OCS or GOTS - has a reduced water consumption in comparison to conventional cotton due to the fact that organic cotton farming happens more in rain-fed areas. To entirely bypass the water use during the growing phase of cotton, we're expanding our use of recycled cotton.

Hunkemöller is researching implementing regenerative agriculture practices and initiatives. Regenerative cotton promotes soil health and aims at restoring organic carbon in soil. These practices, inspired by solutions adopted from nature, include the use of cover crops, the restoration of organic carbon in the soil, reducing the use of water and other inputs like fertilizers and the protection of land against deforestation.

## 4.2.4 Reduce Water Consumption in Our Own Operations

We aim to reduce water consumption across our own operations by optimising our water consumption, reducing the water footprint per finished product and raising employee awareness about the importance of water conservation. In our annual Sustainability Report we communicate our commitment to reduce our environmental footprint to our customers. We encourage them to join us in responsible water management through transparent product and product care information.

## 4.3 Setting Goals

• Working collaboratively with our partners to set policies and incentives which encourage more responsible use of water and increase the resilience of local communities by 2030.

- Collaborate with stakeholder initiatives and projects.
- Help reduce water usage in our production facilities through training programmes.
- Promote raw material cultivation practices that reduce water consumption.
- Draft a guide to best practices to reduce water consumption for our suppliers by 2025 latest.
- Encourage customers to care for their clothes in low water-impact ways.

