

HOP LUN

Sustainability  
Report

2022

Apr 1, 2021 – Dec 31, 2022



HOP  
LUN

# 1 Introduction

A brief introduction to Hop Lun, our values, and our stakeholders

# 2 Environmental

Updates on progress towards our environmental sustainability goals

# 3 Social

Strengthening our social initiatives with women empowerment programs

# 4 Governance

Our governance framework, policy support, and data transparency

# 5 Dorina

Highlights on Sustainability programs of own brand Dorina

# 6 Closing & Appendices

Comments on progress from the sustainability team

# Introduction

A brief introduction to Hop Lun, our values, and our stakeholders





# About This Report

Our sustainability reporting period always follows Hop Lun's financial year. Due to change in ownership of Hop Lun we have moved our Financial year from April to March to a Calendar year format from January to December. Our previous report covered the time period from April 2020 to March 2021. To maintain continuity in our reporting, information in this report covers the time period from April 2021 to December 2022. We have categorized the time periods as "2020" to represent data from April 2020 to March 2021 (previously FY21), "2021" to represent the data from April 2021 to March 2022, and "2022" to represent the data from January 2022 to December 2022. References to these time periods are termed "2020", "2021", and "2022" in this report.

Hop Lun's sustainability report covers Environmental, Social and Governance (ESG) topics of relevance and significance for the company and its stakeholders. The 2022 Sustainability report is a comprehensive report, primarily focusing on progress towards our set sustainability goals.

In scope for this report are a total of 12 factories<sup>1</sup>, our Hong Kong headquarters, Dongguan pre-production office, Heyuan central warehouse and Heyuan Dorina warehouse, unless otherwise specified. We have opened a new factory in Indonesia in 2022, increasing the total number of factories to 12. Our nine sales offices (each with 1 to 9 personnel) in Europe, the U.S. and China are excluded from this report.

We are constantly working to improve our data quality and we have done our utmost to be as transparent as possible. We have further improved the accuracy of our data collection, in particular for transportation, fuel and waste collection. Some metrics have markedly changed due to our improvements in data collection, and we have highlighted these where appropriate.

We warmly welcome your feedback and comments. Please feel free to get in touch by sending an email to [sustainability@hoplun.com](mailto:sustainability@hoplun.com). We look forward to continuing the discussion on how we can improve and how we can collaborate for a greater positive impact on the future.

| Note 1: Includes newly acquired factories, but excludes Ethiopia factory which is being divested

# 30 Years and Beyond

In 2022 we celebrated our 30-year anniversary with a change in ownership and we are now ready to take Hop Lun to the next level. We have enjoyed consistent growth and incredible success over the past 30+ years remembering that I started Hop Lun alone, in a tiny office, with no capital. "Hop Lun" means good corporation in business, and this has been the spirit of the company ever since.

During the early decade of 2000 we invested in manufacturing facilities in China, Bangladesh, and Indonesia. One important policy of ours during this journey is to ensure that all of our employees earn a living wage and are employed for the full quota of hours during the week. We believe this has been the foundation for us to put in place very successful social sustainability programs. We will still maintain the same guiding principles in our journey moving forward with focus on women empowerment programs in 2023 and beyond.

In the second decade of the twentieth century, we took a hugely controversial decision to reduce the number of customers to enable us to provide outstanding service and be a real partner to select customers. We are always proactive and continue to be motivated to support our customers' new initiatives, especially in sustainability programs.

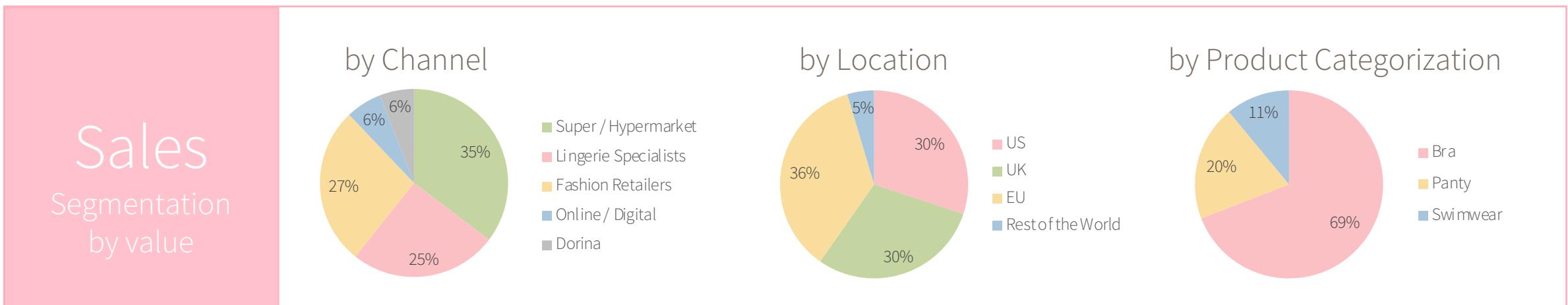
We have since diversified to serve online customers, and we also entered the US market. We have also integrated Dorina, an affordable and sustainable brand, with Hop Lun. We will continue on our social sustainability programs with focus on living wages to all our employees.

Transparency, Speed and Transformation will be key to us working with Platinum Equity and to accelerate the growth in our future. We envision to become a bigger family with satisfied employees, more customers, more geographies, newer channels, more innovations and delivering more products!

Erik Ryd, Founder & CEO  
April 2023



# Key Figures 2022



# Our Geographic Footprint

Region	Country/Region	Site Name	Legal Name	Number of employees	% of women	Number of leaders <sup>1</sup>	% of women leaders <sup>1</sup>	Average age	Average years of service	
Head Office	Bangladesh	HKO	Hop Lun (Hong Kong) Limited	174	79%	27	56%	47	9	
		Diva	Hop Yick (Bangladesh) Ltd. (Unit-1)	2,796	84%	315	40%	32	7	
		Legend	Hop Yick (Bangladesh) Ltd. (Unit-2)	1,906	79%	205	24%	31	6	
		Heritage	Hop Yick (Bangladesh) Ltd. (Unit 3-6 & 8)	3,508	84%	384	41%	32	7	
		Fashion	Hop Lun Apparel Ltd.	5,504	83%	708	36%	31	5	
		Brands	Hop Lun Apparel Ltd (Unit-2)	1,809	84%	182	29%	32	5	
		Intimate <sup>2</sup>	Hop Lun Intimate (Bangladesh) Ltd	2,768	80%	341	38%	29	2 <sup>2</sup>	
China	Mainland China	Heyuan	He Yuan Hop Lun Fashion Ltd.	618	80%	104	55%	44	9	
China Office		Quannan	Hop Lun Garments (Quannan) Co. Ltd.	1,192	85%	138	59%	45	10	
China Warehouse		PPO	Dongguan He Xun Fashion Design Ltd.	1,062	76%	375	62%	37	8	
		HYWH & Dorina WH	Hol Jun Textile Trading (Shenzhen) Co Ltd. Heyuan Branch & Heyuan Holjun Trading LTD	243	56%	40	43%	38	6	
Indonesia	Indonesia	Semarang	PT Hop Lun Indonesia	2,724	81%	281	62%	29	4	
		Cartini 1	PT Cartini Lingerie Indonesia	1,476	84%	137	49%	32	6	
		Cartini <sup>2</sup>	PT Cartini Lingerie Indonesia	901	81%	113	52%	28	1 <sup>2</sup>	
		Boyo <sup>2</sup>	PT Hop Lun Boyolali Indonesia	1,749	85%	110	45%	27	1 <sup>2</sup>	
Varied	Multiple	Sales offices	Multiple	29	79%	16	69%	43	6	
Total				28,459	80%	3,476	48%	35	6	

Note 1: For Production sites, 'Leaders' include personnel in managerial or supervisory roles.  
For HKO, we selected employees with designated leadership accountability at one or more specified corporate functions or tasks.

Note 2: These are relatively newer factories. Service years have been calculated from the time they have become Hop Lun owned factories.

# Stakeholder Mapping

Employees - 28,459 employees	Topics	Living Wages & compensation, DE&I (Diversity, Equity & Inclusion), health & safety, harassment & abuse, workers' rights & responsibilities, gender-based violence, grievance mechanisms, employee wellbeing
	Communication channels	Training sessions, meetings between management and worker representatives, company events, company townhall meetings, workplace dialogue mechanisms, internal magazine and notice boards
	Efforts and outcomes	92% of Hop Lun employees earn a living wage, 63% of worker representatives are women
Customers - 221 customers	Topics	Environmental – energy efficiency, GHG emissions, water, waste, circularity Social – health & safety, social dialogue, living wages & compensation, women's empowerment Governance – accountability, business ethics, supply chain management SBT (Science Based Targets)
	Communication channels	Proactive reporting, sustainability programs, strategy discussions, annual review meetings, updates through meetings and emails, trainings and seminars, sustainability report and website
	Efforts and outcomes	Sustainability has been a key enabler to grow and deepen existing customer relationships as well as attracting new customers
Suppliers - 656 suppliers	Topics	Social and environmental sustainability compliance, chemical detox, Higg adoption, increased volumes of more sustainable materials
	Communication channels	Hop Lun supplier conference, Annual meetings, factory visits and follow-ups, review of sustainability performance in overall supplier rating
	Efforts and outcomes	More suppliers are on Higg platform, and are performing well from a sustainability perspective (they are rewarded with more business)
Shareholders	Topics	Decarbonization, Living Wages, Diversity, Equity & Inclusion, Supply Chain Sustainability
	Communication channels	Annual board meetings, Monthly Operating Council Meetings
	Efforts and outcomes	Hop Lun's board including Platinum Equity representatives are actively engaged in goal setting, performance tracking and investment discussions to secure sufficient resources for sustainability-initiatives
NGOs / industry associations	Topics	Climate change, health & safety, worker rights, female empowerment
	Communication channels	Website updates, platform updates, seminars, conferences and discussion forums
	Efforts and outcomes	Environmental – All factories have a verified HIGG scores since 2018. Selected factories are engaged in the LCMP (WWF) program. Hop Lun has signed up for the UNFCCC Fashion Charter for Climate Action Social – Hop Lun is a signatory of SLCP. All factories have, or are in the process of, joining the SLCP program. Factories in Bangladesh and Indonesia are enrolled in ILO's Better Work program. Working with selected partners / NGOs to roll out social programs locally
Community	Topics	Donations and support on nutrition, health and wellbeing, Covid-19 protection
	Communication channels	Meetings, events and activities
	Efforts and outcomes	Strong community relationships built on trust and mutual support
Dorina	Stakeholders	25 employees in HKO, 163 customers

# 2022 Highlights

**Platinum Equity**

About Us ▾ Our Business Our Companies ▾

June 20, 2022

## Platinum Equity to Acquire Majority Interest in Global Intimate Apparel Company Hop Lun



“I am proud of the business we have built over the last 30 years and am confident Platinum will help accelerate our success,” said Mr. Ryd. “Platinum’s financial & operational resources will be tremendously helpful, but more importantly their team shares our values and our vision for the future. I believe we are a perfect fit.”

**NEW FACTORY**

New factory in Solo (Surakarta) was acquired in 2022. We are naming this factory as “Cartini 2”.

12 Lines  
901 Employees  
2.8million pieces capacity





**WEPS AWARDS GENDER-INCLUSIVE WORKPLACE**  
For exemplary practice embracing the Women's Empowerment Principles (WEPS) in Asia-Pacific

UN Women's Empowerment Award  
One of the top awards on Gender Equality by UN Women



27% of all materials certified as recycled or sustainably sourced



Living wages – 92% of all Hop Lun's employees now earn a living wage



Our factories' Higg FEM and FSLM improved 12% and 5% in 2022  
38 strategic suppliers reported environmental sustainability performance on the Higg platform



# Aftermath of COVID

*“A marathon runner does not stop when the finish line comes into view. She runs harder, with all the energy she has left. So must we. We can see the finish line. We’re in a winning position. But now is the worst time to stop running.”* – Call to Action by WHO Director-General, Dr Tedros Adhanom Ghebreyesus, in September 2022.

We have now entered a stage where COVID has gone from being a pandemic to being considered endemic. We have learned to live with COVID and have put in place sufficient safeguards through vaccinations and safe distancing measures to resume operations at all our Hop Lun factories.

We had decided at the start of the COVID pandemic that keeping our factory workers employed was a top priority. We continued our efforts to manage COVID during 2022 and we have now emerged in reasonably good shape from the pandemic.

We continued to employ all COVID safety measures during the first 6 months of 2022. Employees were also required to wear masks and monitor their health to report symptoms (if any) immediately.

## Managing COVID

Our commitment to keeping our employees safe during COVID has earned us the highest plaudits from local authorities. Our Semarang factory in Indonesia was selected as one of the factories who had an exceptional program for COVID Prevention and Management at the Workplace. We received the Platinum Award (the highest honour) in this category.



### Covid Prevention and Management at the Workplace

PLATINUM level from Manpower Ministry  
Semarang • Indonesia





# Environmental

Updates on progress towards our environmental sustainability goals

# Environmental Sustainability

## Energy Efficiency

Achieve higher energy efficiencies through energy saving programs, and upgrade to energy efficient equipment & appliances

## Water Stewardship

Focus on reducing wastage of water through educational campaigns and by employing water saving programs

## Waste Management

Tracking the end state of all our waste to work out innovative ways to promote reusability and reduce waste to landfill

## Greenhouse Gas Emissions

Reduce our GHG emissions by moving to renewable sources of energy, and renewing biodiversity in our neighbouring communities

## Sustainable Materials

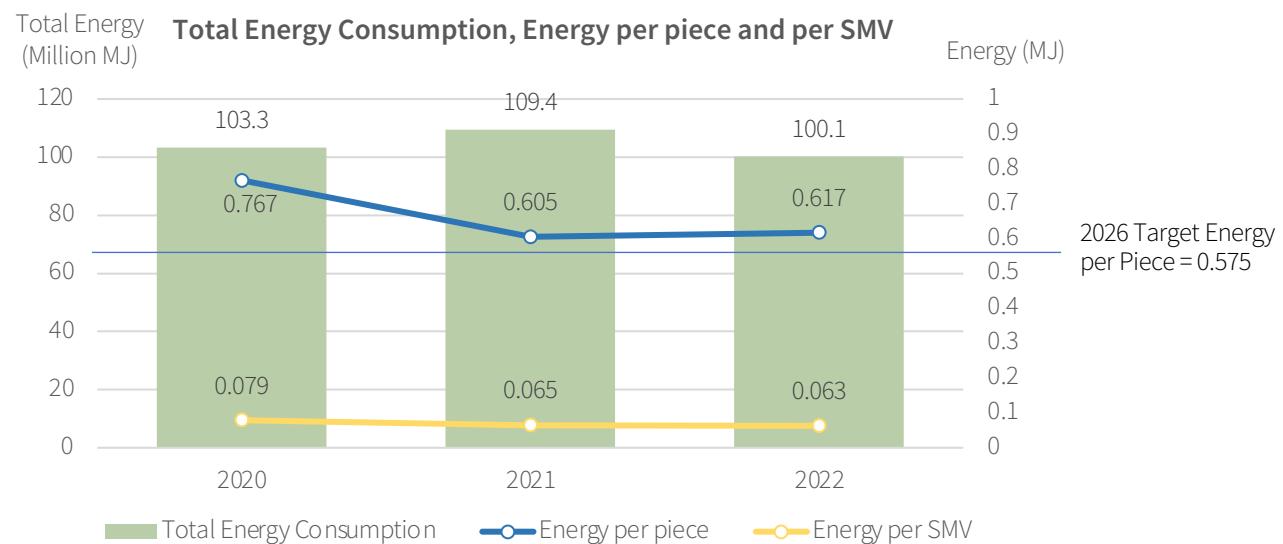
Advocating to Increase proportion of recycled, or sustainably sourced materials in own brand and customers' brands

# Energy Efficiency

Hop Lun's total energy consumption and energy consumption per piece decreased in 2021 & 2022 when compared to 2020. The reasons for the decrease during these time periods were varied.

For 2021, we enjoyed significant growth in volumes accompanied by increase in energy consumption but allocated to more pieces resulting in lower energy per piece. We had also invested in several energy efficiency programs which yielded favorable results. These programs included upgrading of selected sewing machines to Servomotors, improving facility lighting, and moving to more efficient appliances (HVAC and Pantry/Kitchen appliances). We also had energy efficiency improvements from the new factories added in 2020 which moved from their respective start-up phases to normal operations.

For 2022, we witnessed the opposite of 2021 as economic headwinds grew stronger and we had declining volume in our business. Hence, our overall energy consumption dropped in 2022, but energy per piece increased slightly due to energy consumption being allocated to lower volume of pieces.



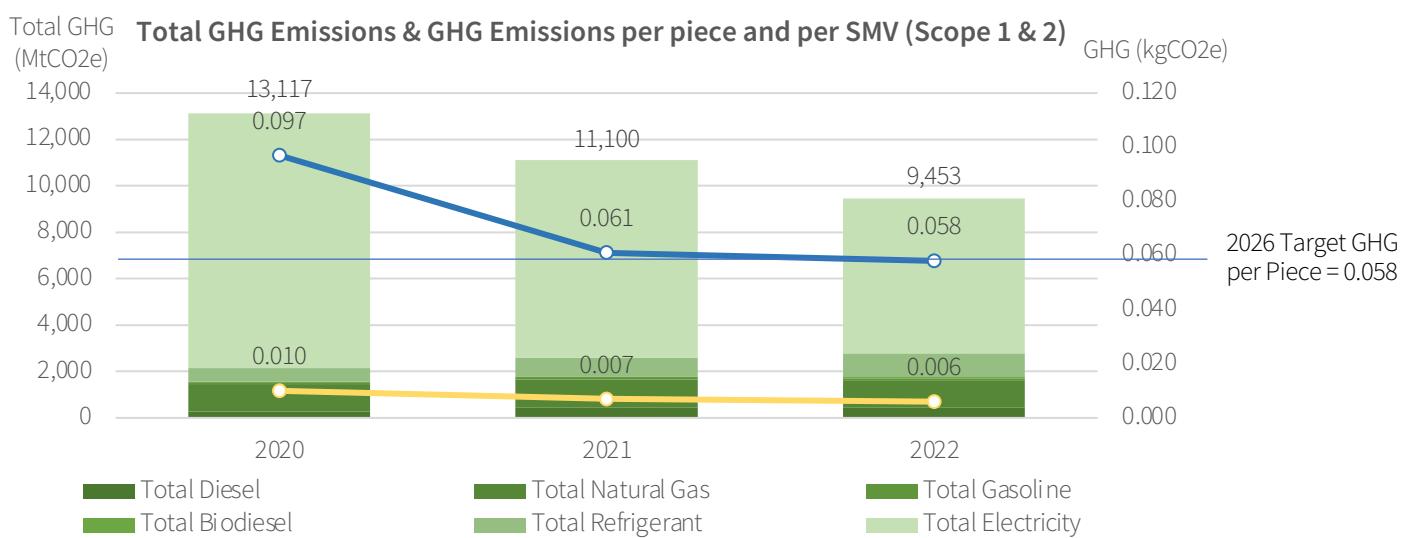


Goal for 2026 compared to baseline year 2020:  
Reduce GHG emissions scope 1 & 2 by 40% per piece  
**ON TRACK**

# GHG Emissions

We have continued to reduce GHG emissions (scope 1 & 2) during the 2021 and 2022 time periods. We have also been able to reduce the GHG emissions per piece. The reasons for the decrease are same as attributed to the energy consumption variances highlighted earlier, and due to our increasing use of renewable energy sources as well as the purchase of Renewable Energy Certificates (RECs) for our China and Indonesia factories that started in 2021.

We have continued to improve the quality of data collection for GHG emissions in 2021 & 2022. For scope 1 emissions, we have collected accurate primary data for transportation emissions to include all owned and leased vehicles and all types of fuel. Consequently, we have adjusted 2020 GHG emissions from transportation which were slightly underestimated in our previous forecast. For scope 2 emissions, we have changed from location-based reporting to market-based reporting to reflect changes after we started purchasing Renewable Energy Certificates.



# GHG Emissions Scope 3

We have used the Quantis Evaluator tool to estimate GHG scope 3 emissions based on purchasing spend. The calculations include six categories as outlined on the chart.

Hop Lun's scope 3 emissions make up ~97% of our total emissions. The largest contributor of Scope 3 emissions are purchased goods and services, as a result of the energy-intensive processes for washing, dyeing and printing of fabrics.

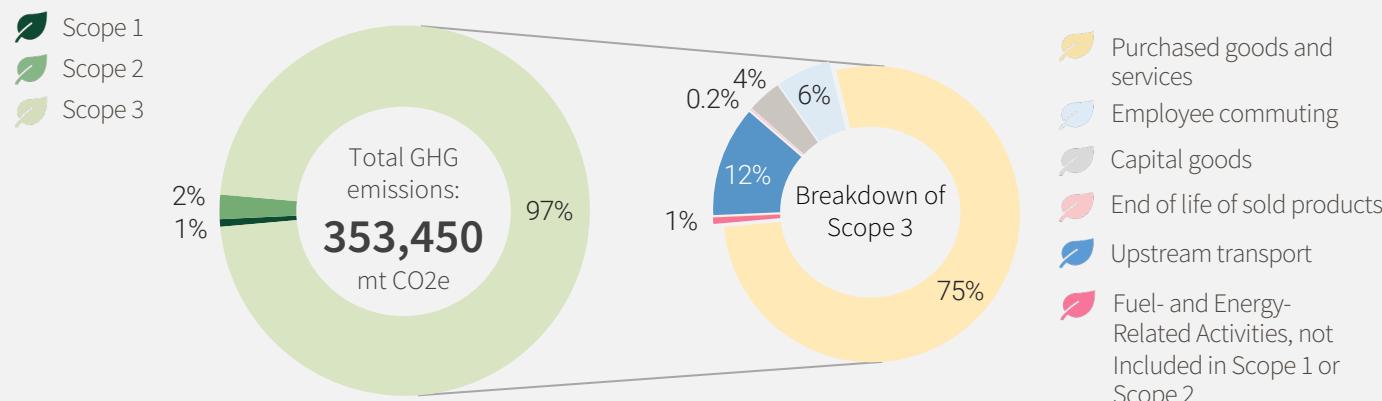
2021 Scope 3 GHG emissions are higher than 2020 Scope 3 GHG emissions, while 2022 emissions are relatively lower. The reasons have been explained earlier and are attributable mainly due to variations in business volumes.

As the Quantis evaluator tool is a standardized generic tool, some of the assumptions may not be applicable for Hop Lun and our line of businesses.

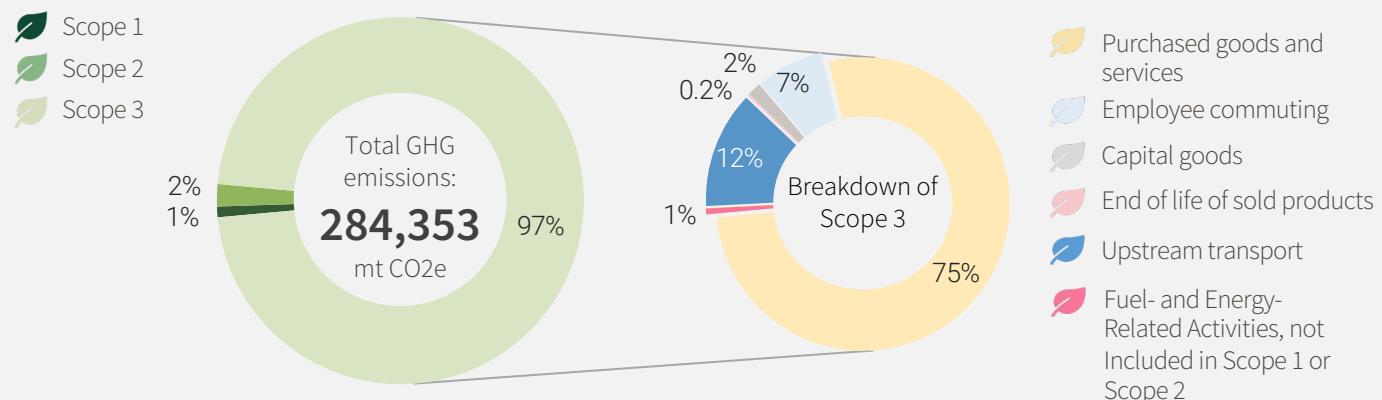
Hop Lun aims to set Science-Based Targets (SBT) in 2023 and we are currently working on a more accurate methodology to calculate scope 3 emissions, including primary data from strategic tier 1 suppliers. While the Quantis tool is an indicator of the scale of scope 3 emissions, we believe a more thorough approach is needed for our SBT baseline data and subsequent annual reporting.

2020 GHG emissions = **271,093** mt CO<sub>2</sub>e

2021 GHG emissions



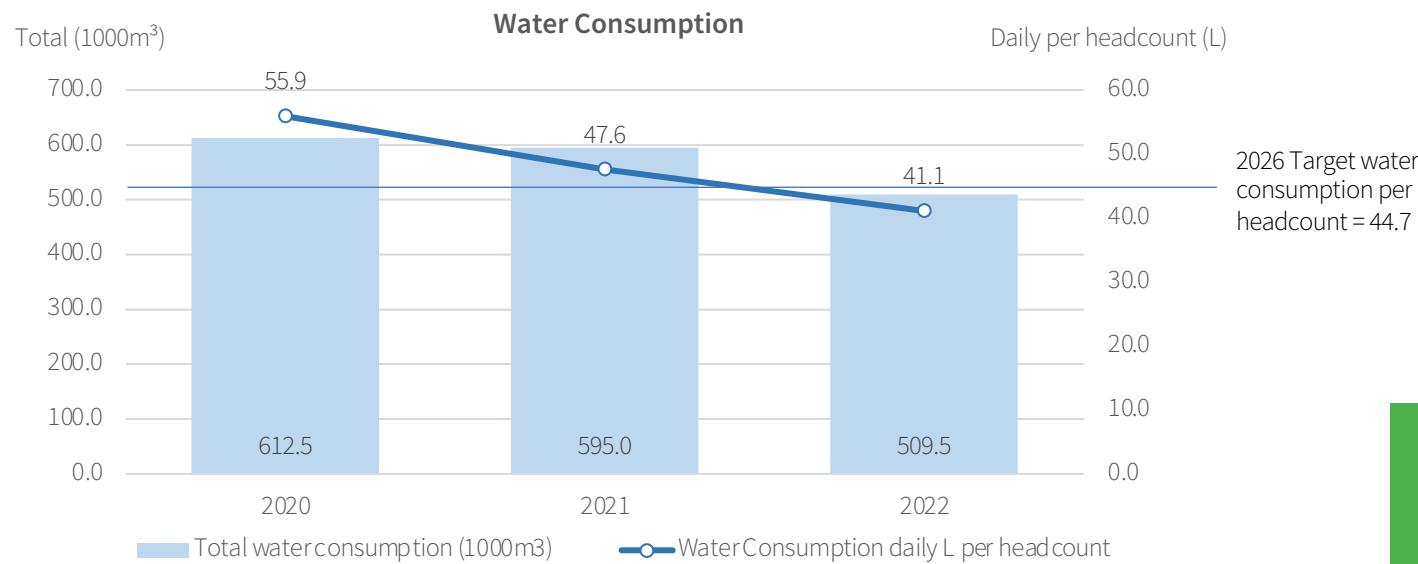
2022 GHG emissions

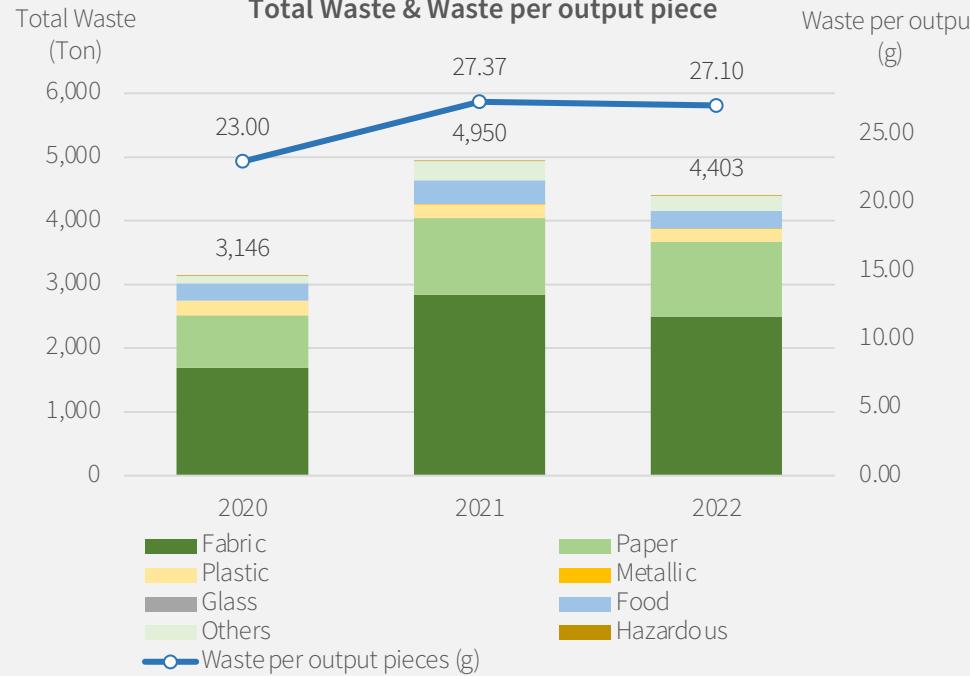


# Water

Hop Lun's water consumption is limited to domestic use such as handwashing, drinking, use in toilets, on-site cooking, dishwashing and car washing. Hop Lun's water consumption continued to decrease in 2021 and in 2022. We had set a target of 20% reduction in daily water consumption per headcount from the baseline year 2020, and we have exceeded our reduction goal (currently 26% reduced). The main drivers for improved water stewardship are investments in water-efficient taps, more thorough monitoring of potential water leakages, implementation new water saving methodologies, and roll-out of information campaigns to raise awareness about water saving.

We have also employed rainwater harvesting in selected factories, but their relative contribution to total water requirements are marginal (less than 5%) or are not tracked. We will continue to strengthen the rainwater harvesting program to achieve more meaningful contributions with accurate tracking measures.





# Waste Management

Quality of data collection for measuring Waste at Hop Lun has improved significantly over the last couple of years due to better waste recording, control and management. We have restated our 2020 waste estimates due to a significant change from earlier estimates due to better data collection. Total waste generated has increased in 2021 and 2022 compared to 2020 (57% & 40% respectively). The main reason for this negative trend is improved data collection to capture all waste created, additional factories, and delayed results from our waste reduction plans as these efforts take time to fruition.

As we have added more factories over the last couple of years, increased absolute waste quantities have followed. Our focus for this year has been to increase proportion of waste that is reused or recycled. To improve waste management, we tracked the end-state of more of our waste categories and developed innovative ways to reuse or recycle waste which might otherwise have ended in landfill (89% of waste is upcycled or recycled – see next page) .



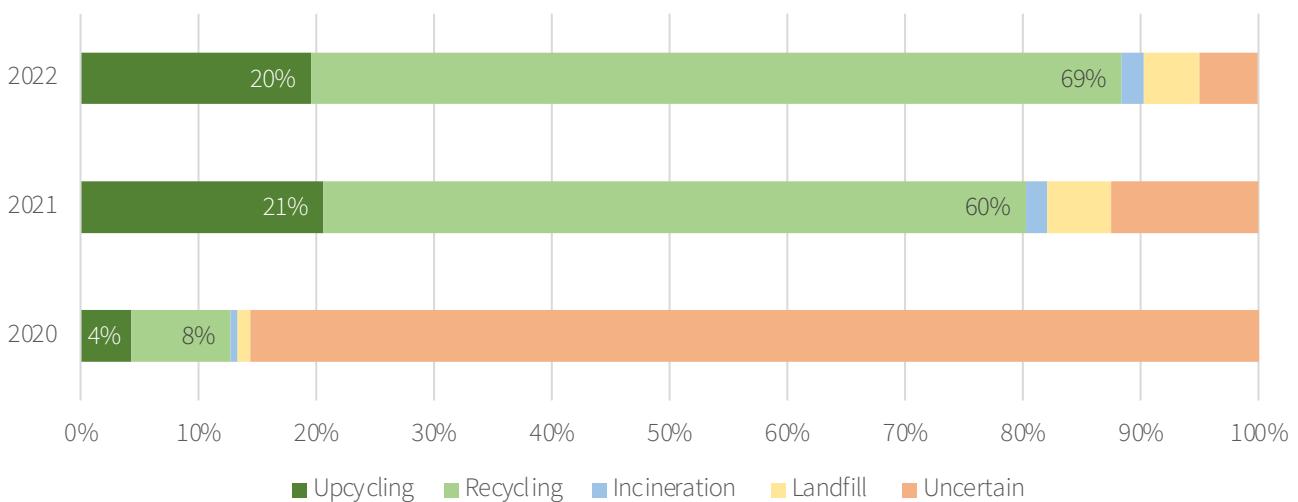


# Waste Management

We have an ambitious target of zero waste to landfill. To achieve this target, we had to further investigate the end-state of waste that is sent to authorised waste disposal contractors.

We do acknowledge the limitations of waste disposal where some categories invariably end up in landfill or are incinerated (7% in 2022). We worked with local authorities and community leaders to develop innovative methods to reuse or recycle these selected categories of waste. Some of our methods are still work-in-progress. We are now closer to our target of zero waste to landfill, but much more needs to be done to completely eliminate this method of waste disposal.

**Waste Disposal Breakdown**



# Sustainable Materials

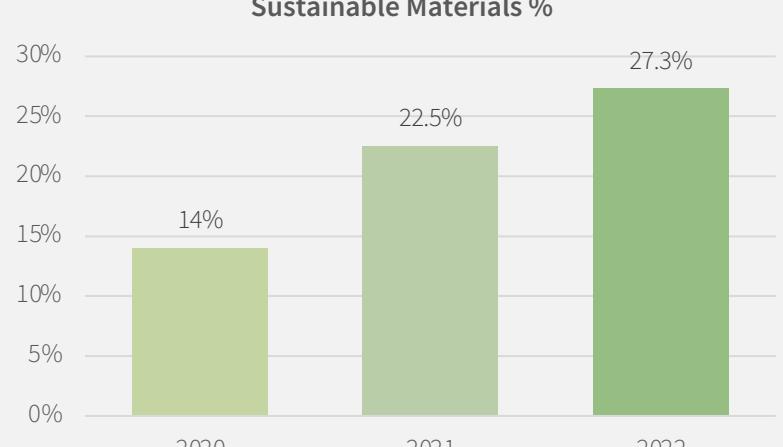
We can characterize how sustainable a material is based on whether it can be produced with minimal impact to the planet and recycled or disposed with minimal impact. We are increasing our focus to accelerate the change to more sustainable fabric and have set ourselves a goal of buying 50% of all purchased materials from certified recycled or otherwise more sustainable sources by 2026.

Our current challenge in this space is the extent of impact we have in the final decision on choice of raw materials. In our larger ODM business, our customers have a greater say in the choice of raw materials to use for the final product. We have conducted several discussions to raise awareness on use of sustainable materials, but the resulting increase in our use of sustainable materials is not large. We are moving faster with our brand Dorina where we are currently using almost 40% of sustainable materials (vs 27% for the ODM business). We will continue to push for more usage of sustainable materials amongst our ODM customers, and through our own brand Dorina.

There's still a long way to go to get to a fully circular fashion economy.

In 2022, 27.3% of our total purchasing volume was made up by more sustainable materials, including:

- 51.6 % of all purchased polyester was GRS or RCS certified (Fabric only)
- 20.8% of all purchased cotton was organic (another 46.3% from BCI or CmiA sources) (Fabric only)
- 38% of all purchased paper or carton was FSC certified or from other trusted sources for recycled content. (Paper only)



Goal for 2026 compared to baseline year  
2020: 50% materials used are sustainable

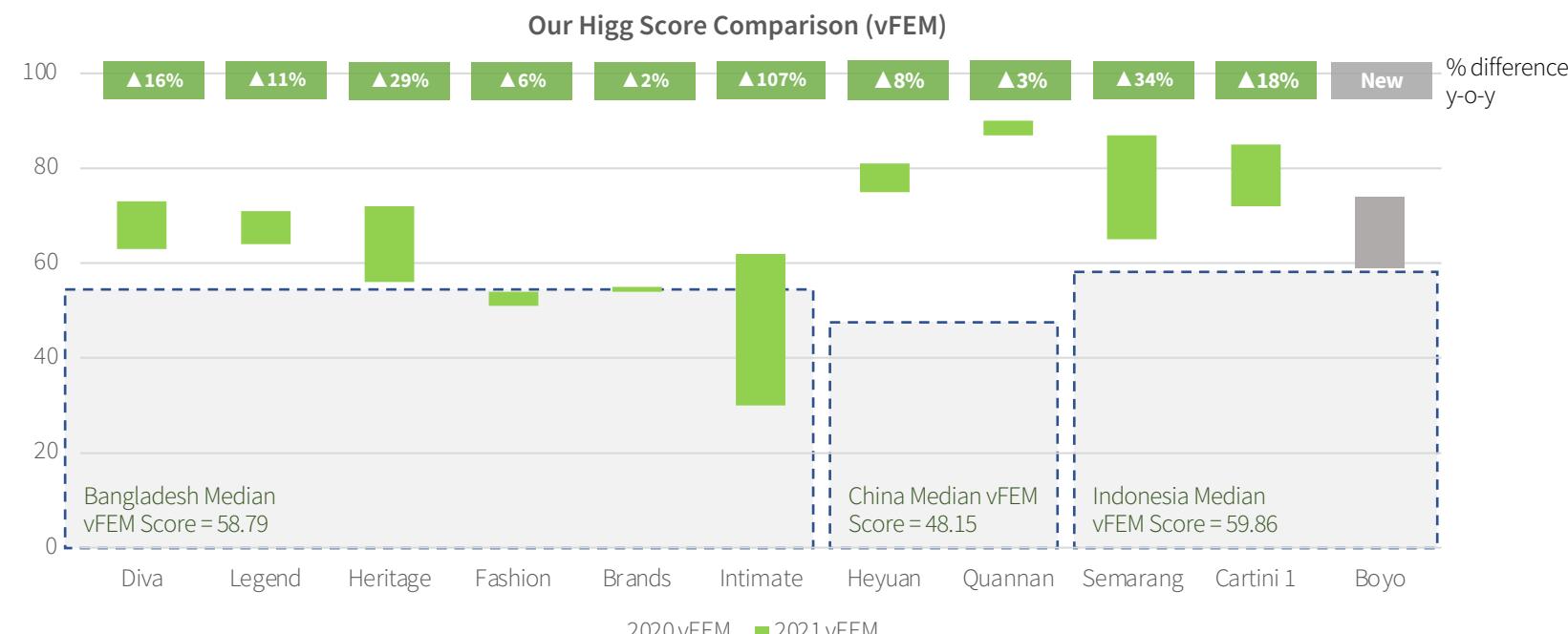
**SLOW PROGRESS**



# Higg Verified Facility Environmental Module (vFEM)

Our Higg FEM scores continued to improve from 2020 to 2022<sup>1</sup>. Our average score is up from 65 to 73 points for calendar year 2021 which translates to a group level year-on-year improvement of 12%.

Most factories have made improvements across a number of modules in the Higg FEM. In particular, we are happy to see that our efforts to reduce overall waste generation and to divert waste from landfill have had a positive impact on our waste management scores across all factories. The average score for the waste module in 2020 was 44. In 2021, the average score was 68, i.e. a group level year-on-year improvement of 55%. More details about individual sites' Higg scores can be found in Appendix 2.



Note 1: Higg FEM reporting years are different than Hop Lun reporting format. Higg VFEM 2021 is equal to Hop Lun 2022.

# Solar Energy

We have made some progress in our quest for using more renewable sources of energy, but have not maximised our available resources as yet. Currently, we have installed solar panels in 5 out of our 11 available factory rooftops or vacant grounds. The reasons for not installing solar panels in other factories range from landlord objections to government mandated constraints.

We are currently utilising less than 25% of available rooftop space in the factories where we have installed solar panels. Renewable solar energy accounts for less than 5% of our total energy consumption. The potential for using solar energy as a renewable energy source is estimated to be up to 15% of our total electricity consumption. We have set ourselves a target of increasing our proportion of energy from renewable sources to 7% of total energy consumption by 2026.



Factories	Solar Panel	Rainwater Harvesting
Diva	✓	✓
Legend	✓	
Heritage		
Fashion	✓	
Brands	✓	✓
Intimate		
Semarang	✓	✓
Cartini 1		
Cartini 2		
Boyo		✓
Heyuan		
Quannan		

# Rainwater Harvesting

Water conservation is a critical part of our program to conserve natural resources. We have pioneered several water saving programs, though harvesting rainwater is the most efficient way of reducing our usage from piped water sources.

We currently employ rainwater harvesting techniques in only 4 factories. We are working on setting up rainwater harvesting in all our factories, and on methods to monitor usage of rainwater, and consequent impact on overall water consumption (currently less than 5% of total water consumed is from rain water).





# Social

Strengthening our social initiatives with women empowerment programs

# Social Sustainability

## Health & Safety

Health & Safety takes on added importance with managing our employee's health through COVID and after.

## Working Hours

We believe in a healthy work-life balance.

## Diversity, Equity & Inclusion

Inclusion is the cornerstone of success in our business. Women Empowerment programs play a big role in helping our employees achieve their full potential.

## Wages & Compensation

Tying compensation to living wages is the most basic need of our employees. We will reassess our living wages estimate.

# Health & Safety

Health and safety is our highest priority at all times. We have engaged in regular training coupled with morning announcements to remind employees on standard health and safety precautions that must be followed at all times in each factory. We base our health and safety standards on international best practice and local laws and regulations. We have maintained several standard operating procedures which were introduced for COVID 19 to allow for improved personal hygiene, social distancing and more frequent cleaning.

We follow the OSHA standards for recordable workplace injuries. The number of injuries per 1,000 workers decreased between 2020 to 2022. The most common recurring types of incidents being minor cuts and punctures from needles and sharp tools, such as knives and scissors..

In 2022, we implemented several fire safety precautions including providing local management teams with industry leading fire safety training. There are still some challenges in Health & Safety evidenced from frequent mentions in Customer Audits for non-compliance to standard safety protocols (e.g., missing eye guards or needle guards). We are constantly working to further reduce this number through regular training and HS awareness campaigns. We will continue to monitor adherence to safety protocols.



Fire Drill – Brands • Bangladesh



Health Check – Semarang • Indonesia

# Wages & Compensation

Hop Lun has set a goal to pay all employees a living wage, i.e. a wage that allows workers and their families to afford a decent standard of living without having to work overtime hours. To measure the living wage gap for 2022, we adjusted the cost-of-living calculations from April 2021 to account for inflation over the succeeding months. Take-home pay, as defined below, is compared with the updated cost-of-living expenses.

Hop Lun has applied the Anker Methodology (please see below) to calculate living wages. The Anker methodology defines a living wage as 'Remuneration received for a standard work week sufficient to afford a decent standard of living for the worker and their family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.'

## Anker Methodology

1. Estimate cost-of-living for a standard household
  - a. Based on internal research, a standard household unit is made up of two adults and two children.
  - b. The cost-of-living includes decent expenses for food, housing, medical care, clothing, transportation, education, entertainment, and 10% savings.
  - c. Elevate, an independent consultant, conducted in-depth cost-of-living research in residential communities where employees live.
2. Define the living wage for each site
  - a. Based on internal research, the average number of salary earners is defined as 1.5 per household, where the Hop Lun employee counts as 1 salary earner.
  - b. The below formula is used to calculate the living wage:

$$\text{Living wage} = \frac{\text{Cost-of-Living}}{\text{No. of salary earners}}$$

3. Calculate take-home pay
  - a. Take-home pay is calculated as:
    - Fixed pay from contractual base salary
    - + Fixed allowances
    - + Attendance allowances
    - + Festive bonus
    - Tax
    - Social securities contributions
  - b. Only compensation for regular hours has been included (overtime hours are excluded)
  - c. No in-kind benefits have been included (e.g. meals, snacks, childcare, on-site doctor visits, etc.)
4. Compare take-home pay with living wage level
 

We have compared how many employees earn a take-home pay equal to, or above

  - a living wage
  - 20% above a living wage
  - 50% above a living wage



# Take-Home Pay > Living Wage?

The table below shows the cost-of-living for a standard household and the corresponding living wage across all our Hop Lun locations. All costs are converted to HKD for easy comparison. For the Hong Kong office, the cost-of-living follows the 2018 Oxfam Living Wage Study, adjusted for inflation.

2022	EPZ	Fashion	Brands	Intimate	Semarang	Cartini / Boyo	Heyuan	Quannan	Dong-guan	Hong Kong
Cost-of-living	1,229	1,213	1,218	1,180	1,312	1,330	4,689	4,448	5,066	N/A
Living wage	820	809	812	786	875	887	3,126	2,965	3,377	12,638

On a group level, the proportion of full-time workers earning a living wage has increased from 92% to 93%. Hop Lun has worked hard to increase wages aligned with increasing inflation rates. In particular, we are happy to see that the percentage of employees in China earning a living wage has increased over the last year from 37.9% to 47.6%.

In Bangladesh, we have seen a slight drop in employees earning a living wage, from 100% in 2020 to 97.1% in 2022, which is primarily the result of a larger number of junior operators having joined us at our selected factories of Diva, Legend and Fashion. As we focus on upskilling new joiners over the coming months, we expect to see their fixed allowances going up and thereby also the part of their take-home-pay that counts towards a living wage.

Country	Total numbers of employees <sup>1</sup>	Number (and %) of employees earning a living wage or above	Number (and %) of employees earning ≥20% above a living wage	Number (and %) of employees earning ≥50% above a living wage
Bangladesh	18,250	17,718 (97.1%)	15,089 (82.7%)	9,551 (52.3%)
Indonesia	6,848	6,848 (100%)	6,758 (98.7%)	665 (9.7%)
China (incl HK SAR)	3,276	1,559 (47.6%)	1,418 (43.3%)	1,330 (40.6%)
All	28,374 <sup>1</sup>	26,125 (92.1%)	23,265 (82%)	11,546 (40.7%)

Note 1: Total employees used for living wage calculations do not include consultants, part-timers, or other type of contract workers.



Boyo • Indonesia

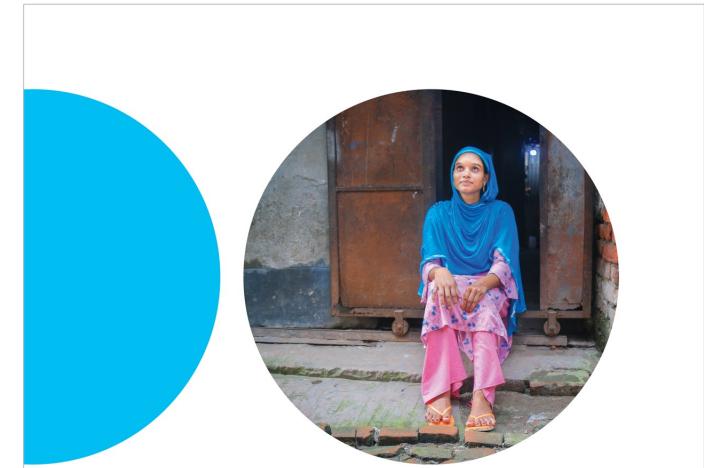


Goal for 2026 compared to baseline year 2020:  
100% of employees earn a living wage  
**ON TRACK**  
Quannan • China

# Wages & Compensation: Next Steps

We received feedback from Finnwatch, a non-profit organization that studies the global impacts of Finnish business. Finnwatch published a report titled “Just Transition in the Garment Industry in Bangladesh”. Finnwatch contended that Hop Lun’s Living Wage calculations were considerably less than the 2022 living wage benchmark for satellite cities and districts surrounding Dhaka published by the Global Living Wage Coalition (GLWC). Finnwatch did approach Hop Lun Sustainability team for clarification before the publication of this report. On the basis of our response, Finnwatch have summarized that the difference is mostly explained by the significantly lower estimate of housing and food related costs. Whereas GLWC’s estimate of food costs is based on three meals per day, Hop Lun’s estimate is based on bulk purchase of certain goods over a month. In addition, Hop Lun provides their workers one meal a day, and this is reflected in the company’s calculations. For housing, GLWC uses the rental costs of acceptable decent housing whereas Hop Lun uses the costs of housing that is available to our workers in neighborhoods near our factories.

Overall, we view the above feedback as constructive and necessary for us to improve our own Sustainability programs. We understand that there are differences in the final estimates, and we will repeat the Living Wages Study in 2023 (conducted earlier in 2020). We will also start to place an emphasis on providing more benefits to our employees in addition to our living wages with continued focus on Women Empowerment programs that improve existing culture of inclusivity.



# Just Transition in the Garment Industry in Bangladesh

1/23



# Diversity, Equity & Inclusion

## Introduction

Being 'Open' is a core value at Hop Lun. We believe that different backgrounds, perspectives and abilities make our team stronger. When our minds are open, we get better insights, are more creative and serve our diverse customers better.

Hop Lun aims to foster a culture of dignity and respect where everyone is valued for their unique contribution. We believe that embracing DE&I whole heartedly will enable us to effectively communicate the same principles in our products.



Know more about what is our view on DE&I?   
How do our Customers view DE&I?



# DE&I

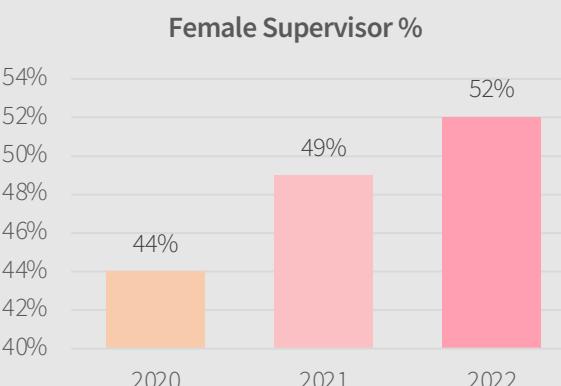
## Majority of Women in our Workforce

In 2022, we have seen an increase of women in supervisory positions in factories from 44% to 52%. We're proud of this improvement as the total number of supervisors decreased during the same time. We feel the need to revise our goal to have 65% female supervisors by 2026 as we feel the challenges are significant. This is still ambitious, but we continue to work towards this target by building a pipeline of talent who are ready to step into the next level of their careers and take up supervisory positions. We do this through upskilling, training and conversations about gender, discrimination, and unconscious biases. We will increase our targets as we get closer to the goal.

We have seen a marked improvement in women in managerial positions in 2022 recovering from a slight decline in 2021. We understand that turnover for managerial positions is lower, but it remains important for us to increase the number of women in managerial positions to reflect our overall gender balance.

2022 Gender Breakdown (All employees including offices)

	Men	Women
Worker and Clerical	3,144 (13%)	21,704 (87%)
Supervisory	1,654 (53%)	1,463 (47%)
Managerial	307 (63%)	182 (37%)
Executive leadership CEO+ CEO's direct reports	3 (60%)	2 (40%)
Total	5,108 (18%)	23,351 (82%)





Orange Day in China Region – HKO • PPO (Dongguan) • Heyuan • Quannan

# DE&I

Raising Awareness about Abuse

## Orange the World – End Violence Against Women Now

On November 25 2021, the International Day for the Elimination of Violence against Women, our China sites kicked off a 16-day campaign against gender-based violence ending on Dec 10 2021, the International Human Rights Day. Employees were encouraged to dress in orange, a color signaling both warning and hope to end gender-based violence. At each location, we arranged trainings, group discussions and games on the topic to encourage employees to stand up for human rights and the elimination of violence against women.

## Gender-Based Violence training for leaders in Bangladesh

In January 2022, we kicked off a training series on Gender-Based Violence (GBV) for 700 leaders in Bangladesh. We teamed up with our customer Hunkemoller and the local consultancy Creative Pathways to design and carry out a professional training series to raise awareness of this important topic and provide concrete tools and understanding for how to take action.

# Women Empowerment

## Majority of our Workforce are WOMEN

The success of our business depends on our employees being productive. To enable our employees to contribute fully, we at Hop Lun aim to foster a culture of dignity and respect where everyone is valued for their unique contribution. We believe that embracing the principles of Diversity, Equality, & Inclusion whole heartedly will enable us to effectively communicate the same in our business and in our products.

We provide our employees a safe and fulfilling work environment by offering them opportunities to celebrate their successes, elevate their capabilities, develop their careers, and raise their living standard and position in the community. We believe that by taking care of their needs, they are living safe, fulfilled, productive lives, and they are able to reach their full potential.

Our social sustainability programs revolve around women empowerment. Apart from sufficient compensation that are referenced on living wages, we offer additional comprehensive benefits such as best-in-class Leave Entitlement, Child Care, Nutritious Meals, Primary Medical Care, Financial Help for more complex medical treatment, Insurance Coverage, Celebrating Festivals and other Life Events with gifts. The critical portion of our Women Empowerment programs are the career advancement opportunities that are available to our employees supported with training. We look at some of the incredible journeys of our women employees who have taken full advantage of the opportunities offered by Hop Lun to lead fulfilling lives.



# Women Empowerment

Leading Fulfilling Lives

## Farida Parvin (Nipa)

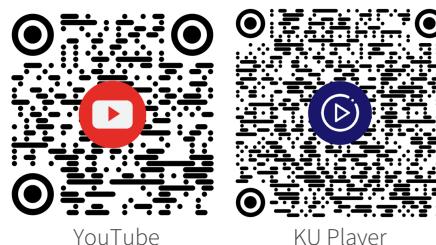
Assistant Production Manager in Diva • Bangladesh

Growing up in a village family with 4 sisters and no brother, we were considered a burden to the family. At the age of 13, my parents had arranged my marriage without my consent. Knowing that that was not the life I wanted to pursue, I escaped from home one week before the wedding. I had to steal 150 taka from my father's hard-earned money to catch a bus to my aunt's place in Dhaka.

In Dhaka, I was attracted to Hop Lun due to their uniforms and decided to join as an operator. Through hard work and dedication, I quickly climbed up the career ladder and was promoted to a line feeder, supervisor, technician, and currently hold the position of Assistant Manager.

I am now married with a son and a daughter. I was able to purchase a flat in Dhaka and am educating both my children. Working in Hop Lun has fulfilled my dream, and I am very grateful to Hop Lun for recognizing my contribution and supporting me in achieving my career aspirations.

Know more  
about Nipa 



# Women Empowerment

Leading Fulfilling Lives

## Suratmi

Cell Leader (Sewing) in Semarang • Indonesia

I joined Hop Lun Semarang as a sewing operator in 2011 after graduating from Junior High School. For the first few years in Hop Lun, I have encountered various opportunities to learn and progress further, and was promoted to Sewing Line Leader in 2015.

With the support from my team and my family, I was able to invest my time and energy for maximum success. I am grateful that Hop Lun provides equal opportunities to all employees, regardless of gender or education background.

In 2020, my Cell Leader was on maternity leave, and I was asked to be the back-up Cell Leader. My capability of being a leader was seen and acknowledged, and I was eventually promoted to a Cell Leader for leading the production of 9 lines.

I take on this challenge with optimism, and I am working hard to succeed with the support of my sewing team. By providing career development opportunities and a safe working environment, I believe Hop Lun has proved that it is the best organization for women employees.

Know more  
about Suratmi



YouTube



KU Player



# Women Empowerment

Leading Fulfilling Lives



## Ting Xu

Senior Technician (Sample Room) in PPO • China

This year has marked my 22nd year in Hop Lun. Since young, I have been interested in art. I was eager to learn about the industry when I first joined the company as a sample maker trainee.

Thanks to the guidance of my seniors, I worked hard and was promoted to a paper team leader, with my own team to lead. It wasn't easy! I was under lots of pressure, working overtime to catch up with orders. Fortunately, it was my pleasure to work with a great team, and we hang out together on the weekends too!

Hop Lun treats all employees equally. I was given more and more responsibilities to work with various customers. Working in a safe and inclusive environment, I am able to perform well under pressure, and have gained multiple exposures and experiences. I am now a Senior Technician.

I am very proud and grateful to be an employee of Hop Lun and look forward to many more years together!



Know more  
about Ting Xu



YouTube



KU Player



# Women Empowerment

Leading Fulfilling Lives

## Sheuly Akter

Production Manager in Heritage • Bangladesh

My name is Sheuly Akter, I am currently the Manager of the Production Department in Heritage factory.

I started my career at Hop Lun as an Assistant Supervisor in 2004. What drew me to this company was the fact that there were many female employees, and the working environment was exceptional. I was promoted to Supervisor in 2006, Senior Supervisor in 2008, Floor Officer in 2010, Senior Officer in 2013, Assistant Manager in 2017, and finally, Manager in 2019. I currently serve as the Production Manager.

The empowerment and career development opportunities provided by Hop Lun have enriched my life and also enabled me to achieve my dreams. I am forever grateful for their support and guidance throughout my journey. Their focus on employee growth and development has made a significant impact on my professional skills, which I will always cherish.

Know more  
about Sheuly



# Women Empowerment

Leading Fulfilling Lives

## Shumi Akhter

Senior Officer (Sewing) in Fashion • Bangladesh

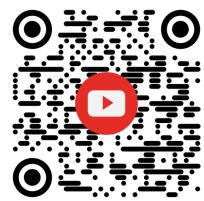
My father encountered a major problem in 2006, which led to the discontinuation of my education. Without other earners in the family, I wanted to support my family financially.

I then joined Hop Lun in 2006 as an operator, despite having no knowledge and experience in the industry. Thankfully, the Hop Lun Training Center helped me develop my machine skills. With regular training, I was promoted to a Sample Operator, Supervisor, Technician, and now, as a Senior Officer.

In 2007, I got married and couldn't continue working during my pregnancy. Nevertheless, Hop Lun granted my leave and allowed me to resume work later. My aspiration now is to provide my son with excellent education and upbringing.

I am grateful to have reached this stage with the support of Hop Lun. I genuinely believe that Hop Lun is the top employer for women in terms of a secure workspace and opportunities for professional growth.

Know more  
about Shumi



YouTube



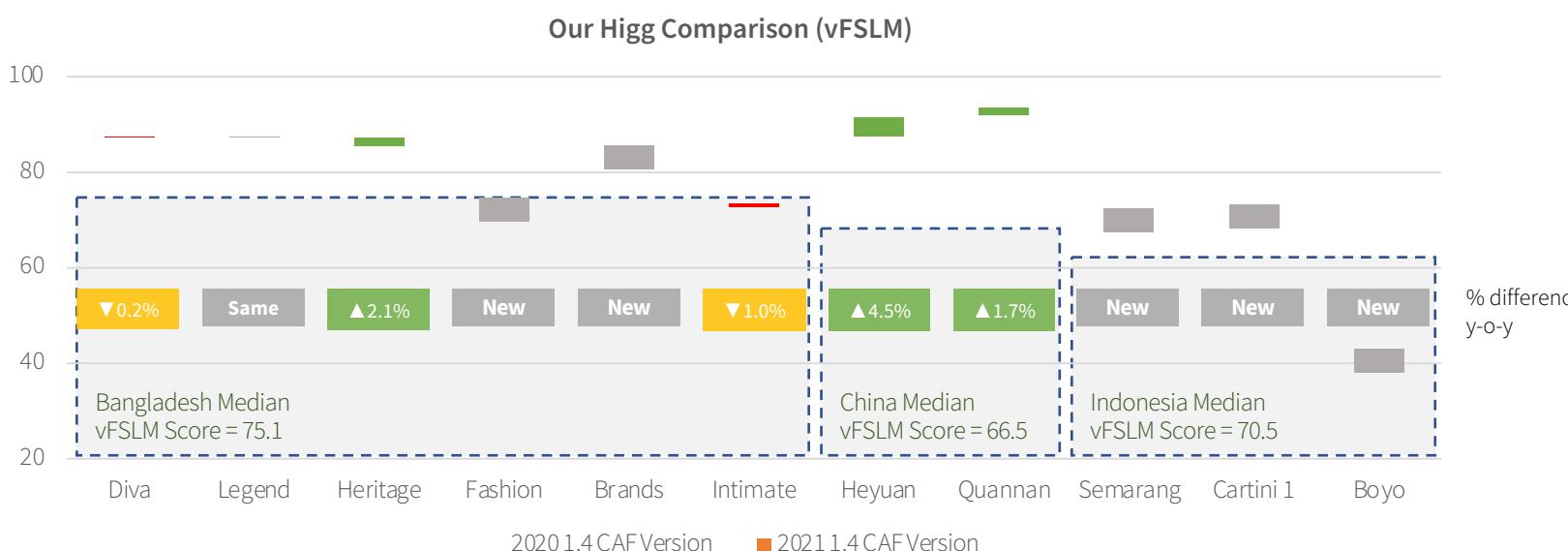
KU Player



# Higg FSLM

As an early signatory and supporter of the Social and Labor Convergence Project (SLCP), Hop Lun is excited to see that the Higg FSLM module has become an industry standard. Such Standardized data for the industry enables fair comparison and better benchmarking. SLCP is one of the most comprehensive social audit programs and reduces the need for many different types of assessments. With fewer but better audits, we free up time and resources to focus more on sustainability projects with real impact.

We have reported on the SLCP platform for all factories in China, Indonesia and Bangladesh participating in the program. Most of our factories (8 out of 12) are scoring above the median average vFSLM reported on Higg platform in their respective countries. We improved our vFSLM scores by 5% in 2022<sup>1</sup>. We will continue to work on improving our scores over the coming years.



Note 1: Higg FSLM reporting years are different than Hop Lun reporting format. Higg VFSLM 2021 is equal to Hop Lun 2022.

# Working Hours

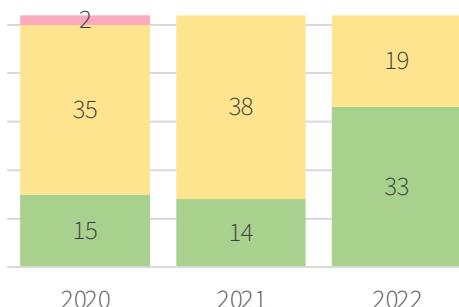
Hop Lun aims to keep working hours under 60 hours per week and we are happy to see that the average weekly working hours was below 60 for all factories in 2021 and 2022. While the number of orders and pieces grew in 2021, our newly added sewing lines and refined capacity planning helped us meet demand more efficiently without having to rely on longer working hours. We followed a similar efficient approach for 2022 resulting in not having to rely on longer work hours.

Working overtime is always voluntary, compensated in line with local law and paid at a premium, ranging from 150% to 400% of regular compensation. A weekly rest day is always provided.

Distribution of average weekly working hours during 2021<sup>1</sup> and 2022<sup>1</sup> at our manufacturing locations and office locations are provided below:



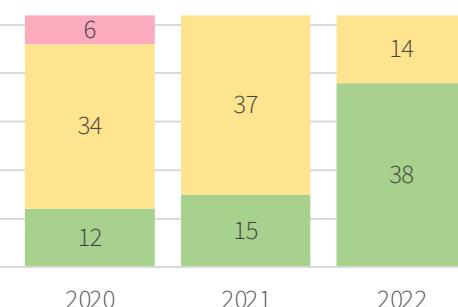
**Bangladesh**



**Indonesia**



**China**



**HK & PPO (Offices)**





Semarang • Indonesia



# Nutrition

In Hop Lun, we provide free meals to our employees in most of our production sites (China, Bangladesh and Indonesia). For the sites where we provide free meals, generally our employees are happy with this benefit. However, we observed that our meals provided were not sufficiently nutritious and were imbalanced. We started our nutritious diet program to address selected improvement areas.

We set clear guidelines in 2021, and continued implementation in 2022, on what to serve to different shifts which comprised of a combination of nutrients from varied meat or vegetable or fruit sources. We increased the meals provided to cover overtime and provided nutrition training for employees. We also instituted better food waste management practices. The result is a balanced nutritious meal for all our employees.



Semarang • Indonesia

# Nutrition

We have significantly improved our meal components to be more nutritious. This has been accomplished over 2021 and 2022 with a focus on improved administration of meals and better management of food components.

We have established Food Committee per site with clear guidelines on what to serve to different shifts (morning, afternoon, office). We use Rainbow of Health<sup>1</sup> guidelines and provide Nutrition training for all employees. We also adopted simple principles such as same budget, same option for all levels of employees per site. The result has been increased nutrition and increased satisfaction with meals provided from all employees.

Moving forward, we will continue to monitor the nutrition of our meals, and satisfaction among our employees. We hope to continue to improve our meals to be more balanced and with better nutrition.



# Period Panty

In Bangladesh, period hygiene products are relatively expensive and knowledge about menstrual health is limited. As part of Hop Lun's [worker welfare program](#), we applied a holistic perspective to better understand how we can provide sustainable solutions and help overcome the stigma around menstruation. In 2019, Hop Lun Fashion partnered with Reemi, a non-profit organization focusing on improving menstrual health for women in Bangladesh. As disposable period products create large quantities of plastic waste, we wanted to come up with a more sustainable option. Hop Lun and Reemi embarked on a mission to co-create a comfortable, practical and re-usable period panty. The final product, made of six layers of anti-bacterial fabric, was tested by 500 women in the factory before the start of bulk production for all women in selected Bangladesh factory.

## Stage 1 – Implementation in Fashion • Bangladesh

In March 2022, 6,000 packages (with 5-pcs pack period panties + 1 MHM\* washing bag + 1 MHM\* drying bag) have been distributed to all women at Fashion factory, together with educational training on menstrual health and hygiene.

After 6 months, only around 25% of women were still using cloth (down from 50%), pad use increased from around 60% to around 70% and around 70% reported using the Reemi period underwear.

## Stage 2 – Planned Implementation in Heritage • Bangladesh

2,048 packages (3-pcs pack period panties + 1 MHM<sup>1</sup> washing bag + 1 MHM drying bag) will be distributed to all female employees at Heritage in 2023.

## Feedback from our Stage 1 Employees

*“It was the first time for many of the workers to talk openly about periods and now they feel confident to speak up about it.”*

- GULSHAN ARA, HEAD OF ESG & HR AT HOP LUN

*“Before using this bag, I would dry my menstrual cloth inside the home and hide it. But now I can dry it under the sun, in an open space with natural air.”*

- WORKER FROM PILOT ONE

*“At the beginning they were very uncomfortable about periods but after the discussion sessions, the workers were so comfortable that they shared about their positive experience to their neighbors and friends”*

- FACTORY MANAGER FROM PILOT THREE



Training session on menstrual health and safe use & care of hygiene products – Fashion • Bangladesh



Platinum Equity® &

HOP  
LUN

Governance

Our governance framework, policy support, and data transparency.

# Sustainability Governance

## Governance Framework

Focus on developing policies that support our Environmental and Social Sustainability programs.

## Security

We protect our people and our goods from security threats.

## Risk Assessment

Yearly risk assessments help us to adjust our strategic priorities and resource allocation.

## Supply Chain Management

Focus on improving with our supply chain partners.

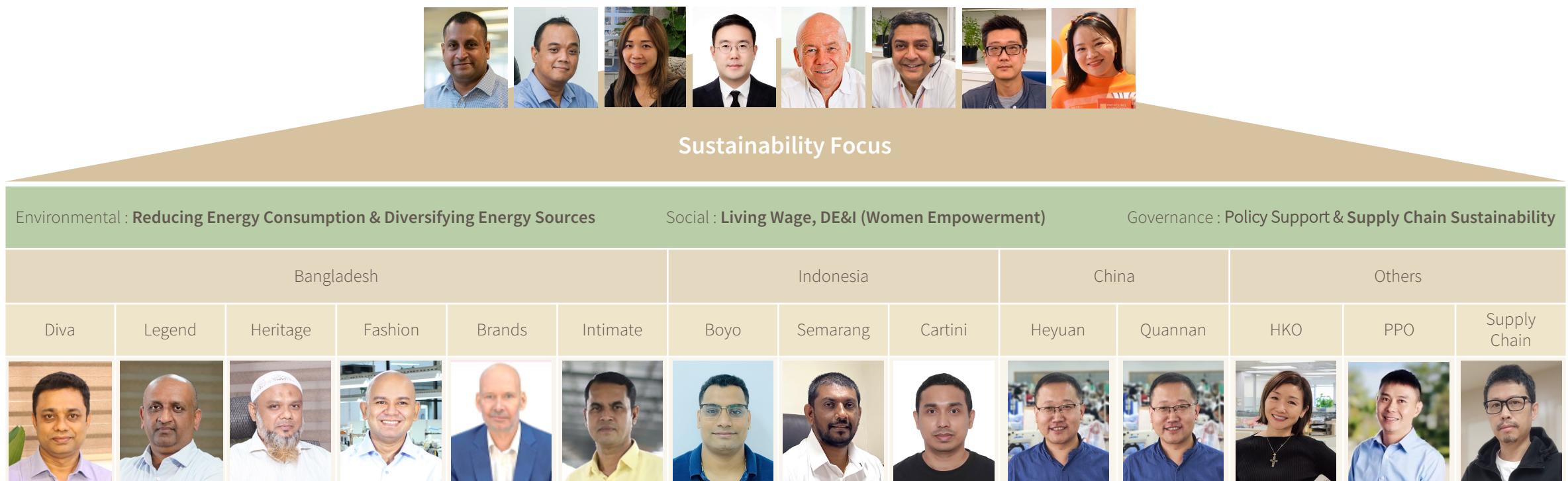


# Governance Framework

## Organizational Structure

Hop Lun's overarching business strategy, including our short, medium, and long term sustainability goals are directly managed by Erik Ryd, Hop Lun's Founder & CEO. The Head of Sustainability, responsible for Hop Lun's sustainability roadmap, sustainability policies and advancement of initiatives, reports to Erik.

Hop Lun's supply chain manager, sourcing manager, and all site managers report progress towards set sustainability goals (see below for overall E, S & G goals). Each site has a team of sustainability subject matter experts, reporting to their respective General Manager and with a functional reporting line to the central sustainability team.



# Risk Assessment

We have continued to monitor risks at our production facilities/countries using our risk assessment matrix depending on their severity and likelihood over the next five years. Each risk category is classified as very high, high, medium, low or very low based on severity and likelihood. Risk reviews are conducted annually and serve as a basis to update strategies, policies and response plans. The risks remain the same with Climate Change, Waste Management, and Water Supply being the most critical.

Internal Risk Assessment		Area	Bangladesh	China	Indonesia
 Environmental	Water Supply & Wastewater	<span style="width: 20%;">Yellow</span>	<span style="width: 100%;">Green</span>	<span style="width: 80%;">Orange</span>	
	Climate Risks	<span style="width: 60%;">Orange</span>	<span style="width: 60%;">Orange</span>	<span style="width: 60%;">Orange</span>	
	Environmental Compliance	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	
	Waste & Chemicals	<span style="width: 20%;">Yellow</span>	<span style="width: 100%;">Yellow</span>	<span style="width: 100%;">Yellow</span>	
 Social	Social Compliance	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	
	Human Rights	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	
	Compensation & Benefits	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	
	Fair Labour Practice	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	
	Occupational Safety	<span style="width: 20%;">Yellow</span>	<span style="width: 20%;">Yellow</span>	<span style="width: 20%;">Yellow</span>	
 Governance	Corporate Governance	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	
	Anti-terrorism	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	
	Supply Chain Management	<span style="width: 20%;">Yellow</span>	<span style="width: 20%;">Yellow</span>	<span style="width: 20%;">Yellow</span>	
	Ethical Business Principles	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	<span style="width: 100%;">Green</span>	

# Security

Hop Lun's security guidelines are based on the U.S. Customs Trade Partnership Against Terrorism (C-TPAT) standards to ensure the highest level of security for our facilities and the cargo shipped. Our C-TPAT scores from audits required by U.S. customers, are included below.

Not all factories ship to U.S. customers, therefore only factories subject to these audits are included. We have continued to obtain exceptional high scores in all our audits and are working to further improve our security standards.

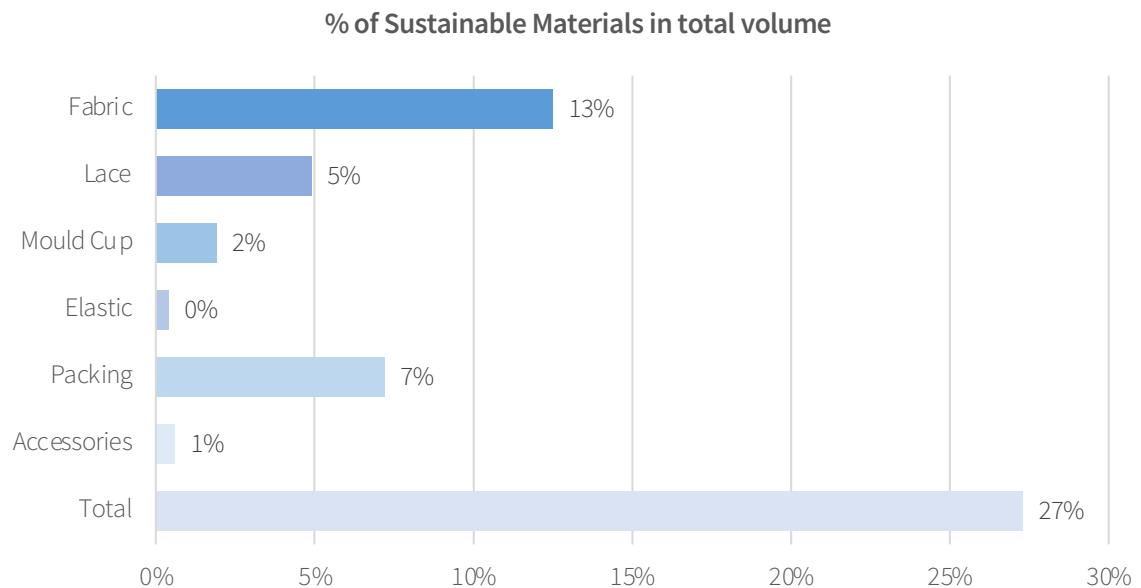
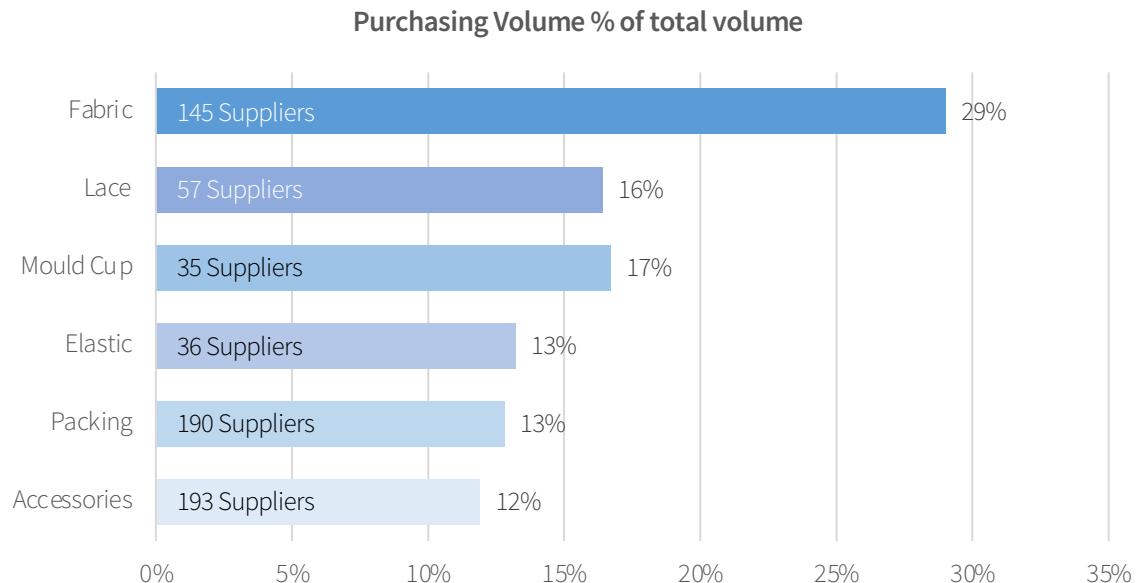
Country	Factory	2022 C-TPAT Scores (full marks = 100)
Bangladesh	Diva	95
Bangladesh	Legend	97
Bangladesh	Fashion	89
China	Heyuan	95
China	Quannan	100
Indonesia	Semarang	100
Indonesia	Cartini1	98
Indonesia	Catini 2	98
Indonesia	Boyo	98



# Supply Chain Management

Hop Lun's top 60 strategic suppliers make up more than 70% of the total purchasing spend. The focus for our supply chain sustainability efforts in 2021 & 2022 were to encourage more of our suppliers to join the Higg reporting platform, and to improve their FEM and FSLM scores.

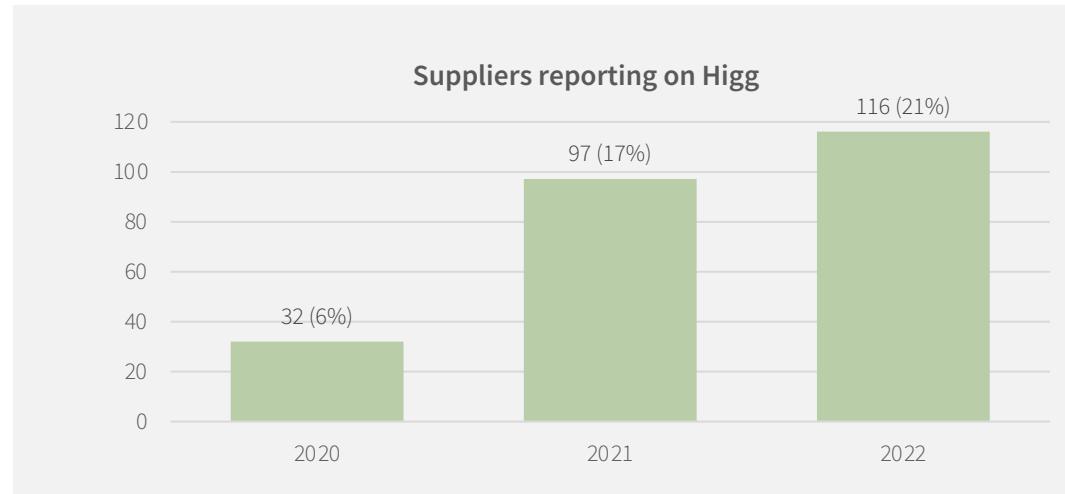
We prioritize transparency and accountability by engaging with suppliers and partnering with organizations to advance sustainable practices in the industry. We work with over 500 active suppliers, and 42% of our fabric is made from sustainable materials. We use sustainable packaging for 57% of our products. We also cooperate extensively with selected customers to disclose our T2/T3 suppliers and help these T2/T3 suppliers with assessments. These practices are crucial steps toward creating a better future.



# Supply Chain Management

Hop Lun has developed a detailed sustainability evaluation tool based on the below pillars. Suppliers performing well are incentivized with more business.

1	Self-assessment and Hop Lun verification	60 suppliers have self-assessed their performance; 6 suppliers have been verified by Hop Lun
2	Higg FEM and FSLM status	38 strategic suppliers have Higg FSLM and FEM scores verified by a third party
3	Ability to provide more sustainable materials to an attractive price (please read more about sustainable materials on P. 18).	
4	Chemical and wastewater compliance for 26 suppliers with wet-processing units (e.g., dyeing and printing)	<p>Input chemicals: 22 suppliers (81%) have full oversight of their chemical inventory in line with MRSI v.2.0 requirements through the ZDHC approved solution providers (e.g., BVE3 and CleanChain).</p> <p>Output chemicals and wastewater: 23 suppliers (89%) have registered at ZDHC gateway and provide regular wastewater test reports against ZDHC wastewater guidelines.</p> <p>We plan to push suppliers to reach the goal of ZDHC compliance of 95%.</p>



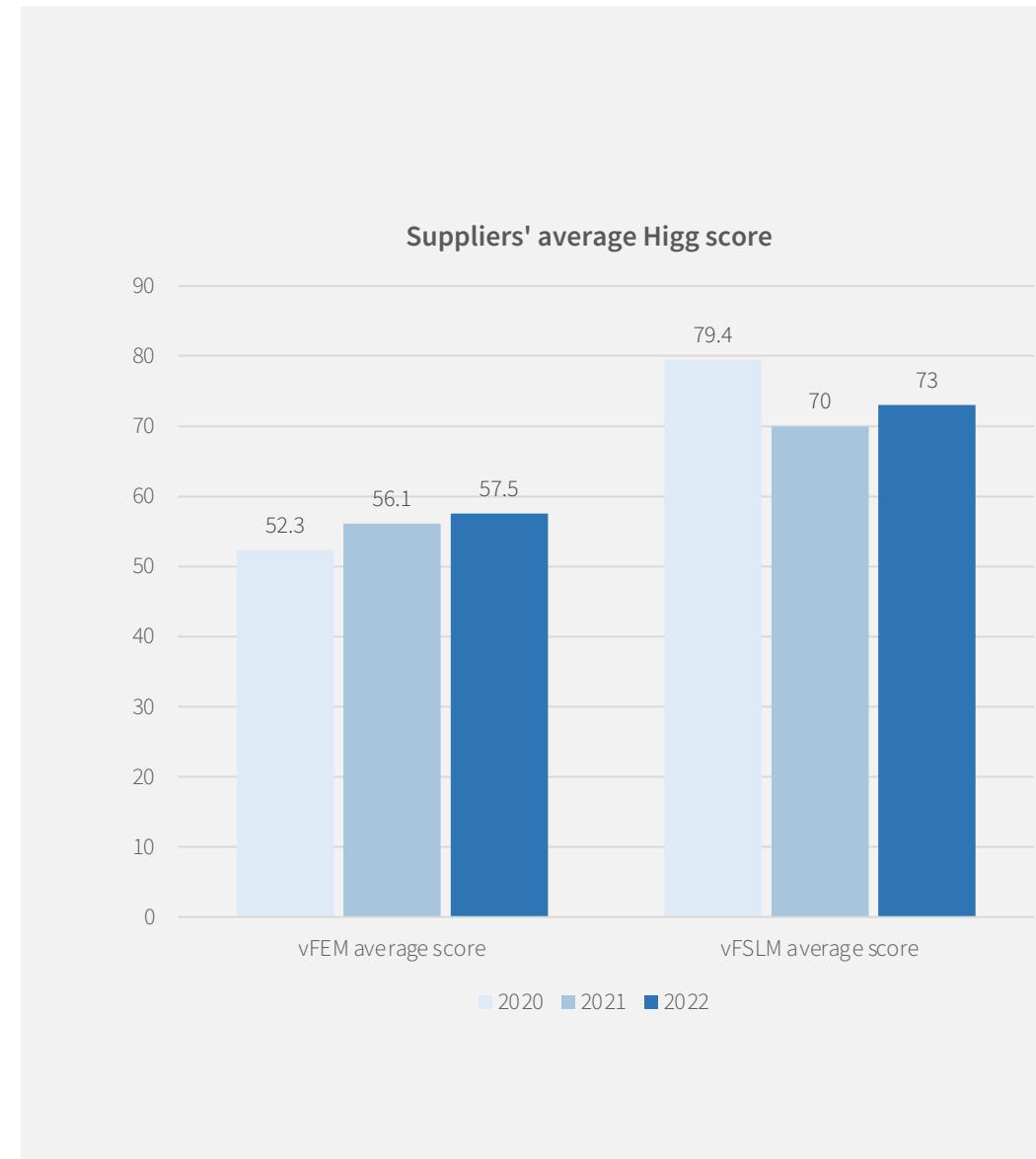
# Supply Chain Management

Our performance in 2022 for Higg VFEM score among enrolled suppliers increased from 52 in 2020 to 57 in 2022. Our original target was to reach higher than 40, and we have exceeded the target.

As more brands request the suppliers to join Higg, we plan to encourage and push more of our suppliers to join HIGG too. Our plan to improve the HIGG FEM performance is to Invite suppliers to join online training & seminar on HIGG FEM/ IPE/ZDHC/environmental topics conducted by us, or by Customers/brands or by reputable 3rd parties. We conduct onsite audits for suppliers to help them improve their environmental performance. In addition, we are also able to provide guidance by phone, email, conference, or other online methods. Finally, we check the findings of the HIGG VFEM report along with stated Corrective Action Plans (CAP) and provide additional guidance on improvement opportunities.

The percentage of participation among our suppliers enrolled in Higg for FSLM increased from 25% in 2021 to 69% in 2022. We have 38 of our top 55 strategic suppliers enrolled in the HIGG FSLM in 2022. Our original target was to reach higher than 60 suppliers, and we have exceeded the target (70 suppliers on Higg FSLM in 2022).

In 2023, we plan to encourage and push more suppliers to join HIGG FSLM. We aim to improve supplier FSLM scores using similar methods as those adopted for Higg VFEM. These include offering technical supporting to suppliers, provide training through various available channels, conduct onsite audits, and provide additional guidance on improvement opportunities as evidenced from the FSLM reports & accompanying CAP.



# Dorina

Highlights on Sustainability  
programs of our brand



# Dorina

Dorina was started in 1968 by Triumph and acquired by Hop Lun in 2016. Dorina has over 150 customers worldwide with Germany and UK being the largest markets.

Dorina has been perfecting quality, affordable lingerie with great fit for over 50 years. Dorina is known for being Designed by Women, made for women, enhancing and supporting curves in a broad range of shapes and sizes.

Key elements of the Dorina Value proposition to their consumers is to be inclusive in their designs and products.

We honour and design for all shapes of women.

We focus on fit, quality and value,

Designed by women, made for women.

Supporting every moment of their life (Everyday Lingerie, Swimwear, Sports bras, Shapewear, Function styles (Nursing, Adaptive, Period panties)

Their key focus on being inclusive enables Dorina to be more adaptable to consumers' requirements.

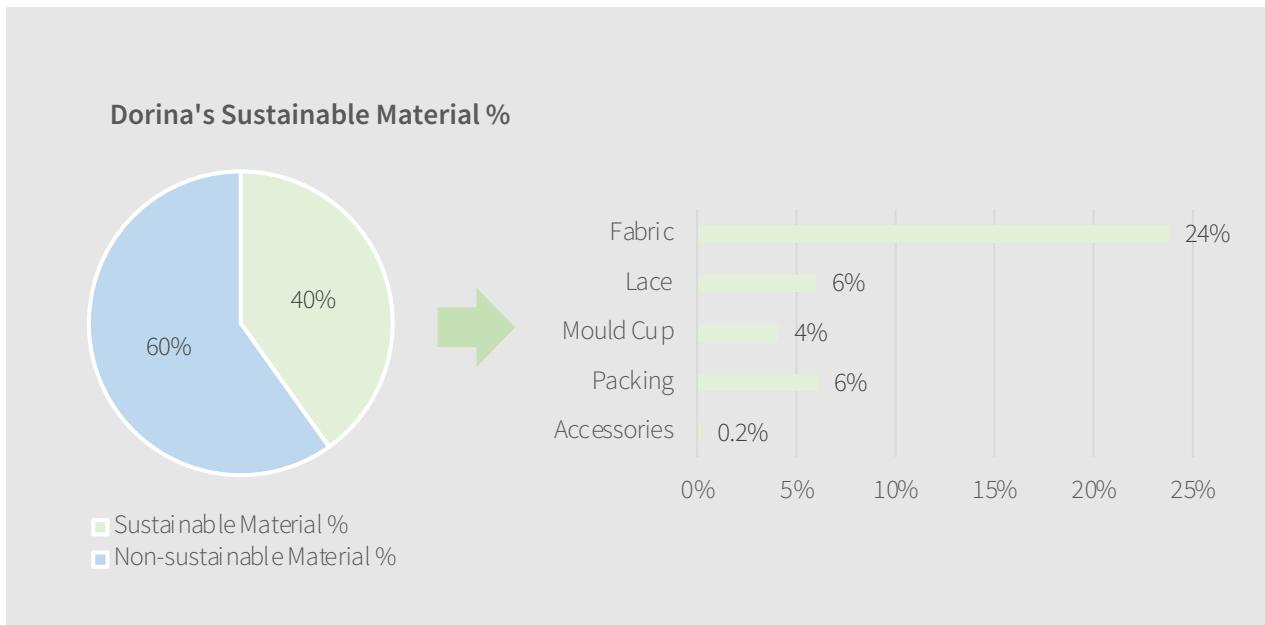


# Dorina

Dorina is using Earth friendly materials and is targeting to improve to more than 50% of their garments are made from recycled or sustainable materials. Dorina is ahead of competition in terms of % usage of sustainable materials.

## Dorina Sustainability Profile

<b>GHG</b> mtCo2e	347
<b>Energy</b> million MJ	5.9
<b>Water</b> 47,167 m <sup>3</sup>	
<b>Waste</b> tons	140





# Closing & Appendices

Comments on progress from the sustainability team

# Closing Message

We went through many changes to our business in 2022 with the most impactful being the part change in ownership at Hop Lun. We restarted full operations after the significant impact brought about by COVID, and the sustainability team had to manage increasing demands from our customers with fewer members due to high attrition. To set the context, we now manage more than 60 sustainability certifications (each of which deal with specific areas of our sustainability programs) and 100+ customer audits per year (almost 2 per week). We were able to manage with a smaller team as we have refocused on the critical areas for our business and are proud of our accomplishments in 2022 including reduced energy usage, more employees receiving above living wages, increasing women in leadership roles, and plaudits from our customers for our strong sustainability programs.

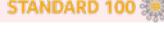
Key focus areas for 2023 will be to continue to improve our women empowerment programs to increase the share of female leadership, set Science Based Targets, and reduce non-compliance issues in customer audits. We look forward to achieving more with increased support for our sustainability efforts from our key stakeholders, including Platinum Equity.

In closing, we strongly believe that the best years are ahead of us. We hope you have enjoyed this report where we have tried to be more transparent with our data, and more forward thinking with our sustainability programs.

- Anand, Demi, Joyce, Jack and the rest of Hop Lun Sustainability teams



# Appendix 1 - Certificates & Licenses

Certifications		Area	Bangladesh						China		Indonesia			
			Diva	Legend	Heritage	Fashion	Brands	Intimate	Heyuan	Quannan	Semarang	Cartini1	Cartini2	Boyo
	Higg FEM & FSLM Facility Environmental Module & Facility Social Labor Module	Environment & Social	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	ISO 14001:2015 Environmental management system	Environment	✓	✓	✓	✓	✓							
	Sedex Members Ethical Trade Audit Manage labor, health & safety, environment and business ethics	Social	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓
	Business Social Compliance Initiative Implement the principle international labor standards to protect workers' rights	Social	✓	✓	✓	✓	✓	✓	✓	✓	✓			
	Social & Labor Convergence Program Collect objective social and labor data	Social	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Better Work Program to improve working conditions and labor rights	Social					✓	✓			✓	✓	✓	✓
	Workplace Condition Assessment Evaluate factory workplace condition	Social								✓	✓	✓	✓	✓
	Worldwide Responsible Accredited Production Inspect production process to assure goods are ethically produced	Social				✓						✓		
	Global Security Verification Supply chain security standards	Security				✓							✓	
	Supplier Compliance Audit Network Supply chain security standards	Security	✓	✓			✓			✓	✓	✓	✓	✓
	Global Organic Textile Standard Ensure organic status of textiles	Textiles	✓	✓	✓	✓	✓	✓	✓					
	Organic Content Standard Confirm product contains the accurate amount of organically grown material	Textiles	✓	✓	✓	✓	✓	✓	✓	✓				
	Global Recycle Standard Certify products with recycled content	Textiles	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Recycle Claimed Standard Certification of recycled input and chain of custody	Textiles										✓		
	Oeko-Tex Standards A label for textiles tested for harmful substances	Textiles	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

# Appendix 2 – Higg FEM

The Facility Environmental Module (FEM) on the Higg platform is made up of seven topics related to environmental sustainability performance. For the seven topics, please refer to the columns shown in the following table.

Each topic has three levels, making up a maximum score of 100. The facility's total score is the average of the seven modules weighted equally.

Score	Content
0-24	Level 1: Compliance & tracking reporting
25-74	Level 2: Baseline, target goals, reduction
75-100	Level 3: Aspirational, leading projects

2021 FEM Higg Scores (2020 scores in parenthesis) max score is 100

Session Score	Bangladesh							China		Indonesia		
	Diva	Legend	Heritage	Fashion	Brands	Intimate	Heyuan	Quannan	Semarang	Cartini1	Boyo	
EMS	100 (92)	100 (92)	100 (94)	100 (92)	94 (94)	94 (21)	100 (100)	100 (100)	100 (100)	100 (100)	100	
Energy	100 (90)	100 (90)	100 (90)	100 (100)	100 (90)	85 (60)	100 (100)	100 (100)	100 (90)	100 (100)	90	
Water	88 (65)	88 (75)	83 (65)	65 (65)	65 (65)	60 (35)	88 (88)	88 (88)	100 (65)	100 (88)	90	
Waste	71 (43)	54 (41)	71 (41)	59 (46)	41 (41)	43 (16)	85 (74)	83 (75)	83 (30)	92 (34)	61	
Wastewater	100 (100)	100 (100)	100 (50)	0 (0)	50 (50)	100 (50)	100 (100)	100 (100)	100 (100)	100 (100)	100	
Air	13 (10)	13 (10)	10 (10)	13 (15)	13 (10)	13 (5)	21 (17)	83 (83)	83 (46)	58 (58)	58	
Chemicals	42 (42)	42 (42)	40 (42)	42 (42)	24 (25)	42 (22)	75 (48)	75 (65)	42 (25)	42 (25)	21	
TOTAL	73 (63)	71 (64)	72 (56)	54 (51)	55 (54)	62 (30)	81 (75)	90 (87)	87 (65)	85 (72)	74	

## Appendix 2 – Higg FSLM

The Facility Social and Labor Module (FSLM) on the Higg platform is made up of nine topics related to social sustainability performance. For individual factory scores, please refer to the table below.

Each topic has three levels, making up a maximum score of 100. The facility's total score is the average of the nine modules weighted equally. Hop Lun's factories have a total score of score above 70% with all 11 factories scoring above 92 for health and safety and over 91 for worker treatment.

2022 FSLM Higg Scores (2021 scores in parenthesis) max score is 100											
	Bangladesh						China		Indonesia		
Session Score	Diva	Legend	Heritage	Fashion	Brands	Intimate	Heyuan	Quannan	Semarang	Cartini1	Boyo
Recruitment & Hiring	100 (100)	100 (100)	100 (100)	100 (100)	100 (99.4)	100 (98.5)	100 (100)	100 (99.4)	96.4	96.4	89.8
Working Hours	98.5 (94.6)	98.5 (94.6)	98.5 (94.6)	98.5 (98.5)	98.5 (97.1)	100 (100)	90.8 (86.9)	92.6 (91.4)	100	98.5	94
Wages & Benefits	87.3 (87.2)	97.3 (87.3)	87 (87)	99.2 (91.9)	99.2 (97.4)	84.4 (84.1)	94.9 (100)	91.7 (96.6)	96.8	97.1	99
Worker Treatment	100 (100)	100 (99.5)	100 (99.5)	94.7 (99.5)	99.5 (98.3)	99.5 (100)	100 (100)	100 (100)	98.3	99	97.3
Worker Involvement	92.3 (91.5)	92.3 (91.5)	92.2 (85)	90.6 (95.6)	94.2 (91)	91 (94.7)	80.4 (95.3)	81.2 (90.6)	93.3	93.2	92.6
Health & Safety	97 (96.8)	96.9 (96.8)	97.3 (95.4)	96.4 (95.7)	96.3 (94.8)	92.1 (92.6)	97.4 (97.5)	98.6 (96.7)	93.3	95.3	97.3
Termination	100 (100)	100 (100)	100 (100)	100 (100)	100 (100)	100 (100)	100 (100)	100 (100)	100	100	100
Management Systems	82.1 (83.3)	83.3 (83.3)	83.5 (80.2)	79.2 (80.3)	70.2 (61)	80.1 (81.5)	90.5 (81.3)	91.4 (85.1)	72.3	74.1	0
Above & Beyond	36.8 (29.6)	38.6 (29.6)	33.3 (26.4)	40.4 (0)	43.4(0)	0 (0)	65.6 (22.6)	86.2 (75)	0	0	0
<b>TOTAL</b>	<b>87.2 (87.4)</b>	<b>87.4 (87.4)</b>	<b>87.3 (85.5)</b>	<b>87 (74.6)</b>	<b>85.6 (71.2)</b>	<b>72.7 (73.4)</b>	<b>91.4 (87.5)</b>	<b>93.5 (91.9)</b>	<b>72.5</b>	<b>73.3</b>	<b>43.1</b>

# Appendix 3 – Living Wage Gap Analysis

## For employees earning a living wage

Country	Site	Total numbers of employees	Number (and %) of employees earning a living wage or above	Number (and %) of employees earning ≥20% above a living wage	Number (and %) of employees earning ≥50% above a living wage
Bangladesh	Fashion	5,503	5,190 (94.3%)	4,211 (76.5%)	1,674 (30.4%)
Bangladesh	Brands	1,808	1,762 (97.5%)	1,539 (85.1%)	615 (34%)
Bangladesh	Intimate	2,768	2,768 (100%)	2,721 (98.3%)	2,693 (97.3%)
Bangladesh	EPZ Diva	2,764	2,716 (98.3%)	2,326 (84.2%)	1,601 (57.9%)
Bangladesh	EPZ Legend	1,905	1,873 (98.3%)	1,382 (72.5%)	954 (50.1%)
Bangladesh	EPZ Heritage	3,502	3,409 (97.3%)	2,910 (83.1%)	2,014 (57.5%)
Indonesia	Semarang	2,720	2,720 (100%)	2,720 (100%)	261 (9.6%)
Indonesia	Cartini 1	1,475	1,475 (100%)	1,434 (97.2%)	199 (13.5%)
Indonesia	Cartini 2	901	901 (100%)	887 (98.4%)	86 (9.5%)
Indonesia	Boyo	1,749	1,749 (100%)	1,714 (98%)	118 (6.7%)
China	PPO	1,056	1,056 (100%)	1,056 (100%)	1,046 (99.1%)
China	HY Logistic Center + Dorina WH	242	76 (31.4%)	54 (22.3%)	33 (13.6%)
China	Heyuan	618	95 (15.4%)	57 (9.2%)	43 (7%)
China	Quannan	1,192	166 (13.9%)	86 (7.2%)	49 (4.1%)
China	Hong Kong Head Office	168	166 (98.8%)	165 (98.2%)	159 (94.6%)
All	Group-wide	28,371	26,122 (92.1%)	23,262 (82%)	11,545 (40.7%)



# Appendix 4 – Sustainability Governance

## Hop Lun's 60 Strategic Suppliers by category for 2022

FABRIC	LACE	MOULD CUP	PACKING	ACCESSORY	
Best Pacific/超盈	Allied Great/汇智	FuYuan/富元	Avery Dennison (Paxar BD)	Coats/高士	
Derun/德润	Baikai/百凯经编	Kaimei/凯美	Britannia/宝盛	Hanoch/漢諾	
Fountain Set/福力	Bright Sun/万顺行	Silueta/PT MAS	Checkpoint/保点	Hing Yip/凯业	
Fu Yang/复扬	Brunet/凯莉	Sun Po/新宝	Goolien/广联	Prym/培廉欣姿美	
Hong Gang/宏港	Gayou/ 佳友	Vanessa/高文	M&U	Texco/德高	
Lineng/麗鼎	Hang Gang/航港	Yingmei/莹美	Mainetti/萬景	Xiangya/翔亚	
Media/新錦	Springtex/健萌	<b>ELASTIC</b>		<b>OTHERS</b>	
Pacific/互太	Talent/騰薈	Cheung Fung/长丰	MONO	HaoTing/ 豪挺(依维姨)	
Rongbo/荣柏	Tianhai/天海	New Horizon/潤信	Montrims	Hualian/华联	
Sun Hing/新興	Gayou/ 佳友	Pioneer/明新	Morgan Printone/摩根	Leido/萊多	
Unitex/宇邦	Wanjiali/萬家麗	Stretchline/马田	Sheen Master/冠日	S&C/鼎屯	
Well Source/利源	Yingmei/颖美	Sun Tak/新德	TAG	TengFei/騰飛	
Zhongxin/眾鑫		Takefast/德發/鼎偉	TIC/特恩思		

# Glossary

BCI - Better Cotton Initiative

BSCI - Business Social Compliance Initiative

BVE3 - Environmental emissions evaluator by Bureau Veritas

CO2e - Carbon dioxide equivalent

C-TPAT - Customs Trade Partnership Against Terrorism

ERM - Environmental Resources Management (consultant company)

ESG - Environmental, Social, Governance

ETP - Effluent treatment plants

EU - European Union

FEM - Facility Environmental Module

FSLM - Facility Social Labor Module

FSC - Forest Stewardship Council

GHG - Greenhouse gas

GOTS - Global Organic Textile Standard

GRS - Global Recycle Standard

GSV - Global Security Verification

ILO - International Labor Organization

NGO - Non-governmental Organisation

OCS - Organic Content Standard

OSHA - Occupational Safety and Health Administration

PET - Polyethylene Terephthalate

PPE - Personal protective equipment

RCS - Recycled Claim Standard

SCAN - Supplier Compliance Audit Network

SLCP - Social & Labor Convergence Program

SMETA - Sedex Members Ethical Trade Audit

FY19 - Financial Year April 1, 2018 to March 31, 2019

FY20 - Financial Year April 1, 2019 to March 31, 2020

FY21 - Financial Year April 1, 2020 to March 31, 2021

FY22 - Financial Year April 1, 2021 to March 31, 2022

FY25 - Financial Year April 1, 2024 to March 31, 2025

FY26 - Financial Year April 1, 2025 to March 31, 2026

TRIR - Total Recordable Incident Rate (OSHA standard)

UN - United Nations

UNFCCC - United Nations Framework Convention on Climate Change

vFEM - Verified Facility Environmental Module

vFSLM - Verified Facility Social Labor Module

WWF - World Wide Fund for nature

ZDHC - Zero Discharge of Hazardous Chemicals

ZDHC's MRS - ZDHC Manufacturing Restricted Substances List

Year 2019 - Calendar year Jan 1, 2019 to Dec 31, 2019

Year 2020 - Calendar year Jan 1, 2020 to Dec 31, 2020

Year 2021 - Calendar year Jan 1, 2021 to Dec 31, 2021

Year 2022 - Calendar year Jan 1, 2022 to Dec 31, 2022

# Thank you.

Please feel free to contact us with any questions, comments and thoughts you might have on  
[sustainability@hoplun.com](mailto:sustainability@hoplun.com)

