



Sustainability Report

Volume 1. April 1, 2019 - March 31, 2020.

HOP
LUN

Content

03 Introduction

09 Environmental Sustainability

16 Social Sustainability

21 Governance

23 Risk Assessment

26 Our Stories

36 Closing Message

37 Appendices and Glossary



About This Report

Our sustainability reporting follows Hop Lun's financial year; April 1 to March 31. Information in this report covers the time period April 1, 2019 to March 31, 2020, shortened to 'SY20' for 'sustainability year 2020' unless stated otherwise.

Hop Lun's sustainability report covers Environmental, Social and Governance (ESG) topics of relevance and significance for the company and its stakeholders. The topics have been chosen based on internal analysis, discussions with stakeholders and a risk assessment conducted by PwC.

While we continue to improve the way we collect and verify quality of data, we have done our utmost to be as transparent and accurate as possible. For our decarbonization pathway and five-year goal setting, we have drawn on the methodologies from the Science-Based Targets Initiative as far as possible. Our environmental goals cover the Hop Lun group, including nine factories, our central warehouse, pre-production office and Hong Kong headquarters. Our reporting related to social sustainability is mostly based on data generated from our internal systems. Since 2018, all Hop Lun factories have had their Higg reports verified.

This is Hop Lun's first ever sustainability report and we hope that you will enjoy learning more about our sustainability efforts. We remain open for feedback and discussion – feel free to get in touch by sending an email to sustainability@hoplun.com.



Message from Erik

Hop Lun was founded in 1992 and now, 28 years later and during the most challenging time of the company's history, I am delighted to publish our first official sustainability report.

Sustainability is central to the company's business strategy, and this report will further accelerate our progress. While this has been an economically challenging year, we have been guided by a deep sense of responsibility to care for our employees and their families and we have continued to prioritize our sustainability efforts. Despite resources being scarce, we have continued to improve in many areas and make plans for the future. With close cooperation and regular follow-up between our dedicated sustainability team members and the local leadership, we have been able to make further headway.

This year, our sustainability work has primarily focused on our nine factories and strategic suppliers (please see Appendix 4). Based on this year's success, we will add ten additional sites for the coming report, including our in-house brand Dorina's sales offices. Further, we will put a greater focus on our Hong Kong headquarters, Dongguan pre-production office and Heyuan central warehouse.

For us, sustainability means to run a healthy business that empowers our employees to prosper and protects the planet from unnecessary harm. As one of the world's leading lingerie producers, with a significant workforce, we are committed to create sustainable value together with our stakeholders and serve as a force for good.



Erik Ryd
Founder and Chairman
September 2020, Hong Kong

Our Journey

1992

Founded by Erik Ryd in Hong Kong



1997

Head office moved to current location, 9 Wing Hong Street, Hong Kong



1998

First fully-owned factory established in Dongguan, China



2000

First factory in Bangladesh Dhaka Export Processing Zone (EPZ) established



2006

Central warehouse and logistics center set up at Heyuan factory in China



2015

Hop Lun factories begin Higg reporting



2014

Solar panels installed at Fashion Bangladesh



2012

H&M sets up a development center at Hop Lun's pre-production office



2011

First factory in Indonesia established



2007

Hop Lun is certified for organic cotton (GOTS) production



2016

Hop Lun is certified for production of recycled polyester (GRS)



2017

Hop Lun Brands Bangladesh becomes the last factory to roll out a digital wage payment system



2018

3D sampling introduced



2019

Recognized as H&M 'Platinum sustainability supplier'



2020

Hop Lun EPZ becomes first LCMP certified factory in Bangladesh



Our Vision, Mission and Values



Vision

Your most trusted partner.



Mission

We promise to be your true partner and create sustainable value together.



Values

Open. Creative. Reliable.



Highlights of SY20

Hop Lun becomes a signatory of the UNFCCC Fashion Charter for Climate Action



All Hop Lun factories have their Higg scores verified by an independent third party



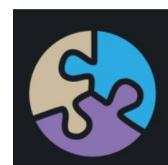
Hop Lun's factory EPZ Hop Yick 1 in Bangladesh awarded Low Carbon Manufacturing Program Gold level by WWF



Hop Lun becomes a signatory of the Social and Labor Convergence Program



Hop Lun Semarang becomes the first factory in Indonesia certified for Fair Wages by the Fair Wage Network



9% total energy saving in SY20 (Megajoule)

45% of all cotton from more sustainable sources (GOTS- or OCS-certified organic cotton or Better Cotton Initiative)

16% of all polyester certified as recycled by GRS or RCS

Stakeholder Mapping

In March 2020, Hop Lun employed 29,283 employees. As our greatest asset, our people and their families' well-being is at the heart of everything we do. We engage with employees through worker participation committees and the trade union Sommilito Garments Sramik Federation in Bangladesh, bipartite committees in Indonesia and worker representative committees in China. We provide in-person and written grievance channels to our workers, and conduct regular worker satisfaction surveys.

Our 60+ customers include some of the most beloved brands in the apparel industry, including H&M, Target, M&S and Hunkemoller. We collaborate closely with our customers to meet and exceed expectations. We are proud of our 'open door' policy and invite customers and their representatives to visit us.

Hop Lun worked in partnership with a total of 515 suppliers during SY20, where we have focused sustainability improvement efforts on 60 strategic suppliers, making up 80% of our business volume. A list of our strategic suppliers can be found in Appendix 4.

Hop Lun engages and collaborates with industry associations to further strengthen the sustainability agenda. This includes, for example, the United Nations Framework Convention on Climate Change's Fashion Charter, WWF and the Social and Labor Convergence Program.

Hop Lun partners with local NGOs and governments to bring value to neighbouring communities, such as orphanages, schools and hospitals.



Environmental Sustainability



Hop Lun recognizes our responsibility to contribute to a climate positive fashion industry with an overall low environmental footprint. We are proud to have updated our environmental 5-year goals to include ambitious targets for our highest priority areas.



1. Energy



2. Greenhouse Gas Emissions



3. Water

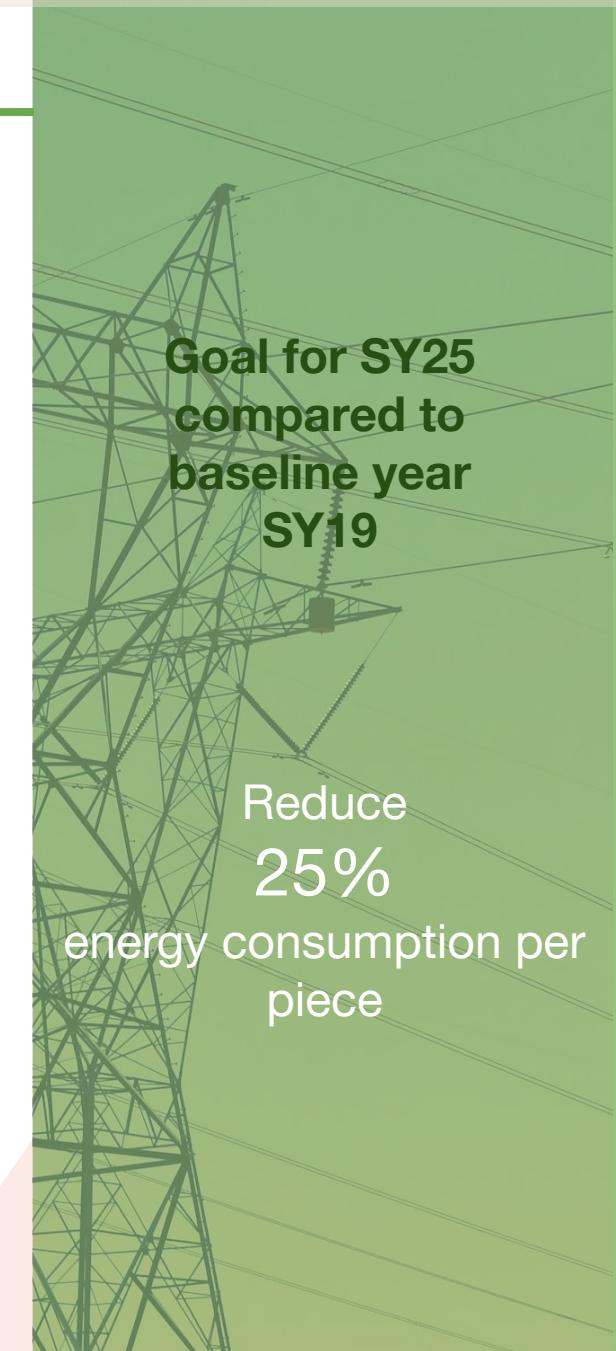
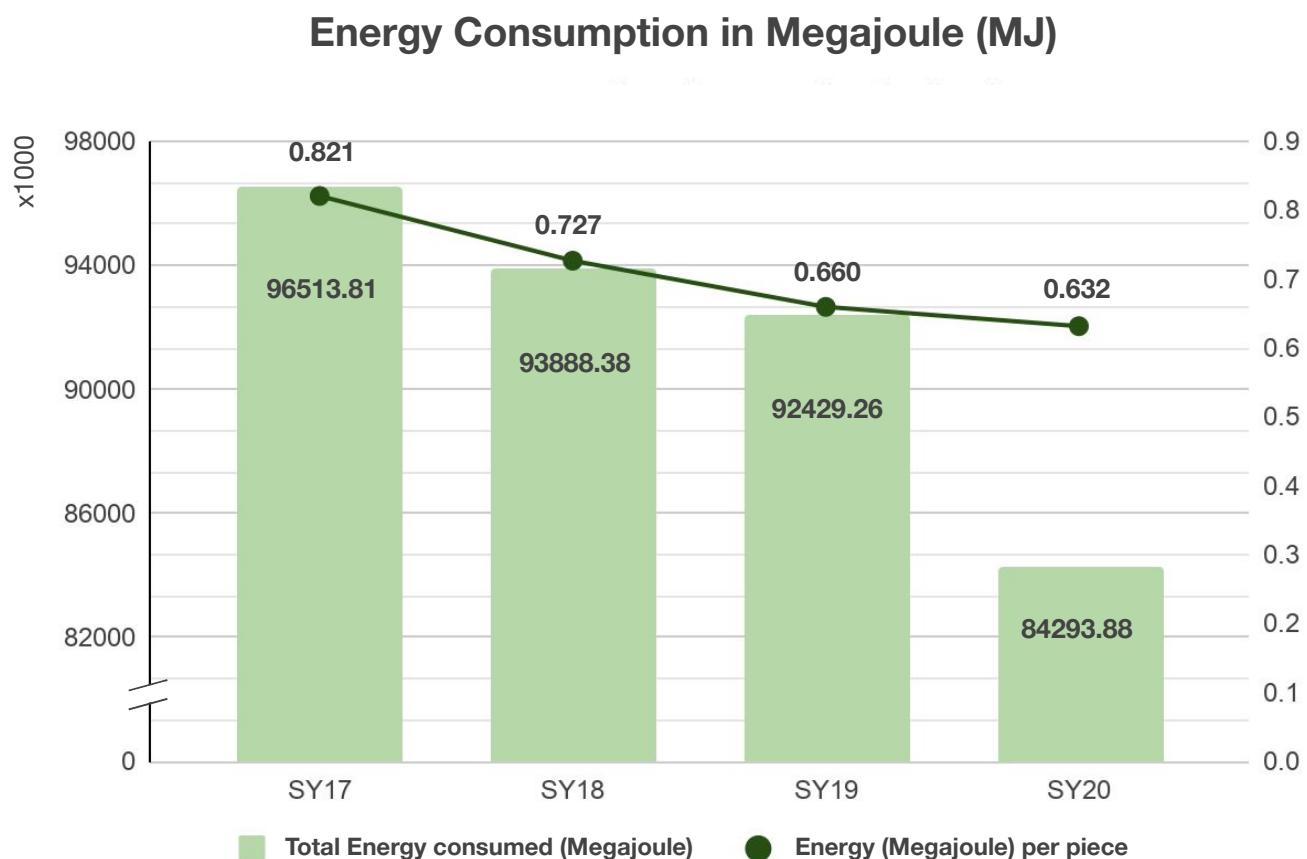


4. Waste

1. Energy



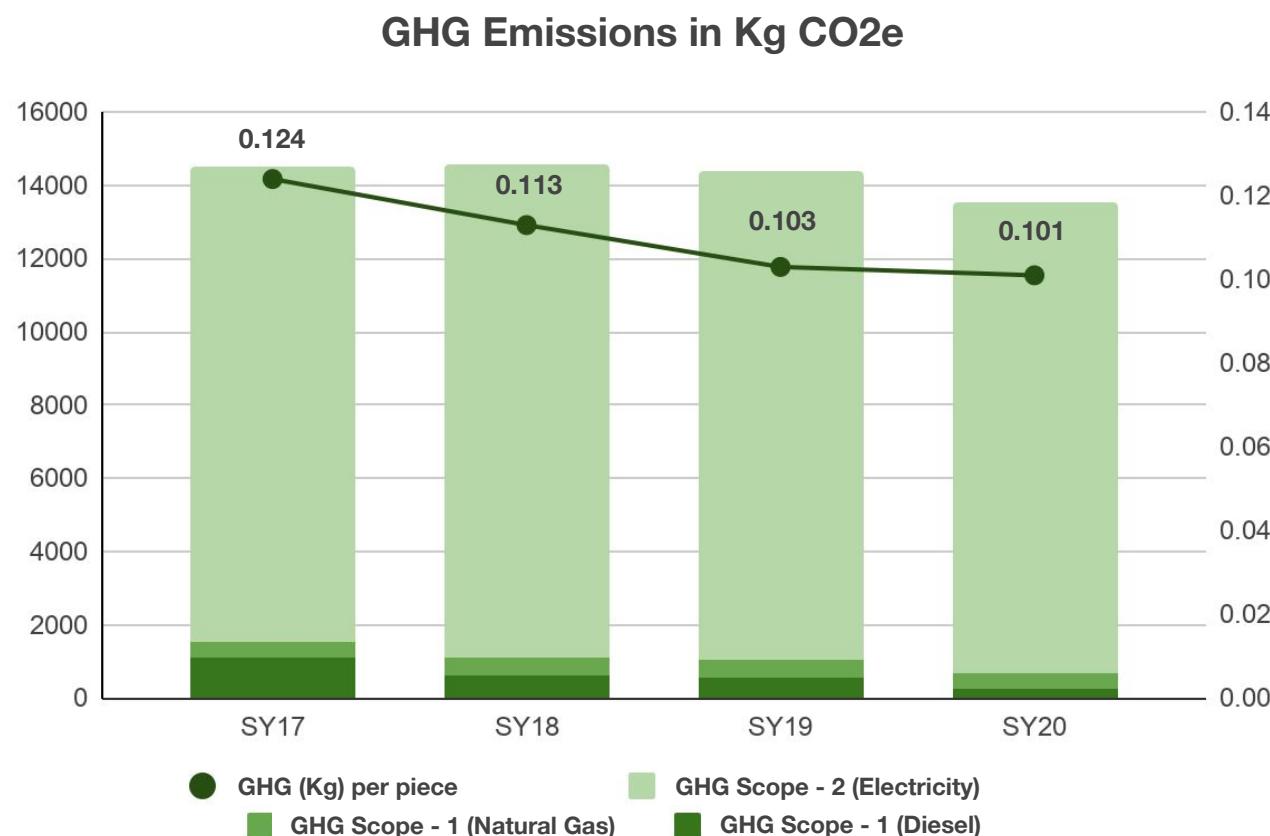
We have seen a **steady downward trend for energy consumption** across our facilities since SY17. This is mainly driven by investments in energy efficiency, such as LED lights and servomotors for sewing machines. Further, our improved production efficiency has had a positive impact on energy consumption.



2. Greenhouse Gas (GHG) Emissions



Following the downward trend for energy consumption, we have **reduced greenhouse gas emissions** across our facilities since SY17. In addition to energy efficiency improvements, we have started our green energy transition by investing in solar panels in four of our nine factories.



- **Scope 1** refers to direct emissions, within the operational control of an organization
- **Scope 2** refers to indirect emissions generated from purchased electricity, heat, steam or cooling

Goal for SY25 compared to baseline year SY19

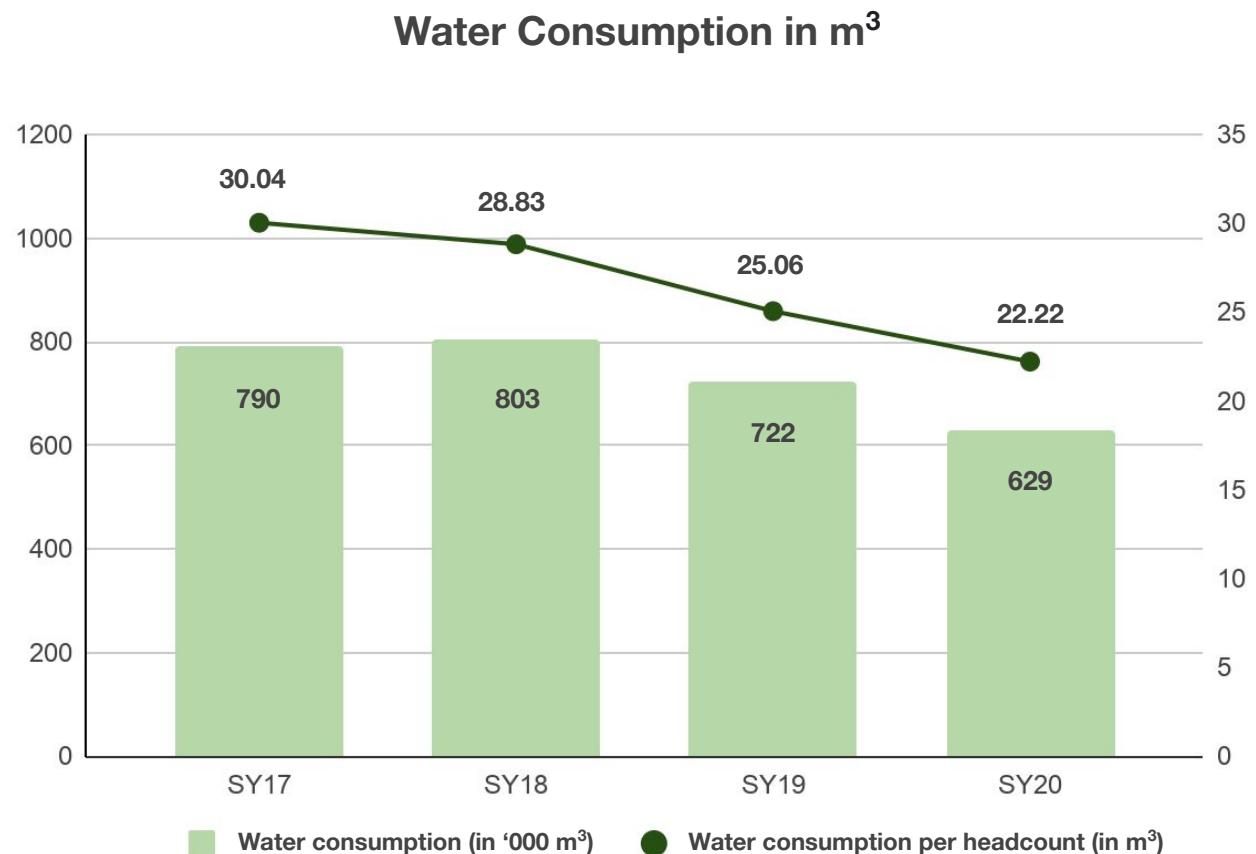
Reduce 40% GHG emissions scope 1 and 2 per piece



3. Water



Hop Lun's water consumption is **limited to domestic use** as we do not have any industrial water processes. We have seen a **steady decrease in water consumed per headcount** through initiatives such as water saving awareness campaigns, more water-efficient technology and better maintenance of faucets and pipes.



**Goal for SY25
compared to
baseline year
SY19**

Reduce
10%
water consumption per
headcount

4. Waste



Hop Lun follows the waste hierarchy principles; **Reduce, Reuse and Recycle**. We are firm believers in limiting waste creation wherever possible and to utilize resources efficiently.

Over the last year, Hop Lun has put in place a **better waste data collection system** and a key focus for SY21 is to improve the company's **waste management and inventory system**.

In SY20, hazardous waste was reduced with 1.4%. All waste streams were handled as required by local law and by certified waste collectors and recyclers where applicable.

Total Hazardous Waste in Tonnes



**Goal for SY25
compared to
baseline year
SY19**

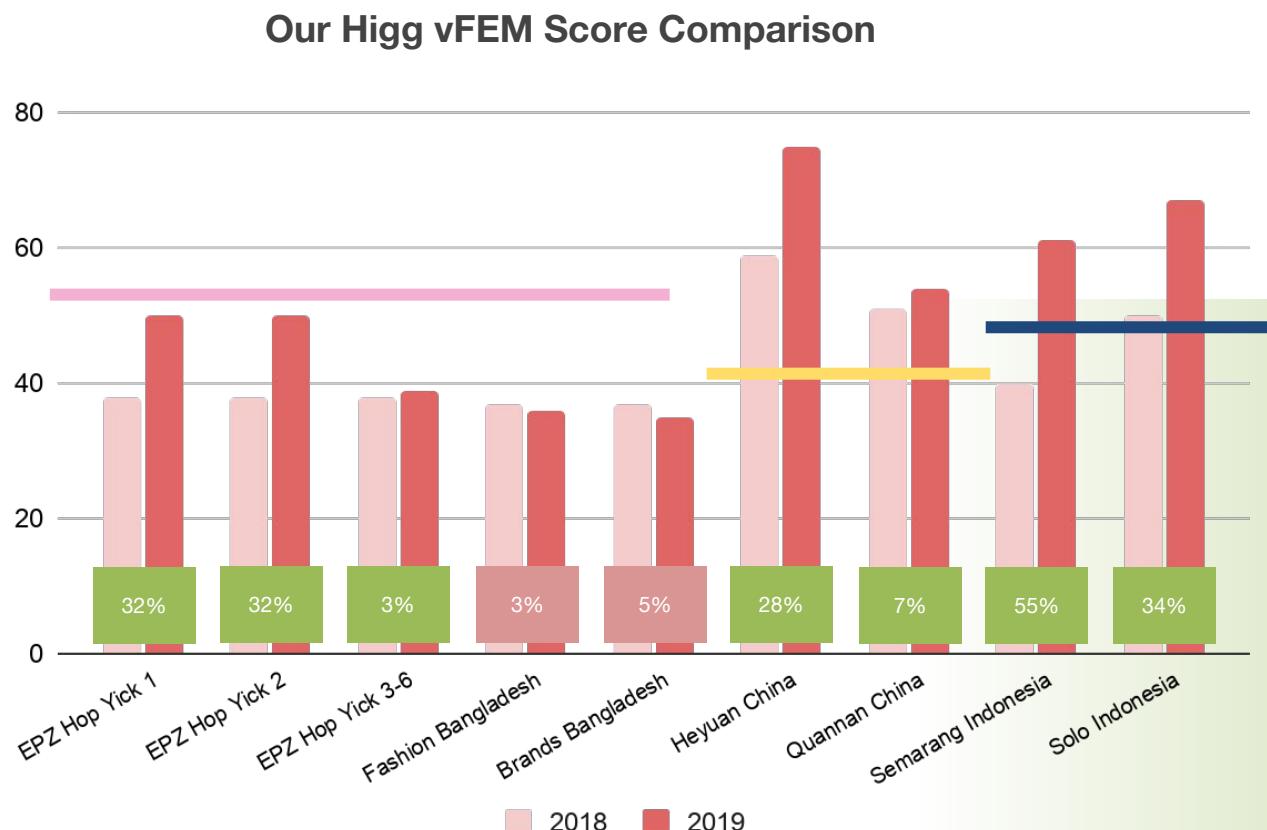
Zero
waste
to landfill

Our Environmental Performance

Higg Scores

Hop Lun factories started reporting environmental performance on the Higg platform in 2015. Since 2018, all factories have had their assessments verified by a third party.

Seven out of nine Hop Lun factories improved their Higg scores from 2018 to 2019. Our China and Indonesia factories scored above their respective country median in 2019 for all comparable factories. Our Bangladesh factories scored below the country median for 2019. You can read more about the Higg platform in Appendix 2. Our detailed Higg scores can be found in Appendix 3.



Higg 2019 vFEM scores for Final Product Assembly Facilities:

Bangladesh country median 54

China country median 41

Indonesia country median 48

X% Increase in score

X% Decrease in score

Our Higg Score

All five factories in Bangladesh scored below the total country median for comparable factories. To close the gap, we have identified **three improvement areas** in Bangladesh as high priority:



Wastewater treatment

Our wastewater is limited to domestic use and we rely on the government's wastewater collection system. We are planning upgrades for SY21.



Air

We are improving our air emissions inventory and monitoring system.



Waste

We are focusing on better data collection for waste creation and segregation.

Goals

For the next reporting cycle, Hop Lun's goal is to reach a score of 50 or above for all factories and to continue to improve across all factories and modules.

Social Sustainability

Hop Lun's 29,283 employees are our greatest asset and their well-being is at the heart of everything we do. We know that happy, empowered and fulfilled colleagues create positive impact for our stakeholders and is overall good for business. We have identified the following areas as key for our social sustainability efforts.



1. Health & Safety



2. Wages & Compensation



3. Working Hours



4. Diversity & Inclusion

1. Health & Safety



Keeping our workers safe and healthy is our highest priority at all times. We comply with local and international standards for health and safety and have regular training sessions and emergency drills to ensure awareness of safety risks, preventative measures and emergency response.

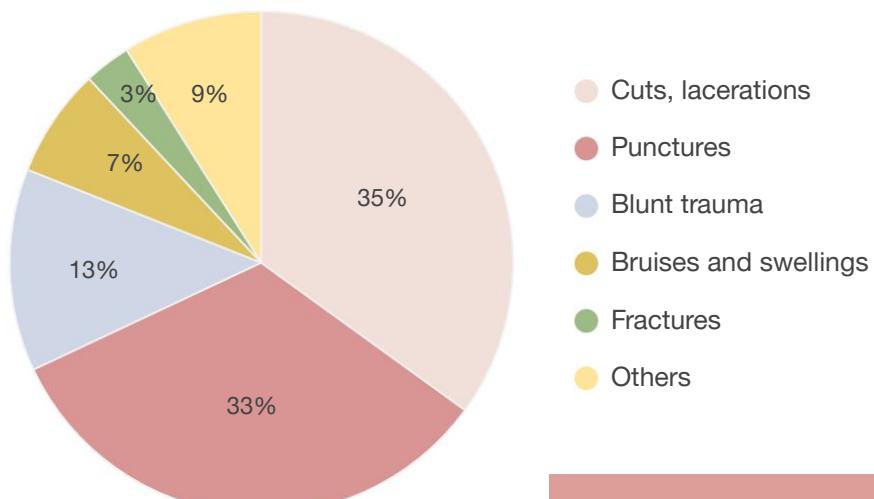
The most common types of incidents at our factories are minor cuts and punctures from needles and sharp tools, such as knives and scissors. We are constantly working to reduce this number through training and awareness campaigns.

Our Occupational Safety and Health Administration's ([OSHA](#)) Total Recordable Incident Rate (TRIR)* in SY20 is

0.65

which is
lower than the average for our industry
as compared with OSHA's most updated official figures in 2018.

Types of Injury SY20



Vision: Zero injuries



2. Wages & Compensation



Paying fairly, in full and on time has been essential to Hop Lun's wages and compensation strategy since the company was first established.

Hop Lun employees are **compensated in line with local law**, including benefits such as salary and paid holidays. Workers are eligible for various allowances and bonus schemes related to, for example, performance and attendance.

In SY21, Hop Lun is starting a cost of living assessment in communities around our factories in Indonesia together with an independent researcher. This will verify earlier internal assessment result and will guide our strategy going forward.

What have we done so far?

- **Digital wage payment systems** used in all Hop Lun factories since 2017 or earlier.
- **Transparent wage grids** provided to communicate expectations for different worker level positions and salary ranges.
- **Financial literacy training** provided to empower workers to take control of their personal finances.

Vision: All employees on a living wage



3. Working Hours

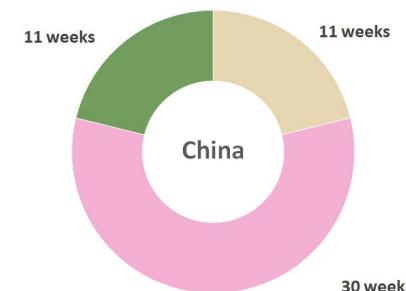
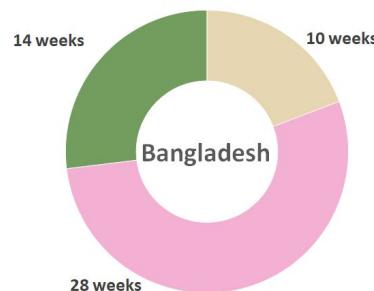


Long working hours remains a challenge for Hop Lun factories. Hop Lun is committed to deliver great customer value and meet expectations on short lead times and flexibility. This puts pressure on our factories and overtime work occurs regularly.

Working **overtime** is always voluntary at Hop Lun, 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 to avoid fatigue.

Distribution of average weekly working hours during SY20:

Only full working days are counted.



We are proud of our achievement to keep weekly working hours in our Indonesia factories below an average of 60 hours per week for the entire year. Changing from single shift to double shifts has been a major contributor to this success as it enables more flexible planning. We are evaluating how double shifts can potentially be implemented in other factories, while considering workers' preferences and their safety getting to and from work.

In Bangladesh and China, our average weekly working hours for SY20 were kept below 60 hours per week on average for most weeks of the year. During peak season, average weekly working hours exceeded 60 hours per week. Going forward, we will add the working hours of our offices to this report.

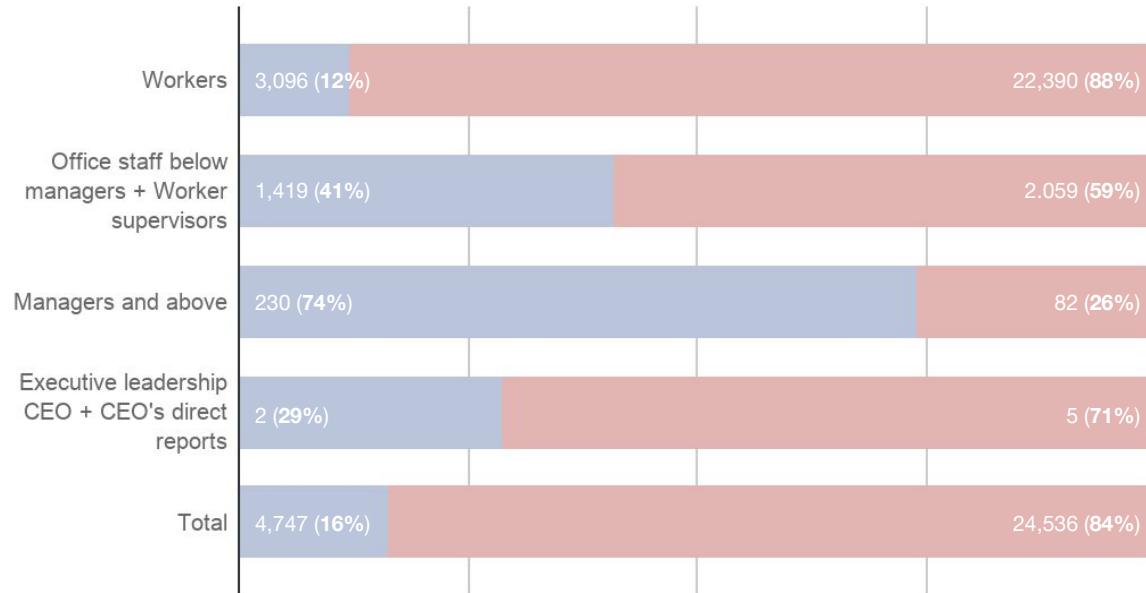
Vision:
Working hours kept below 60 hours per week for all employees

4. Diversity & Inclusion



Gender Breakdown

Men Women



As a manufacturer of products targeted primarily towards women, Hop Lun has a long history of having women in senior management positions at our headquarters. In 2018, Angel Woo became Hop Lun's first female CEO and **we are proud to be counted among the 2% of companies in Hong Kong having a woman as chief executive officer.**

84% of our employees are women and 59% of worker supervisors and office staff are women. While we are proud of having a majority of female supervisors, we still recognize the need for further career development to help women get promoted to middle management positions.



An inclusive workplace is not limited to gender. We believe in **diverse teams and equal opportunities** and seek to set a positive example by promoting talented employees **regardless of gender, age, race, religion, sexual orientation or any other characteristics** unrelated to their ability to perform at work. To empower talented employees to take the next steps in their careers, we need to equip them with necessary skills and experience. To facilitate internal promotion on all levels, Hop Lun is strengthening its employee training program.

We have started our reporting on diversity and inclusion with data related to gender and going forward, we will analyze our diversity & inclusion performance from additional perspectives.

Sustainability Governance

Hop Lun's sustainability governance framework helps us implement our strategy, track progress and ensure accountability. Our sustainability commitment begins with our senior management team and centers around our corporate values:

Open, Creative, Reliable.

In addition to a set of management systems and ethical business principles, security and supply chain sustainability fall under governance.



1. Strategy & Framework

New ambitious 5-year goals and vision for sustainability to empower our people to prosper while operating within the planetary boundaries.



2. Policies & Standards

Our Code of Conduct and ESG Standards go beyond our customers' requirements. Each operating facility has its own additional standard operating procedures.



3. Accountability

Clearly defined roles and responsibilities are set in all our factories and offices. Specialized committees are formed to drive critical areas such as fire safety, anti-harassment, grievance mechanisms and environmental stewardship.



4. Continuous Improvement

Non-compliance findings are reported to top management immediately and are expected to be closed within a set timeframe. We conduct regular worker surveys and maintain a close dialogue with our key stakeholders for continuous improvement.

Governance Beyond Our Own Sites

Supply Chain Management

60 suppliers make up 80% of Hop Lun's material purchasing volume. These suppliers are considered to be our **strategic partners** and are the priority for our supply chain sustainability efforts.

Sustainability performance is included in the overall supplier evaluation together with aspects related to quality, lead times and price. In 2019, Hop Lun initiated a supplier audit program where selected suppliers were assessed by Hop Lun's sustainability team.

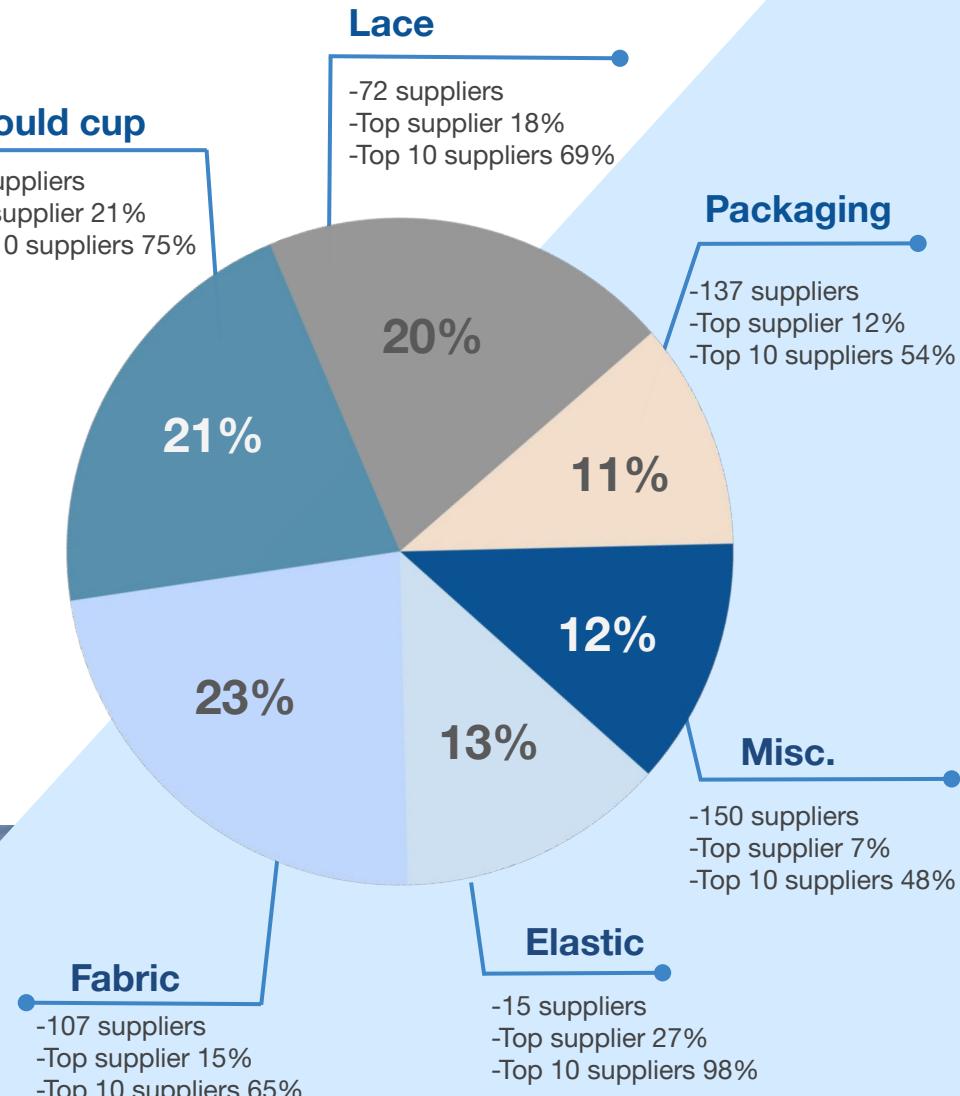
All Hop Lun suppliers are required to sign a Code of Conduct to ensure overall responsible production, safe working conditions, respectful treatment of workers, compliance with environmental laws and regulations and a commitment to continuous improvement of environmental performance.

Hop Lun requires an annual self-assessment of our suppliers' ESG performance. Supply chain sustainability is a strategic area for Hop Lun going forward. In SY21, we are building out a dedicated team to clearly communicate our expectations and work closely with our suppliers to improve factory conditions.

In November 2019, Hop Lun arranged our first ever supplier conference to outline a new vision for sustainable supply chain management. The key topic for the training session was internal assessments and corrective action plan management.



Categories by Purchase Volume in %



Risk Assessment

As a part of the process to develop Hop Lun's sustainability strategy and goal-setting, we engaged the consultant PwC for an independent review of ESG-related risk associated with Hop Lun's operations and strategic priorities. These insights helped us understand our current performance including opportunities for the future. Hop Lun's environmental and governance performance were considered to have a **low risk level across all factories**. Hop Lun's social performance was considered to have **low to medium risk level**. PwC was given extensive access to internal data and independent audit reports as well as interview opportunities on various levels in the company. The report was published in February 2020 and the review period was April 2016 to September 2019.



A short overview of risk management of occupational safety, fire control, working hours and compensation & benefits from the ESG chart on the previous page can be found below.

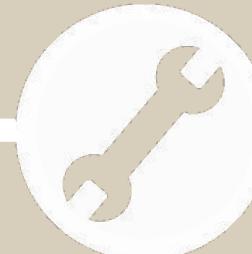
Occupational Safety

No work-related total permanent disabilities or deaths

During the review period, there were **no work-related total permanent disabilities or deaths** recorded at Hop Lun facilities. However, during this time period, Hop Lun implemented a stricter reporting mechanism of work-related incidents to include minor cases such as cuts and needle pricks which lead to an increase in number of injury cases.

Traffic accidents outside of work is a real danger to our workers' safety. To help increase risk awareness and traffic safety, Hop Lun has **conducted internal safety trainings** in Indonesia and Bangladesh as well as **external traffic management training** together with local police in Indonesia.

Traffic safety awareness campaign at EPZ Bangladesh.



Fire Control

Fire risk identified and addressed

In Bangladesh, external audits found incidents when aisles and exits were partly and temporarily blocked by finished goods boxes. This issue is addressed in two ways. Firstly, Hop Lun has secured a new warehouse and cut the number of lines to **free up space** inside the factories. Secondly, Hop Lun is continuously **working on better housekeeping**.

Working Hours

Continuous improvement to reduce overtime

Overtime hours exceed the limits set by local law in all factories at peak season. While overtime is **always 100% voluntary** and more than 6 days of consecutive work is not allowed, excessive overtime is a serious issue for Hop Lun.

Reaching a **healthy work-life balance is a top priority** for Hop Lun and with new capacity added, factories are on the right track to reduce overtime hours.

Focus on work-life balance. Workers and their children at one of our childcare centers in Bangladesh.



Hop Lun's China factories on track to get 100% of employees on social insurance.

Compensation & Benefits

Aim for 100% social insurance coverage

In China, not all employees were covered by social insurance during the review period. The percentage of covered employees by end of SY20 was over 85% for work-related injuries, medical, retirement and maternity. For unemployment insurance, the percentage was 42%.

Hop Lun's China factories aim to **sign up 100% of employees to the five social insurance categories** during the first half of SY21.



Our Stories



In this section, we have collected some examples of projects and highlights from the last year.

Environmental

1. Recycled lace
2. UNFCCC Fashion Charter
3. Low Carbon Manufacturing Program (LCMP)

Social

1. Social and Labor Convergence Project (SLCP)
2. Improved eye health at Bangladesh EPZ Hop Yick 1 and EPZ Hop Yick 2
3. Gain project nutrition program at Brands Bangladesh

Governance

1. QuizRR digital training at Brands Bangladesh
2. Grievance systems
3. Workers' satisfaction surveys in China

Environmental Sustainability

1. Recycled lace - GRS-certified collection

Hop Lun's vision is to move towards a circular supply chain, where virgin raw materials are substituted with recycled, or zero impact equivalents.

Recycled fabric, and recycled lace in particular, tend to come at a premium price and with longer order lead time than conventional fabric. In many situations, this makes the recycled options less attractive for buyers.

Hop Lun's design team is always quick to look for solutions and help customers find creative options. To address the dilemma of having to choose between recycled content and more competitive price and lead time, our design team **developed a sustainable lace collection** for all customers to use, offered at the **same price and lead time** as conventional lace.

Hop Lun bought 3,450,518 meters of GRS-certified fabrics made up of polyester from recycled PET bottles and nylon from recycled ocean fishing nets. The fabric was used for a collection of 15 different lace and color combinations.

The project was considered to be a win-win solution for Hop Lun, customers and suppliers and we hope to be able to scale this in the future.



Environmental Sustainability

2. Hop Lun becomes a signatory of the UNFCCC Fashion Charter

The United Nations Framework Convention on Climate Change (UNFCCC) brings stakeholders in the apparel industry together to **develop, implement and enhance** the climate action agenda in fashion. Hop Lun is engaged in the working groups related to “policy engagement” and “manufacturing / energy”.

As an important milestone to show our decarbonization commitment, in September 2019, Hop Lun signed the UNFCCC Fashion Industry Charter for Climate Action at the Fashion Summit in Hong Kong. By signing the charter, Hop Lun commits to reducing greenhouse gas emissions with 30% by 2030 **in line with the ‘Paris Agreement’**.

The Paris Agreement Objectives:

To strengthen the global response to the threat of climate change by **limiting a global temperature rise to 1.5 degree Celsius**.



Picture from the UNFCCC signing ceremony in Hong Kong September 2019.
Courtesy of WWF Hong Kong

Environmental Sustainability

3. Hop Lun partners with WWF on Low Carbon Manufacturing Program (LCMP)

Hop Lun is partnering with WWF Hong Kong on their **Low Carbon Manufacturing Program (LCMP)** with our factory EPZ Hop Yick 1 in Bangladesh and our factory Heyuan in China. In SY21, another two Hop Lun factories are joining the program.

LCMP provides guidance on **environmental management best practices** and their **carbon accounting and labelling system** helps measure effectiveness of GHG emissions reduction initiatives.

By the end of the assessment period (SY19), EPZ Hop Yick 1 reported a 31% energy reduction and 25% GHG emissions reduction per production piece compared with baseline year (SY14).



In December 2019, EPZ Hop Yick 1 was awarded with
LCMP gold level certification
and
**became the first ever LCMP-certified
factory in Bangladesh**

Our Environmental Practices



Rainwater harvesting for gardening



Awareness raising campaign and tree planting



Upgrading of aged water pipes for better insulation

Social Sustainability

1. Social and Labor Convergence Project (SLCP) - Standardization of factory audits and assessments

In April 2019, Hop Lun became a signatory of the Social and Labor Convergence Project (SLCP). SLCP is an **industry-initiative to standardize factory audits and assessments** for topics related to social sustainability; including health & safety, wages & benefits and employee involvement.

SLCP aims to **go above and beyond existing audit programs** to reduce the number of audits and thereby free up resources to focus on programs and initiatives that have a greater positive impact on workers. As a corporate signatory, **Hop Lun is committed to actively contribute to further improvement of SLCP and support the initiative's future success.**

Hop Lun's factories are proactively participating in the program as it becomes available in more countries. In 2017, our factories in EPZ in Bangladesh participated in a pilot version of the program to help localise the assessment. Our factories Heyuan and Quannan in China have reported on SLCP since 2018. In SY21, all Hop Lun factories in Bangladesh and China will have verified SLCP reports. As soon as the program becomes available in Indonesia, our factories Semarang and Solo will join.



Social Sustainability

2. Vision Spring - Free eye screening and glasses



Many people in Bangladesh lack access to basic eyecare services. Without treatment or intervention, vision impairment can cause headache, irritated eyes, and neck and shoulder pain.

The process to cut, sew, trim and pack underwear garments requires a high level of concentration and attention to detail. For employees with reduced eyesight, work risks becoming unnecessarily challenging and quality and efficiency levels could be impacted.

In July 2019, Hop Lun EPZ Hop Yick 1 and EPZ Hop Yick 2 partnered with **Target** and **Vision Spring** to offer free eye screening and eyeglasses to over 6,000 factory employees.

A total of 1,128 employees at EPZ Hop Yick 1 and EPZ Hop Yick 2 had received new glasses free of charge and / or more advanced ophthalmic services from the Vision Spring project. For SY21, we aim to provide the service to all employees in Bangladesh.

Without glasses, I couldn't see my family member's faces clearly and I was struggling to find the goods I needed in the store. I suffered from headaches and sometimes had to stay home from work as it was difficult to concentrate my eyes for long periods of time. With my new glasses, I no longer suffer from headaches and I truly enjoy the time with my family.

- Yeasmin Akhter, sewing operator



Social Sustainability

3. GAIN Project - Nutrition and dietary awareness

According to the Food and Agricultural Organization of the UN, Bangladesh has among the highest rates of malnutrition in the world. In May 2019, Hop Lun Brands Bangladesh partnered with **Carrefour** and **the Global Alliance for Improved Nutrition (GAIN)** to **raise awareness around healthy diets** and to **improve the quality of food** served at the factory's canteen.

Over 70 Bangladesh employees have been trained as '*Pusti Bondhu*', meaning 'nutrition buddies'. The *Pusti Bondhus* have received classes on balanced diets, better food habits, cooking, health and hygiene. These master trainers share their knowledge with their 2,300 colleagues at Brands Bangladesh.



'I didn't know much about nutritional values and what the body requires before. After the Gain program, I understand how to take better care of myself and my family'
- Aysha Akhter, sewing operator

'Good Food, Good Mood! - the project has taught us about how to improve our recipes!'
- Eti Akhter, sewing operator

Sustainability Governance

1. QuizRR - Interactive digital training platform

Hop Lun **Brands Bangladesh** is using the digital and interactive training platform QuizRR for topics related to

- health & safety
- rights & responsibilities
- financial literacy
- workplace dialogue

The training takes place either in groups or individually. Participants view short videos showing situations that might occur in a factory with important messages on how to act and respond. The videos are followed by a gamified quiz for participants as part of an interactive learning process and to confirm effectiveness of training.

By March 2020, 201 management staff (100%) and 1033 workers (close to 50%) had participated in QuizRR training. The ambition is to have everyone at Brands Bangladesh trained by December 2020.



Sustainability Governance

2. Grievance systems



Amader Kotha is an anonymous helpline in Bangladesh. Our senior management gets a report directly from the Amader Kotha team about all calls received and resolution status on monthly basis.

Well-functioning worker grievance mechanisms are important to understand what is on workers' minds. When workers trust our grievance channels and feel that their voices are heard, Hop Lun gets better insights to causes for concern and potential problems as well as creative ideas for general improvement. This helps us solve issues and take swift action.

All incoming grievances are treated with respect and confidentiality and resolving issues is a priority for local grievance committees and senior management.

Hop Lun believes it is important to offer multiple channels for workers to leave complaints and grievances. Grievance channels include:

- Dedicated, trained staff handling in-person grievances
- Internal channels for written complaints, both grievance boxes and digital channels such as WeChat in China
- Anonymous channels such as the Amader Kotha helpline in Bangladesh

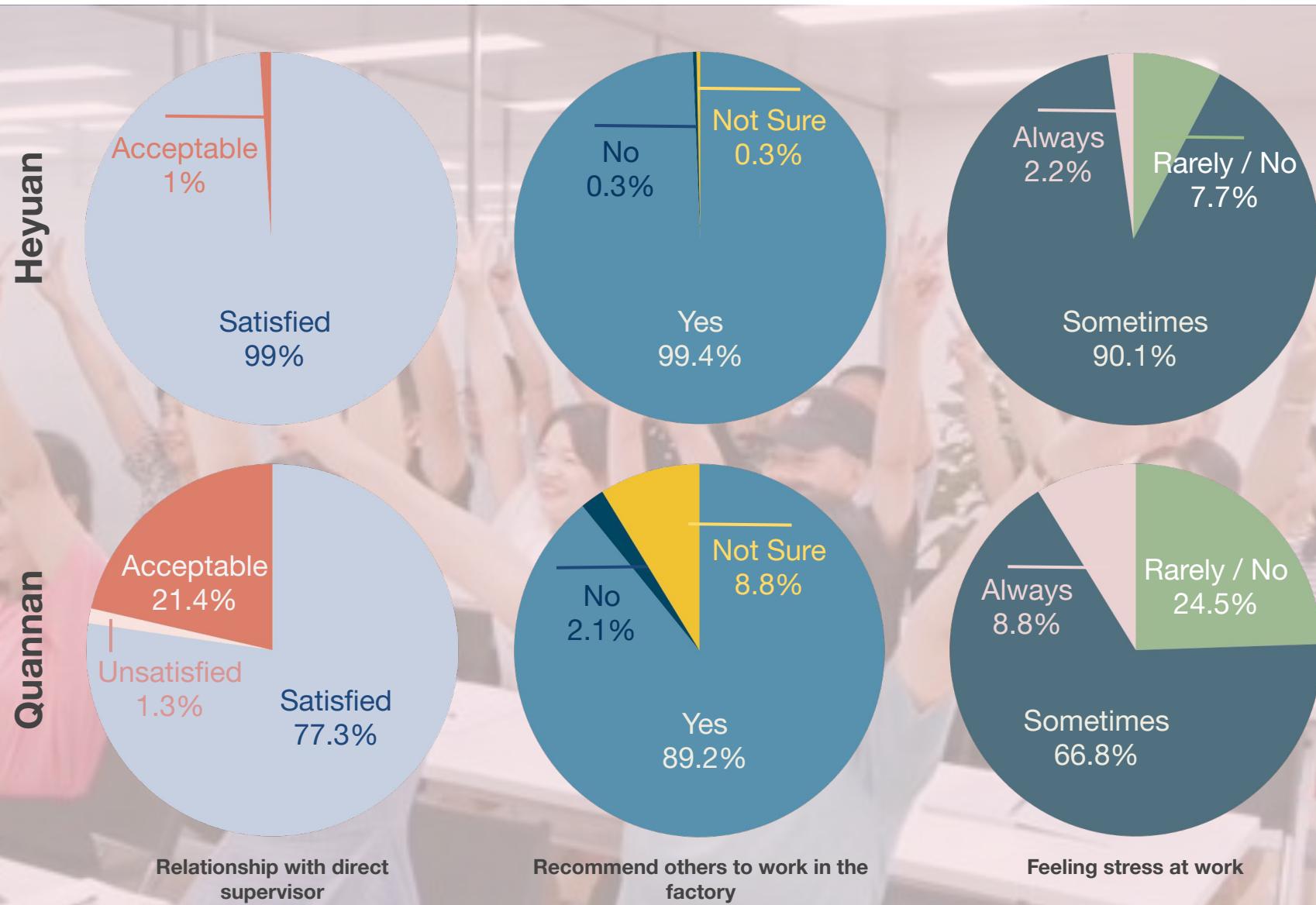
Sustainability Governance

3. Satisfaction surveys in China

In September 2019, Hop Lun's China factories conducted an annual worker survey. 310 workers at Heyuan and 385 workers at Quannan provided feedback on their working environment.

Workers reported **high overall satisfaction levels** and a vast majority of workers at both Heyuan and Quannan said they would recommend others to work in the factory.

We also asked about stress levels and quality of relationship with direct supervisor.



Closing Message from Sustainability Team

Hop Lun's reputation as a responsible and caring employer was a key factor for my decision to join the company two years ago. It has been a great honour to lead Hop Lun's sustainability efforts and further raise the bar to what it means to be a good corporate citizen. Today, I believe we are in a better position than ever. Sustainability has been formally recognized as business-critical and across the organization, colleagues view the advancement of social and environmental impact as a part of their mission.

This is Hop Lun's first sustainability report, making it an important milestone on our journey towards transparency. Over the last couple of years, the sustainability team has worked hard to standardize and analyze data, forecast different scenarios for our environmental goals and consult a large number of stakeholders on our strategy and governance framework. We are pleased to see the results in this report.

Our updated mission and corporate values have provided the foundation for our new sustainability strategy, outlining how we deliver value to all our stakeholders while reducing our environmental footprint. Now more than ever, we see consumers not only being interested in the end product, but in the story behind the product – how it was made and by whom. We want everyone buying a garment made by Hop Lun to feel confident that they have made an ethical choice and are supporting a better way of manufacturing.

We are proud of how far we have come. We also recognize the important work that still lies ahead. Our focus for next year is to develop a roadmap to true living wages, scale up efforts to decarbonize our operations and transparently collaborate with business partners to improve working conditions and environmental practices in our supply chain. I am already looking forward to sharing the results in next year's sustainability report.

We hope that you enjoyed learning more about our efforts and initiatives. Thank you for reading and stay tuned for more.



Caroline with members of the sustainability team in Bangladesh. From left to right Chaminda Jayaweera, Chanchal Miah, Aysha Akter, Caroline Briggert, Gulshan Ara, Kanij Fatema and Kausar Ali

Caroline Briggert

Head of Sustainability

September 2020, Hong Kong

Appendix 1 - Certificates and Licenses

Certifications	Area	Bangladesh					China		Indonesia	
		EPZ Hop Yick 1	EPZ Hop Yick 2	EPZ Hop Yick 3,5,6	Fashion	Brands	Heyuan	Quannan	Semarang	Solo
 SMETA	Sedex Members Ethical Trade Audit Manage labor, health & safety, environment and business ethics	Social	✓	✓	✓	✓	✓	✓		✓
 BSCI	Business Social Compliance Initiative Implement the principle international labor standards to protect workers' rights	Social	✓	✓	✓	✓	✓	✓		✓
 SOCIAL & LABOR CONVERGENCE	Social & Labor Convergence Program Collect objective social and labor data	Social						✓	✓	
 BetterWork	Better Work Program to improve working conditions and labor rights	Social					✓			✓
 Higg Index	Higg Index Social and environmental sustainability assessment	Environment	✓	✓	✓	✓	✓	✓	✓	✓
 GOTS	Global Organic Textile Standard Ensure organic status of textiles	Textiles	✓	✓	✓	✓	✓	✓		
 OCS	Organic Content Standard Confirm product contains the accurate amount of organically grown material	Textiles	✓	✓	✓	✓	✓	✓		
 GRS	Global Recycle Standard Certify products with recycled content	Textiles	✓	✓	✓	✓	✓	✓	✓	✓
 RC	Recycle Claimed Standard Certification of recycled input and chain of custody	Textiles								✓
 OEKO-TEX® STANDARD 100	Oeko-Tex Standards A label for textiles tested for harmful substances	Textiles	✓	✓	✓	✓	✓	✓	✓	✓
 GSV	Global Security Verification Supply chain security standards	Security						✓		✓
 SCAN	Supplier Compliance Audit Network Supply chain security standards	Security	✓	✓		✓	✓	✓	✓	✓

Appendix 2 - Environmental Sustainability

Higg Platform

The Facility Environmental Module (FEM) on the Higg platform is made up of seven topics related to environmental sustainability performance:

- Environmental management systems (EMS)
- Energy
- Waste
- Water
- Wastewater
- Air
- Chemicals

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



Appendix 3 - Environmental Sustainability

Our Higg Scores

Higg Scores for Hop Lun's nine factories:

2019 Higg Scores (2018 scores in parenthesis) max score is 100									
	Bangladesh					China		Indonesia	
Session Score	EPZ Hop Yick 1	EPZ Hop Yick 2	EPZ Hop Yick 3-6	Fashion	Brands	Heyuan	Quannan	Semarang	Solo
EMS	66 (67)	66 (67)	79 (67)	67 (67)	67 (71)	100 (88)	92 (83)	92 (63)	92 (71)
Energy	85 (90)	85 (90)	90 (90)	85 (85)	80 (85)	100 (100)	100 (100)	85 (50)	100 (50)
Water	55 (55)	60 (55)	65 (55)	55 (55)	60 (55)	75 (75)	65 (65)	60 (55)	75 (60)
Waste	21 (21)	25 (21)	21 (21)	25 (18)	21 (18)	75 (54)	25 (21)	21 (11)	32 (25)
Wastewater	100 (0)	100 (0)	0 (0)	0 (0)	0 (0)	100 (50)	50 (50)	100 (50)	100 (60)
Air	3 (13)	3 (13)	3 (13)	3 (13)	3 (13)	25 (25)	25 (13)	50 (25)	50 (25)
Chemicals	17 (19)	14 (19)	13 (19)	16 (22)	11 (19)	50 (19)	22 (22)	22 (24)	22 (21)
TOTAL	50 (38)	50 (38)	39 (38)	36 (37)	35 (37)	75 (59)	54 (51)	61 (40)	67 (50)

Appendix 4 - Sustainability Governance

Hop Lun's 60 Strategic Suppliers

Fabric	Lace	Mould Cup	Packing	Accessory
Best Pacific/超盈	Allied Great/匯智	Fu Yuan/富元	Avery Dennison (Paxar BD)	Coats/高士
B-Top Textile/麗鼎	Baikai/百凱經編	Kai Mei/i凱美	Britannia/寶盛	Hanoch/漢諾
Derun/德潤	Bright Sun/萬順行	Silueta/PT MAS	Check Point/保點	Hing Yip/凱業
Fountain Set/福力	Brunet/凱莉	Sun Po/新寶	CVI (Morgan Printone)/摩根	Prym/培廉欣姿美
Fu Yang/復揚	Gayou/佳友	Vanessa/高文	Goolien/廣聯	Texco/德高
Hong Gang/宏港	Hang Gang/航港	Ying Mei/瑩美	M&U	Xiangya/翔亞
JY Textile/眾鑫	Springtex/健萌	Elastic		Others
Media/新錦	Talent/騰薈	Cheung Wing/長榮(長豐)	Mono	
Pacific Textile/互太	Tian Hai/天海	New Horizon/潤信(潤達)	Montrims	
Rong Shun Textile/榮柏	Wanjiali/萬家麗	Pioneer/明新	Sheen Master/冠日	
Sun Hing/新興	Xiamen Fashion/福勵	Stretchline/馬田	TAG	
Unitex/宇邦	Ying Mei/穎美	Sun Tak/新德	TIC/特恩思(麗駿)	
Well Source/利源		Takefast/德發/鼎偉		

Appendix 5 - Supply Chain Management

Sourcing - Chemical requirements and sustainable materials

Chemical Requirements

We have a strict requirement for suppliers to comply with Hop Lun's

Manufacturing Restricted Substances List (MRSL)

which goes above and beyond customers' requirements and international standards such as the EU's REACH directive. All our fabric suppliers are certified with

Oeko-Tex 100 class II.

More Sustainable Materials

Hop Lun sources materials on behalf of customers and we aim to always provide a more sustainable alternative when presenting material options; such as

Recycled polyester, BCI cotton or FSC certified packaging

While our customers make the final decision, we are constantly thinking of new ways to make it easier for buyers to choose the more sustainable alternative. You can read more about one such example on Our Environmental Stories 1 [recycled lace].

Glossary

BCI - Better Cotton Initiative

BSCI - Business Social Compliance Initiative

CEO - Chief Executive Officer

CO2e - Carbon dioxide equivalent

EPZ - Export Processing Zone in Bangladesh

ESG - Environmental, Social, Governance

EU - European Union

FEM - Facility Environmental Module

FSC - Forest Stewardship Council

GAIN - Global Alliance for Improved Nutrition

GOTS - Global Organic Textile Standard

GRS - Global Recycle Standard

GSV - Global Security Verification

LCMP - Low Carbon Manufacturing Program

M&S - Marks & Spencer

MRSL - Manufacturing Restricted Substances List

NGO - Non-governmental Organisation

OCS - Organic Content Standard

OSHA - Occupational Safety and Health Administration

PET - Polyethylene Terephthalate

PwC - PricewaterhouseCoopers

REACH - the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals

RCS - Recycled Claim Standard

SCAN - Supplier Compliance Audit Network

SLCP - Social & Labor Convergence Program

SMETA - Sedex Members Ethical Trade Audit

SY14 - Sustainability Year April 1, 2013 to March 31, 2014

SY17 - Sustainability Year April 1, 2016 to March 31, 2017

SY18 - Sustainability Year April 1, 2017 to March 31, 2018

SY19 - Sustainability Year April 1, 2018 to March 31, 2019

SY20 - Sustainability Year April 1, 2019 to March 31, 2020

SY21 - Sustainability Year April 1, 2020 to March 31, 2021

SY25 - Sustainability Year April 1, 2024 to March 31, 2025

TRIR - Total Recordable Incident Rate (OSHA standard)

UN - United Nations

UNFCCC - United Nations Framework Convention on Climate Change

vFEM - Verified Facility Environmental Module

WWF - World Wide Fund for nature

Year 2017 - Calendar year Jan 1, 2017 to Dec 31, 2017

Year 2018 - Calendar year Jan 1, 2018 to Dec 31, 2018

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

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

