

HRT : TEXTILES

Sustainability Report 2020

Who are we?

HRT TEXTILES is a production partner for ambitious fashion brands. We help brands produce better and more sustainable garments without compromising design, functionality, and quality. Brands buy their products from us, selecting from different solutions in terms of fibers, design, print, packaging, etc. Our primary line of production is knitted jersey garments, and we make products for humans of all ages and genders. All our products are produced at our own factories, where we can make sure that everything lives up to our high standards.

At HRT TEXTILES, we are committed to honesty, responsibility, and transparency. Our mission is to protect our customers' brands and to ensure trust from consumers. We believe the best way to do so is by offering stellar products of high quality, with a sustainable footprint and responsible production.

HRT TEXTILES are committed to contributing to the objectives of the two UN Sustainable Development Goal, number 8, Promoting Decent Work and Economic Growth and number 12, Responsible Consumption and Production. As we are part of a troubled industry both in terms of working conditions and high levels of pollution, we believe these goals to be the ones for which we hold the biggest leverage.

Our sustainability efforts can be segmented into three levels: *compliance*, *products*, and *initiatives*.

The first level, *compliance*, serves as the foundation for our overall efforts. This level includes all the things that need to be in order to adhere to legislations and regulations and for us to be able to develop our additional efforts.

Products is all things surrounding our products. This includes the fibers they are made up of, the certifications they, and we, hold, as well as the packaging within they are wrapped and shipped.

Lastly, *initiatives* encompasses the additional initiatives we are taking to working committedly to our selected Sustainable Development Goals. That includes collaborating on charitable projects, choice of energy sources and waste reduction.

This report serves to give an outline of our sustainability efforts on the three levels.



Compliance

HRT TEXTILES support the Sustainable Development Goal no. 8. We believe it is of the utmost importance that everyone is treated with respect and that their hard work is acknowledged.

Most of our products are sewn in our own factories, located in Western Ukraine. The factories are BSCI and FAIRWEAR (FWF) audited by individual third parties.

In addition, we also have a few select subcontractors sewing some of our products. These partnerships are close and we have worked with our subcontractors for 5-10 years, depending on the respective subcontractor. BSCI is aware of this.

Using our own factories and subcontractors with close partnerships ensure that our products are produced under fair and safe conditions.

Caring for our workers

We are so fortunate to have around 300 skilled employees, of which the largest majority is located in our two factories in Ukraine.

The smallest set up is in our factory in Ivano Frankivsk, where around 60 employees sew and package our products.

In L'viv we employ around 220 people. All employees at the L'viv factory are offered free English tutoring and education. Employees receive salary when participating in the education. Employees at the L'viv factory are also free to visit the doctor permanently stationed at the factory free of charge. Said doctor is also a trained masseuse, something which many employee benefit from.

Once a week our seamstresses are free to stay at the factory after work and use the factory's equipment to make clothes for their families. They can purchase leftover fabrics for a small symbolic amount, while thread, zippers, buttons etc. are provided free of charge.

HRT TEXTILES have their own bus routes, transporting the employees to and from work, free of charge for the employees. More than 130 employees use this offer on a daily basis.

Member of amfori BSCI

Business Social Compliance Initiative (amfori BSCI) works to improve working conditions in the supply chain. HRT TEXTILES became a member of BSCI in 2008, pledging to observe a Code of Conduct consisting of 11 principles for ethical and socially responsible production, including healthy and safe working conditions in our factories.

The 11 principles are:

- The Rights of Freedom of Association and Collective Bargaining
- Fair Remuneration
- Occupational Health and Safety
- Special Protection for Young Workers
- No Bonded Labour

- Ethical Business Behaviour
- No Discrimination
- Decent Working Hours
- No Child Labour
- No Precarious Employment
- Protection of the Environment

Audited by FWF

Fair Wear Foundation is a non-profit organization working to improve labor conditions in the garment and textile industry. HRT TEXTILES has been audited by FWF since 2018, ensuring that our production takes place under proper, safe and fair conditions.

If any issues are discovered during an audit, we do our best to work with factory staff to remediate the issues. This includes training and developing an action plan to avoid recurring issues in the future. This way, we also ensure that our staff and factory keep developing in a positive direction and gain more knowledge and tools.

Close partnerships

At HRT TEXTILES we value close partnerships with our suppliers. Therefore, we only source from a small group of selected suppliers. Working closely with our small group of suppliers, we know that their procedures and conditions live up to our high standards, and that they share our sustainable ambitions.

We have a Code of Conduct and strict chemical restrictions to ensure that we can maintain our certifications. Our Code of Conduct includes policies on human rights and labor rights, health and safety, environmental protection, chemicals, anti-corruption, and animal welfare. These policies are signed by all of our suppliers. All new suppliers must sign these policies before starting a partnership with HRT TEXTILES.

It goes without saying that HRT TEXTILES is REACH compliant, but our ambitions go far beyond Danish and EU legislations. Read more about our OEKO-TEX 100 and GOTS-certification under *products*.

Products

Besides meeting fundamental legislature and regulations, we also actively support the UN Sustainable Development Goal 12 “Responsible Consumption and Production”. As a production partner with many customers, we believe it to be a natural responsibility that our production is carried out in a responsible and sustainable way. This way, we also help our customers be part of the change and work towards reaching the SDG’s objectives.

One way of contributing to responsible production is by ensuring that the products we produce live up to high standards. In the production of our product, we are very focused on a responsible use of chemicals that do not harm the environment, the people producing it, or the consumers who wear

it. Our certifications are our customers' and their consumers' guarantee of that high standard. Read more about our certifications below.

Certifications

OEKO-TEX Standard 100

As a minimum, all our fabrics meets the requirements of OEKO-TEX Standard 100. OEKO-TEX, a voluntary labelling system operated by the international OEKO-TEX Association, is one of the world's leading ecolabels for textiles. A product bearing the OEKO-TEX ecolabel is certified to be free of troublesome and hazardous substances.

The standard goes far beyond the requirements of Danish legislation and the EU's REACH regulations, making it a good tool for ensuring compliance with legal regulations on harmful chemicals in products. Testing and inspection are conducted by approved OEKO-TEX institutes to guarantee credibility and reduce the risk of error.

GOTS

Global Organic Textile Standard (GOTS) is recognized as the world's leading processing standard for textiles made of organic fibers. GOTS certification requires both environmental and social responsibility. A product bearing the GOTS label must contain at least 95% certified organic fibers. GOTS also guarantees that chemicals used in production meet strict toxicity requirements, as it prohibits the use of chemicals known to be toxic, carcinogenic, endocrine-disrupting or polluting. GOTS also defines standards for the processing of wastewater, employee working hours, the right to organize and join unions, and workplace safety.

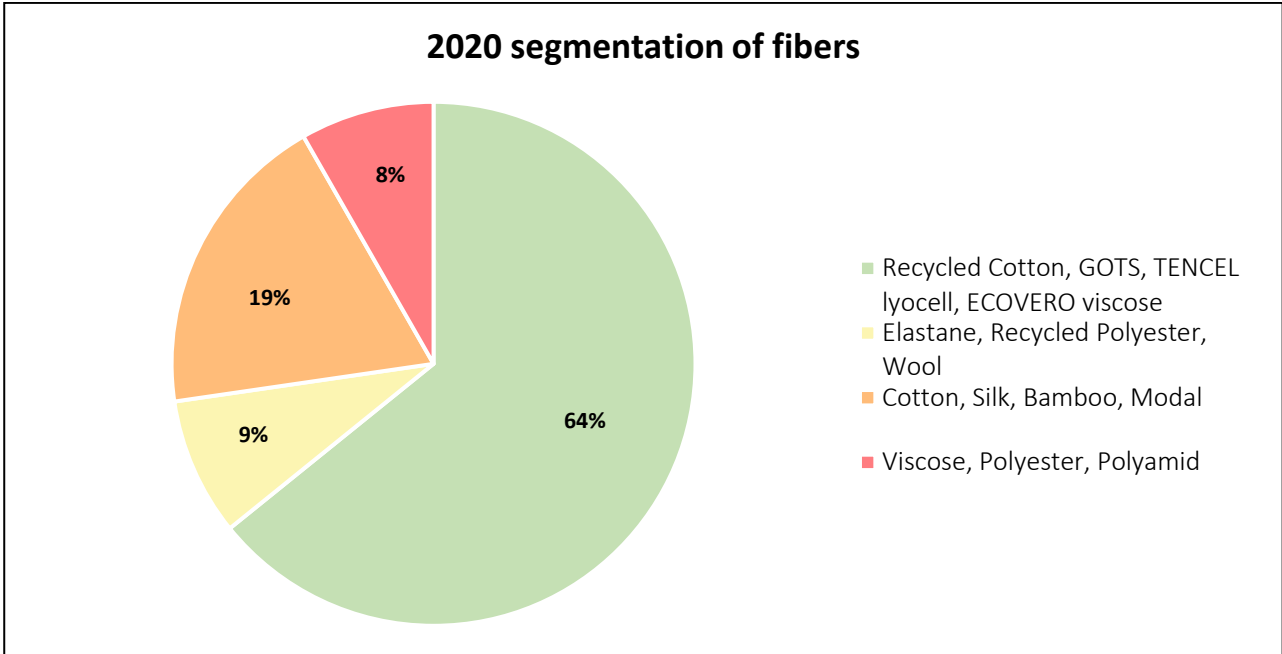
The GOTS quality assurance system involves on-site inspection and certification of both farmers and manufacturers. To ensure high integrity, the inspections are always conducted by independent and accredited bodies.

Fibers

A big part of responsible production is the fibers that goes into the products. Some are inherently more sustainable than others, given their source, treatment and impact on the environment.

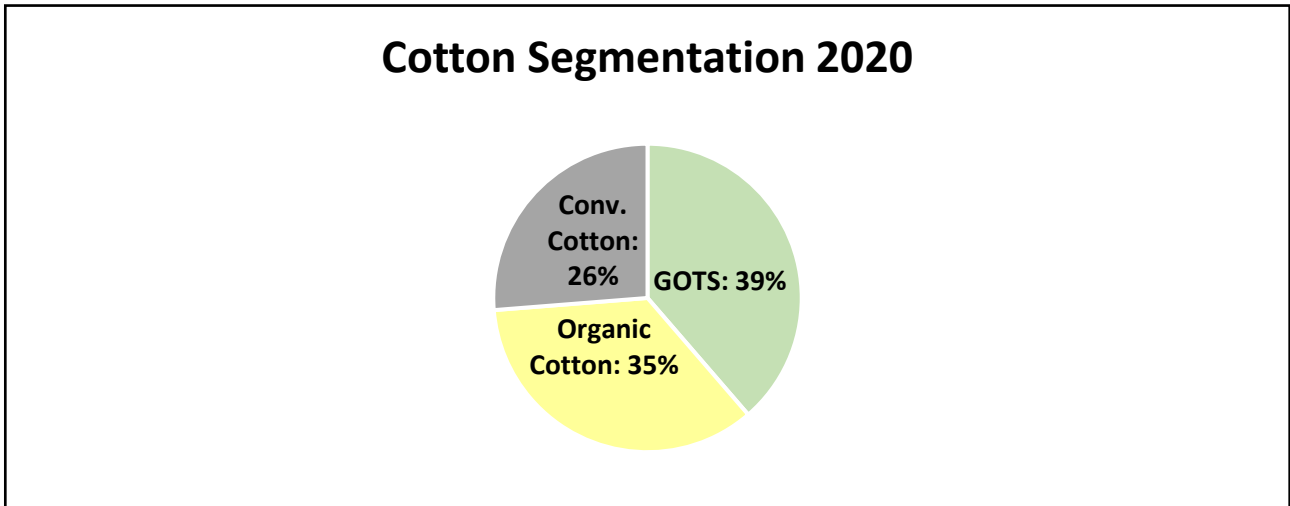
Therefore, we offer a wide selection of fibers, including more sustainable alternatives.

Our biggest postings are without a doubt organic cotton, conventional cotton and wool.



A few words on cotton

Whether conventional or organic cotton, we only use quality fibers that are grown under responsible conditions. As a minimum requirement, all cotton used at our factories is OEKO-TEX Standard 100-certified as a guarantee against hazardous chemicals. The diagram below shows the segmentation of our cotton fibers in 2020. In 2020, 39% of all cotton was sold to customers who are GOTS certified. Their products containing these fibers could therefore be marketed as GOTS certified. In addition 35% of all cotton sold was sold as organic cotton, as the customers themselves were not yet certified. 26% of all cotton sold was conventional cotton.



A few words on Merino wool

We love merino wool and have been working with it for decades. Using high-quality, responsibly produced materials is essential to us. We do not accept mulesing and can guarantee that our yarn

suppliers only use wool that is documented as 100% mulesing-free. We require all partners working with animals to respect the World Organization for Animal Health's "Five Freedoms" animal welfare policy.

Packaging

A responsible product is not just sustainable in its own form. It is important to factor in the materials used when handling and protecting the product through shipment and storage. Packaging is an area we all know to generate a large amount of waste. Therefore, it is important to HRT TEXTILES that all our customers are offered sustainable packaging solutions for their products.

We offer a standard solution with plastic packaging made of 100% reusable material from sugarcanes, a byproduct from sugar production, and paper and cardboard materials made from FSC certified paper.

Customers are free to choose any packaging solution they want. Still, we are happy to report, that all customers choose sustainable options, even when they do not pick our standard solution.

Initiatives

As we commit to SDG no. 12, we commit to working proactively for responsible consumption and production. At the same time, HRT TEXTILES are dedicated to contribute positively to the world around us – not only in our local communities, but also in more distant regions. Luckily, we can combine these passions by supporting the work of charitable organizations and collaborating with innovative initiatives.

Supporting poor families and schools in Mali and children in Ukrainian orphanages

Sometimes garments may have small errors or flaws that prohibits them from being sold as grade A goods by our customers. Through our cooperation with the NGO, Mission Afrika, we ship the clothing to Mali, where Dooni-Dooni, a local NGO, resells the clothes in small shops. The project raises revenue for development activities in a financially, socially, and environmentally sustainable manner.

Mission Afrika and Dooni-Dooni ensure that all proceeds go to development projects in Mali, where nearly 50% of the population lives in poverty. These projects primarily involve education for children and young people and village development projects focusing on women.

In addition, once a year parts of our leftover products, who aren't shipped to Mali are donated to local orphanages in the areas surrounding our factories. This way, we also get to contribute to the local communities our factories and their workers are part of.

From waste to mattresses

We always aim to use our materials effectively and believe this to be key in terms of responsible production. Equipped with modern software and hardware we are able to optimize our use of textiles. However, layout and cutting produces waste that is unfit for production. We pass on these

waste fabrics to a local mattress manufacturer that reuses them as mattress filling by shredding the textile waste into fibers.

Transparency

At HRT TEXTILES we take pride in our transparency. By having our own factories, we are able to take responsibility for everything going on in the production phase. In addition, we collect information further out in our value chain, through auditing of our suppliers. This is done automatically through the processes involved with getting GOTS and OEKO-TEX certified. We are always looking to learn more about the partners of our value chain and we constantly seek out new information that can not only increase our transparency but also teach us more about where we can do better.

Energy

Unfortunately, there isn't access to 100% renewable energy in Ukraine, where our factories are located. Therefore, we have decided to invest in a photovoltaic system which will be installed in the third quarter of 2021 at our factory located in L'viv, which is scheduled to cover part of our energy consumption.

All heat coming from the drying ovens in our print department and all heat developed from our automatic cutter is cleansed, recirculated and reused to cut heating costs and saving energy.

The future

HRT TEXTILES is committed to keep improving and doing better. To do so, we need to work strategically towards more sustainable practices. Therefore, we have allocated a set amount of resources specifically for working with CSR. These are to be used for assistance and consultancy from outside experts.

This report will be updated on an annual basis.

We welcome any feedback on the report's content to csr@hrt.dk