

A close-up portrait of a woman with wavy, light brown hair and blue eyes. She is holding a branch of cotton plants with several fluffy white cotton bolls. The background is a plain, light color. The entire image is framed by a bright yellow border.

*SUSTAINABILITY*  
*REPORT*  
**TAKKO 2022/2023**

**TAKKO**  
FASHION

# FOREWORD



Dear readers and friends of Takko Fashion,

Purchasing sustainably and responsibly produced fashion should not be a question of price. We at Takko Fashion firmly believe that everybody can participate in a modern fashion lifestyle, which means that everybody should be able to afford current, quality styles that were produced responsibly. That's our mission! And our world revolves around feelgood fashion: We want our customers to feel good when they wear our clothing, not only because the look and the comfort meet our high quality standards, but also because our clothing was produced responsibly as we are committed to good working conditions and sustainable production processes.

We believe that our commitment to sustainability and social responsibility throughout the supply chain is a long-term duty and a journey on which we can constantly improve and develop. Our path is leading us toward our vision: "We dress the world with respect for people and planet!"

One thing is for certain: We can't realize our vision alone. We all have to work together to make the fashion and textile industry more sustainable, which is why Takko Fashion works with various organizations like the Fair Wear Foundation, the German Partnership for Sustainable Textiles, and the Better Cotton Initiative, as well as many other partnerships and projects. We also rely on trust-based cooperation with our business partners who produce our articles and who have been with us for many years. This is how we strengthen

existing relationships and motivate our partners to continue investing in improving production processes and working conditions.

Feelgood fashion from reliable production that anyone can afford - is that even possible? We're convinced it is! Our quality discount principles support us in achieving our sustainability goals: Our efficient structures and processes, as well as our long-term order planning, make us a reliable partner for our suppliers. As a discounter, we always use resources and materials as efficiently as possible. We firmly believe that true progress is achieved through close partnerships, trust-based cooperation, and long-term measures.

Our mission - "We love to dress our customers with quality fashion for discount prices" - assists us in achieving our goals, and it is embodied by all of our 18,000 employees every day. Together, we are expanding our sustainability activities one step at a time because sustainability is a team effort!

We're aware that our vision is ambitious, but it's worth it. Sustainable fashion produced on the basis of social responsibility should be affordable for everyone. In our sustainability report, we share with you our activities to achieving this goal. Feelgood fashion, discount prices, and sustainability go well together - and we'll show you how!

**Your Executive Management Board at Takko Fashion**



  
Tjeerd Jegen  
Chief Executive Officer



  
Thomas Füllhaas  
Chief Operations Officer



  
Kurt Rosen  
Chief Financial Officer



  
Sebastian Weber  
Chief Product Officer

# ABOUT THIS REPORT

## Scope

This 2022/2023 Sustainability Report provides information on the social and environmental activities and their effects at Takko Fashion S.à r.l (hereinafter Takko Fashion) from the past financial year (February 1, 2022 - January 31, 2023).

## Reporting cycle

This report is the first sustainability report released by Takko Fashion. Takko Fashion will publish an annual sustainability report in the future.

## Reporting standard

We have used the German Sustainability Code (DNK) as a framework for this report.

## Report languages




The Takko Fashion Sustainability Report is available in German and English.

## Pronouns

This report may make use of the gender-neutral pronoun "they" when applicable and appropriate.

Copy deadline June 2023

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# ABOUT TAKKO FASHION

From baby clothes and children's fashion to women- and menswear, we accompany our customers through life with the latest fashion trends for the whole family. Our collections have everything that fashion lovers enjoy: trendy highlights, casual basics, sports wear and everyday clothing, plus-size fashion, and underwear and accessories.

## THE FABRIC OF SUCCESS

Since our first Takko Fashion store opened in 1982, we have grown to become one of the leading quality fashion discounters in Europe. Today, we provide our trend- and price-conscious customers with fashion at nearly 2,000 stores in 17 European countries, from Germany, Austria, and Switzerland to Belgium, the Netherlands, Italy, France, the Czech Republic, Slovakia, Hungary, Serbia, and Croatia. Customers in Poland, Romania, Lithuania, Estonia, and Slovenia can also enjoy our fashion. German and Austrian customers can make purchases through our online shop as well.



## TAKKO FASHION AT A GLANCE as of June 2023

COMPANY:  
**TAKKO  
GROUP**

FOUNDED IN  
**1982**

**17**  
COUNTRIES

NEARLY  
**2,000**  
STORES



**+1.2 BILLION**  
EUROS IN  
REVENUE (NET)



AROUND **18,000**  
EMPLOYEES



ONLINE SHOP:  
**TAKKO.DE** AND  
**TAKKO.AT**



MORE THAN  
**3 MILLION**  
TAKKO FRIENDS

**12** PRODUCTION COUNTRIES  
**464** AUDITS

OVER **260,000**  
**FOLLOWERS**  
ON INSTAGRAM



OVER **700,000**  
FACEBOOK FANS -



# OUR PROMISE

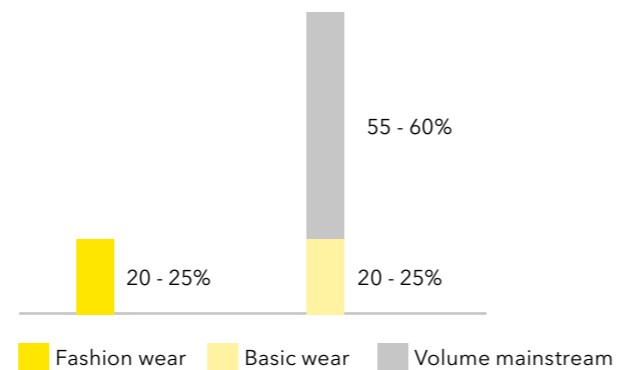
## QUALITY FASHION

In our assortment Basic Clothing and Volume Mainstream make up the largest share (75-80%). The articles in these product segments are always wearable garments that meet basic clothing needs of our customers. These include, for example basics such as tops, sweatshirts, hoodies and jeans with a lower fashion risk. In these product segments, we create reliability for our customers in terms of price, quality and availability of the clothing items. Here we offer variety through different colors and modern prints, while the fit, quality and availability remain constant. Our Basics assortments as well as Volume Mainstream with changing colors and prints are constantly available throughout the year.

20 to 25% of our product range is fashion wear. In this product segment, we offer trendy articles with a higher fashion content. Here, for example, our customers will find particularly fashionable cuts, materials and patterns. While we provide varied fashion inspiration through our Fashion Wear, we mainly specialize in reliable trends and basics to cover the basic clothing needs of our customers. For this reason, our collection number and change of items in our stores are less than those from many other fashion retailers. From our womens' wear label ever.me, as well as in the children's segment, we launch an average of one new collection per month in our stores and in our online shop. In our other labels, we launch fewer collections per year. In addition, depending on the season, there are smaller fashion capsules that reflect relevant trends or materials (e.g. muslin items).

We offer our customers timeless styles that they can still wear next season without going out of fashion. This also allows us to plan our collections for the long term and place orders with our suppliers early on. We place around 70%, i.e. the majority of our Basic and Mainstream ranges, with lead times of between eight and 13 months. In addition, we prefer to place orders with our suppliers in the "low season" - i.e. outside the times when the majority of orders in the textile industry are normally placed. The advantage of this is that our suppliers can

plan orders on a longer-term basis and take advantage of synergies in production. A year-round utilization of the production factories increases the occupational safety of the workers on site.



## OUR FASHION ASSORTMENT

### WOMEN

**ever.me** Basics Assortment

**pageone** Fashionable Trends

**flame** Body Wear and Night Wear

**maxiblu.** Plus-Size Fashion

### KIDS

**pageone young** Fashionable trends for girls between 8 and 15 years

**CHAPTER young** Streetwear looks for boys between 8 and 15 years

**dopo dolo girls** Assortment for girls between 2 and 8 years

**dopo dolo boys** Assortment for boys between 2 and 8 years

**dopo dolo baby** Clothing for babies between 6 and 24 months

**dopo dolo newborn** Clothing for newborns up to 6 months

### MEN


**JEAN PASCALE** Basics Assortment

**CHAPTER** Fashionable Trends



## DISCOUNT PRICES

Our clothing is available at a very good cost-benefit ratio, because responsibly produced feelgood fashion should be affordable for everyone. Our quality discounter principles allow us to offer our products at reasonable prices. These principles include among others:

-  long-term planning in acquisition for optimal workloads in production
-  efficient product design to minimize leftover materials and simplify production steps
-  early quality control
-  affordable sea transport
-  savings on product packaging
-  affordable store locations
-  abstention from intermediary trade
-  smart logistics
-  moderate marketing
-  omnichannel approach for smart interlinking of on-/offline sales



## FEELGOOD SHOPPING

Our customers shouldn't just feelgood when wearing our clothes, but also when shopping for our products in our stores or online. Feel-good shopping means making the shopping experience as convenient as possible for our customers, which includes easy accessibility of our stores, a comfortable atmosphere, friendly support, and availability of our styles in all sizes.

Our network of stores consists of nearly 2,000 locations in 17 European countries, and we're still growing! We opened 44 new stores with our new store design in the 2022/2023 business year. We're planning even more stores for the new business year, as well as refits in which we will give our existing stores a new, modern design. During this process, we will equip 560 more stores with energy-friendly LED lights in the 2023/2024 business year which save additional 9.5 GWh of power.



## OMNICHANNEL

With our omnichannel strategy, we link online and offline shopping. While our customers benefit from our Smart Service and on-site advice in our brick-and-mortar stores, they can shop our collections around the clock in our online store. Through our Takko Friends app and the option of Click & Collect, we network both sales channels. It looks like this:

36% of online orders were delivered to the store via "Click & Collect" in fiscal year 2022/2023 and could be picked up by the customer there.

- The advantage for our customers: The items can be tried on, paid for and, if necessary, exchanged directly on site.
- The advantage for our environment: for shipping online orders to the store, we can bundle shipments, save additional transport routes and minimize CO2 emissions.

We want to continuously expand the share of "Click & Collect" orders. That's why shipping online orders to the store is free, while shipping costs to the customer's home are 4.99 euros (up to an order value of 59 euros).

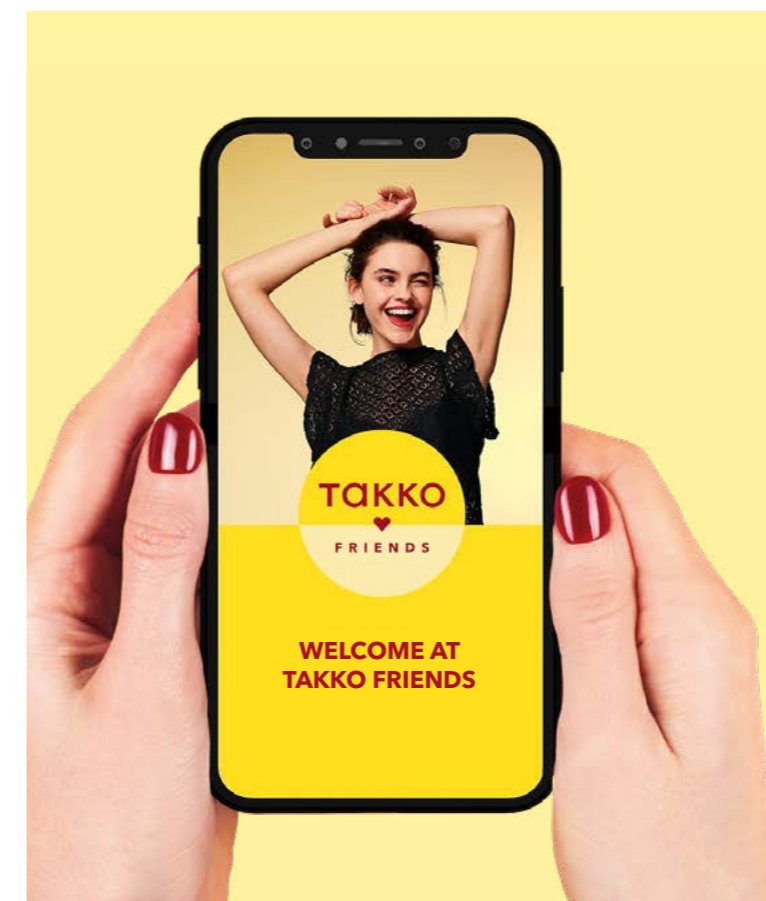
We also link our online and offline business when it comes to returns: our returns rate, based on the number of items ordered via our online store in fiscal 2022/2023, is 22%. This already puts us below the market average. In the future, we want to reduce our returns rate even further, for example by recording and processing the reasons for returns.

We process our returns ourselves, i.e. 100% of returns are returned to our company. While only 13% of returned items are sent back to our logistics center in Winsen, 87% are returned by our customers directly to our stores. We were able to increase this rate by more than 10% compared to the previous year and we intend to continue to do so in the future.

- The advantage for our customers: Returns in our stores are free of charge. Customers can also exchange an item for one of the same size or color on the spot.
- The benefit for our environment: Returns made in our stores are put back on sale directly in the store. This saves us transport and packaging materials for a new shipment.

## ARE YOU ALREADY A TAKKO FRIEND?

During the reporting period, we launched our Takko Friends app. The app allows you to redeem points collected during a purchase for coupons and individual vouchers. You can also use the app to decide whether to receive a digital receipt. In this way, we have already been able to save 5,100 paper rolls for receipts since using the app. We are delighted that 3.4 million customers are already using our Takko Friends app in Germany and Austria!



Easily scan the QR-code and download the app.

# OUR SUPPLY CHAIN

## TREND SEARCH

Our internal designers find inspiration for our Takko Fashion trends and styles in the world's fashion hubs.



## DESIGN

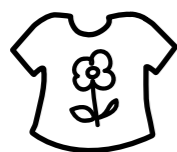
Current trends are reinterpreted by Product Management at our headquarters in Telgte, Germany, with consideration of our customers' desires and needs.



## SUPPLIER SELECTION AND NOMINATION

Once our designers in Product Management have created a design, it is forwarded to our Purchase department in Friedrichsdorf, Germany. This is where our staff place orders worldwide while ensuring product quality and an optimal cost-benefit ratio. In addition to quality and the cost-benefit ratio, working conditions in the production facilities play a critical role in the placing of orders. You can read more about our human rights due diligence and auditing processes starting at p. 30.

We exclusively purchase finished products. The raw materials and components of our goods are not sourced by Takko Fashion, but rather by the production facilities or our partners in the production countries. Depending on the product and style, our standard lead times - i.e., the time from order placement to shipping of the goods - take eight to thirteen months.



## INITIAL PATTERNS

Before our products are approved for production, our Purchase department receives sample units from the production facilities. Our Technical Quality Assurance department subjects these samples to product tests for quality, fit, and technical implementation of the designs.

## PRODUCTION

Our products are produced in the respective production countries, and this production is continuously monitored by our Quality Control staff. Through regular social audits, we aim to continuously improve working conditions.



## TRANSPORT

The finished products are sent via container ship to Hamburg, Germany, where they are forwarded to our neighboring distribution center (DC) in Winsen. The distribution center has its own quality assurance team in charge of new products. Here, the goods are inspected for quality aspects like size, color, and fit before being transported to our other distribution centers in Telgte, Germany and Senec, Slovakia. From all three DCs, our products are then distributed among our nearly 2,000 stores in 17 European countries. Goods ordered from our German online shop are sent from our distribution center in Winsen.



## OUR CUSTOMERS

Our customers can then shop for the latest Takko Fashion styles in our stores or on our online shop.



## RETOURE

We are proud to report that our online return rate is 22% (based on the number of items ordered online) which is below the German market average. Our goal is to return as many returned articles as possible back in store for sale to keep the reject rate as low as possible. Our internal guidelines therefore state that even articles with minor damage will be offered to our customers again at a discount. This enables us to keep the remaining stock low.



## RECYCLING

As we plan our products and store stocking in great detail during the design phase and when ordering from our suppliers, Takko Fashion has very low rates of residual products. Goods that we were unable to sell during a season are collected in our distribution center and return to our stores when the respective season begins again the following year. We also want to allow our customers to wear their Takko Fashion products as long as possible due to their reliable quality and timeless styles.

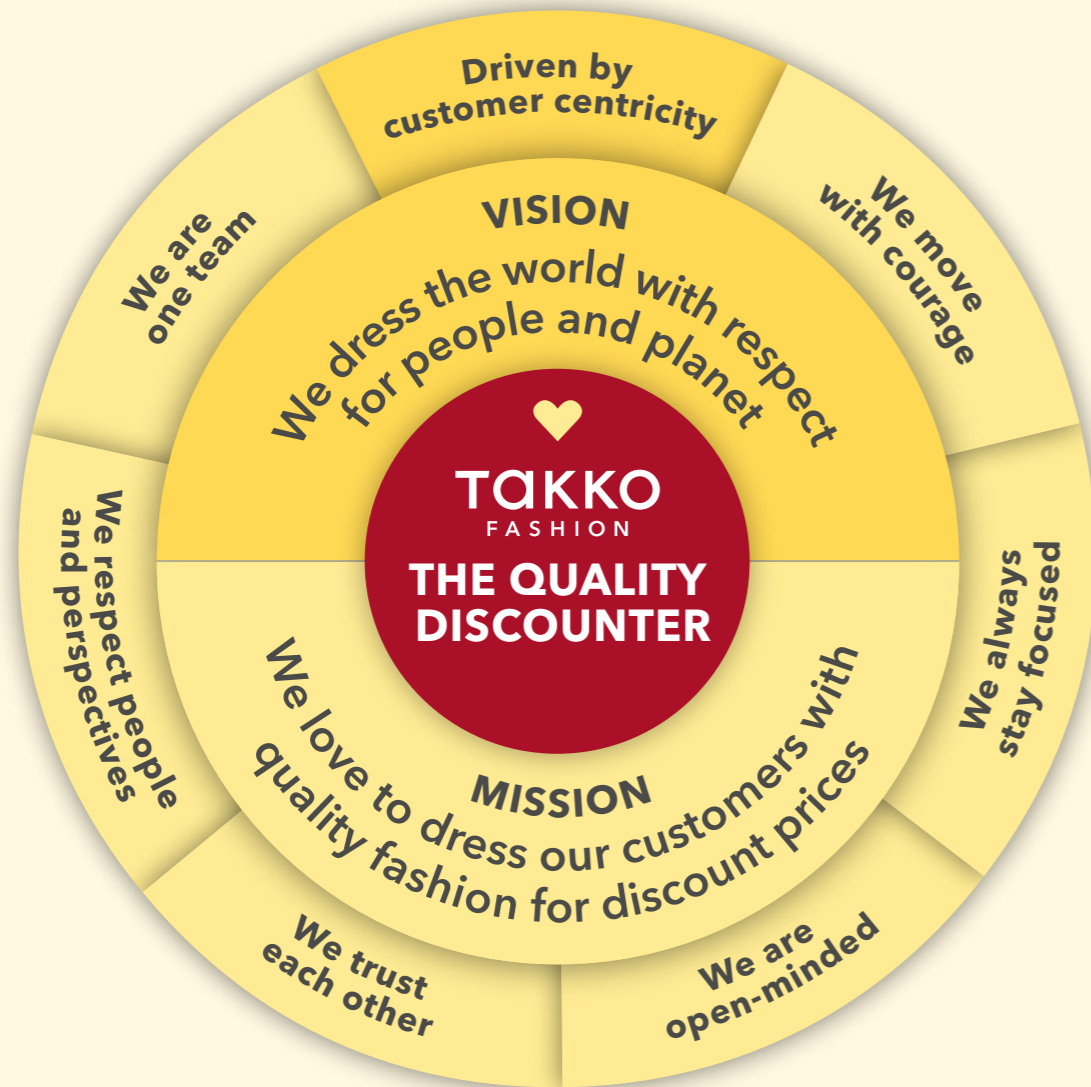


"The quality of our goods is very important to us. We closely monitor the production processes so that we can continuously improve them, supervising not only the quality of our products but also adherence to our environmental requirements. If we identify any deficiencies during the production process despite our high standards, our partners are asked to amend these immediately."

**Dörte Michalski, Head of Quality Control**

TOWARD FEELGOOD FASHION:

# OUR TAKKO COMPASS



Quality, affordable, responsibly produced fashion has always been in our DNA, and Takko Fashion has long aimed to make sustainable and fairly produced styles affordable for everyone. This past year, we put our DNA, mission, and culture in writing so that we can share them with our entire Takko team, custo-

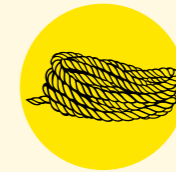
mers, and stakeholders. This resulted in the Takko Compass, which contains our corporate values and long-term goals, our vision. The Takko Compass is pointing us in the right direction: toward feelgood fashion everyone can afford.

The foundation of the Takko Compass is our mission: "We love to dress our customers with quality fashion for discount prices." This is our mission that drives us every day and that brings our entire Takko team together.

The outer circle of the Takko Compass contains our seven corporate values, which describe our team spirit at Takko Fashion:



We are driven by **CUSTOMER CENTRICITY**: Our customer is at the center of every decision we make.



Our **TRUST**-based cooperation is reflected in open and honest communication as well as mutual support.



We have the **COURAGE** to make changes and use mistakes as a learning opportunity.



We show **RESPECT** through equal opportunities and treatment, employee protection, and respectful use of resources in order to protect the environment.



We always stay **FOCUSED** on the important things, keep our processes lean, and conserve resources.



We achieve more together. Our values make us **ONE TEAM**.



We are **OPEN-MINDED** by sharing knowledge and experiences with each other, and being open to new things.

While our mission and our values guide our everyday actions and our collaboration, our vision is pointing us in the right long-term direction and guides our strategic decisions:

*"We dress the world with respect for people and planet."*

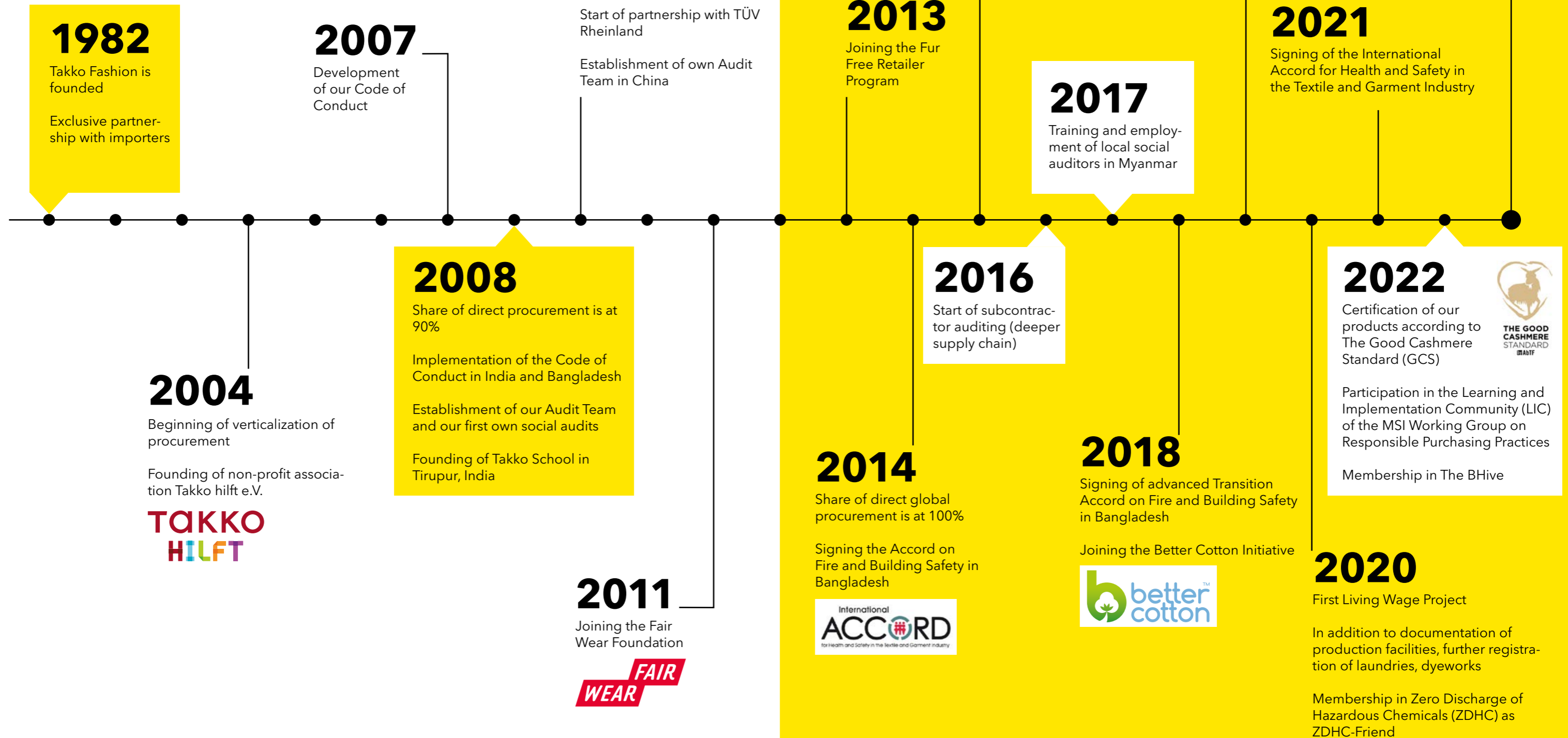
Our vision pushes us forward: We want to respect the people in the supply chain, as well as our planet's resources. Clothing that's produced sustainably and in the interest of social responsibility should be a matter of course - feelgood fashion for all!

Our strategic priorities are derived from our vision and should help achieve our vision in the long term. In particular, our CSR and sustainability efforts play an important role here. This is why we developed our strategic top priority, "Sustainability in Everything We Do." This top priority includes our sustainability strategy that contains all our sustainability and CSR activities.



# OUR MILESTONES

We have long been committed to socially responsible working conditions in the fashion industry, and we want to continue expanding our commitment in this regard. In line with our vision, "We dress the world with respect for people and planet," we will in future pay even closer attention to environmental topics throughout the entire supply chain.



# OUR SUSTAINABILITY STRATEGY

## DRIVEN BY RESPONSIBILITY

Our Sustainability Strategy is anchored within our corporate strategy, specifically in the top priority „Sustainability in Everything We Do“. We deliberately selected this highly ambitious objective for our strategic top priority. Only then can we push forward with our sustainable transformation and achieve our overriding vision „We dress the world with respect for people and planet“ in the long term.

Our approach to sustainability is guided both by our vision as well as by the Sustainable Development Goals (SDGs) of the United Nations. The sustainability goals defined in the 2030 Agenda for Sustainable Development include fundamental improvements of living conditions of all humans and protection of the planet both now and in the future. As members of society, we hope to achieve the goals of the United Nations by contributing to the SDGs 4, 5, 6, 8, 12, 13, and 17 in particular. The icons of the individual SDGs can also be found in the relevant sections of this report.

## ACTING ON RESPONSIBILITY

In order to fulfill our environmental, social, and governance (ESG) responsibilities, we aim to anchor matters of sustainability in all organizations, departments, and levels of our company, as well as to efficiently and comprehensibly process these. For this purpose, we make use of the **ESG Framework**.

ESG has become an integral concept in sustainable assets and describes three sustainability-related areas of responsibility for companies: The „E“ stands for „environment“ and covers all environmental protection measures. The „S“ stands for „social“, pertaining to all social aspects, such as social engagement. Governance („G“) refers to sustainable corporate management. These include corporate values as well as management and control processes.



„We are using the ESG Framework to make all key elements of our Sustainability Strategy transparent for all our stakeholders. ESG thus becomes a key performance indicator and we establish a company-wide concept for our sustainability activities. The ESG Framework is continuously updated to reflect both regulatory developments and our own progress.“

**Dirk Stolz, Head of ESG**

We feel that our commitment to sustainability and social responsibility throughout the supply chain is a long-term task and journey toward our vision, during which we can continue to develop and improve.

Our ESG Framework provides us with a point of orientation and helps us structure our sustainability and CSR activities as well as coordinate them within our company. ESG also makes it possible for us to allocate our goals and the SDGs, and track the progress of our contribution.

As part of our Sustainability Strategy, we have allocated the SDGs that we especially support to the ESG Framework. This Sustainability Report is also structured based on the ESG areas. Under the respective areas you will find our measures and initiatives as well as our sustainability goals, which in turn also contribute to the SDGs.



For the implementation of our sustainability strategy, we make use of the ESG framework and are guided by the 17 Sustainable Development Goals of the United Nations.

## E - ENVIRONMENT

Takko Fashion believes that acting sustainably in order to protect the environment means considering the long-term and permanent effects of our corporate actions, and configuring our own business model such that resources are managed as efficiently and conservatively as possible. In this way, we hope to simultaneously reduce emissions throughout the supply chain.

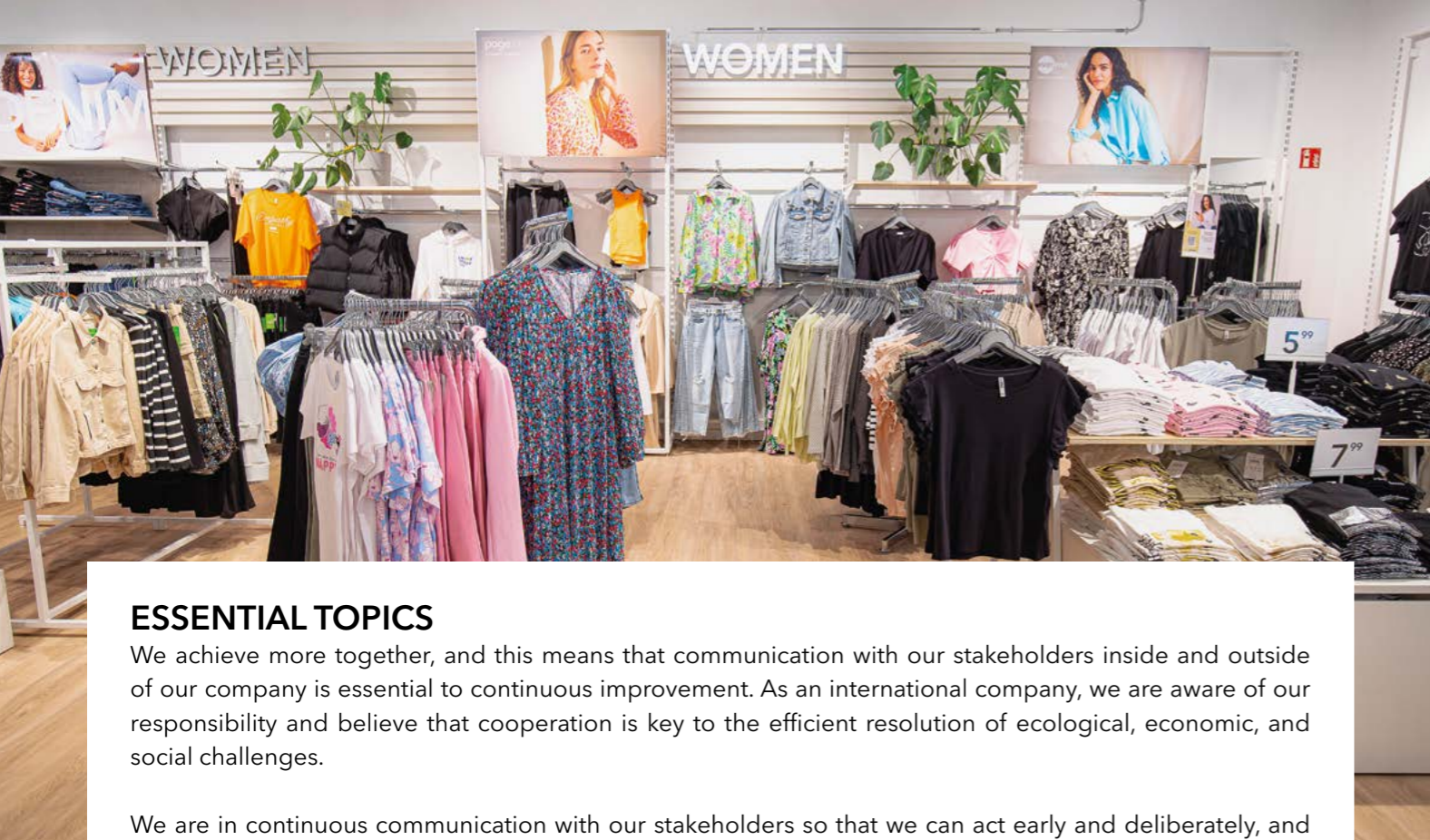
## S - SOCIAL

We define sustainable social conduct as a holistic approach that extends beyond the mere fulfillment of the usual legal obligations, and includes the more comprehensive needs of customers, employees, factory workers, business partners, and society as a whole.

## G - GOVERNANCE

With our sustainable corporate management, we ensure that we are able to meet our obligations on a long-term economic basis. In so doing, we harmonize the overriding ecological, economic, and social interests of all stakeholders.

The use of established standards such as the SDGs makes corporate responsibility more comprehensible and comparable. For example, this report uses the framework of the German Sustainability Code (DNK), is aligned with the United Nations Sustainable Development Goals (SDGs), and makes use of the ESG Framework.



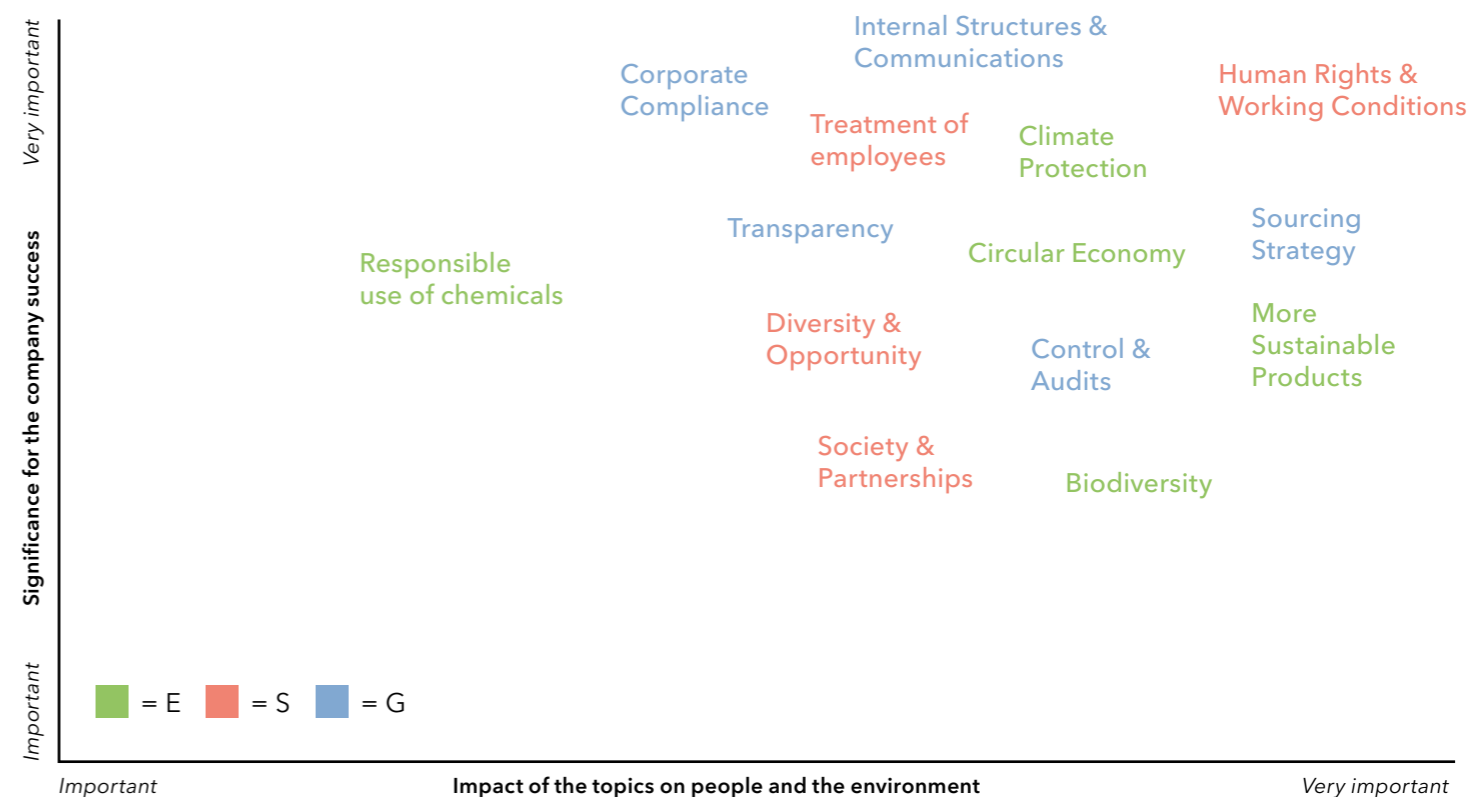
## ESSENTIAL TOPICS

We achieve more together, and this means that communication with our stakeholders inside and outside of our company is essential to continuous improvement. As an international company, we are aware of our responsibility and believe that cooperation is key to the efficient resolution of ecological, economic, and social challenges.

We are in continuous communication with our stakeholders so that we can act early and deliberately, and incorporate the results of surveys or our work with initiatives and partnerships into our strategic processes. In 2022, we conducted a survey to learn which sustainability topics are especially important to our stakeholders. Over 200 participants - supply chain and business partners, and employees from various departments - took part in the survey.



The survey asked participants to evaluate various sustainability aspects and topics according to their importance to our business (outside-in), as well as the economic, ecological, and social effects thereof on the environment and society (inside-out).



The materiality analysis presents the central topics in the ESG Framework (environment, social, governance) that are of particular importance within our Sustainability Strategy. The materiality analysis depicts the results of the stakeholder survey and sustainability topics that are reflected in the Sustainable Development Goals, as well as in the requirements of the DNK and GRI standards.

These topics from the materiality analysis can also be found within this report.

### GOVERNANCE:

Internal Structures & Communications:	pp. 20-21
Transparency:	pp. 21-23
Corporate Compliance:	pp. 21-23
Sourcing Strategy:	pp. 26-27
Control & Audits:	pp. 28-33

### SOCIAL:

Human Rights & Working Conditions:	pp. 28-33, 38-41
Society & Partnerships:	pp. 34-45
Treatment of employees:	pp. 46-51
Diversity & Opportunity:	

*We employ various measures in our supply chain to foster diversity and equal opportunities, e.g. through the Worker Education Program of the Fair Wear Foundation, our Code of Conduct, and our compliance directives. We want to focus further on diversity & equal opportunities in the 2023/2024 business year and will report on these topics in the next Sustainability Report.*

### ENVIRONMENT:

More Sustainable Products:	pp. 54-57
Responsible use of chemicals:	pp. 58-59
Circular Economy:	p. 60
Biodiversity:	p. 61
Climate Protection:	pp. 62-65

# GOVERNANCE



**Takko offices**  
Takko offices in China, Bangladesh, India, Myanmar



**Strong partnerships**  
We consolidate strengths and expertise by cooperating with external organizations, initiatives, partner companies, and our own scientific advisory board



**Code of Conduct**  
We implemented our Code of Conducts for Suppliers and Business Partners starting 2007. It is regularly evaluated and updated



**Sourcing strategy**  
New production facilities are only included in our supplier pool after a thorough human rights due diligence inspection



**Risk management**  
We document company-wide risks in an annual risk analysis and derive the appropriate measures from this analysis



**464 social audits in the 2022/2023 business year**



**28 CSR employees worldwide**



# SUSTAINABLE CORPORATE MANAGEMENT

## SUSTAINABILITY IS A TEAM EFFORT

Our Takko Compass gives us guidance to ensure responsible corporate management across the board. In line with our vision, sustainability topics are of particular importance in our company. For this reason, the ESG department reports directly to our Executive Management Board. This allows important decisions pertaining to our Sustainability Strategy to be made independently of the individual departments. The Head of ESG works closely and interdepartmentally with CSR (Corporate Social Responsibility), Quality Control, and Compliance, who are responsible for various aspects of the ESG Framework. All topics and projects are bundled by the Head of ESG, who works together with the departments and executive management on the Sustainability Strategy.

In order to be able to ensure the closest possible communication with our suppliers and production facilities, the colleagues in our CSR team are located at our sourcing site in Friedrichsdorf as well as in our Takko offices in the production countries themselves. Takko Fashion employs a total of 28 CSR staff in Friedrichsdorf and at the Takko Offices in China, Bangladesh, India, and

Myanmar, who work exclusively with improving working conditions in the production countries. Our Quality Control team is responsible for quality assurance, and consists of staff from our location in Friedrichsdorf, our logistics center in Winsen, our headquarters in Telgte, and our Takko offices. This lets us monitor adherence to our quality standards throughout the entire production process. Our Compliance division is a part of our Legal department, and also reports directly to the executive management.

## SMART COOPERATION & DIGITAL PROCESSES

In order to efficiently coordinate and track our sustainability activities interdepartmentally and internationally, we have been using the WeShyft software since the new business year began. This lets us digitally integrate department staff in workflows and delegate tasks in accordance with our Sustainability Strategy and our objectives. We will also use WeShyft as a comprehensive data platform for all ESG data as well as to analyze and optimize our Sustainability Strategy and our goals.

### EXECUTIVE MANAGEMENT BOARD



### TAKKO FASHION DEPARTMENTS

„Sustainability in Everything We Do“: The Sustainability Strategy is developed in our ESG department in close cooperation with executive management, and applies to all departments and divisions in the company. The ESG team coordinates the various measures from the departments and evaluates the objectives. Through close cooperation and regular communication, the measures and goals are continuously evaluated and updated if necessary.

## CLEAR STRUCTURES FOR MORE TRANSPARENCY IN THE SUPPLY CHAIN

In our sourcing process, we rely on a clearly defined organizational structure and standardized processes. We want to continuously improve the transparency of our supply chain and working conditions in the production countries. Our CSR team in Friedrichsdorf is responsible for this, with support from our social audit specialists and CSR employees at our Takko offices in China, Bangladesh, India, and Myanmar, as well as from the Fair Wear Foundation.

## EXTERNAL EXPERTISE FOR SUSTAINABLE PROGRESS

Our scientific advisory board - consisting of members of our Purchasing, Quality, and Legal departments, as well as external chemists, toxicologists, and textile and clothing technicians - convenes biannually. The expert committee aims for the early implementation of upcoming changes to legislation (REACH, Green Deal, Supply Chain Due Diligence Act, digital product passport), improvement of chemical management in the supply chain, continuous reduction of our ecological footprint, evaluation of various recycling management measures, and discussion of other important sustainability matters.

# CORPORATE COMPLIANCE



As an international company, Takko Fashion is obliged to act responsibly and lawfully. We are actively committed to compliance with legal and ethical standards of conduct as well as human and environmental rights along the entire supply chain. The compliance measures listed here are of decisive importance to Takko Fashion for a trusting, honest and long-term cooperation within and outside the company. Accordingly, Takko Fashion always informs all employees about the guidelines and principles that apply within the company. After all, we

also expect our employees and all persons acting on our behalf to comply with legal and ethical standards and norms.

We have implemented a compliance management system (CMS) and a risk management system (RMS). Risk analysis is of key importance for both systems. As soon as risks are identified, measures are identified and implemented. Overall, the systems help maintain our financial stability, reputation and competitiveness.

## OUR COMPLIANCE-MANAGEMENT-SYSTEM

The Executive Board is expressly and unreservedly committed to compliance with the law, international standards and internal rules of conduct, as well as to a zero-tolerance policy.

Takko Fashion understands "compliance" to be adherence to laws, international regulations, ethical standards as well as the fulfillment of contractual obligations. Integral components of our CMS include the following compliance measures:

- Measures to prevent corruption
- Measures to ensure compliance with human rights and environmental due diligence obligations along the supply chains
- Case management measures
- Policy management, such as compliance policy, anti-corruption policy, IT policy, data protection policy
- Business partner audits
- Approval regulations, e.g. through approval guideline, verification of signatures
- Code of conduct for employees, business partners and suppliers
- Comprehensive complaints and whistleblowing system, also online
- Appointment of a human rights representative



Our customers, employees, business partners and suppliers can find our Declaration of Principles on Respect for Human and Environmental Rights and other important codes on our website.

## CODE OF CONDUCT FOR SUPPLIERS AND CODE OF CONDUCT FOR OTHER BUSINESS PARTNERS

With the help of these two codes of conduct, we commit our suppliers and business partners to fairness, honesty and responsibility in all aspects of their business activities and to comply with our requirements for the protection of workers in the production countries. The codes of conduct for suppliers and business partners are based on the international conventions and standards mentioned below as well as internal company guidelines. We therefore commit ourselves and our suppliers and other business partners to compliance with the following regulations in particular:

- Universal Declaration of Human Rights of the United Nations (UDHR)
- Core conventions of the International Labour Organization (ILO)
- United Nations Convention on the Rights of the Child (UN-CRC)
- United Nations Convention on the Elimination of Discrimination against Women (UN-CEDAW)
- Guidelines of the Organisation for Economic Cooperation and Development (OECD)
- Minamata Convention
- Convention on Persistent Organic Pollutants

The Code of Conduct for Suppliers and the Code of Conduct for Other Business Partners apply to all types of cooperation.



## RISK ANALYSIS ALONG THE SUPPLY CHAIN

Takko Fashion is an international company with international supply chains. We are aware of our responsibility and actively promote compliance with standards of conduct as well as human and environmental rights along our entire supply chain.

We use our risk management system to meet national and international requirements and identify potential risks along the supply chains at an early stage. Our risk analysis has a structured and systematic process for risk identification and assessment. The analysis enables us to identify and assess risks at an early stage and implement measures to minimize them.

We carry out event-related and regular risk analyses, with a particular focus on the supply chain. If we identify significant risks, particularly for human or environmental rights, we initiate immediate remedial action.

At regular intervals, we review whether the measures taken are appropriate for the risks identified or whether they need to be expanded.



„We last conducted an extensive risk analysis in the fiscal year 2022/2023 for purposes of implementing the Supply Chain Due Diligence Act. As Takko Fashion has been conducting risk analyses for years, we are well prepared for the requirements of this new law. For our risk analysis, we assess every department in Takko Fashion as well as our supply chain. As a result of our membership in the Partnership for Sustainable Textiles, we were already audited by an external, independent organization in 2021 with regard to our risk analysis, with a focus on the supply chain. The audit was successfully completed in the course of the review process of the Partnership.“  
**Dr. Dino Sikora, Head of Legal & Compliance**

# FOR FAIR WORKING CONDITIONS



## OUR SOURCING STRATEGY

Our sourcing strategy goes hand in hand with our obligation to comply with human rights. Transparency is key in order to achieve our goal of improving working conditions in the factories, and we believe it's important to know exactly where our goods are produced.

Our sourcing strategy is designed for the long-term placement of orders. Around 70% of our articles are placed on a long-term basis, i.e. with lead times of between eight to thirteen months. 25% of our articles are placed with a lead time of five to seven months, while only 5% of our articles are produced in the short-term (two to four months). We prefer to place our orders in the "low season" - i.e. outside the times when the majority of orders in the textile industry are placed. This way suppliers can plan and coordinate their orders over the long term, thus utilizing procurement and secure jobs.

In the 2022/2023 business year, we worked with 304 sewing factories\* for the production of our products. In our cooperation with our suppliers, we rely on long-term, transparent relationships based on partnership. As a matter of principle, we aim to allocate our orders among our fixed set of suppliers. In this way, we strengthen existing relationships and motivate our suppliers to invest further in improving working conditions. Thus, 70% of our entire order volume was made in about 24% of the factories. 73% of our production volume came from factories that we have been working with for over five years.

\*Jewelry suppliers are not included, nor are additional purchases such as Carnival products or stocked goods. The number includes all production facilities with sewing tasks.

## NUMBER OF PRODUCTION FACILITIES PER COUNTRY:

COUNTRY	NUMBER OF PRODUCTION FACILITIES
China	137
Bangladesh	75
India	31
Pakistan	24
Türkiye	16
Myanmar	12
Poland	2
Portugal	2
Cambodia	2
Italy	1
Madagascar	1
Morocco	1
Total	304

Should it be necessary to permanently terminate a business relationship with one of our suppliers or production facilities, we are always aware of our responsibility toward the company and its employees. Withdrawal from the factory or suspension of production by Takko Fashion always occurs in close coordination with the supplier and with reasonable advance notice, and depends on the factory's workload of Takko Fashion orders. Order quantities at the respective factories are gradually reduced so that the factory has enough time to attract other customers and ensure that production can continue.

In order to even better incorporate aspects of human rights due diligence into our purchasing strategy, we joined the Learning and Implementation Community (LIC) in 2022, which is organized by the MSI Task Force for Responsible Purchasing Practices and which utilizes the Common Framework for Responsible Purchasing Practices.



# HUMAN RIGHTS DUE DILIGENCE

We rely on longstanding, trust-based partnerships with our suppliers. New factories are only added to our supplier pool when we expand our range of products (such as sportswear) or require more production facilities for strategic purposes (such as a high volume of a certain product).

To comply with the human rights due diligence, we conduct respective inspections and audits with each new supplier and factory before placing orders. This process ensures that all the requirements for trust-based, long-term cooperation have been met. Only once a potential partner has been thoroughly inspected and has passed every step of the process a new factory can be included in a supplier's pool. The final decision-making authority in this process is always the CSR department.

Our Takko Fashion Code of Conduct is at the core of each new addition and eventual cooperation. We last updated

our Code of Conduct in January 2023, and added more details in order to support our business partners.

As part of the Human Rights Due Diligence process, Takko Fashion reviews new facilities and requires each supplier, factory and subcontractor to accept the new facility documents with their requirements such as the Code of Conduct, of which the Fair Wear Code of Labor Practice (CoLP) is an integral part, Standard Operating Procedures, MRSL (Elimination of Hazardous Chemicals), etc. before an order can be placed. Existing audit reports are also examined, and risks are identified and considered when accepting a new factory. Failure to provide information about factories and suppliers will be considered a violation of Takko Fashion standards and will result in no new business relationship.



“We are continuing to make our supply chain more transparent, and use systematic order documentation to register the direct production facilities as well as all linked laundries, dyeworks, and printworks in our product life cycle system (PLM).”  
**Kerstin Recktenwald, Head of Corporate Social Responsibility (CSR)**

We have also begun conducting audits of our suppliers for wet processes in Bangladesh. Inspections of environmental standards are conducted parallel to the social compliance audits. Our inspections - supported by our quality control teams - focus on issues like handling of chemicals, use of personal protective equipment, and wastewater management, to name a few examples. We will be continuing this project in the new business year so that we can continuously perform more audits of more suppliers along the supply chain.

## AUDIT PROCESS

Trust is good, control is our guiding principle: Regular audits in the production facilities where Takko Fashion products are made reflect this standard. This lets us ensure that social working conditions are constantly being improved, our Code of Conduct and legal requirements for occupational safety are adhered to, and employees can enjoy a safe working environment.

In China, Myanmar, Cambodia, India, and Bangladesh, audits are conducted by our teams from the respective overseas offices. Our teams are specially trained and the social audits are conducted in accordance with the Fair Wear Foundation's Code of Labour Practices. In addition to our social auditors in our Takko offices on site, we work closely with TÜV Nord to fully cover the audits in Pakistan. There, audits are conducted through TÜV Nord in accordance with the Fair Wear Code of Labour Practices and the Accord directives. We also recognize audits by

renowned auditing firms like BSCI and SEDEX. Factories in Bangladesh are additionally inspected by the International Accord for Health and Safety in the Textile and Garment Industry with regards to building safety.

We use announced and unannounced audits (onsite and off-site) to precisely document the status quo of social conditions and track their development. Following the audits, our local audit teams and external specialists work with the factory management to devise measure plans. These corrective action plans (CAPs) define the necessary activities for improving social standards, thereby ensuring that our production partners take complaints seriously and can resolve issues within the allotted time.

All social audit reports of Takko Fashion as well as the respective CAPs are documented by the social auditors on a tablet, and they are automatically transmitted to the product life cycle management system (PLM). Our Procurement Compliance team is thus able to more quickly evaluate the factory's social audits and, in the event of any issues, organize improvement measures and training for staff at the respective production facility. Takko Fashion suppliers can also efficiently work on their outstanding measures via the system, with completed measures being marked as "done" and verified by photo evidence.



5 steps to adding a new factory





Fair Wear's Code of Labour Practices (Source: [www.fairwear.org/about-us/labour-standards/](http://www.fairwear.org/about-us/labour-standards/))

In our social audits, we check compliance with the Fair Wear Code of Labour Practices:

- **Employment is freely chosen:** There shall be no use of forced, including bonded or prison, labour. (ILO Conventions 29 and 105)
- **Freedom of association and the right to collective bargaining:** The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143)
- **No discrimination in employment:** Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).

- **No exploitation of child labour:** There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years." (ILO Convention 138) "There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals." (ILO Convention 182)
- **Payment of a living wage:** Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131) Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

- **Reasonable hours of work:** Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1)
- **Safe and healthy working conditions:** Es ist für ein A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is

provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

- **Legally binding employment relationship:** Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.



## AUDITS 2022/2023

Our audit process was partly affected by the effects of the coronavirus pandemic in the 2022/2023 business year, such as by China's Zero COVID policy. However, whenever possible, we attempted to ensure factory audits in accordance with comprehensive hygiene and safety requirements. We conducted 464 internal audits (incl. 8 pre-audits) in the 2022/2023 business year. Monitoring of our production facilities and the joint devising of measure plans for continuous improvement of working conditions are very important to us, and we want to continue expanding our number of audits.

COUNTRIES	AUDITS
Bangladesh	304
China	122
India	26
Myanmar	11
Pakistan	1
Total	464

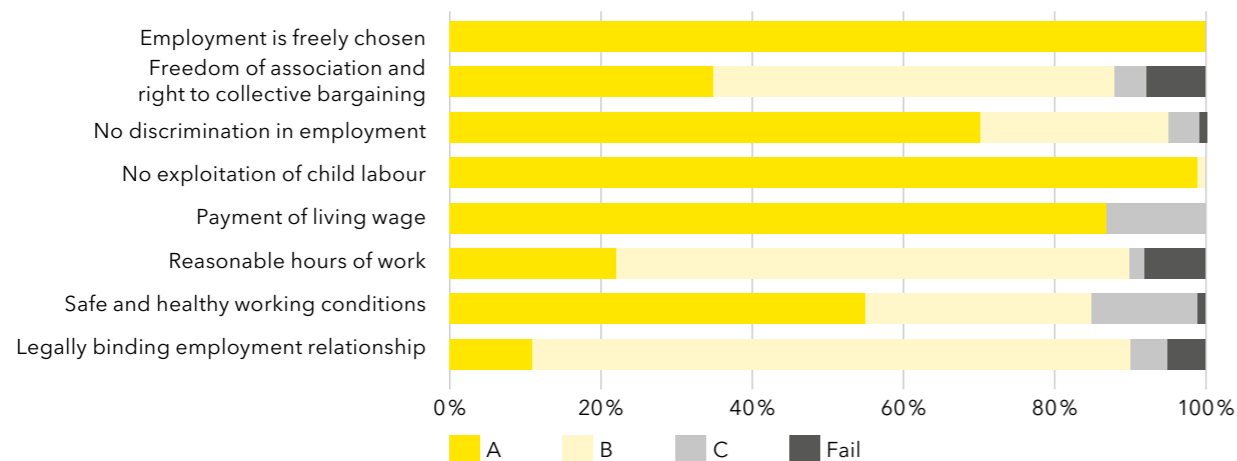
The audit results from our most important production countries are listed in the following.

We currently work with 137 production facilities in **China**. All factories are visited and audited in regular intervals, either by our own Takko Fashion teams on site or by external auditors like BSCI and SEDEX. We conducted 122 audits in China in 2022, and evaluated 18 external audits.

Due to the Zero COVID policy in China, the pandemic played a greater role in the past business year than in our other production countries. For example, travel restrictions impacted our auditing process. However, by the end of the business year, our company management

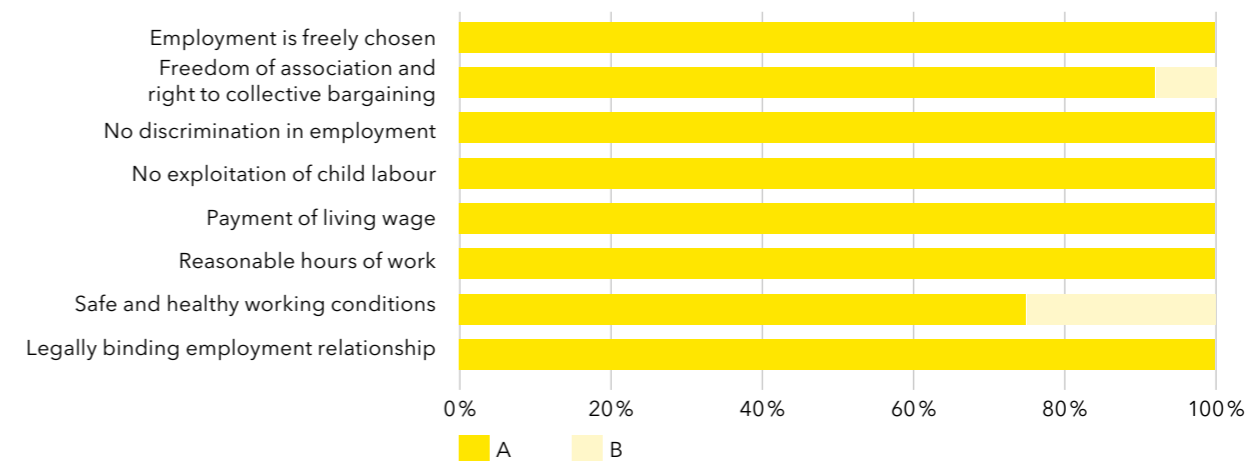


was able to visit our Takko office in China as well as some suppliers, emphasizing the importance of our close cooperation with our business partners in the production countries.



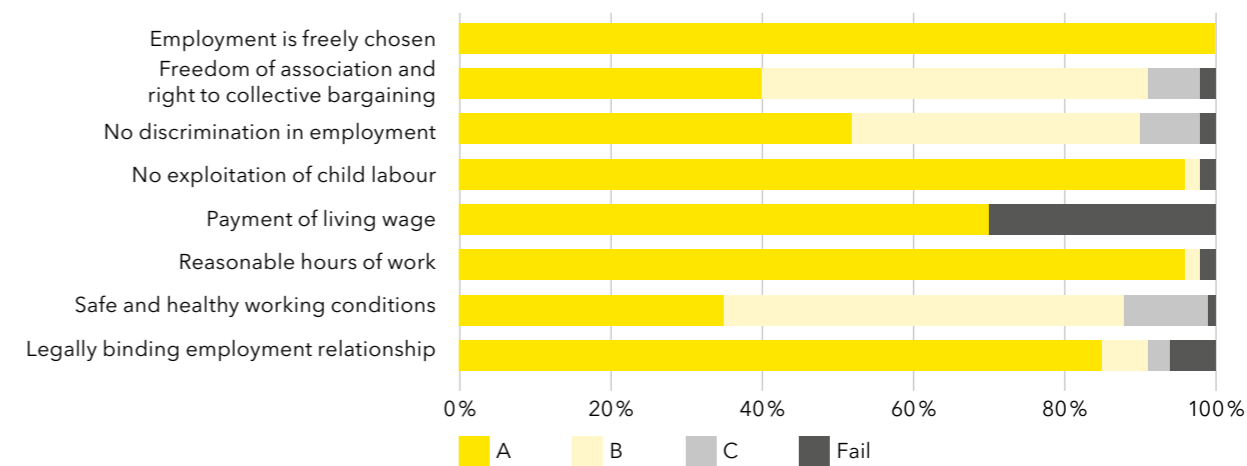
Social audit results in China 2022/2023 in accordance with the eight Fair Wear Code of Labour Practices.

Factories in **India** are also visited in regular intervals and audited by our Takko Fashion teams or external providers. We work with 31 production facilities in India and were able to conduct 26 internal audits and accept 16 external audits. We started our first Living Wage Project in India in the 2021/2022 business year, and expanded this program in the reporting period.



Social audit results in India 2022/2023 in accordance with the eight Fair Wear Code of Labour Practices.

We conducted 304 internal on-site audits in our 75 production facilities in **Bangladesh**. We also evaluated 5 external audits. In order to reinforce employee rights and social dialogue in factories in Bangladesh, we utilize the Worker Education Program (WEP) in all factories in Bangladesh that also seeks to raise awareness of sexual harassment and discrimination. The internal complaint system is also being continuously optimized.



Social audit results in Bangladesh 2022/2023 in accordance with the eight Fair Wear Code of Labour Practices.





The production facilities in **Cambodia** and **Madagascar** are overseen by our CSR team in China. All factories are visited and evaluated by our Takko Fashion teams on site in regular intervals, otherwise we evaluate third-party audits. Due to China's Zero COVID policy, travel restrictions impacted the audits in Cambodia and Madagascar in the past business year.

In **Pakistan**, we recognize audits by TÜV Nord and third parties. Staff from our Purchase department also visited facilities in Pakistan in the 2022/2023 business year.

We also utilize third-party audits as well as the Fair Wear Foundation's complaint-filing mechanism and training services in **Türkiye**. Here, too, staff from our Purchase department visited factories in the past business year.

We evaluate third-party audits in **Morocco, Portugal, Italy, and Poland**. Our Purchase team from Friedrichsdorf visited our supplier in Morocco in the past business year.

## EFFECTS OF THE CORONAVIRUS PANDEMIC AND THE WAR IN UKRAINE

### INTERVIEW WITH RADEK SORCIK, SENIOR DIRECTOR PURCHASE AND QUALITY MANAGEMENT



#### How did the coronavirus pandemic affect our sourcing process in 2022/2023?

After two difficult years of the coronavirus pandemic, the global situation relaxed in 2022 and China was the only country where the effects were still sharply felt due to the Zero COVID policy. This resulted in production delays, even outside of China. Factories in China had to close because of the Zero COVID policy, which caused delayed deliveries of raw materials as well as a delay in the delivery of upstream products. There were drastic fluctuations in container rates and severe changes in demand on the market in the first half of the year in particular. Some production facilities were overbooked, and we had to shift orders to different facilities.

#### What have been the effects of the war on Ukraine?

We don't have any stores, locations, or suppliers in Ukraine. However, when the war began, the world was faced with new challenges in transportation, energy, and raw material production. There were massive price increases in energy and transportation, and extreme price fluctuations for raw materials like cotton.

#### How did Takko Fashion respond to these challenges?

Our Procurement Compliance and Purchase team was in close communication with our business partners in the production countries, and they worked together to find solutions while tracking the risk of wage cuts, including when factories were being closed.

In order to strengthen and financially support our partners, we paid upcharges for freight and cotton last year because of these capacity bottlenecks. As the year went on, we also changed the Incoterm CFR to FCA\* to help suppliers ship and consolidate goods and relieve them of freight risk.

\*CFR (Cost and Freight): The supplier is responsible for organizing transportation of goods and processing costs.

FCA (Free Carrier): The supplier provides the goods to the logistics partner in the production country, and the buyer is responsible for transportation and processing costs as of this point.

Due to the current situation in **Myanmar**, we, as well as the Fair Wear Foundation, consider the country to have a high additional risk with regard to labor standards.

Takko Fashion works with 12 production facilities in Myanmar. Close, trust-based cooperation with our suppliers on site is very important to us, and we closely monitor the implementation of our Code of Conduct and measures for improving working conditions at our facilities.

Deficits identified during the comprehensive audits are promptly addressed in measure plans for resolving these issues and sustainably improving working conditions.

In light of the deterioration of the situation in Myanmar since the attempted military coup in February 2021, Takko Fashion is focusing even more on human rights due diligence. The Fair Wear Foundation regularly develops policies for emerging situations that pose a high risk to workers. Fair Wear also revises these guidelines as the situation evolves and more information becomes available. These guidelines oblige Takko Fashion to

take additional measures to address and eliminate the specific risks.

Incoming complaints show that, despite of the circumstances, the Fair Wear Foundation's mechanism for filing complaints in Myanmar remains functional, which gives us continuous insight into the factories and lets us abide by our human rights due diligence.

In addition to Fair Wear, we will join EuroCham Myanmar (European Chamber of Commerce in Myanmar) and EU-funded Project MADE (Multi-Stakeholder Alliance for Decent Employment in the Myanmar Apparel Industry) in the fiscal year 2023/2024 to strengthen our due diligence efforts in Myanmar. We are also in close communication with the MGMA (Myanmar Garment Manufacturers Association), an independent economic association for the garment sector in Myanmar, as well as other brand members of Fair Wear Foundation. In so doing, we seek to remain committed to improving working conditions and upholding human rights despite the difficult situation in Myanmar.

# EFFECTING CHANGE TOGETHER

We've strategically decided to work with partners, initiatives, NGOs, and recognized standards so that we can drive sustainability and improve social aspects throughout the supply chain. There are many reasons for this: Together with our partners, we can push ourselves to set ambitious goals and work toward better, long-term changes. We also seek to use external certifications to achieve the best possible transparency and comparability for our stakeholders.

## OUR PARTNERSHIPS



**Better Cotton:** We work with the Better Cotton Initiative to promote sustainable cotton production. ([bettercotton.org](https://bettercotton.org))



**Fair Wear Foundation:** Together with the Fair Wear Foundation and the member brands, we want to continuously improve working conditions in the production countries. ([fairwear.org](https://fairwear.org))



**Partnership for Sustainable Textiles:** The members of this partnership aim to improve conditions in global textile production. ([textilbuendnis.com](https://textilbuendnis.com))



**International Accord for Health and Safety in the Textile and Garment Industry:** We work with the signatories of this Accord to promote safety in Bangladesh. ([internationalaccord.org](https://internationalaccord.org))



**Zero Discharge of hazardous Chemicals (ZDHC):** We work with other companies to eliminate hazardous chemicals in the textile production industry. ([roadmaptozero.com](https://roadmaptozero.com))



**The BHive:** This initiative uses an app to help us achieve sustainable chemical management during production. ([thebhive.net](https://thebhive.net))



**Fur Free Retailer Program:** As a member of the Fur Free Retailer Program, our products are 100% free of animal fur. ([furfreetailer.com](https://furfreetailer.com))



**Hektar Nektar:** As part of the bee conservation initiative Hektar Nektar's Project 2028, we provide appropriate habitats for honeybees. ([hektarnektar.com](https://hektarnektar.com))



## OUR CERTIFICATIONS & STANDARDS



**Oeko-Tex Standard 100:** Label for textiles that have been inspected for harmful substances. ([oeko-tex.com](https://oeko-tex.com))



**GRS (Global Recycled Standard):** Standard for recycled textiles with additional ecological and social criteria. (starting 2023) ([textileexchange.org/recycled-claim-global-recycled-standard](https://textileexchange.org/recycled-claim-global-recycled-standard))



**RCS (Recycled Claim Standard):** Certification of textiles made from recycled raw materials. (starting 2023) ([textileexchange.org/recycled-claim-global-recycled-standard](https://textileexchange.org/recycled-claim-global-recycled-standard))



**Lenzing EcoVero:** Standard for environmentally friendly viscose with a much smaller ecological footprint than normal viscose. ([ecovero.com](https://ecovero.com))



**Tencel™:** Lyocel and Modal fibers from sustainable wood harvested in accordance with the strict guidelines of the Lenzing Wood and Pulp Policy. ([tencel.com](https://tencel.com))



**GCS (Good Cashmere Standard):** Standard for sustainable cashmere in order to protect cashmere goats and their environment, and to improve working conditions for the farmers. ([thegoodcashmerestandard.org](https://thegoodcashmerestandard.org))



**GOTS (Global Organic Textile Standard):** Global standard for the processing of textiles from organic, natural fibers. ([global-standard.org](https://global-standard.org))



**OCS (Organic Cotton Standard):** Certification for products that contain more than 95% of ecological materials. ([textileexchange.org/organic-content-standard](https://textileexchange.org/organic-content-standard))

# SOCIAL

As a member of society and an important partner for our suppliers and all our stakeholders, we want to contribute to the community and to sustainability in the textile and fashion industries.



Member of the Fair Wear Foundation for 12 years



Signatory of the Accord since 2013



Two Living Wage Projects in India



200 students at the Takko School in Tirupur, India



TAKKO HILFT >150,000 euros donated through Takko hilft e.V. in 2022



100% certified cashmere in accordance with the Good Cashmere Standard starting 2023



95 nationalities in the Takko Fashion Team



90% of our managers are female (incl. store managers)



Employee benefits: company pension scheme, employee discount, corporate benefits, company bike, health services, e-learning, and more



# FAIR WEAR FOUNDATION

## PARTNER FOR 12 YEARS

As the first fashion discounter, we have been with the Fair Wear Foundation – a non-profit organization committed to improving working conditions in the garment, textile, and footwear industry – since 2011. We have internal processes critically reviewed by Fair Wear as an independent NGO and report on them publicly. The core components of our membership are the social audits, training, and establishment of a complaint management system that lets factory workers report grievances. We have repeatedly achieved “Good” status during the Fair Wear’s annual Brand Performance Check.

## SOCIAL AUDITS

One central component of our Fair Wear membership are the regular social audits (see p. 30). Implementation of the subsequent corrective actions is monitored by verification audits. All of our measures and progress are listed in detail on the Fair Wear Brand Performance Check website every year.

## COMPLAINT MANAGEMENT





In order to achieve the most transparent insight possible into the working conditions and occupational safety in our production facilities, as well as to give all workers the opportunity to contact us directly in the event of any grievances or deficits, we give factory workers access to the Fair Wear Foundation’s complaint management system. If workers in the production facilities experience violations of the guaranteed working conditions or social standards, they can use the factory’s internal whistleblowing system as well as contact the Fair Wear Foundation directly as an independent body. The hotline numbers are posted in highly visible areas of each factory, with information on the social requirements provided in the respective national language. We also teach about the



Fair Wear Code of Labour Practices and requirements for occupational safety and working conditions through training sessions and social audits. Third parties, such as NGOs, can also report issues directly via the hotline.

We take complaints from the production countries very seriously and investigate them promptly in order to ensure that the issue is resolved quickly. This is coordinated from Germany in close cooperation with the on-site audit teams, suppliers, and Fair Wear Foundation staff.

## FAIR WEAR FOUNDATION - COMPLAINTS MANAGEMENT

-  Incident
-  Complaint reaches the Fair Wear Foundation
-  Investigation of complaint with all stakeholders
-  Corrective action plan for improvements at the factory
-  Implementation of corrective measures
-  Inspection of measures by the Fair Wear
-  Complaint and measures are published on the Fair Wear website

The Fair Wear Foundation published a total of 16 complaints in the 2022/2023 business year. These and the corresponding measures can be found on the Fair Wear website.

## TRAINING

The Fair Wear’s Workplace Education Program teaches production facility managers and employees in order to improve internal communication processes so that internal conflicts can be resolved more easily and quickly. The Fair Wear also offers country-specific training.

For example, as part of our membership in the Fair Wear Foundation, selected suppliers were made aware of labor standards and communication methods for resolving conflicts through the so-called Workplace Education Program (WEP) in the past fiscal year. In many countries, violence against women is also a serious issue. For this reason, training courses have been held on the prevention of violence against women. Our social auditors and trainers also receive regular training from Fair Wear to refresh and expand their knowledge.

## LIVING WAGE PROJECT

We started our first Living Wage Project with a factory in India in the 2020/2021 business year, and commenced the second one with another production facility in India in 2023. With these projects, we aim to gradually increase employee wages within the project’s 5-year time frame. The first project started very smoothly and we will be continuing with it until its successful end.

# INTERNATIONAL ACCORD FOR HEALTH AND SAFETY IN THE TEXTILE AND GARMENT INDUSTRY

## FOR SUSTAINABLE BUILDING SAFETY

Another aspect of our commitment to improving working conditions in the textile industry is signing the International Accord for Health and Safety in the Textile and Garment Industry. This binding agreement between unions and companies stems from the Accord on Fire and Building Safety in Bangladesh, which was signed in 2013 after the collapse of the Rana Plaza textile factory. Like the Accord on Fire and Building Safety, the International Accord aims to continuously improve fire protection and building safety in production facilities in Bangladesh.

The Accord monitors the progress in the factories in regular intervals, and provides concrete recommendations for improvement. Takko Fashion is responsible for a total of 93 production facilities, 75 of which we have an active business relationship with. All factories are managed until the required improvements for maintenance have been fully implemented and comply with our standards. By the end of the 2022/2023 business year, the implementation rate by our partners in the production facilities used for our orders was 91%. Even after ending a business relationship, Takko Fashion is still responsible for a production facility for 18 months and assists it in resolving any existing challenges.

Regular inspections of the production facilities as well as training for managers and employees ensure the sustainable improvement of safety on site. A measure plan with deadlines, known as the Corrective Action Plan (CAP), is created during or after the inspection and provided to the owners of the production facilities, the companies that have products made in Bangladesh, and the employee council. All companies who have products made in the respective production facility are responsible for implementing all the measures in the CAPs. The CAP is also available for everybody on the Accord website, also non-members.

One major component of the Accord is a comprehensive training program that aims to empower employees and give the facility owners the ability to make working in their factories safer. The Accord also helps the production facilities establish occupational safety committees that monitor improvement measures.

As part of our Accord membership, our factories have also received training on health and safety matters.

## SAFETY AND HEALTH COMPLAINTS MECHANISM

The Accord has its own complaint system. All employees at the production facilities have access to this system and can use it to report complaints, such as those concerning occupational safety, directly to the Accord. Workers who submit a complaint are protected against discrimination. The Accord case workers and engineers investigate the complaints and assist in their resolution.

Lack of knowledge of existing labor and social standards is a challenge that we constantly face in the production facilities, which is why Takko Fashion provides regular training on this matter. Our partners can use the knowledge they have gained to improve working conditions with our help.



## PROJECT PAKISTAN

Past inspections of the building safety of production facilities in Pakistan have been difficult in the past, if not complicated. Because there is no uniform legislation for building safety in Pakistan, our audit reports with partners in Pakistan were not standardized. We wanted to change this in order to harmonize building safety requirements and sustainably anchor this important topic among our partners and production facilities. In the last business year, we thus started establishing a cohesive standard for building safety at all our production facilities in Pakistan. We considered the current situation and our past audit reports in Pakistan, the respective legal regulations, and our own requirements with regard to building safety. For this project, we have created a checklist for factories and inspectors that we use when inspecting facilities. The checklist was made in cooperation with TÜV Nord and considers both domestic and international requirements and best practices.

Parallel to this, we also improved the internal complaint mechanisms in the production facilities in Pakistan through the Partnership for Sustainable Textiles' "Grievance Mechanisms" initiative. As part of this pilot project, we are working with other fashion brands to train the management and employees at various production facilities in Pakistan how to process and resolve complaints pertaining to working conditions. Takko Fashion is involved with three factories in Pakistan. This initiative creates a customized training program that will teach management, raise awareness among employees, and result in sustainable complaint mechanisms. The project began in the 2021/2022 business year, continued in 2022/2023, and will end in June of 2023.

# ANIMAL WELFARE



## OUR ANIMAL PROTECTION REGULATIONS

The protection of animals plays a crucial role in our corporate due diligence obligations. We are committed to animal protection and adherence to the "Five Domains" model with the corresponding animal welfare objectives. We categorically prohibit the use of any materials made from wild animals. These include materials made from exotic, threatened, or endangered species included in the Convention on International Trade in Endangered Species (CITES) and/or the International Union for Conservation of Nature's (IUCN) red list. We use no angora, alpaca, down, feathers, merino, mohair, fur, or silk in our products.

We only use a very small amount of animal products depending on the season, such as leather, wool, and cashmere (cashmere for the first time in 2023). Leather and wool made up 0.03% and 0.05% of the total weight of our sourced fibers in the 2022/2023 business year, respectively.

We adhere as closely as possible to certified standards when using animal materials. By 2030, we want to exclusively use 100% certified animal fibers for our products.

Our cashmere products have been 100% Good Cashmere Standard-certified (GCS) since we started sourcing the material.



If animals are not properly taken care of, products made from these animals cannot be used to produce our goods. Takko Fashion objects to animal experimentation for all products, including during the development of new goods and materials.

## FUR FREE RETAILER PROGRAM

Both our clothing and our accessories are 100% free of animal fur. The Fur Free Retailer Program is a leading, global initiative that identifies fur-free companies who adhere to ethical animal guidelines in the production of fashion products.



# TAKKO HILFT E.V.

Responsibility looks good on us: As an international company, we are aware of our responsibility to society. This was the idea behind Takko hilft e.V., which we founded in 2004. Takko Fashion employees volunteer with this non-profit, independent initiative to support organizations and initiatives for children and youths, all while making the world a little bit better!

Takko hilft e.V. has two main objectives: Helping children and youths grow through education, and helping people in need - with a primary focus on young people. The association helps schools, scholastic projects, and daycare centers with direct and uncomplicated donations. Takko hilft e.V. also assists other associations in Germany with their own projects.



## TAKKO SCHOOL

One project very close to our heart is the Takko School in Tirupur, southern India, where boys and girls from low income families have been receiving an education since 2008. Every student receives a free education and food, while trained teachers provide high-quality school lessons with plenty of variety. School uniforms give a sense of belonging, regardless of social or religious background. The modern classrooms and a well-stocked computer room for multimedia learning serve as the ideal learning environment. There is a large schoolyard and athletic grounds for breaks between classes. The Takko School gives students the opportunity to earn a recognized diploma so that they have prospects for a self-determined life and future. Takko Fashion provides around 80,000 euros to this initiative every year.







## TAKKO HILFT - PROJECTS

Takko Hilft e.V. has been working with **Kinderglück e.V.** since 2017. This association has been working for years with children who are going through a difficult situation in their lives. Over the past years, Takko Hilft e.V. has been helping out with the "Backpack Project" in particular. In cooperation with youth services, schools, and other educational facilities, Kinderglück e.V. creates a list of needs and obtains one fully stocked backpack for every student so that they're ready to go to school.

**Sternenland e.V.** is a center for grieving children and youths who lost a loved one. Takko Hilft rents out a monthly room at the center in Telgte to provide a space to process grief.

The outpatient **Kinderhospiz Königskinder** works with families in Münster, Germany and the surrounding area in which a child, youth, or young adult has a terminal illness, and supports the families during this long journey of illness. The goal is to provide help, encouragement, and support in this difficult time. Kinderhospiz Königskinder

is regularly supported by donations from our trainees during various promotions, such as the sample product sale at our headquarters. This is how we managed to donate 14,000 euros to Kinderhospiz Königskinder last year.

**Kinderkrebshilfe e.V. Münster** has been helping families with children with cancer for 40 years, with assistance ranging from inpatient equipment to medical and psychosocial services. Various post-care projects, research funding, family assistance, and grief counselling are just a few of the projects that the association works with every day. Takko Hilft e.V. donated once more to Kinderkrebshilfe Münster in 2022.



# SOCIAL ENGAGEMENT

## SKATE-AID

### DOING GOOD THINGS TOGETHER

Since it was founded in 2009, the non-profit organization skate-aid has been realizing social skate park projects for disadvantaged children around the world. skate-aid primarily goes to areas with high rates of societal issues and difficult living conditions to help the local children develop, while helping them learn independently. After all, that's skate-aid's mission: We empower children!

We at Takko Fashion also want all young people to feel empowered in our clothing! We support skate-aid through our partnership with them, which began in the 2022/2023 business year and will continue into the future: Four percent of every purchase of an item from our skate-aid x Takko Fashion collection goes directly to skate-aid, helping to support young people around the world through youth assistance and the educational power of skateboarding.

The message is clear: Don't hate, just skate! The movement-based youth culture of skateboarding knows no

### WE CAN HELP!

The war in Ukraine has left us shaken, and it is no less shocking now than when it began. As we have no stores, locations, or other business relationships in Ukraine, the war has chiefly affected us through its effects on the supply chain and increase in the prices of raw materials. In order to support the people of Ukraine, we donated and added onto the proceeds from our live shopping events in 2022/2023, and sent a total of 20,000 euros to the Nothilfe donations account. Our store employees also donated clothing to refugees and families via local aid organizations.

Takko Hilft e.V. donated 5,000 euros to the Kinderhilfswerk Ukraine e.V., which has been organizing food and medication deliveries to Ukraine since the war began in February, 2022. The mission on site gives housing, care, and potential transportation to Poland or Germany for the people of Ukraine. Takko Hilft e.V. also issued 110 gift cards worth 50 euros each to the Münster-Hiltrup refugee network.



limits, and does not discriminate by skin color, religion, sex, or social status. It connects everybody. This is the freedom and interconnection that we're expressing with the skate-aid x Takko Fashion collection.

In the summer of 2023, Takko Fashion will also give the city of Telgte property that will serve as refugee housing. "As a local company and employer, we want to help the city in its efforts to provide temporary housing for refugees" - Tjeerd Jegen, CEO Takko Fashion. As we will not be charging rent for the property, the city of Telgte can use the savings to help the refugees. A total of about 40 persons will be able to get accommodation in the portable housing units.

We were shocked to hear of the terrible earthquakes near the Turkish-Syrian border in February, 2023. We work with suppliers and production facilities in Turkey, and so we immediately contacted our suppliers to offer assistance. Thankfully, our partners were not affected by the earthquakes. Takko Fashion transferred 20,000 euros to the initiative "Aktion Deutschland Hilft" for earthquake relief. Takko Hilft e.V. also donated 2,000 euros to Save the Children, which is providing temporary housing for affected children and families.

# OUR #TEAMTAKKO



## THE HEART OF OUR COMPANY

All our employees form the very essence of our company, and that is what our #TeamTakko is all about. The passion and team spirit they have fostered over the past 40 years has played a key role in shaping Takko Fashion's success.

Today, there are nearly 18,000 people working in the various departments of our company. Different as we

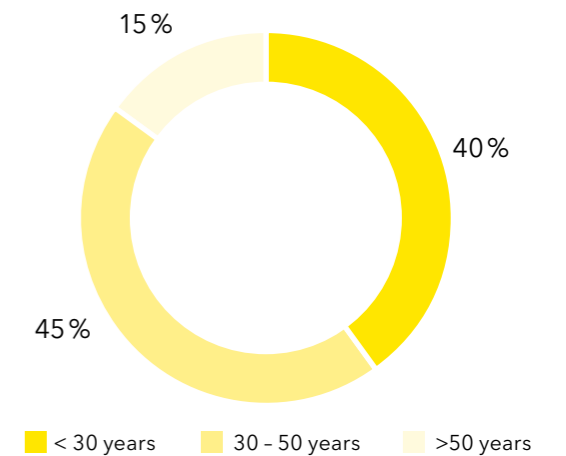
may be, we are united by our mission and vision as well as the drive to offer feelgood fashion for all. As a team, we celebrate our achievements together and learn from mistakes. Our seven values from the Takko Compass serve to further characterize our cooperation and team spirit at Takko Fashion.



## OUR #TEAMTAKKO

We employ a total of 17,801 people at Takko Fashion (recorded as of January 31st, 2023).

Currently, women constitute about 94% of our employee force. Approximately 30% of our employees work for us full-time. 20% of the employees contribute their expertise to our teams on a part-time basis and almost 50% of the employees support us in a marginal employment relationship - especially in sales operations.



\*positions with disciplinary management tasks

The sum of all part-time and marginal employees results in a full-time equivalent of 8,246 for the fiscal year 2022/2023.

We are a team of people working together for a future in which fashion and quality are affordable for everyone - that is what drives us and makes us stand out!

Our teams' family-like cohesion is described as exceptional, especially by colleagues who have recently joined us; from the smooth take-over of a shift, to celebrating birthdays and team events and Christmas parties. Our hearts beat yellow - that is a feeling which is hard to describe.



## RECRUITING EMPLOYEES: APPRENTICESHIP AND TRAINEE PROGRAMS

Every person brings different skills to the table. We cater to these personal strengths by offering a variety of programs to help them start their careers. At Takko Fashion, we provide training in the store, in the central departments as well as in our logistics department. We also offer the option of a dual study program, which can be completed in the fields of business administration, business informatics as well as textile business administration.

New apprentices start at our headquarters, in logistics and in sales each year. We welcomed around 200 new apprentices to Team Takko in the year 2022.

Takko Fashion ensures the best career prospects with consistently high annual take-over rates after the apprenticeship and a successful trainee program. Our take-over rate was 80% in the winter of 2022/2023. This means that we rank above the average for Germany as a whole. Around 50% of our business administrators (m/f/d) join us directly as store managers after completing their apprenticeship.

“Our employees at Team Takko hold a special place in our hearts. Drawing on an annual employee survey, we continue to review new programs and measures to ensure that our colleagues feel comfortable in their working environment. We are particularly proud of our Takko team spirit and are happy to pass it on to new colleagues!”

**Paul Thieme, Senior Executive Director Human Resources**

## FURTHER DEVELOPMENT

Learning and working become one at Takko Fashion as part of New Work. As such, the ability to learn on one's own is an important asset in the job market of tomorrow. We enable our employees, in coordination with their managers, to independently integrate learning times into their daily work routine using the Good Habitz e-learning platform, taking into account personal interests and future needs.

## PROTECTING EMPLOYEES: PREVENTING DISCRIMINATION

A fair working environment is imperative! So at Takko Fashion, we have introduced a trusted partner model throughout the company: Employees can contact a trusted person directly if they encounter inappropriate behavior. There were no reported incidents of discrimination in the fiscal year 2022/2023 - and we make every effort to keep it that way!

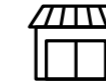
In January 2023, we introduced a reporting system for Takko Fashion as part of the new German Supply Chain Due Diligence Act. Our stakeholders, including our employees, can report violations anonymously here.

## THIS IS AS GOOD AS IT GETS:

*Our apprenticeship programs in Germany*

### APPRENTICED PROFESSIONS

- Sales person (m/f/d)
- Retail sales person (m/f/d)



### APPRENTICESHIP IN THE STORE

### APPRENTICED PROFESSIONS

- Wholesale and foreign trade clerk (m/f/d)
- Product designer textile (m/f/d)
- Media designer digital and print (m/f/d)
- IT specialist system integration (m/f/d)
- IT specialist application development (m/f/d)

### HIGH SCHOOL GRADUATE PROGRAMS

- Commercial specialist (m/f/d)



### APPRENTICESHIP IN OUR HEADQUARTERS



### APPRENTICESHIP IN LOGISTICS



### DUAL STUDIES

- Business administration (m/f/d)
- Business informatics specialist (m/f/d)
- Textile business administrator (m/f/d)

### APPRENTICED PROFESSIONS

- Warehouse assistant (m/f/d)
- Warehouse logistics specialist (m/f/d)



employees! 26 colleagues participated in our Takko Talent Pool in fiscal year 2022/2023.

### FAMILY-FRIENDLY

As a family-friendly employer, we allow an uncomplicated return to part-time work after paternity leave, to the extent possible. We also offer our employees flexible working hours wherever feasible. In the stores, we attach great importance to flexible workforce scheduling in the interests of our employees. For example, we take into account the requests for off-days.

Blending it all well is the key! In addition to flexible working hours, since 2022, we have been offering our employees stationed at headquarters the option to work 60% of their working hours from the mobile office.



### RECREATIONAL ACTIVITIES

Health is the most valuable asset of all. Safety and good health at the workplace, as well as accident prevention and health protection with our products, have therefore always been fundamental to the objectives of Takko Fashion.

Every year, Takko Fashion organizes the so-called Health Days for the colleagues at our headquarters in Telgte: Colleagues can take advantage of various health care offerings here. In the new fiscal year, we are also offering our colleagues at headquarters various workshops designed to support mental health.

In collaboration with Gympass, we offer discounted sports and fitness offers to our entire Takko team in Germany. We introduced this employee benefit in the past fiscal year and the various offers - from digital sports courses to discounted gym memberships and individual training packages - are being actively used by our colleagues.

### STAYS ABROAD - LEARNING ALL OVER THE WORLD

On the go in distant countries: As an international company, we help our trainees in gaining experience abroad. Every year, several trainees get the opportunity to travel to our production facilities in India. As part of the trainee programs, we also offer trainees the opportunity to spend time abroad in order to get to know the local sites and employees better and to network across countries within the company. Of course, other employees are also given frequent opportunities to expand their skills on assignments abroad.

### TAKKO FASHION ACADEMY

We are also an in-house fashion school! Our trainees benefit from an extensive range of seminars and training courses. This way they can expand their knowledge and skills and always be up-to-date on developments and fashion trends.



### TAKKO TALENT POOL

Springboard to a successful future: Employees with outstanding professional performance, who have been with us for at least two years, are promoted on an individual basis. After completing the program successfully, candidates reach the next step in their careers: Depending on the business division, this may mean participation in a trainee program, initial management tasks or greater technical responsibility. We encourage the talent of our



Riding your bike to work? Sure thing! With our Job bike offer, our colleagues at Takko Fashion benefit from lower leasing rates for their bike.



Takko Runners: Our #TeamTakko from Telgte participated in the B2Run run in Gelsenkirchen, Germany last fiscal year.

### OCCUPATIONAL HEALTH AND SAFETY

Protecting employees from hazards, accidents and illness - providing customers with a safe shopping experience: Occupational health and safety is an important part of our management tasks. That is why we regularly train our teams in this respect and inspect stores and workplaces to ensure they are safe. Employees have the opportunity to schedule vaccinations with our company doctor. Takko Fashion also has a company reintegration management system (BEM) in place. Thanks to BEM, we make sure that employees who are on long-term sick leave are provided with adequate support.

# SUSTAINABILITY CONCERNS ALL OF US

*LET'S TALK ABOUT IT!*

Sustainability, social and environmental responsibility, transparency in the supply chain - these are all issues that we have been committed to for a long time and would like to push ahead with even further in the future. We have been actively involved in the area of social responsibility for many years, among other things to improve working conditions in the textile industry. At the same time, we also intend to continue expanding our commitment to environmental protection along the supply chain in the future. In addition to our projects to improve working conditions, occupational safety and ecological standards, it is also important to talk about these issues - with our customers, our employees as well as our business partners. We cannot improve working conditions, support climate goals and promote sustainable action on our own, but we can definitely do this together. It is therefore important that we talk about sustainability! In the past fiscal year, we therefore intensified our communications around the topics of sustainability and social responsibility: We have talked about the importance of these topics in internal information sessions and have

reported on our commitment to date in internal newsletters. We have also made a short documentary film about our commitment to improving working conditions in the producing countries. The Fair Wear Foundation supports us here as well. We have shared the video on various online sites and continue to share it in our communication initiatives to draw attention to the issue of "social responsibility in producing countries". In the new fiscal year, we will launch further communication measures for all our stakeholders to bring the importance of these issues to the forefront for all of us - the entire global community.



**SUSTAINABILITY SUITS US WELL -**

Scan the QR-code to watch the video!

# ENVIRONMENT

In line with our vision “We dress the world with respect for people and planet”, we are committed to protecting the environment and climate and addressing the ecological challenges in the global textile value chain. We take a holistic approach to continuous improvement, optimization measures start in the producing countries and extend to the sales countries.

In addition to the procurement of more sustainable products, the main topics in the area of environment include the responsible use of chemicals, recycling management, biodiversity and climate protection.

Effective environmental and climate protection is only possible through teamwork. Accordingly, we work together and in constant communication with our stakeholders on the key topics.



**Resource savings through Better Cotton: Savings in water and pesticides in cotton fields since 2018: 19 million m<sup>3</sup> of water; 12,000 kilograms of pesticides**



**ZDHC Friend and commitment to the elimination of hazardous chemicals: 100% of our suppliers have committed to ZDHC-MRSL**



**Use of renewable energies: The share of green electricity is 58.1% in our German stores and 100% in our Dutch stores.**



**Offer to our customers: 100% recycled and climate-neutral\* paper bags or reusable bags made from 60% recycled material**  
\*by compensation



**Reduction of plastic: The use of plastic shopping bags has reduced by more than 75% since 2018**



**Modern lighting: Converting to LEDs has enabled us to save additional more than 13 GWH of energy**



**Energy-efficient building: Due to its sustainable construction and furnishing methods, our logistics center in Winsen was awarded the gold seal of quality as a “Green Building” by the German Sustainable Building Council**



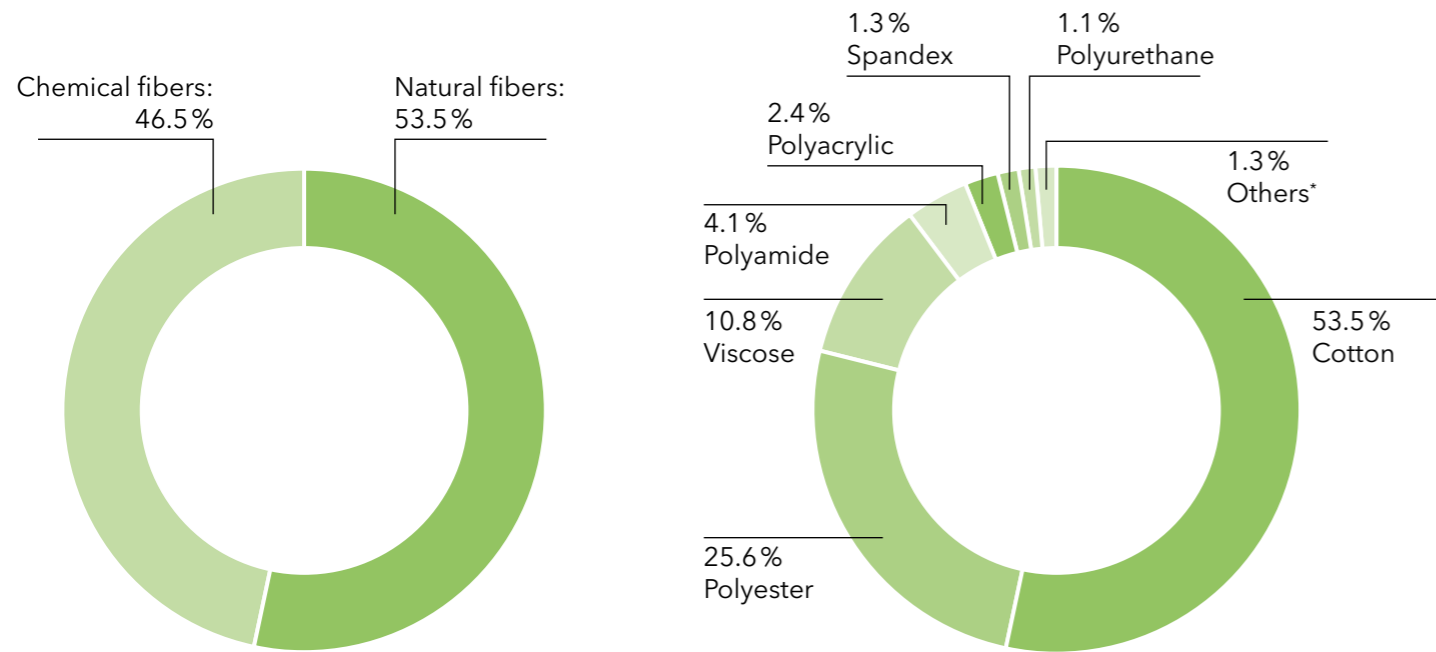
# MORE SUSTAINABLE PRODUCTS

We have increased our focus in recent years on switching from conventional materials to more sustainable alternatives. The most important fiber in our range is cotton with a share of 53.5%.

The cultivation of conventional cotton requires a lot of water. Pesticides are also used very often. In sourcing sustainable cotton, we therefore have the greatest leverage in terms of more efficient resource use.

In the future, we are going to increasingly rely on the use of recycled materials in addition to natural fibers from sustainable cultivation.

The following diagram shows our total fiber volume used, divided into natural fibers and chemical fibers. The basis here is weight and relates to our fiscal year 2022/2023.



\*Others: Nylon, Lyocell, Modal, Metallic Fiber, Polypropylene, Wool, Leather, Linen





# COTTON

## MORE SUSTAINABLE COTTON:

Target for cotton share by Better Cotton of 55% achieved in 2022/2023.

We rely on sustainable cotton cultivation. We have already been sourcing a large part of our cotton through the Better Cotton Initiative since 2018. Our ultimate goal is to source 100% of our cotton textiles from at least sustainable cultivation by 2027.



### Better Cotton Initiative (BCI):

We source sustainable cotton through our membership in the Better Cotton initiative and are thus committed to more sustainable cotton cultivation. The Better Cotton initiative consists of environmental and human rights organizations and companies from the textile industry. It trains cultivators to use water efficiently, respect health of the soil and the natural habitat, reduce harmful chemicals and respect the right to work in decent conditions. Cotton from Better Cotton is sourced through a mass balance system and therefore cannot be traced physically to the individual end products. Our membership enables us to pursue the long-term and global goal of supporting the development of more sustainable methods of cultivation.

Since joining the Better Cotton Initiative, we have saved more than 19 million m<sup>3</sup> of water by sourcing sustainable

cotton, which is equivalent to saving about 129 million bathtubs\* filled with water. In addition, we saved more than 12,000 kilograms of pesticides. We will continue to increase these numbers in the future.

\*1 bathtub corresponds to 150 liters



## ORGANIC COTTON:

Target for cotton share as organic cotton of 5% was not achieved in 2022/2023 (share was 0.1%).

Due to the poor availability of organic cotton as a result of worldwide supply difficulties, we were unfortunately unable to achieve our target for the fiscal year 2022/2023.

We rely on international standards when purchasing organic cotton. We regularly offer our customers products certified by the Global Organic Textile Standard (GOTS) or Organic Content Standard (OCS).



### Global Organic Textile Standard (GOTS):

GOTS is the world's leading standard for ecological and socially responsible textile production. Certified products consist of at least 70% organically produced natural fibers and meet stringent environmental requirements. This holds true for all processes, from the extraction of organically produced, natural raw materials to environmentally and socially responsible manufacturing. We regularly offer products made of GOTS certified organic cotton in our baby collection.



### Organic Content Standard (OCS):

The OCS focuses on traceability and transparency in the production chain. The OCS enables recording of the exact proportion of organic material in a product. Products that contain more than 95% organic material are awarded the OCS 100 logo. OCS-Blended is used for products containing at least 5% organic material and blended with conventional or synthetic raw materials. We regularly offer parts made of OCS certified material in our baby collection.



# VISCOSE

## TENCEL™ Lyocell & Modal

Two aspects are in focus with regard to the production and use of viscose: In addition to responsible sourcing of wood, verified use of chemicals in fiber production is also important. In fiscal year 2022/2023, we offered our customers articles with TENCEL™ lyocell and modal fibers. The total weight of the fibers was approx. 120 tons. By 2030, we aim to source all the viscose in products from sustainable sourcing and production. By 2025, the share of sustainable viscose should already be 70% (target fiscal year 2023/2024: 40%).

### LENZING ECOVERO:

We have been procuring sustainable viscose fibers ECO-VERO from LENZING since 2022. The introduction of LENZING ECOVERO is an important step towards more sustainable fiber procurement. LENZING ECOVERO fibers are obtained from sustainable wood and fiber pulp and come from certified and verified sources. LENZING ECOVERO fibers can be identified without any doubt in the end product. This way our customers can be sure that the products they buy contain genuine LENZING ECOVERO viscose fibers.



# RESPONSIBLE USE OF CHEMICALS

Areas where there is a high risk of contact with hazardous chemicals, in addition to cotton fields, are wet process mills, that is, where e.g. printing, bleaching or dyeing takes place. In the field, it is important to preserve the health of field workers and also to protect biodiversity and prevent soil infertility. We are supported in this by our membership in the Better Cotton Initiative. In finishing operations, the focus is on replacing hazardous chemicals with harmless chemicals and reducing the amounts used wherever possible.

The Manufacturing Restricted Substances List (MRSL) forms the basis for eliminating hazardous chemicals from our supply chain. The MRSL lists chemicals whose use in the production process is limited to specified dosages or is completely prohibited. Since 2020, we have been a ZDHC Friend (Zero Discharge of Hazardous Chemical) and are committed to the recognized industry standard of the ZDHC MRSL. Through the collective approach, we enable consistent and efficient improvements and follow our strategy to jointly implement effective improvements in the supply chain through alliances and initiatives.

## ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC) Ø ZDHC

The ZDHC is an association of international companies and organizations working together to eliminate hazardous chemicals from the textile and leather industries. The ZDHC and its members are committed to eliminating hazardous and potentially hazardous chemicals from the textile supply chain, minimizing the negative impact on the environment and on people. At present, 100% of our suppliers have committed to avoid using hazardous and potentially hazardous chemicals under the ZDHC-MRSL during production. Until end of 2023, additional 20% of wet process mills currently known within our supply chain will be MRSL compliant. Factories are assessed as MRSL-compliant if they have successfully completed the ZDHC MRSL implementation and this success is documented in a certificate.

Furthermore, the ZDHC provides guidelines and assis-

tance for the correct treatment of wastewater and sewage sludge with corresponding limit values. Using the ZDHC platform, production sites can share information about their chemical usage and the quality of their wastewater. We are currently connected to over 100 factories in our supply chain.

## THE BHIVE

In order to continuously improve the quality of our products and minimize the impact on people and the environment, we support our suppliers in chemical management by providing The BHive as a chemical management system, free of charge.

The BHive is a simple way to quickly and efficiently create a chemical inventory and match the chemicals used to a database that verifies whether the chemicals are ZDHC-MRSL compliant. This is easily made possible via a smartphone and an app, wherein the app allows chemicals to be specified by simply scanning the label. The app is available in ten different languages. We currently support factories in Bangladesh, China, India and Pakistan through The BHive.



The BHive®

## OEKO-TEX® STANDARD 100:

The OEKO-TEX® Standard 100 was introduced in 1992 - as a globally uniform, independent testing and certification system for textile raw, intermediate and end products from all processing stages as well as accessory materials used.

All components of the products tested must comply with all the tests in order to receive certification. Since 2016, we have been able to steadily increase the share of OEKO-TEX® Standard 100 certified garments in our range of textiles. It is currently at 78% in the "baby clothing" division, and at 73% overall for our textiles. Until 2025, we aim to reach 90% of OEKO-TEX® Standard 100 certified textiles.



## PARTNERSHIP FOR SUSTAINABLE TEXTILES



We joined the Partnership for Sustainable Textiles in 2015. The multi-stakeholder initiative consists of representatives from the federal government, brands, civil society, trade unions and NGOs. It has set itself the task of jointly achieving social, ecological and economic improvements along the entire textile supply chain.

Within the Partnership, we work closely with our partners in various initiatives and expert groups. Within the Partnership, we have been actively involved in the expert groups "Wastewater standards" and "Sustainable chemical fibers" as well as in the Partnership initiative "Strengthening sustainable chemicals and environmental management in the textile sector".

In the past fiscal year, for example, together with TÜV Rheinland we offered two seminars on „Correct treatment of wastewater“ in English and Chinese for our suppliers. The ZDHC Wastewater Guideline and the ZDHC limits in wastewater and sewage sludge were also explained in more detail.

Through regular participation in the Textile Partnership review process, we have worked to prevent and mitigate social, ecological and compliance risks in our value chain. Based on an individual risk analysis using eleven sector risks, we have derived targets and measures for our company for the past two years. We report on our goals and progress on the homepage of the Partnership for Sustainable Textiles:

<https://www.textilbuendnis.com/takko-holding-gmbh/>





# CIRCULAR ECONOMY

The topic of circular economy in the textile industry represents one of the greatest challenges and also offers a lot of potential. We are currently moving from a linear to a circular economy. We want to make even more efficient use of resources in future and further increase the proportion of recycled materials.

For us, circular economy starts with the product design and packaging of our products.

## PRODUCT DESIGN

We have been using recycled polyester for padding in jackets and vests since 2018. We have been gradually expanding our range of textiles with recycled materials ever since. In the area of polyester materials, our aim is that by 2030 at least 90% of the polyester used in our products will be made from recycled material. We will obtain certification for the Global Recycled Standard (GRS) and the Recycled Claim Standard (RCS) in 2023 to set the course for a continuous increase in recycled materials.



## PACKAGING

The production of packaging materials is resource-intensive. Our goal is to use as little packaging material as possible. The right product and transport packaging plays an important role in protecting our textiles that reach us by sea.

We pursue the following optimization concept for packaging:

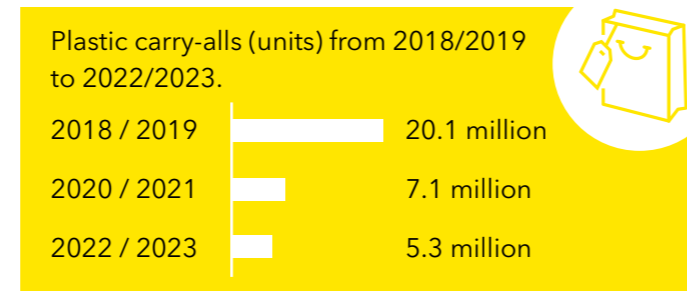
- 1. Reduce** - We will continue to reduce packaging and packaging materials
- 2. Reuse** - We optimize the use of packaging, e.g. by increasing the use of reusable packaging
- 3. Recycle** - We will make more use of certified packaging materials

### Carry-alls in our stores

At the moment we are still giving out the last plastic carrier bags from our stock to our customers. These consist of 80% recycled material (German eco-label "Blue Angel").

Since mid-2022, only paper carrier bags in the disposable segment have been purchased. These are made of 100% recycled paper, are FSC-certified and are produced in a climate-neutral manner, which means that for every kilogram of the resulting CO<sub>2</sub> emissions, ecological projects are supported. Through the paper carrier bags we offer, we have so far been able to offset 823 tons of CO<sub>2</sub>.

Through the distribution of paper carrier bags as well as the reusable carrier bags made from 60% recycled material, we have been able to continuously reduce the amount of plastic plastic carrier bags sold over the past five years almost to a fourth.



### Use of reusable roll containers

We use reusable roller containers to transport goods from the logistics centers to our stores. This leads to a direct saving of cardboard boxes (cardboard/paper), shipping bags (plastic) as well as sealing and security materials (plastic).

### Digital delivery note

To avoid additional paper, we work with digital delivery notes in the e-commerce and replenishment area.

### Packaging for e-commerce shipment

Our articles for shipment from our online shop (ship-to-home) are already packed in the production facility. This allows us to avoid repackaging for online shipping and additional packaging materials. The ship-to-home online orders are shipped in FSC-certified paper cartons made from 70% recycled material. The adhesive tape on the shipping cartons are completely recyclable and can be disposed of by our customers in the paper waste. Click & Collect online orders to our stores are packed and shipped in PE shipping bags with 40% recycled content.

# BIODIVERSITY

Biodiversity is one of the essential foundations of life and survival for us humans. The permanent preservation of biodiversity guarantees the quality of life and the economic and social development of future generations. However, there are several driving factors that are leading to a persisting decline in animal and plant diversity. These include excessive use of resources, intensive land use and climate change, which are leading to a loss of biodiversity.

We are focused on the areas we consider to have the greatest potential for impact and where the risks of biodiversity loss are the greatest. In the textile industry, that would be cotton cultivation. Our collaboration with the Better Cotton Initiative enables farmers to do the

following:

1. Improving biodiversity through biodiversity management planning
2. Identifying and mapping biodiversity resources to protect zones
3. Integrating a crop spraying strategy to reduce use of pesticides

Through our increasing use of sustainable materials via the Better Cotton Initiative and various certifications, such as Forest Stewardship Council (FSC) or Global Recycled Standard (GRS), resources are used more consciously and efficiently, gradually reducing harmful environmental impacts.



By giving **200,000 bees** a suitable habitat at the Takko Fashion headquarters, we are making a clear statement against bee mortality. Our shared goal with the Hektar Nektar digital initiative is to increase the bee population by 10% by 2028. That is why we also support one beekeeper in almost every state in Germany. This way, we can gift an additional 800,000 bees a suitable habitat.

# CLIMATE PROTECTION



Optimized energy consumption is a key lever for our CO<sub>2</sub> emissions. We have therefore set ourselves the goal of also using this resource as sparingly and as efficiently as possible. The 2015 Paris climate agreement sets a target of limiting the average global temperature increase to 1.5 degrees Celsius. We are committed to achieving this goal.

*By 2030, we aim to reduce greenhouse gas (GHG) emissions by a total of 30 percent (base year 2022/2023).*

And we are taking it one step further: Our ultimate goal is to reduce GHG emissions to net zero by 2045. Climate protection is only possible if it is a collective and holistic effort. The focus of our climate strategy is on GHG emission reduction measures. We will have to offset by compensating for impacts that cannot be avoided. The basic prerequisite for our ambitious goals is efficient and solution-oriented cooperation between politics, business and the society.

With the support of our partner Swiss Climate, we have prepared our first greenhouse gas accounting in accordance with the Greenhouse Gas Protocol Standard (GHG). We use the unit CO<sub>2</sub> equivalents in our reporting. The focus of the accounting was on the determination and analysis of the GHG emissions that we ourselves

cause. These can be divided further into direct emissions (Scope 1) and indirect emissions (Scope 2). In Scope 1, we focus on combustion of fuels, e.g. through the use of our company-owned passenger cars. Scope 2 includes consumption of energy supplied, such as electricity or district heating.

The gross volume of GHG emissions relating to Scope 1 and Scope 2 for the fiscal year 2022/2023 was 31,158 metric tons of CO<sub>2</sub> equivalents. Scope 1 and Scope 2 were accounted for using the market-based method; so actual consumption values were used. The underlying consumption values are based on meter readings. We had to use estimates for a small part of the accounting.

A much larger share of GHG emissions occurs upstream and downstream (Scope 3). Thereby, the focus is on the value chain of our products. At present, we only have sporadic consumption data from the value chain. Therefore, we are continuing to work on increasing the quality of the data. We will report in greater detail on our Scope 3 accounting in our next Sustainability Report 2023/2024.

Scope 1 & 2 accounting has shown that approximately 90% of GHG emissions are generated by our 1,929 stores. Due to the high impact of our stores, we have been building reduction and efficiency measures for years. We have integrated several procedures and processes to save energy:

## Expanding the use of renewable energy:

The share of green electricity is **58.1 %** in our German stores and **100 %** in our Dutch stores.

## Converting to modern lighting technology:

We have already converted **769** Takko Fashion stores to LED lighting. By using LED lighting alone, we can currently save over 13 GWh and more than 6,800 metric tons of CO<sub>2</sub> per year



## Modern ventilation systems:

Modern ventilation systems allow us to reuse **80 %** of the energy we already use



## Centrally controlled building technology:

At **728** stores, we can regulate the technology via an online portal. Thus, we can control, monitor and optimize the technical systems centrally



## Smart meters for monitoring electricity consumption:

So far, **476** of our Takko Fashion stores are equipped with a smart meter. Using smart meters, we can now monitor electricity consumption precisely



## Use of heat pumps and air curtains:

The use of electricity-powered heat pumps and air curtains enables us to ensure a pleasant climate in the stores, both in an environmentally friendly and economical manner



## Opportunities through new openings & renovation:

We use **new openings and renovations** as opportunities to increase our energy efficiency. As a result, we have been able to reduce electricity consumption and potential emission of greenhouse gases in our stores by investing in innovative technologies, using renewable energies and conducting regular audits

We will carry forward and optimize these processes on an ongoing basis so as to achieve our ambitious reduction targets. Other significant reduction measures of Scope 1 and Scope 2 GHGs are:

## Successive conversion of the vehicle fleet to e-mobility:

We have set up a charging infrastructure for electric vehicles at our headquarters in Telgte. We currently have **FOUR** charging points and will increase the range of charging points and company-owned electric vehicles in the future.



## Conducting energy audits on a regular basis:

With regular energy audits, we ensure that we reliably identify opportunities for optimizing energy efficiency at an early stage. The next company-wide energy audit will be conducted in **2023**



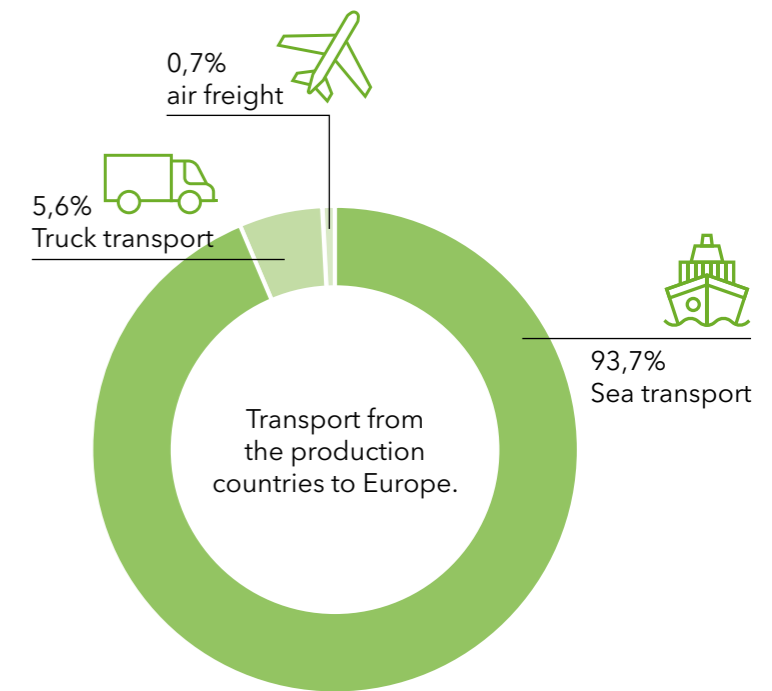


## LOGISTICS

Not only do we design our stores to be energy-efficient, we have also successively converted our logistics centers to low-emission LED lighting. The German Sustainable Building Council (DGNB) has certified our logistics center in Winsen as a **“Green Building”** with a quality seal in gold thanks to its sustainable construction and furnishing methods.

### TRANSPORT FROM THE PRODUCTION FACILITIES TO OUR DISTRIBUTION CENTERS

Our goods are produced all over the world. In the production facilities, we are already paying attention to avoiding the use of unnecessary packaging materials. Our goods often travel long distances before arriving at our logistics centers and stores. So, the choice of means of transport has a decisive influence on our environmental footprint. For this reason, we handle 93,7% of our freight volume by sea. Thanks to close partnership with a service provider, our goods are consolidated before shipping so as to ensure that the containers are utilized fully. Thus, we were able to significantly reduce the number of containers. We try to avoid transport by air freight. Only 0.7% of our freight volume is flown, because air freight transports cause significantly more emissions than the more CO<sub>2</sub>-efficient shipping. In addition, only small quantities of goods can be transported.



### SHIPPING FROM THE DISTRIBUTION CENTERS TO THE CUSTOMERS AND TO THE STORES

The focus is on sustainability, both with respect to deliveries to our stores and in the many deliveries to our online shop customers. We continue to optimize the shipping process to reduce CO<sub>2</sub> emissions.

#### Here are two key examples:

1. We supply a majority of our stores with roll containers that we can use again and again. That is how we also end up reducing additional packaging waste.
2. All online return shipments dropped off at the store remain at the store and are not returned to the central warehouse. In this way, we avoid additional transport routes.



# OUR GOALS



## CLIMATE PROTECTION:

- By 2045, we aim to reduce our GHG emissions to net zero (base year 2022/2023)
- By 2030, we aim to reduce our Scope 1, 2 and 3 emissions by 30% (base year: 2022/2023)



## INCREASED USE OF SUSTAINABLE MATERIALS:

- From 2027, we want to source all our cotton from more sustainable cultivation
- By 2030, 90% of our products will be made from more sustainable or recycled materials
- Animal welfare: By 2030, 100% of materials sourced from animals in our products will be certified as per a recognized standard
- By 2030, the share of sustainable viscose is to amount to 100%



## INCREASE IN ENERGY EFFICIENCY:

- In fiscal 2023/2024, we will convert a further 560 stores to LED lighting



## CLEAN WASTEWATER:

- By 2027, 80% of our suppliers will submit a wastewater report at or above the Foundational level of the ZDHC



## EXCLUSION OF HAZARDOUS CHEMICALS:

- By 2027, 80% of our suppliers will use ZDHC-compliant chemicals



## LIVING WAGES:

- We will gradually increase the wages of all workers in two factories in India by 2025 and 2028, respectively



# KEY FIGURES

Key figures	Unit	2022/2023
<b>COMPLIANCE</b>		
Revenue	billion EUR	1.2
Shops	Number	1,929
Countries in Europe in which Takko Fashion has shops	Number	17
New openings	Number	44
Countries in Europe with Takko Fashion online shop	Number	2
<b>PROCUREMENT</b>		
Number of sewing factories	Number	304
Factory audits	Number	464
Audit rate (factories)	%	95
Share of production volume from factories with long-term partnerships (> 5 years)	%	73
Share of new factories audited for social topics	%	100
Factories audited for social impact	Number	290
<b>COMPLIANCE AND CORPORATE CITIZENSHIP</b>		
Total number of incidents of discrimination	Number	0
Incidents of corruption	Number	0
Share of operating facilities audited for corruption risks	%	100
Incidents of non-compliance with laws and regulations	Number	0
<b>SOCIAL</b>		
<b>STRUCTURE AND DIVERSITY</b>		
Total employees	Number	17,801
FTEs	Number	8,246
Full-timers	Number	4,894
Part-timers	Number	3,820
Mini-job employees	Number	9,087
Women employees in the workforce	%	94
Women as members of governing bodies	%	0
Women in leadership roles	%	90
Women in leadership roles below the third management level	%	39
Percentage of employees under 30	%	39.5
Percentage of employees between 30-50	%	45
Percentage of employees over 50	%	15.5
Nationalities	Number	95
Takko hilft e. V. donations	EUR	185,489
<b>HR DEVELOPMENT</b>		
Percentage of trainees taken on	%	70
Training	Hours	9,953

Key figures	Unit	2022/2023
<b>ENVIRONMENT</b>		
<b>ENERGY MANAGEMENT AT STORES AND DISTRIBUTION CENTERS</b>		
Store renovations	Number	5
Stores with LED lighting	Number	769
Stores equipped with smart meters	Number	476
Facilities with centrally controlled building services	Number	728
Distribution centers with LED lighting	Number	3
Share of shops using green electricity (Netherlands)	%	100
Share of shops using green electricity (Germany)	%	58.1
<b>ENERGY CONSUMPTION AND REDUCTION</b>		
Fuel consumption (excl. vehicles)	l	45,000
Fuel consumption (petrol, diesel, LPG) for vehicles	l	640,169
Consumption of electricity	kWh	88,116,676
Heat energy consumption (gas consumption for 655 shops)	m <sup>3</sup>	1,586,768
Electricity spared through use of LED lighting	kWh	13,073,000
Reduction of consumption of electricity in shops by using LED lighting	%	30
<b>EMISSIONS</b>		
CO <sub>2</sub> -Emissionen Scope 1	t CO <sub>2</sub>	7,715
CO <sub>2</sub> -Emissionen Scope 2	t CO <sub>2</sub>	23,443
CO <sub>2</sub> spared by using LED lighting	t CO <sub>2</sub>	6,800
<b>LOGISTICS</b>		
Share of freight moved by ship (tonne kilometres)	%	93,7
Share of freight moved by HGV (tonne kilometres)	%	5,6
Share of freight moved by aeroplane (tonne kilometres)	%	0,7
<b>MATERIALS USED</b>		
Paper consumption	t	1,136.31
Plastic consumption	t	322.155
Weight of packaging for transport and sale of products	t	5,557.88
Amount of sustainably sourced cotton (article weight)	t	16,651.83
<b>MISCELLANEOUS</b>		
Business travel by air	km	445,449
Water consumption	m <sup>3</sup>	98,650
Weight of general waste produced	t	708.78
<b>PRODUCTS</b>		
Share of OEKO-TEX® Standard 100 products in product range	%	73
Share of underwear and socks certified in accordance with OEKO-TEX® Standard 100	%	88

# GERMAN SUSTAINABILITY CODE

Description	GSC criterion	Pages	Grounds for omission
<b>GENERAL INFORMATION</b>			
Description of business model		6-11	
<b>SUSTAINABILITY CONCEPT</b>			
Strategic Analysis and Action	1	18-19	
Materiality	2	20-21	
Objectives	3	70-71	
Depth of the Value Chain	4	12-13 & 28-29	
Responsibility	5	24	
Rules and Processes	6	25	
Control	7	22-23, 40-41 & 56-57	
GRI SRS-102-16: Values	5-7	14-15	
Incentive Schemes	8	-	Confidential information
GRI SRS-102-35: Remuneration policies	8	-	Confidential information
GRI SRS-102-38: Ratio of the annual total compensation	8	-	Confidential information
Stakeholder Engagement	9	20	
GRI SRS-102-44: Key topics and concerns raised	9	20	
Innovation and Product Management	10	60-69	
G4-FS11: Percentage of assets subject to positive and negative environmental or social screening	10	-	Not applicable
<b>GENERAL</b>			
Usage of Natural Resources	11	58-59 & 64-65	
Resource Management	12	64-67	
GRI SRS-301-1: Materials used	11-12	58-61	
GRI SRS-302-1: Energy consumption	11-12	66-67	
GRI SRS-302-4: Reduction of energy consumption	11-12	66-67	
GRI SRS-303-3: Water withdrawal	11-12	73	
GRI SRS-306-2: Waste	11-12	73	
Climate-Relevant Emissions	13	66	
GRI SRS-305-1: Direct (Scope 1) GHG emissions	13	66	
GRI SRS-305-2: Energy indirect (Scope 2) GHG emissions	13	66	
GRI SRS-305-3: Other indirect (Scope 3) GHG emissions	13	66	
GRI SRS-305-5: Reduction of GHG emissions	13	66-67	

Key figures	GSC criterion	Pages	Grounds for omission
<b>SOCIETY</b>			
<b>EMPLOYEE-RELATED MATTERS</b>			
Employment Rights	14	32-35	
Equal Opportunities	15	14-15 & 32-35	
Qualifications	16	52-55	
GRI SRS-403-9: Work-related injuries	14-16	-	Not centrally documented yet
GRI SRS-403-10: Work-related ill health	14-16	-	Not centrally documented yet
GRI SRS-403-4: Worker participation, consultation, and communication on occupational health and safety	14-16	54	
GRI SRS-404-1: Average hours of training per year per employee	14-16	72	
GRI SRS-405-1: Diversity	14-16	50-51	
GRI SRS-406-1: Incidents of discrimination	14-16	72	
<b>HUMAN RIGHTS</b>			
Human Rights	17	30-33	
GRI SRS-412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	17	26	
GRI SRS-412-1: Operations that have been subject to human rights reviews or impact assessments	17	34-35	
GRI SRS-414-1: New suppliers that were screened using social criteria	17	34-35	
GRI SRS-414-2: Negative social impacts in the supply chain and actions taken	17	34-35	
<b>SOCIAL MATTERS/CORPORATE CITIZENSHIP</b>			
Corporate citizenship	18	47-49	
GRI SRS-201-1: Direct economic value generated and distributed	18	7	
<b>COMPLIANCE</b>			
Political Influence	19	-	Not applicable
GRI SRS-415-1: Political contributions	19	-	Not applicable
Conduct that Complies with the Law and Policy	20	26	
GRI SRS-205-1: Operations assessed for risks related to corruption	20	72	
GRI SRS-205-3: Confirmed incidents of corruption and actions taken	20	72	
GRI SRS-419-1: Non-compliance with laws and regulations in the social and economic area	20	72	

**TAKKO**  
FASHION