



HOP LUN Sustainability Report

Volume 2

April 1, 2020 – March 31, 2021



Introduction

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

Environmental Sustainability

Progress towards goals related to energy efficiency, GHG emissions, water, waste and material use.

Social Sustainability

Advancement of our social initiatives; health & safety, wages & compensation, diversity, equity & inclusion, working hours.



Governance

Hop Lun's sustainability governance framework, security and supply chain sustainability.

Closing Message

Comments on progress from the sustainability team.

Appendices and Glossary

Certificates, licenses, Higg scores, supplier list, living wage gaps analysis and SDG reference.

About This Report

Our sustainability report follows Hop Lun's financial year; April 1 to March 31. Information in this report covers the time period April 1, 2020 to March 31, 2021. This is shortened to 'FY21' for 'financial year 2021'. References to other years, such as FY19 or FY22, follow the same logic.

Hop Lun's sustainability report covers Environmental, Social and Governance (ESG) topics of relevance and significance for the company and its stakeholders based on internal and external discussions and analysis.

In scope for this report are a total of 11 factories, our Hong Kong headquarters, Dongguan pre-production office, Heyuan central warehouse and Heyuan Dorina warehouse, unless otherwise specified. Factories and offices without full year data have been excluded from this report, i.e. our Ethiopia factory and our Dorina sales offices in Europe, the U.S. and China.

We are constantly working to improve our data quality and we have done our utmost to be as transparent and accurate as possible. For example, this year, we have added energy consumed by owned and leased vehicles for our energy and GHG emissions data. To reflect this change accurately over time, we have adjusted data from earlier years.

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



Message from Erik

I founded Hop Lun in 1992 based on a guiding principle to respect and be fair to every employee. This belief has been embedded in the company's DNA throughout the years and is still the cornerstone of Hop Lun's culture today.

During the last year, the Covid -19 pandemic tested our values in a way we have never experienced before. We all felt the financial and personal impact of the pandemic as many of us contracted the virus, factories had to close, orders were cancelled, and raw materials were delayed. During this time of uncertainty, we never hesitated to stay true to our core values and commitments to employees and other stakeholders.

I am immensely proud of the resilience and can-do attitude of our team throughout this time. While being busy adjusting our operations to cope with social distancing, improved hygiene standards and ever-changing customer orders – we continued to expand the business.

- We opened new factories in Indonesia, Bangladesh and Ethiopia.
- We acquired Dorina, a heritage lingerie brand started by Triumph in 1968.
- We grew our business and welcomed over 100 customers, many of them are fast-growing online retailers.

Over the last year, we have reviewed our sustainability governance structure and formalized a cross-organisational sustainability committee. The committee is chaired by me and consists of all Hop Lun's site leaders, our procurement team and sustainability team.

Our immediate and key focus is transparency in the supply chain, living wages, decarbonization in our own operations and gender balance in leadership positions.

While we have had a year with great progress, there is no doubt about the continued importance to further accelerate our goals and actions.

Erik Ryd

Founder & President
Hong Kong, September 2021



Key Figures FY21



29 years

HK based since 1992



No. 1

Global bra producer & lingerie manufacturer in Europe



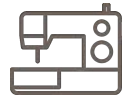
HKD 3.3 billion

Annual turnover



32,820

Employees in total



672

Sewing lines



144M

Annual capacity



12 factories

In 4 countries



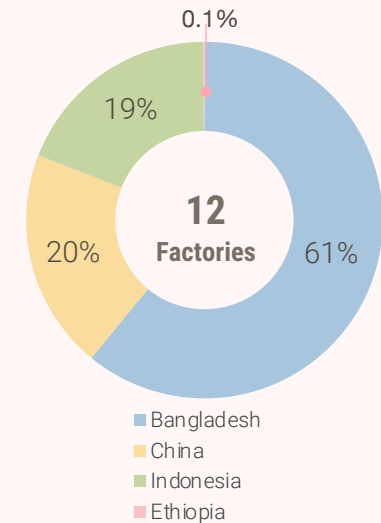
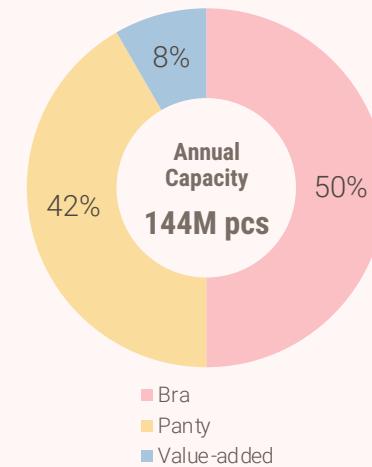
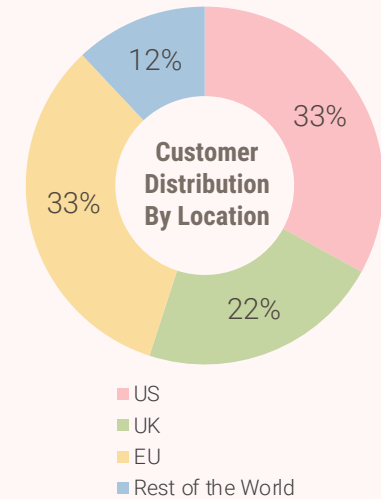
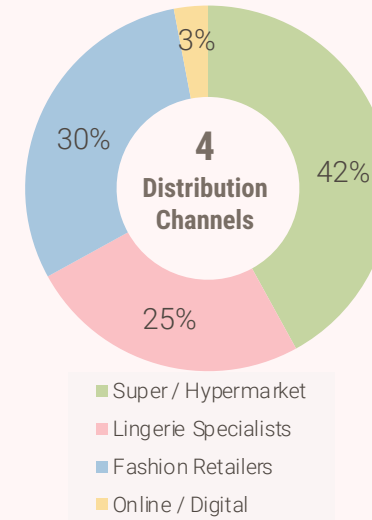
11 offices

In 9 countries



200

Customers



Our Locations

Region	Factory	Legal name	No. of shifts	No. of employees	% of women	Average age	Average years of service	No. of sewing lines
Bangladesh	Diva	Hop Yick Bangladesh Ltd.	1	3,611	84%	30.6	6	74
	Legend	Hop Yick Bangladesh Ltd.	1	2,168	79%	30.9	6.2	40
	Heritage	Hop Yick Bangladesh Ltd.	1	4,855	83%	30.7	6.5	97
	Fashion	Hop Lun Apparel Ltd.	1	7,007	83%	29.7	3.7	150
	Brands	Hop Lun Apparel Ltd (Unit 2)	1	2,310	82%	30.5	4.1	52
	Intimate	Hop Lun Intimate Bangladesh Ltd	2	3,324	84%	27.9	0.64	38
China	Heyuan	He Yuan Hop Lun Fashion Ltd.	1	952	83%	41.9	7.1	39
	Quannan	Hop Lun Garments Quannan Co. Ltd.	1	1,613	89%	43.2	8.4	62
Indonesia	Semarang	PT Hop Lun Indonesia	2	2,552	89%	29.1	4.5	52
	Cartini	PT Cartini Lingerie Indonesia	2	1,562	85%	31.1	5.4	22
	Boyo	PT Hop Lun Boyolali Indonesia	2	642	92%	27.1	0.2	34
Ethiopia	Tara	Hop Lun Apparel Ethiopia PLC	2	728	87%	25.4	0.2	12
Head Office	HKO	Hop Lun (HK) Limited	1	169	79%	41.1	7.33	N/A
China Office	PPO	Dongguan He Xun Fashion Design Ltd.	1	1,306	77%	36.9	7.7	N/A
Multiple	Sales Offices	Multiple	1	21	80%	38.9	5.6	N/A
Total			-	32,820	84%	32.6	4.9	672



Stakeholder Mapping

Employees - 32,820 employees	Topics	Wages & compensation, diversity, equity & inclusion, health & safety, harassment & abuse, workers' rights & responsibilities, grievance mechanisms, worker wellbeing
	Communication channels	Training sessions, meetings between management and worker representatives, company events, workplace dialogue mechanisms, internal magazine and notice boards
	Efforts and outcomes	92% of Hop Lun employees earn a living wage, 63% of worker representatives are women
Customers - 200 customers	Topics	Environmental – energy efficiency, GHG emissions, waste, water, circular sourcing Social – health & safety, social dialogue, wages & compensation, women's empowerment Governance – accountability, business ethics, supply chain management
	Communication channels	Proactive reporting, strategy discussions, annual review meetings, updates in meetings and emails, trainings and seminars, sustainability report and website
	Efforts and outcomes	Sustainability has been a key enabler to grow and deepen existing customer relationships as well as attracting new customers
Suppliers - 593 suppliers	Topics	Social and environmental sustainability compliance, chemical detox and increased volumes of more sustainable materials
	Communication channels	Annual meetings, factory visits and follow-ups, review of sustainability performance in overall supplier rating
	Efforts and outcomes	Suppliers performing well from a sustainability perspective are rewarded with more business
Shareholders	Topics	Decarbonization, Living Wages, Diversity, Equity & Inclusion, Supply Chain Sustainability
	Communication channels	Monthly board meetings
	Efforts and outcomes	Hop Lun's board is actively engaged in goal setting, performance tracking and investment discussions to secure sufficient resources for sustainability-initiatives
NGOs / industry associations	Topics	Climate change, health & safety, worker rights, female empowerment
	Communication channels	Website updates, platform updates, seminars, conferences and discussion forums
	Efforts and outcomes	Environmental – All factories have a verified HIGG scores since 2018. Selected factories are engaged in the LCMP (WWF) program. Hop Lun has signed up for the UNFCCC Fashion Charter for Climate Action Social – Hop Lun is a signatory of SLCP. All factories have, or are in the process of, joining the SLCP program. Factories in Bangladesh and Indonesia are enrolled in ILO's Better Work program. Working with selected partners / NGOs to roll out social programs locally
Community	Topics	Donations and support on nutrition, health and wellbeing, Covid-19 protection
	Communication channels	Meetings, events and activities
	Efforts and outcomes	Strong community relationships built on trust and mutual support

FY21 Highlights

Opening of **Three** new factories



WWF recognized Hop Lun's Heyuan and Solo factories with the Low Carbon Manufacturing Program's (LCMP) Platinum level



CDP report – Hop Lun reported greenhouse gas emissions and reduction strategy on the CDP platform for the first time



Dorina – Hop Lun acquired the iconic German lingerie brand



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



12% of all materials certified as recycled or sustainably sourced



30 strategic suppliers reported environmental sustainability performance on the Higg platform

Covid Response

In January 2020, Hop Lun formed a risk management committee to prepare for the potential impact of the novel corona virus (Covid-19) that was beginning to spread more widely. We quickly updated our safety and hygiene protocols, added handwashing station and planned for large scale purchases of PPE, thermometers and disinfectants. Our China factories had to close in February 2020 and over the following months, we experienced raw material shortage, shipment delays and cancelled or delayed orders.

Early on, Hop Lun decided that keeping our factory workers employed and securing salary payments on time was a top priority during this difficult time. In April 2020, our Bangladesh factories went into a four-week lockdown. Even though this was an uncertain period, we were proud to uphold our commitments and protect our workers.



See how our
colleague Shilpi
overcome
Covid-19



VACCINATION IN INDONESIA

We have started a vaccination program in Indonesia. In October 2021, 85% of our employees have been fully vaccinated.



Covid Response

Safe Entry

Employees must wear masks and practice social distancing. Temperature checks are performed at the gate and hand washing is mandatory before entering buildings.



Deep Cleaning

We have improved cleaning procedures to be more frequent and thorough. Our cleaners are equipped with full protective equipment.



Social Distancing

Meal breaks have been staggered to reduce people in the canteen. Dividers are in place to help with social distancing.



ENVIRONMENTAL SUSTAINABILITY



Environmental Sustainability

To run a healthy business, we need a healthy planet. The apparel industry has a big role to play to lower environmental impact and respect the planet's boundaries. Hop Lun recognizes our responsibility to accelerate efforts to achieve a climate positive fashion industry.



Energy Efficiency

By improving energy efficiency, we reduce our overall dependence on energy.



Greenhouse Gas Emissions

To limit global warming, Hop Lun and the apparel industry must reduce GHG emissions.



Water Stewardship

Water is a scarce resource and Hop Lun is continuously improving water stewardship.



Waste Management

Through better waste management, we move towards a circular economy.



Sustainable Materials

Recycled, or sustainably sourced materials, lower our environmental footprint.

Energy Efficiency

Hop Lun's total energy consumption and energy consumption per piece were reduced in FY21.

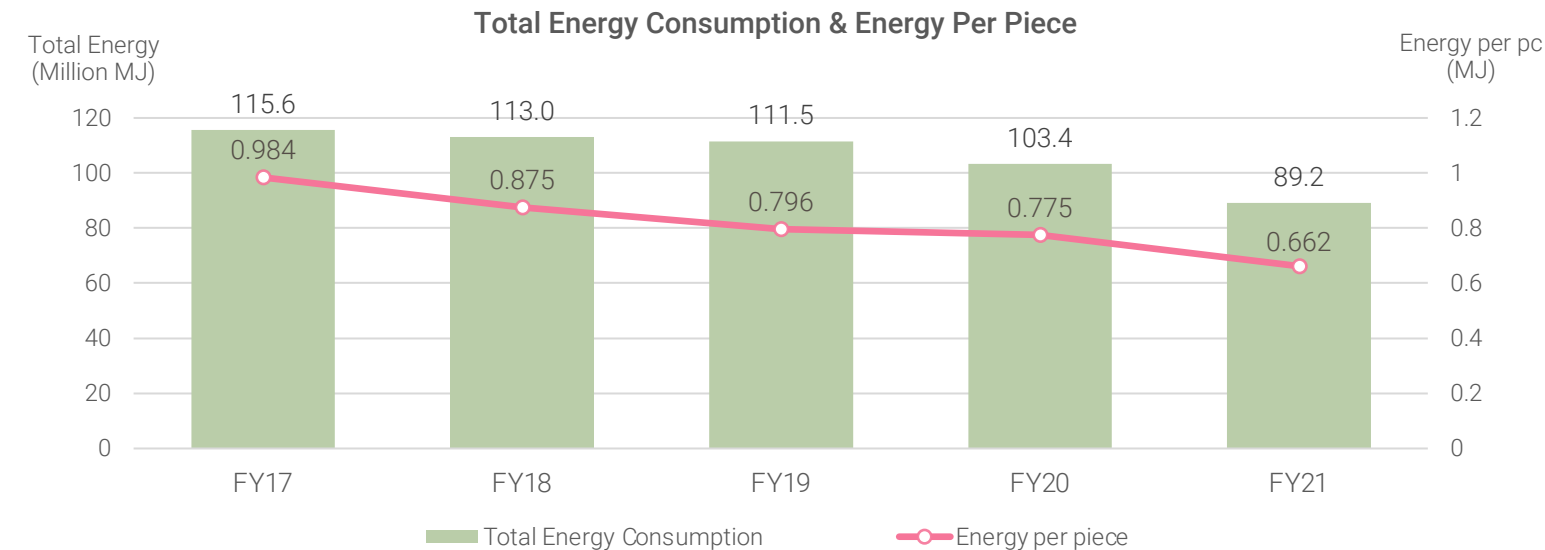
As several of our factories had to close for weeks on end last year due to the Covid-19 pandemic, the absolute energy consumption in FY21 dropped. Energy consumption per piece also decreased. This was challenging to achieve as our total number of pieces went down but also because we added new factories, which typically have lower efficiency during the start-up phase. The main driver behind the positive results in FY21 has been improved production efficiency.

To improve data quality, we have added fuel consumed by owned and leased vehicles for all reporting years.

In FY22, we are making investments in energy efficiency improvements, such as upgrading all remaining sewing machines with servomotors, replacing older gas stoves and AC units and upgrading conventional lights to LED lights.

Goal for FY25 compared to baseline year FY19 :

Reduce 25% energy consumption per piece



A new sewing machine with a built-in servomotor saves 30% energy compared to a conventional sewing machine.

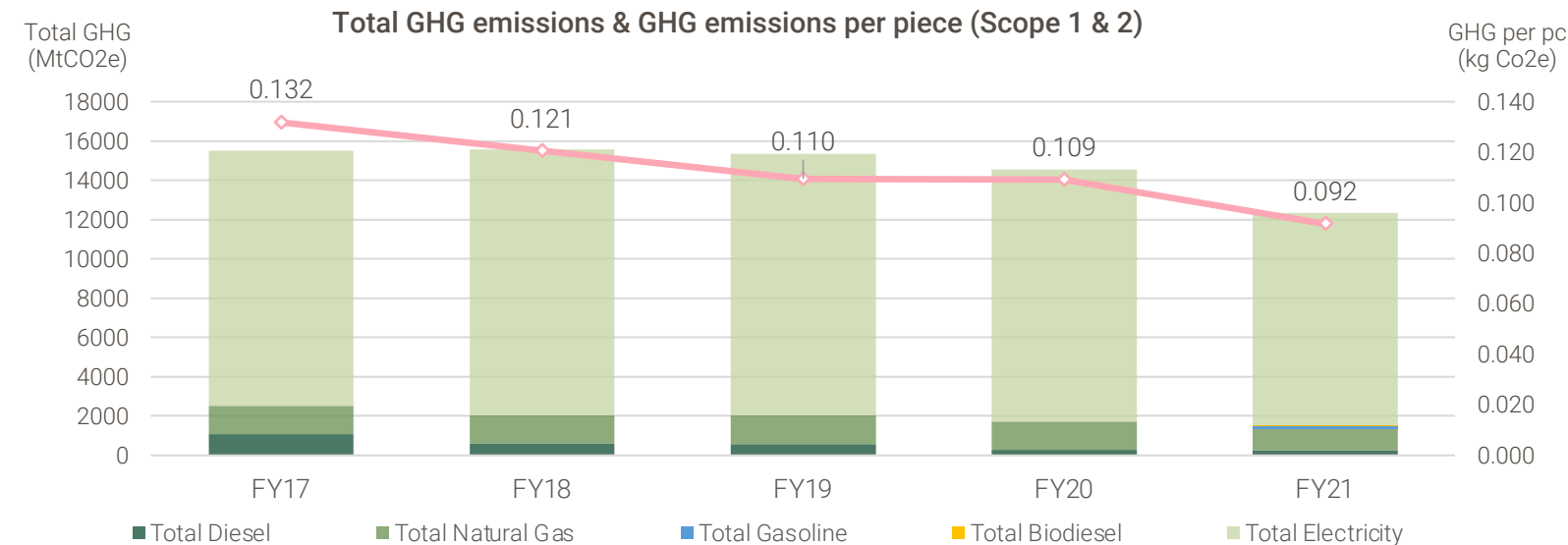
Green House Gas Emissions

Scope 1 & 2

Hop Lun continues to improve data collection for greenhouse gas (GHG) emissions and for FY21, we have collected data for all GHG scopes. For scope 1 emissions, we have added emissions from owned and leased vehicles in the form of natural gas or biodiesel. To compare FY21 with earlier years, we have added proportional emissions from vehicles for FY17-FY20. For scope 2 emissions, we continue to use location-based data to be consistent with earlier years.

For scope 1 & 2, we are on track to reduce both absolute and intensity emissions in line with our FY25 goal. The reduction of GHG emissions for scope 1 & 2 in FY21 is closely correlated with reduction of energy consumption. Please refer to P. 13.

Goal for FY25 compared to baseline year FY19 : Reduce 40% GHG emissions scope 1 & 2 per piece



Scope 1: Emissions from owned or controlled sources

- Diesel generators for backup power supply
- Vehicles
- Fugitive emissions

Scope 2: Emissions from purchased electricity

Scope 3: Emissions from value chain

- Goods and services
- Capital goods
- Transportation
- Waste generated
- Employee commuting
- Business travel

Green House Gas Emissions

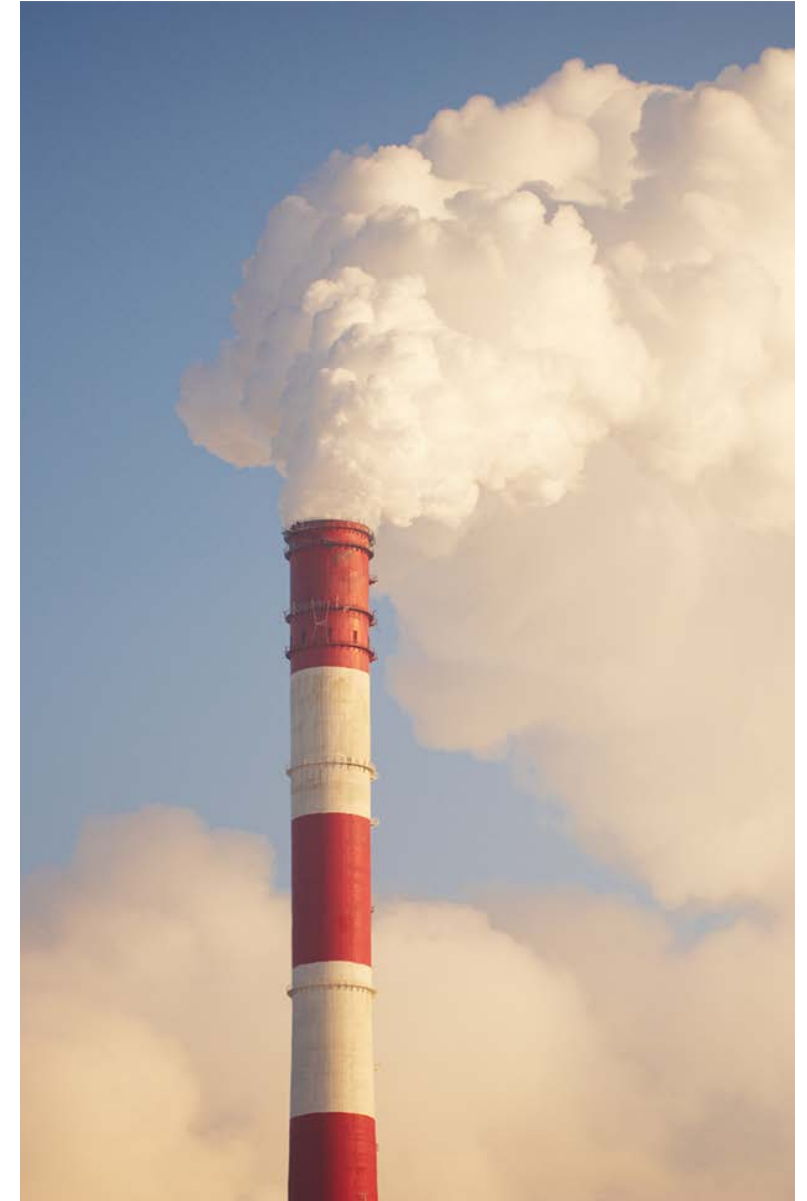
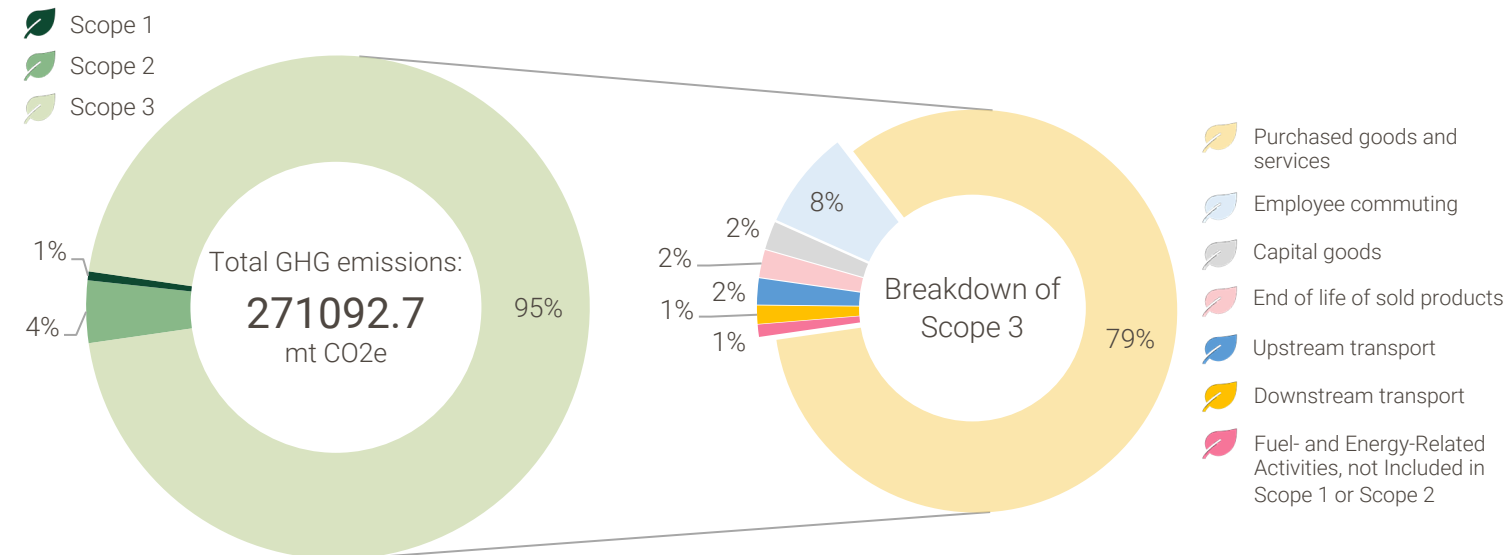
Scope 3

For the first time, Hop Lun has calculated emissions from our value chain by estimating data for seven out of the fifteen scope 3 emissions categories. We have used the Quantis Evaluator Tool, which estimates emissions based on purchasing volumes.

Hop Lun's scope 3 emissions make up 95% of our total emissions. The biggest category is purchased goods and services, as a result of the energy-intensive processes for washing, dyeing and printing of fabrics.

As the Quantis evaluator tool is a highly standardized tool, some of the assumptions are imprecise for Hop Lun's context. For example, GHG emissions from employee commuting is relatively high in the Quantis toll calculation as this is based on how employees in the U.S. get to work; i.e. very often by car. As most of our 33,000 employees either walk or take public transportation, this number doesn't reflect the situation accurately.

Hop Lun has committed to set Science-Based Targets to reduce emissions and help curb global warming. The new goals will be announced in FY22 and will include absolute reduction targets for scope 1 & 2, as well as reduction target for scope 3.



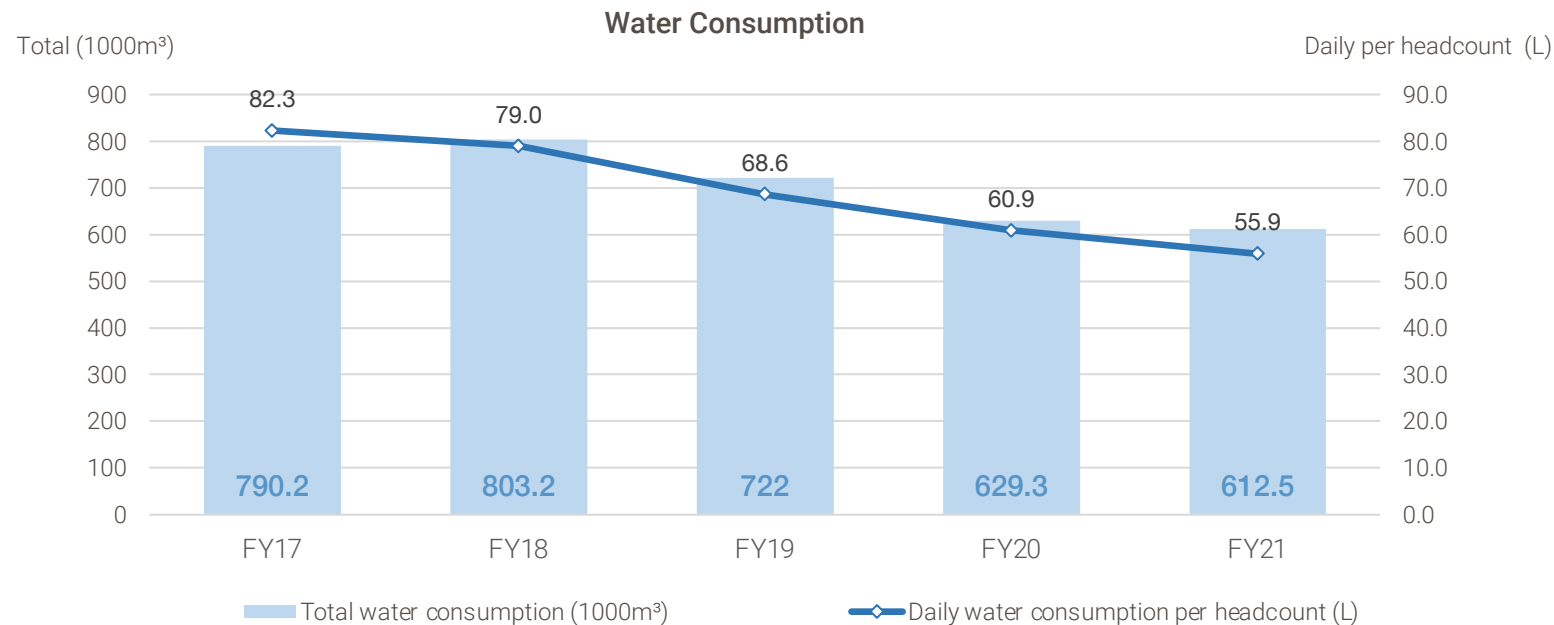
Water Stewardship

Hop Lun's water consumption is limited to domestic use for handwashing, drinking, toilet flushing and on-site cooking, dishwashing and car washing where applicable.

Hop Lun's water consumption was reduced in FY21 and we managed to reach our FY25 goal early. To continue challenging ourselves, we have therefore changed our FY25 goal from 10% to 20%.

In FY21, we upgraded water taps in several factories to water-efficient aerator taps. While our water saving campaigns were accompanied by campaigns calling for more frequent and thorough handwashing during the Covid-19 pandemic, the net effect to save water is positive.

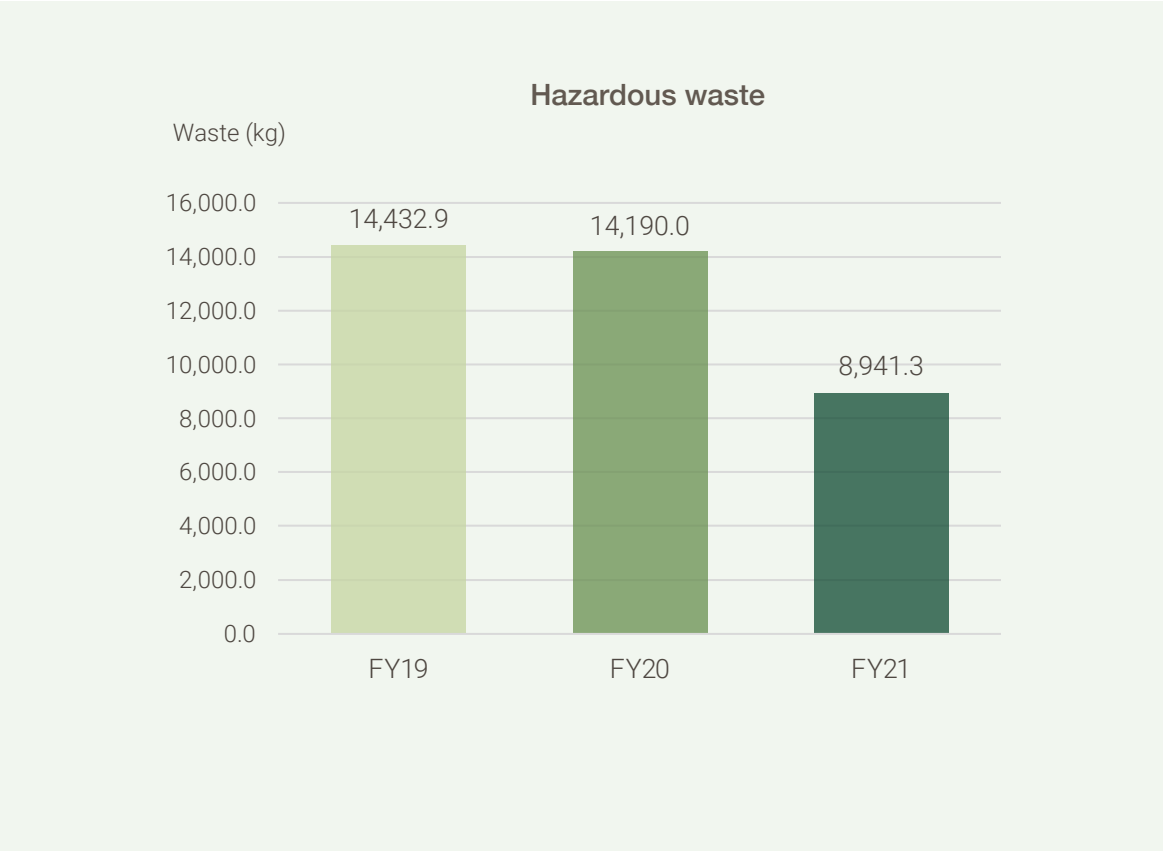
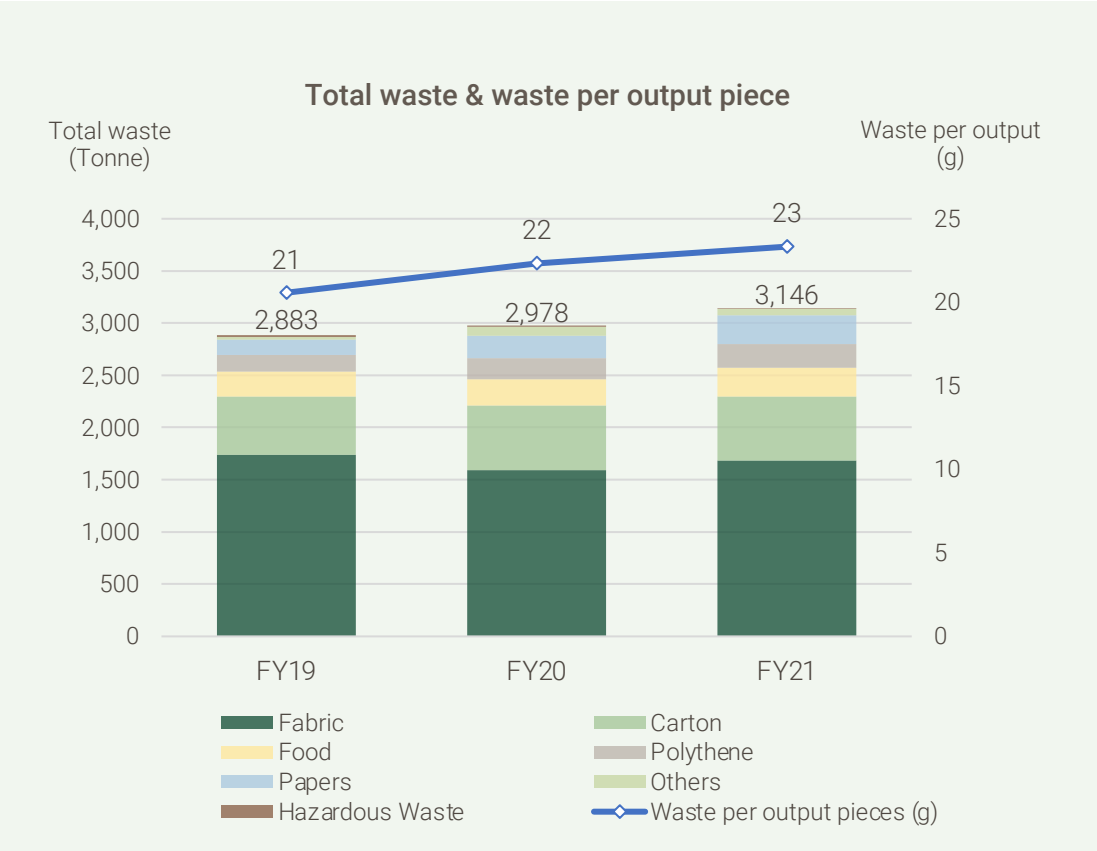
GOAL : Reduce water consumption per headcount with 20% by FY25



Waste Management

Hop Lun’s waste collection data has improved over the last couple of years for better waste control and management. In FY20 and FY21, absolute and intensity waste volumes have increased. The main reason for this negative trend is improved data collection to capture all waste created but we have also seen lagging results from our waste reduction and action plans as these efforts take time to implement.

As we have added more factories over the last couple of years, increased absolute waste quantities have followed. In FY21, we have seen an increase in waste generated per piece as a result of a reduction of orders due to the Covid-19 pandemic.

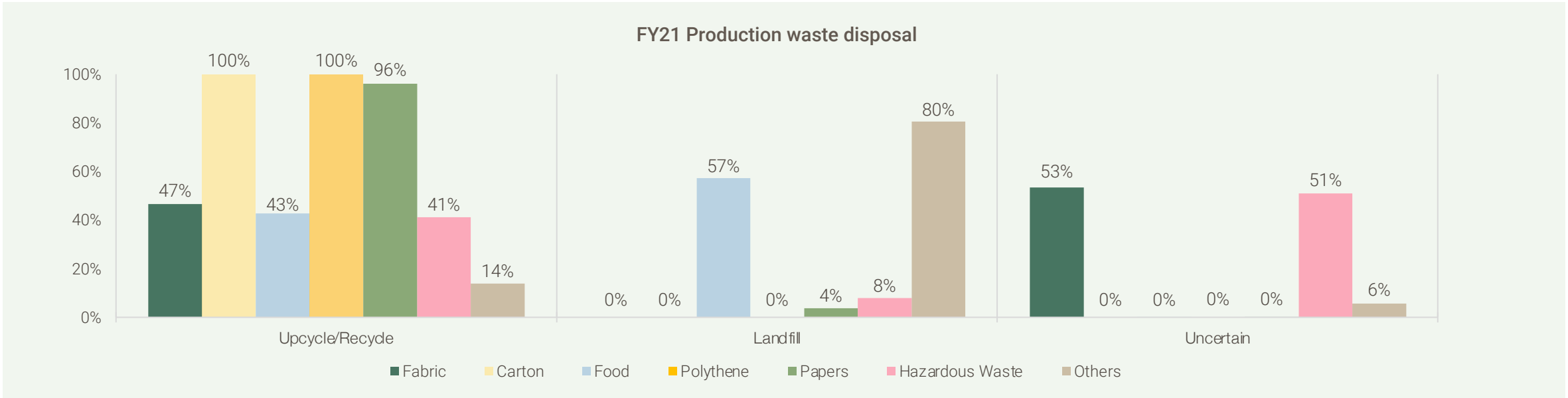


Waste Management

Hop Lun is closely tracking quantities from different waste streams and their respective end-of-life management. Our goal is to contribute fully to a circular economy, and we aim to upcycle or recycle all waste streams. We’re making progress to divert waste from landfill for several waste streams but still have work to do on the following:

- Fabric – as much of our fabric is a blend between different fibers, China is the only market that can fully recycle blended fabric today. We’re continuing to search for solutions in Bangladesh, Indonesia and Ethiopia.
- Food – we have set ambitious targets to upcycle all biodegradable food waste. 100% of food waste will be diverted from landfill in FY22.
- Hazardous – this category consists of medical waste, chemicals, electronic waste etc. We work with certified recyclers for this category to divert hazardous waste from landfill.
- Other – this category consists of smaller quantities of mixed material waste with no clear path to recycling. This is our biggest challenge to divert from landfill and we continuously look for better options to improve general waste reduction and recycling.

Goal : Zero waste to landfill by FY25



Sustainable Materials

A switch to more sustainable materials is crucial for the fashion industry to address urgent environmental challenges including climate change, biodiversity loss, soil health degradation and water scarcity. By recycling textile fibers in a closed loop system, we can reduce our dependency on virgin synthetic materials and agricultural crops which come with a high environmental footprint.

There's still a long way to get to a fully circular fashion economy. For example, only 15% of all polyester worldwide is made up of recycled fibers and even less of that comes from fibers recycled post-consumer usage.

Hop Lun is committed to accelerate the change to more sustainable fabric and has set a goal of buying 50% of all purchased materials from certified recycled- or otherwise more sustainable sources by FY26. This includes GRS or RCS certificates for recycled content, GOTS or OCS certificates for organic cotton, and FSC certificates for sustainably sourced paper and wood-based products.

In FY21, 12% of our total purchasing volume was made up by more sustainable materials, including:

- 51% of all purchased polyester was GRS or RCS certified
- 41% of all purchased cotton was organic (another 42% from BCI or CMiA sources)
- 46% of all purchased paper or carton was FSC certified or from other trusted sources for recycled content.

We're excited to see a lot of innovation in the space of sustainable materials. Hop Lun continues to work with suppliers to find bio-based and recycled materials for fabric, mould cups and accessories and we are proactively sharing ideas for more sustainable options with our customers.



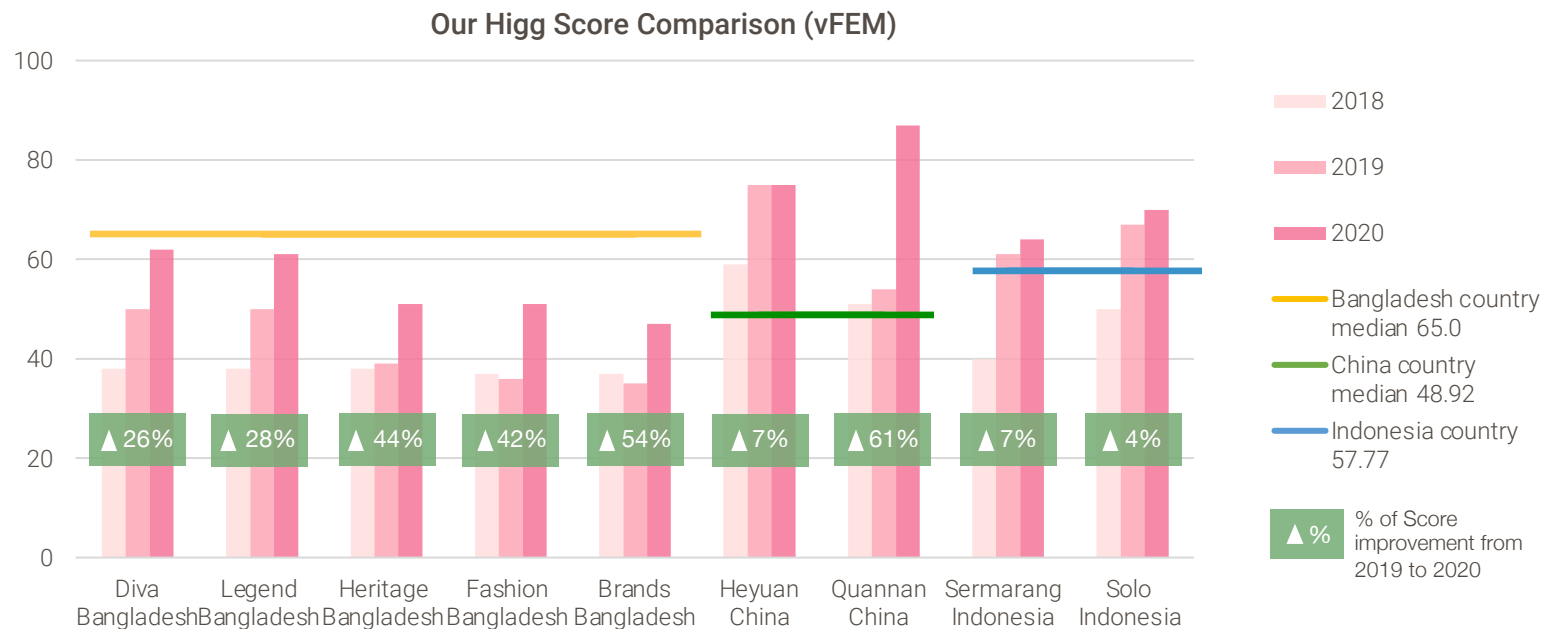
Higg Scores – Facility Environmental Module (FEM)

The Higg reporting platform is important as a transparent tool to hold ourselves accountable to our goals and continuous improvement. Our Higg FEM scores continued to improve during FY21 and we reached our goal of having all existing factories scoring above 50 on the platform. We're proud of the improvements over the last year. In particular, nine of ten factories score above 90% for environmental management systems and energy.

Waste management will be our focus for the coming year. While our China factories are on level 3 ('aspirational'), we need to further improve waste management in Bangladesh and Indonesia. Please refer to P. 17-18 to read more about waste.

While our scores for air and chemicals are relatively low, this is in line with our expectations as we don't have industrial processes requiring higher standards. Our air emissions are limited to HVAC systems and generators and chemical use is limited to machine maintenance and cleaning.

More details about individual sites' Higg scores can be found in Appendix 2.



LCMP

Hop Lun continues partnership with WWF on Low Carbon Manufacturing program (LCMP)

In FY21, Hop Lun expanded the LCMP partnership with WWF to include three additional factories. Our factory Diva was the first factory in Bangladesh to be certified and achieved gold status in FY20. In FY21, Heyuan in China and Solo in Indonesia both received Platinum status. Our factory Brands in Bangladesh received silver status.

During the course of the program, we have identified further room for improvement to reduce unnecessary energy consumption and improve energy efficiency. Our factories have set clear departmental goals and collect data on a monthly basis to track progress. Furthermore, building employee awareness on how we can improve environmental performance has been a key part of the program.



Rooftop Garden at Diva, Bangladesh

Solar Panels in Legend

To move towards net zero greenhouse gas emissions, we need to phase out fossil-based energy sources and scale up renewable energy, e.g. wind and solar.

In FY21, Hop Lun conducted feasibility studies at all sites in Bangladesh to understand potential for on-site solar panels. In March 2021, Legend become our second factory in Bangladesh to install rooftop solar panels. We installed 159 solar panels of 60 kw which will help us decrease 8.2% of Legend's annual GHG emissions. Our factory Diva installed solar panels in 2018 to generate 15 KWp.



Solar Panels at Legend, Bangladesh

Food Waste Upcycling

As a part of Hop Lun's food and nutrition program (please read more on P. 33), we have set an ambitious goal to reduce overall food waste. Any leftover biodegradable waste, we collaborate with local farmer and donate food to animals such as fish, ducks or chicken.

In Quannan, food waste is converted to fertilizers by the local sanitation department and distributed to local farmers.

Diva factory signs partnership with duck farm to receive leftover food from Hop Lun's canteen.



Duck farm in Bangladesh

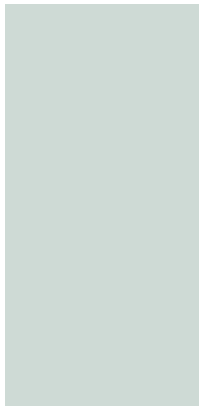


Green Carnival in Hong Kong Office



To launch the Hong Kong office's renewed focus on becoming a green organization, Hop Lun arranged a Green Carnival, a day full of fun games and teambuilding activities related to going green. We invited all 170+ employees in our Hong Kong office to try healthy plant-based dishes and play games on the topic of recycling and healthy eating. We organized a quiz on environmental knowledge, introduced our office's new Green Ambassadors and launched a Green Monday challenge, where 100 employees signed up to follow a vegetarian diet every Monday for a full year.

Thank you to everyone participating for the good energy and enthusiasm!



SOCIAL SUSTAINABILITY



Social Sustainability

Hop Lun would be nothing without the talents in our workforce. When our people thrive, we thrive. We believe our business help advance the economic development in countries where we operate but more importantly, we have a great role to play in the lives of our 33,000 employees. We are committed to improve the lives of our employees, their families and the communities we interact with.



01



Health & Safety

Our workers' health and safety is our highest priority at all times.

02



Wages & Compensation

We are working towards living wages for all Hop Lun employees.

03



Diversity, Equity & Inclusion

Our people come from different cultures, countries, contexts and circumstances. We welcome and respect all talents.

04



Working Hours

We believe in a healthy work-life balance.

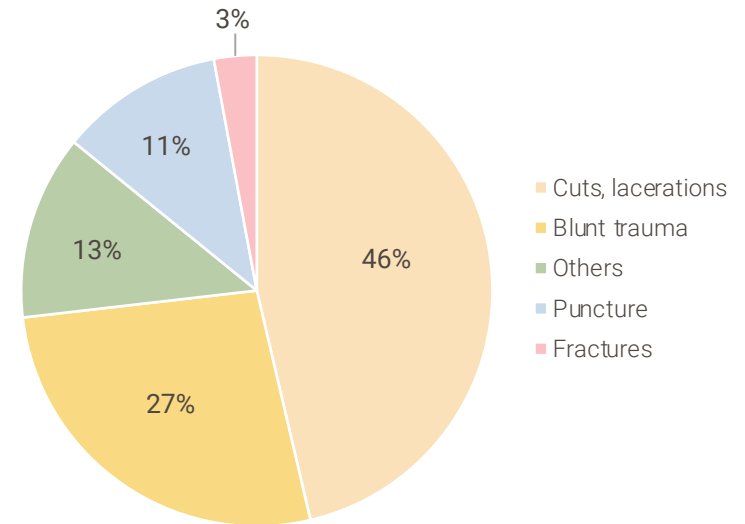
Health & Safety

Health and safety is our highest priority at all times. We follow Hop Lun's strict health and safety standards, based on international best practice and local laws and regulations. In the light of the Covid-19 pandemic, we added new standard operating procedures to allow for improved personal hygiene, social distancing and more frequent cleaning. One of the biggest challenges in FY21 has been to conduct emergency drills and evacuations while maintaining social distancing. We have adjusted these exercises to smaller groups to ensure regular training sessions without compromising personal space.

We follow the OSHA standards for recordable workplace injuries. The number of injuries per 1,000 workers decreased between FY20 and FY21. The most common types of incidents being minor cuts and punctures from needles and sharp tools, such as knives and scissors. We are constantly working to reduce this number through training and awareness campaigns.

In FY21, we partnered with the health and safety consultancy ERM to conduct in-depth fire safety diagnoses for selected sites in Bangladesh, China and Indonesia and to provide local management teams with industry leading fire safety training.

Types of Injuries FY21



Number of injuries per 1,000 workers

FY20 : 21.8

FY21 : 18.1



Our Approach to Wages and Compensation

Hop Lun has always been proud to provide employee compensation in line with, or above, local law. On top of various allowances and entitled leaves, we offer employees extra incentives such as production bonus.

The next step on our journey to improve employee benefits is to provide living wages. We believe **all employees deserve to earn a living wage to support themselves and their families** and participate fully in society. Currently, **92% of Hop Lun employees earn a living wage**, and our goal is to pay 100% of our employees a living wage or above by FY26.

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

For Hop Lun’s first phase of a living wage analysis, full-time employees have been included from factories in Bangladesh, Indonesia and China and offices in Hong Kong and Dongguan

FY26 goal:
100% of employees
earn a living wage

Anker Methodology

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

Living wage =

Cost-of-Living

No. of salary earners

3. Calculate take-home pay
 - a. Take-home pay is calculated as:

Fixed pay from contractual base salary

+ Fixed allowances

+ Attendance allowances

+ Festive bonus

- Tax

- Social securities contributions
 - b. Only compensation for regular hours has been included (overtime hours are excluded)
 - c. No in-kind benefits have been included (e.g. meals, snacks, childcare, on-site doctor visits, etc.)
4. Compare take-home pay with living wage level

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

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

Understanding the gap: Take-Home Pay ≥ Living Wage?

The table below shows the cost-of-living for a standard household and the corresponding living wage. All costs are converted to HKD for easy comparison. For the Hong Kong office, the cost-of-living follows the 2018 Oxfam Living Wage Study, adjusted for inflation (please see link [here](#))

	EPZ	Fashion	Brands	Intimate	Semarang	Solo / Boyo	HeYuan	Quannan	Dong-guan	Hong Kong
Cost-of-living	1,333	1,315	1,321	1,279	1,203	1,221	4,677	4,436	5,054	N/A
Living wage	889	877	881	853	802	814	3,118	2,958	3,370	12,124

We are proud to have 92% of Hop Lun employees earning a living wage or above. An important step for us to reach this high level has been the review of salary structures in Bangladesh and Indonesia. Over the last couple of years, we have increased the proportion of fixed income in employees' take-home pay. This means that the proportion of fixed pay has increased compared to the proportion of variable income.

For China, we still have workers earning less than a living wage. We have tried multiple avenues to increase the proportion of fixed pay and conclude that our variable production bonus at its current level is

necessary to keep high performing workers satisfied. While the total compensation package for workers in China, including variable pay, is well above living wage levels, we don't pay workers a living wage as per the Anker methodology in FY21.

We are committed to continuing paying employees in Indonesia and Bangladesh a living wage or above in the future, although we foresee high inflation rates and increased cost-of-living. We will work to improve the number of employees earning a living wage in China over time and our goal is to have all workers earning a living wage by FY26.

Country	Total numbers of employees	Number (and %) of employees earning a living wage or above	Number (and %) of employees earning ≥20% above a living wage	Number (and %) of employees earning ≥50% above a living wage
Bangladesh	22,148	22,144 (100%)	18,488 (83.5%)	7,433 (33.6%)
Indonesia	4,444	4,444 (100%)	4,420 (99.5%)	2,800 (63%)
China (incl HK SAR)	3,842	1,456 (37.9%)	1,387 (36.1%)	1294 (33.7%)
All	30,434	28,044 (92.1%)	24,295 (80%)	11,527 (38%)

Lin Fatimah, sewer at Semarang, Indonesia, shares pictures from her life.



Grocery shopping at the local food market



With daughter and husband outside of their house



On the scooter, Lin Fatimah's choice of transportation to get around

Diversity, Equity & Inclusion (DE&I)

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

Hop Lun aims to foster a culture of dignity and respect where everyone is valued for their unique contribution. In FY21, we have rolled out a group-wide training series on anti-discrimination and unconscious bias. Starting with our corporate offices in Hong Kong and Dongguan, we conducted surveys to understand how employees experience Hop Lun's working environment. We asked questions about perceived psychological safety, support and commitment from the management, experienced biases, challenges and culture. The answers served as the basis for the discussions during the training sessions. The trainings are now being rolled out at all factories and will be followed by other topics related to DE&I at Hop Lun.

We have identified three strategic dimensions of difference to focus on – Gender, Race and Years of Service.

FY23 goal :

**60% female
supervisors
in our factories**



International
Women's Day
Celebration

Legend • Bangladesh



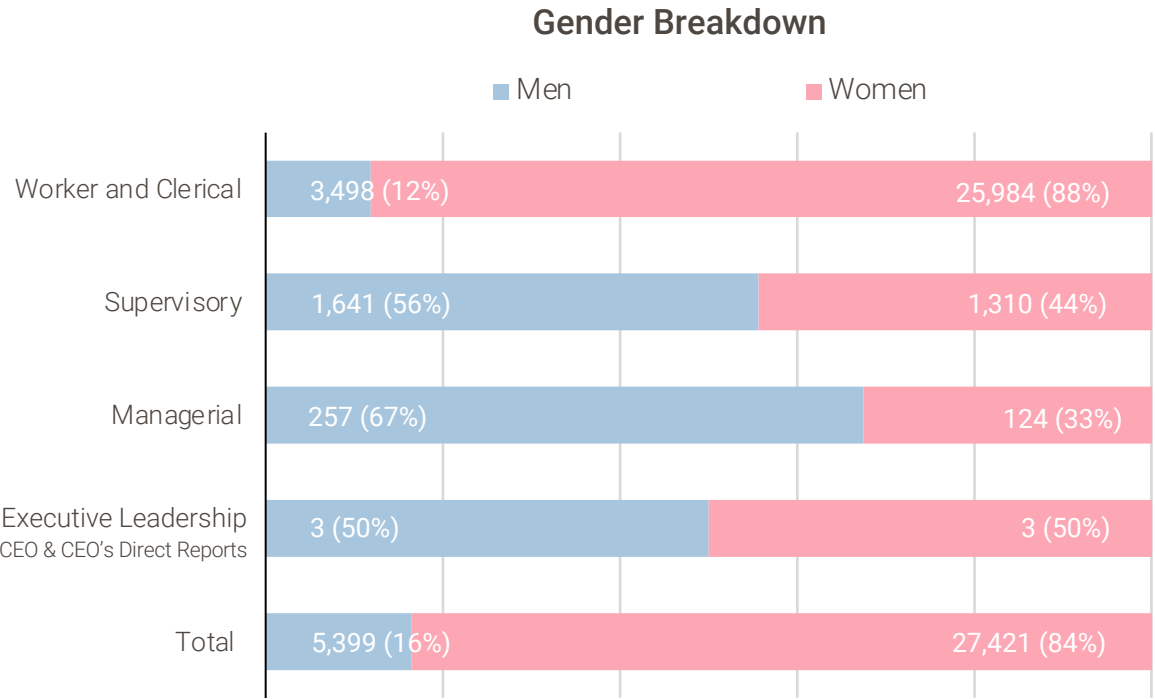
Diversity, Equity & Inclusion (DE&I)

Gender

84% of our 32,820 employees are women. To show our commitment to women’s empowerment and career advancement, we have signed the UN Women’s Empowerment Principles. We commit to treat all employees fairly and without discrimination, support women to take on higher level positions, advocate for women’s rights and measure and report on our progress.

We have updated our job grading to better reflect seniority. Supervisory positions include operational supervisors as well as more senior specialists, even if senior specialists don’t necessarily have a team to manage. Compared to FY20, we have seen an increase of women in managerial positions. The number of female supervisors has declined slightly with the new job grading as senior specialists tend to be more male-dominated roles, with positions like engineers and technical specialists.

63% of worker representatives at Hop Lun factories are women. You can read more about three of them on P. 35-36.



Race

Hop Lun employs people from different cultures, backgrounds and ethnicities. Working well together and seeing our differences as a strength is key for any project to be successfully implemented. This is especially true when people have to collaborate to open new factories. Many times, employees don’t speak the same language and live outside of their home countries, which can be stressful. We realize the importance of focusing on our shared mission and what binds us together to build trust and understanding between different groups.

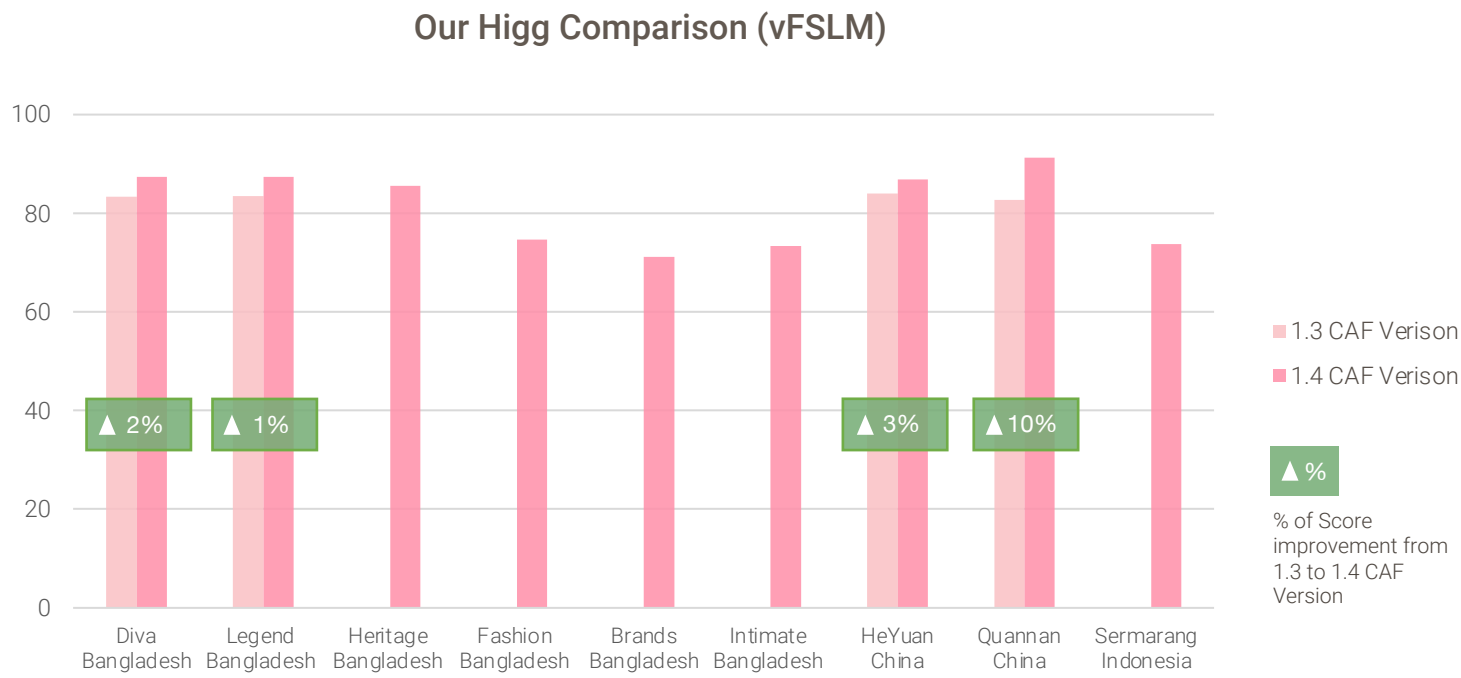
Years of service

In our Hong Kong office, we learnt that employees believe that people with different years of service get different preferential treatment. Long-term employees felt that new-joiners and management trainees are more encouraged to share new ideas and suggest changes while new-joiners and management trainees reported that they don’t believe they have the same authority as long-term employees to speak up. Age and years of service is one important dimension of difference that we’ll focus on to foster an inclusive culture.

Higg FSLM & SLCP

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

We have reported on the SLCP platform in China since 2018 and are enrolling all factories as the program becomes available in new markets. In FY21, two of our factories in Bangladesh joined and in FY22 we will have all factories in China, Indonesia and Bangladesh participating in the program. In FY21, SLCP data was fully integrated into the Higg FSLM module, which also enables scoring of verified assessments.



Working Hours

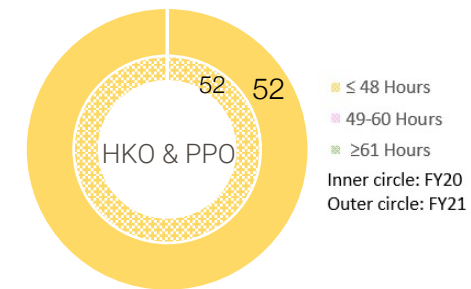
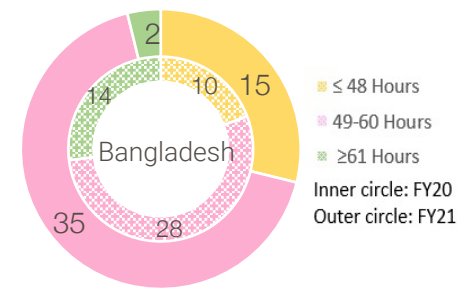
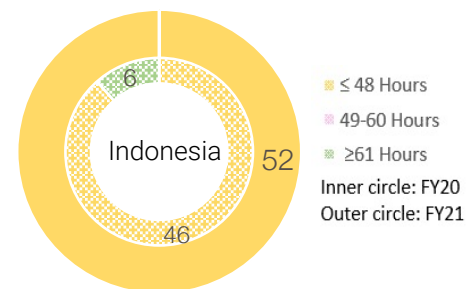
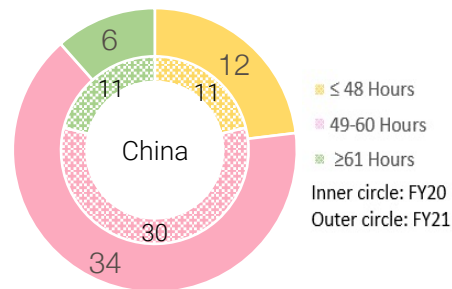
The length of working hours last year was affected by the Covid-19 pandemic as factories had to close for several weeks during peak season. This shortened the total number of weeks with high overtime hours in all our factories. While excessive overtime hours were reduced because of Covid-19, our aim remains to keep working hours below 60 hours per week also during normal circumstances.

In addition to our Indonesia factories, we have introduced double shifts in our factory Intimate in Bangladesh to allow more flexible planning and therefore also shorten working hours. We are exploring how double shifts can be implemented in additional factories.



Distribution of average weekly working hours during FY21:

- Only full working days are counted
- Number of weeks in FY20 is included for easy reference



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

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

Food Project

Healthy and tasty food during meal breaks is one of the highlights of working at Hop Lun. During FY21, we put extra emphasis on good nutritional value and high hygienic standards.

To make healthy eating more fun, we have launched the concepts 'Rainbow of Health' and 'Green Mondays'. The concept 'Rainbow of Health' refers to serving food with a variety of colors. More colors mean a more varied diet and improved nutritional value. Every week, fruits and vegetables of the colors white, yellow, red, purple and green will be served at least once. Every Monday, vegetarian food will be served at all Hop Lun sites to celebrate 'Green Mondays'. We aim to make this meal extra tasty to inspire employees to eat more plants. A more plant-based diet is good for the health of people and planet alike!

All sites have a food committee responsible for food quality, hygiene standards, nutritional training for all employees, limited food waste and employee satisfaction surveys.



Canteen at Heyuan factory

Menstrual Health Project in Bangladesh

In Bangladesh, period hygiene products are relatively expensive and knowledge about menstrual health is limited. Hop Lun applies a holistic perspective to better understand how we can provide sustainable solutions and help overcome the stigma around menstruation.

In 2019, Hop Lun Fashion partnered with Reemi, a nonprofit organization focusing on improving menstrual health for women in Bangladesh. As disposable period products create large quantities of plastic waste, we wanted to come up with a more sustainable option. Hop Lun and Reemi embarked on a mission to co-create a comfortable, practical and re-usable period panty. The final product, made of six layers of anti-bacterial fabric, was tested by 500 women in the factory before the start of bulk production. In March 2021, 250 women participated in training sessions on the topic of menstrual health and safe use and care of hygiene products. Bulk production has started in FY22 and almost 6,000 packages consisting of five period panties each will be distributed to all women at Fashion, together with educational training on menstrual health and hygiene.

This project has also been a part of a research study supported by the Humanitarian Innovation Fund and is working to improve access to menstrual hygiene management for women all around the world.



Halima Begum, Senior operator and General Secretary of the Trade Union

"Menstrual periods are a very natural part of being a woman. In Bangladesh, there's a lot of stigma around menstruation. Menstruation hygiene is not easy, and we see many women using old or unhygienic fabric as pads. Many women suffer from infection and various gynaecological diseases as a result. Period underwear is a good solution to improve menstrual hygiene. It's also comfortable to wear and easy to wash and dry. In the future, we hope not only women at Hop Lun, but all female factory workers will have access to this product."



Emily Au-Young, Executive Director, Reemi

"It's been an absolute pleasure to work alongside Hop Lun for this ground-breaking work on menstrual hygiene management. Beyond providing products, this work has also seen a shift in cultural norms and we are grateful for this like-minded partnership that will see workers positively impacted across their factories and beyond."

Interviews with Worker Representatives

3 Questions have been asked:

- 1. What is your name? Position? How long have you been with Hop Lun?**
- 2. Tell us about your work in the worker representative committee / trade union?**
- 3. How can we create a more inclusive workplace?**

HEYUAN • China

1. My name is Lichun Xian, I'm a sewer and have been working at Heyuan for more than 11 years
2. We collect employees' concerns and problems. In our monthly employee representative meetings, we discuss together to seek solutions and provide timely feedback.
3. It is helpful when the management team shows a softer side. This helps workers feel safe and it becomes easier to share thoughts and feelings and participate more actively in discussions.



Interviews with Worker Representatives



LEGEND • Bangladesh

1. My name is Sharmin Akter, I'm a bra and panty sample maker at Legend and have just passed my 10th anniversary with Hop Lun.
2. As a worker representative, I am the link between workers and the management. This means I have to encourage discipline, occupational health & safety and continuous improvement while also ensuring the welfare of our workers. I'm always ready to solve any issues at the workplace immediately but we also work with various forms of grievances to find solutions that works for all parties.
3. Sometimes workers hesitate to share their problem openly and prefer a confidential discussion with a member from the Worker Participation Committee. I believe we can do a better job of encouraging workers to use the grievance mechanism system and that all incoming concerns should be shared more openly. It's important to focus on mental health issues through awareness programs as it creates a safe and beautiful environment. This also increases productivity!



SOLO • Indonesia

1. My name is Rina, I'm a Distribution Center operator at the cutting department. I have been working at Hop Lun Solo for 10 years.
2. I'm a worker representative in the Bipartite Committee. I act as a bridge between workers and management, to ensure a smooth communications flow. I seek advice from all workers about how the workplace can improve and bring any ideas and grievances they might have to discuss with the management team.
3. An inclusive workplace means that we feel comfortable interacting with all teammates, even though we may come from different backgrounds or have different abilities. I think this is true for Solo and I have not seen any form of discrimination to, for example, colleagues with disabilities. It's important to constantly review competency assessments to ensure it's fact-based and free of personal judgement.

Family Planning

Reproductive Health Awareness

Bangladesh has a population of over 160 million people and is one of the most densely populated countries in the world. As a part of the government's plan to stabilize population growth and meet the UN's sustainable development goals, the Bangladesh government has made family planning a priority to achieve sustainable growth.

In December 2020, Hop Lun's factories Diva, Legend and Heritage partnered with the government to raise awareness about family planning, safe birth control methods and good maternal health to empower couples to build families on their own terms.

8,120 employees participated in the program and made use of free doctor consultations and contraceptives. Training sessions were also arranged on various topics related to family planning and reproductive health. The program was tailor-made for each factory to address local needs based on one-on-one baseline interviews with 300 employees.



Family planning awareness training and consultation at Heritage factory



English Language Studies in PPO

As Hop Lun is expanding into new markets and adding employees from different countries and cultures, English is increasingly becoming our default shared language. For Chinese-speaking employees in PPO, advancing English skills is considered to be important for better communication with colleagues around the world.

In FY21, 1,077 employees in PPO were divided into different groups based on skills levels to improve their English. In a fun environment, our colleagues were given weekly professional training sessions and plenty of opportunities to practice English in daily life. Two full 'English Fun Days' were arranged to learn through play and games and every Monday, PPO challenged all employees to only speak English at work. 90% of all employees upgraded their English skills with one or two levels after passing a formal test.





HOP LUN

English Learning
英语 小课堂

Learning English, I am possible! we are possible!
学好英语, 我能! 我们都能!

View the launching video here!



A photograph of three women in a sunlit field of green plants and small white flowers. The woman in the foreground has curly hair and is wearing a long-sleeved white top with lace trim. Two other women stand behind her, also in white tops. The scene is bright and natural, with trees in the background.

SUSTAINABILITY GOVERNANCE

Sustainability Governance

We believe that holding ourselves accountable helps build trust among our stakeholders. We have developed a solid sustainability governance framework to help us reach our goals, minimize risk and conduct business ethically and responsibly. In this section, we will provide an overview of our governance framework, including risk assessments as well as our security work and supply chain management.



Governance Framework

Our sustainability governance framework lies the foundation for all our efforts.



Risk Assessment

Yearly risk assessments help us understand risk exposure to adjust our resource allocation.



Security

We protect our people and our goods from security threats.



Supply Chain Management

Sustainability doesn't end with us. We continuously improve with our hundreds of supply chain partners.



Governance Framework

Organizational Structure

Hop Lun’s overarching business strategy, including our 5-year sustainability goals, is directly managed by Erik Ryd, Hop Lun’s Founder & President. The Head of Sustainability, responsible for Hop Lun’s sustainability roadmap, sustainability policies and advancement of initiatives, reports jointly to the President and the CEO.

With support from Hop Lun’s Head of Sustainability, the President chairs Hop Lun’s Sustainability Committee, where Hop Lun’s sourcing manager and all site managers report progress towards set sustainability goals. Each site has a team of sustainability subject matter experts, reporting to their respective General Manager and with a functional reporting line to the central sustainability team.

In addition to the Sustainability Committee, a special task force for decarbonization is chaired by the Head of Sustainability with the mission to reduce greenhouse gas emissions. The decarbonization task force is made up of representatives from manufacturing excellence, sourcing, finance and selected site leaders.



Sustainability Focus

Environmental : Decarbonization													
Social : Living Wage													
Social : Diversity, Equity & Inclusion													
Governance : Supply Chain Sustainability													
Bangladesh						Indonesia			China			Ethiopia	
Diva	Legend	Heritage	Fashion	Brands	Intimate	Boyo	Semarang	Solo	HKO & PPO	HeYuan	Quannan	Tara	Supply Chain

Governance Framework

Policies

A detailed set of corporate ESG Standards, that goes above and beyond regulations and customer requirements, is applicable to all Hop Lun sites and covers everyone working at those sites. On top of the corporate standard, each site has further policies and standard operating procedures to ensure local requirements are met. To drive particularly important topics, each site has cross-functional committees, including fire-safety, anti-harassment, workplace dialogue and environmental stewardship.



Management Systems

All business leaders of the Sustainability Committee are evaluated on their sustainability performance at the end of the year and progress on sustainability goals is reflected in Hop Lun's annual bonus scheme for all executive leaders.

Every month, the corporate sustainability team meets with each site manager to discuss progress on sustainability KPIs, findings from internal sustainability assessments and incoming grievances. Findings are presented to the board quarterly. Improvement plans and resource allocation are constantly re-evaluated.

Yearly cross-site audits are conducted to ensure consistency of internal audits. In addition to internal assessments and self-governing, all sites are subjects to multiple third-party audits and assessments, e.g. verified Higg modules, BSCI, SMETA and Better Work.

Yearly risk assessments are conducted (please refer to P. 43).

Our stakeholder engagement process helps us continuously evaluate and prioritize relevant and significant ESG-topics (please refer to P. 7).

Risk Assessment

Hop Lun has developed a matrix assessing risks depending on their severity and likelihood over the next five years. Each risk category is classified as very high, high, medium, low or very low based on severity and likelihood. Risk reviews are conducted annually and serve as a basis to update strategies, policies and response plans.

Internal Risk Assessment					
	Area	Bangladesh	China	Indonesia	Ethiopia
 Environmental	Water Supply & Wastewater	Medium	Low	High	Very High
	Climate Risks	High	High	High	High
	Environmental Compliance	Low	Low	Low	Low
	Waste & Chemicals	Medium	Medium	Medium	Medium
 Social	Social Compliance	Low	Low	Low	Low
	Human Rights	Low	Low	Low	Low
	Compensation & Benefits	Low	Low	Low	Low
	Fair Labour Practice	Low	Low	Low	Low
	Occupational Safety	Medium	Medium	Medium	Medium
 Governance	Corporate Governance	Low	Low	Low	Low
	Anti-terrorism	Low	Low	Low	Low
	Supply Chain Management	Medium	Medium	Medium	Medium
	Ethical Business Principles	Low	Low	Low	Low



Very High



High



Medium



Low



Very Low

Risk Assessment

Water Supply and Wastewater

Hop Lun doesn't have any industrial water processes and wastewater is therefore limited to domestic use. Our factories Fashion and Intimate depend on government systems for wastewater treatment, which are not as reliable as onsite domestic effluent treatment plants (ETP).

In Indonesia, our factory Semarang is in process of setting up their on-site domestic ETP. In Ethiopia, our factory Tara is waiting for the installation of a domestic ETP to be provided by the Industrial Parks Development Corporation. Both Semarang and Tara will have domestic ETPs installed before the end of FY22.



Climate Risk

Chronic or acute climate risk categories include physical damage caused by flooding, sea level rise, water scarcity, droughts, irregular rain- or wind patterns. Any environmental risk of irreversible / long term damage with a potential direct or indirect financial impact of more than HKD 5 million is considered as 'very high'. Reversible damage that requires external assistance to remediate is considered 'high'.

The severity of climate risk is considered to be 'high' or 'very high' across all locations. The likelihood within the next five years is seen as 'medium' for Bangladesh, Indonesia and Ethiopia and 'low' for China. The total climate risk for all countries is 'high'.

This is an important signal for Hop Lun to further accelerate climate action.

Waste

Our factories don't have full insights to hazardous waste management, e.g. handling, storing, transportation and disposal. The risk of irresponsible waste management is considered as 'medium'.

We are continuously searching for certified waste managers who can help with upcycling and recycling to move towards a circular economy. In FY21, we started visiting and assessing performance of waste management partners which continues to be a priority.



Risk Assessment

Occupational Safety

Severity of building, electrical, machinery and fire risks are considered to be a 'medium' to 'very high*', primarily as fabric, which we have in large quantities in our factories, is a highly flammable material. The likelihood of any occupational safety hazard ranges from 'very low' to 'low'. The total risk across all factories is 'medium'.

Our employees' safety is our highest priority. We conduct internal assessments every month to identify shortcomings. The local teams take immediate corrective and preventative actions. All factories are subject to at least annual safety assessments, including programs such as the Bangladesh Accord (RSC), Nirapon, and assessments by local fire departments. In FY21, we prepared a group-wide fire-safety diagnosis report together with the consultancy ERM. Further, all employees are regularly provided with safety training.

** the level 'very high' has been considered for our factory Fashion. As a 10-story building with 7,000 employees, the severity of a potential safety risk is relatively high.*



Supply Chain Management

As we don't have first-hand information about each supplier's sustainability performance, we estimate the risk of non-compliance to be 'medium'.

Hop Lun focuses sustainability improvement efforts on 60 strategic supply chain partners, accounting for 80% of the total purchasing volume. Verified sustainability assessments and capacity building are important tools for Hop Lun to improve supply chain sustainability.

Changes from last year

Building on the PwC risk assessment from last year, Hop Lun has refined the methodology and incorporated some aspects into our regular internal risk assessments. For example, basic social compliance such as 'working hours' and 'fire control' are grouped under 'social compliance' this year.

To follow up on findings related to social insurance, which was classified as medium risk by PwC last year, we are happy to report further progress. In FY21, 90% of our employees are covered for pension insurance, 92% for unemployment and work-related insurance and 87% for medical and maternity insurance. While we're still working to reach 100% across all insurance-groups, the challenge is to convince employees to consent to do so, as employees need to contribute with 50% of the total insurance cost.

Working hours was another risk classified as 'medium' in the PwC report. We have continued to make progress to reduce overtime hours and more information about our working hours can be found on P. 32.

Security

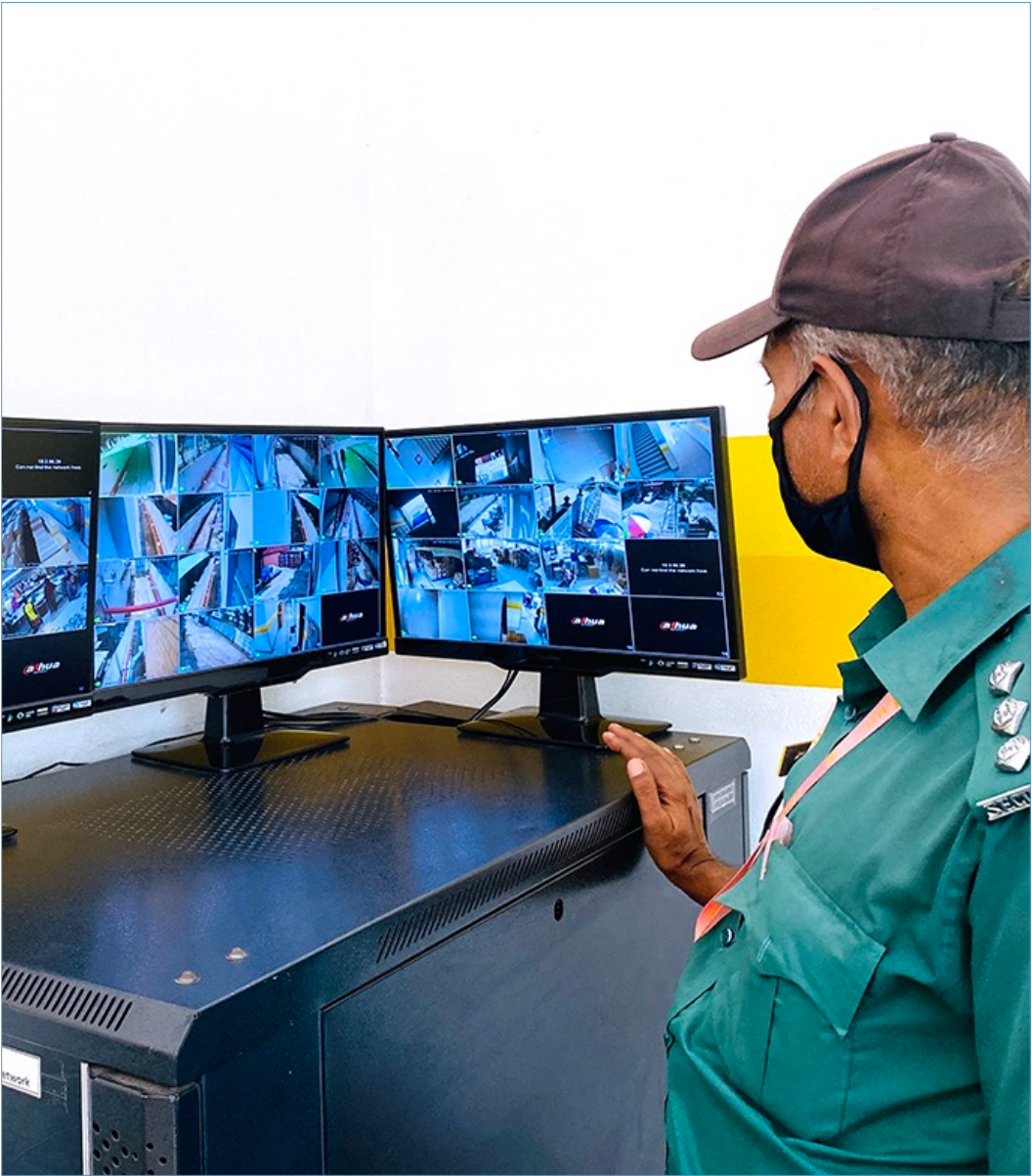
Hop Lun’s security guidelines are based on the U.S. Customs Trade Partnership Against Terrorism (C-TPAT) standards to ensure the highest level of cargo security. Our facilities are equipped with appropriate fencing, security guard gate houses, CCTV cameras and alarm systems. We follow strict procedures for personnel, visitors and deliveries. In particular, our cargo loading and unloading areas are located in designated secure areas and we follow thorough inspection checklists of containers, trucks and trailers.

We have a comprehensive written cyber security policy and high standard for malware protection systems and firewalls. Vulnerability test and IT penetration simulations are conducted at least annually.

We conduct regular risk assessments internally and externally and we arrange regular threat awareness trainings.

When required by American customers, third party security audits are initiated. We currently have seven factories subject to C-TPAT audits.

Country	Factory	C-TPAT Scores (full marks = 100)
Bangladesh	Diva	98
Bangladesh	Legend	98
Bangladesh	Fashion	94
China	Heyuan	92
China	Quannan	100
Indonesia	Semarang	100
Indonesia	Solo	99



Supply Chain Management

Hop Lun's top 60 strategic suppliers make up 80% of the total purchasing spend.

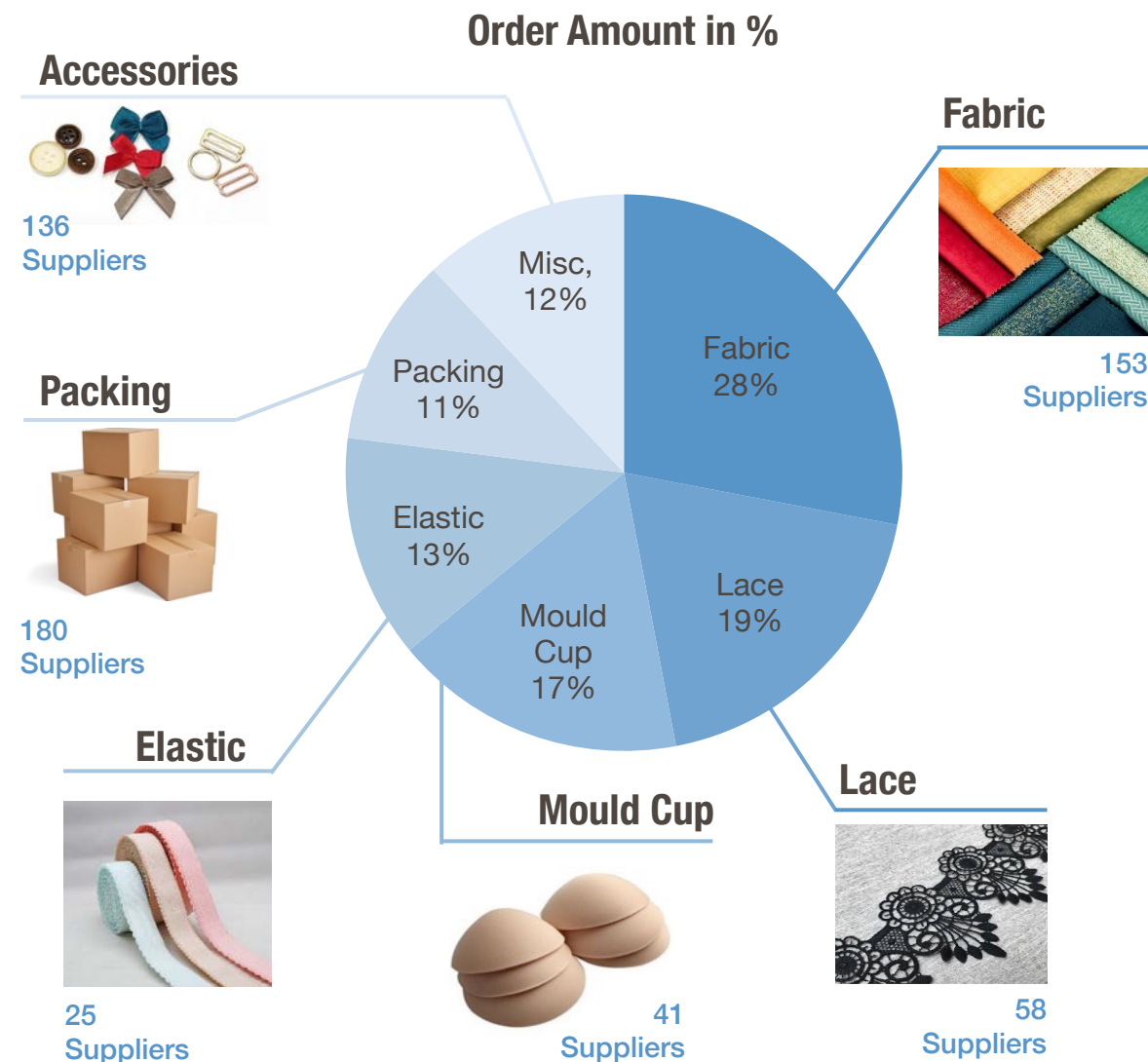
The focus for our supply chain sustainability efforts in FY21 was to enhance the performance evaluation tool for our top 60 strategic suppliers and to focus on capacity building for suppliers with wet-processing units.

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

Supplier sustainability topics for evaluation

- Self-assessment and Hop Lun verification
 - 60 suppliers have self-assessed their performance; 15 suppliers have been verified by Hop Lun
- Higg FEM and FSLM status
 - 14 suppliers have Higg FSLM and FEM scores verified by a third party
- Ability to provide more sustainable materials to an attractive price (please read more about sustainable materials on P. 18).
- Chemical and wastewater compliance for 26 suppliers with wet-processing units (e.g. dyeing and printing)
 - Input chemicals: Eight suppliers have full oversight of their chemical inventory in line with MRSL v.2.0 requirements through the ZDHC approved solution providers (e.g. BVE3 and CleanChain).
 - Output chemicals and wastewater: Ten suppliers have registered at ZDHC gateway and provide regular wastewater test reports against ZDHC wastewater guidelines.
 - All suppliers with wet-processing units will need to comply with the ZDHC's MRSL and wastewater guidelines by the end of FY22 at the latest

Our Key Components and Suppliers (FY21)



Closing Message

Over the last year, the Covid-19 pandemic has tested our resilience and adaptability on many levels and we have bluntly been reminded about the vulnerability of our society. We have also learnt about the importance of letting values guide our work and how as a team, we can overcome extraordinary challenges.

In April 2020, we quickly had to adjust our resources and priorities. The focus for our efforts during the first few months of FY21 was to establish solid health and hygiene protocols and ensure that anyone directly affected by Covid-19 was being cared for. As soon as we had landed in what seems to be our 'new normal', we could pick up on our key priority for the near future: paying living wages, reduce greenhouse gas emissions, build a culture of diversity, equity & inclusion and accelerate the progress of our suppliers' sustainability efforts.

According to NASA, 2020 was the warmest year on record and our work to reduce greenhouse gas emissions is more important than ever. With a limited budget, we managed to reduce our total emissions. We also conducted a series of technical feasibility studies to begin installations of on-site solar panels in FY22.

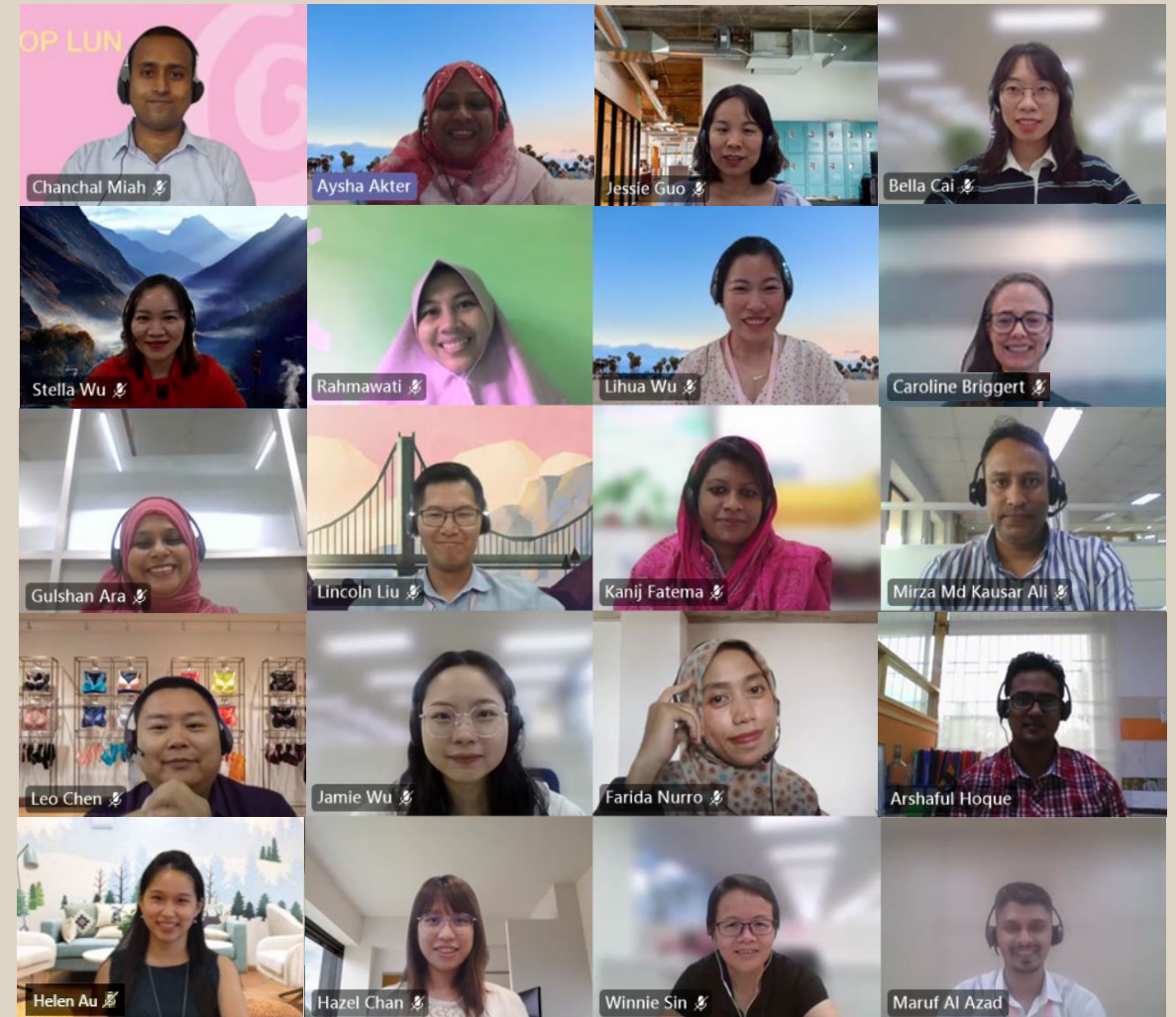
Last year served as a catalyst for the importance of diversity, equity and inclusion at Hop Lun. Building on one of our core values – being Open – we have started a journey to deepen an inclusive and respectful culture through a mix of measurable KPIs and conversations around topics such as unconscious bias and inclusive leadership styles.

We believe that collaborative partnerships and clear business incentives are the most efficient ways to empower our suppliers to accelerate their social and environmental sustainability progress.

To all our employees, customers and partners – thank you for your collaboration over the last year!

Caroline Briggert,
Hong Kong, September 2021

Our Team :)



Appendix 1 – Certificates & Licenses

Certifications		Area	Bangladesh						China		Indonesia		
			Diva	Legend	Heritage	Fashion	Brands	Intimate	HeYuan	Quannan	Semarang	Solo	Boyo
	Higg FEM & FSLM Facility Environmental Module & Facility Social Labor Module	Environment & Social	√	√	√	√	√	√	√	√	√	√	
	Sedex Members Ethical Trade Audit Manage labor, health & safety, environment and business ethics	Social	√	√	√	√	√	√	√	√		√	√
	Business Social Compliance Initiative Implement the principle international labor standards to protect workers' rights	Social	√	√	√	√	√	√	√	√	√		
	Social & Labor Convergence Program Collect objective social and labor data	Social	√	√	√	√	√	√	√	√			
	Better Work Program to improve working conditions and labor rights	Social					√				√	√	
	Global Security Verification Supply chain security standards	Security							√			√	
	Supplier Compliance Audit Network Supply chain security standards	Security	√	√		√			√	√	√	√	
	Global Organic Textile Standard Ensure organic status of textiles	Textiles	√	√	√	√		√	√				
	Organic Content Standard Confirm product contains the accurate amount of organically grown material	Textiles	√	√	√	√	√	√	√	√			
	Global Recycle Standard Certify products with recycled content	Textiles	√	√	√	√	√	√	√	√	√	√	
	Recycle Claimed Standard Certification of recycled input and chain of custody	Textiles									√		
	Oeko-Tex Standards A label for textiles tested for harmful substances	Textiles	√	√	√	√	√		√		√	√	

Appendix 2 – Higg FEM

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

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

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

2020 FEM Higg Scores (2019 scores in parenthesis) max score is 100										
	Bangladesh						China		Indonesia	
Session Score	Diva	Legend	Heritage	Fashion	Brands	Intimate	HeYuan	Quannan	Semarang	Solo
EMS	92 (66)	92 (66)	94 (79)	92 (67)	94 (67)	21	100 (100)	100 (92)	100 (92)	100 (92)
Energy	90 (85)	90 (85)	90 (90)	100 (85)	90 (80)	60	100 (100)	100 (100)	90 (85)	100 (100)
Water	65 (55)	75 (60)	65 (65)	65 (55)	65 (60)	35	88 (75)	88 (65)	65 (60)	88 (75)
Waste	43 (21)	41 (25)	41 (21)	46 (25)	41 (21)	16	74 (75)	75 (25)	30 (21)	34 (32)
Wastewater	100 (100)	100 (100)	50 (0)	0 (0)	50 (0)	50	100 (100)	100 (50)	100 (100)	100 (100)
Air	10 (3)	10 (3)	10 (3)	15 (3)	10 (3)	5	17 (25)	83 (25)	46 (50)	58 (50)
Chemicals	42 (17)	42 (14)	42 (13)	42 (16)	25 (11)	22	48 (50)	65 (22)	25 (22)	25 (22)
TOTAL	63 (50)	64 (50)	56 (39)	51 (36)	54 (35)	30	75 (75)	87 (54)	65 (61)	72 (67)

Appendix 2 – Higg FSLM

The Facility Social and Labor Module (FSLM) on the Higg platform is made up of nine topics related to social sustainability performance. For individual factory scores, please refer to the table below. Each topic has three levels, making up a maximum score of 100. The facility’s total score is the average of the nine modules weighted equally. Hop Lun’s factories have a total score of score above 70% with all 11 factories scoring above 92 for health and safety and over 91 for worker treatment.

2020 FSLM Higg Scores (Previous 1.3 CAF Version in parenthesis) max score is 100									
	Bangladesh						China		Indonesia
Session Score	Diva	Legend	Heritage	Fashion	Brands	Intimate	HeYuan	Quannan	Semarang
Recruitment & Hiring	100 (96.8)	100 (96.8)	100	100	99.4 (91.4)	98.5	100 (96.2)	99.4 (96.8)	100
Working Hours	90.8 (85.9)	94.6 (85.9)	94.6	98.5	97.1 (86.8)	100	86.9 (93)	91.4 (93)	100
Wages and Benefits	85.6 (100)	87.3 (100)	87	91.9	97.4 (93.3)	84.1	100 (96)	96.6 (93.8)	97.1
Employee Treatment	92 (95.5)	99.5 (95.5)	99.5	99.5	98.3 (86.4)	100	100 (100)	100 (95.5)	91.8
Employee Involvement	89.6 (94.4)	91.5 (95.4)	85	95.6	91 (96.6)	94.7	95.3 (98.9)	90.6 (96.5)	93.8
Health and Safety	96.8 (93.3)	96.8 (93.3)	95.4	95.7	94.8 (96.6)	92.1	97.5 (92.6)	96.7 (91.3)	94.4
Termination	100 (93.8)	100 (93.8)	100	100	100 (100)	100	100 (93.8)	100 (93.8)	100
Management Systems	77.4 (83.7)	83.3 (84.4)	80.2	80.3	61.0 (72.2)	81.5	81.3 (88.8)	85.1 (86.7)	76.4
Above & Beyond	29.6 (0)	29.6 (0)	26.4	0	0 (30.8)	0	22.6 (0)	75 (0)	0
TOTAL	84.7 (83.4)	87.4 (83.5)	85.5	74.6	71.2 (86.7)	73.3	87.5 (84)	91.9 (82.7)	73.1

Appendix 3 – Living wage Gap Analysis

For employees earning a living wage

Country	Site	Total numbers of employees	Number (and %) of employees earning a living wage or above	Number (and %) of employees earning $\geq 20\%$ above a living wage	Number (and %) of employees earning $\geq 50\%$ above a living wage
Bangladesh	Fashion	6,759	6,759 (100%)	4,841 (71.6%)	1,375 (20.3%)
Bangladesh	Brands	2,203	2,199 (99.8%)	1,801 (81.8%)	454 (20.6%)
Bangladesh	Intimate	3,082	3,082 (100%)	3,021 (98%)	355 (11.5%)
Bangladesh	EPZ Diva	3,441	3,441 (100%)	2,993 (87%)	1,774 (51.6%)
Bangladesh	EPZ Legend	2,054	2,054 (100%)	1,725 (84%)	1,065 (51.9%)
Bangladesh	EPZ Heritage	4,609	4,609 (100%)	4,107 (89.1%)	2,410 (52.3%)
Indonesia	Semarang	2,409	2,409 (100%)	2,405 (99.8%)	2,283 (94.8%)
Indonesia	Solo	1,496	1,496 (100%)	1,483 (99.1)	492 (32.9%)
Indonesia	Boyo	539	539 (100%)	532 (98.7%)	25 (4.6%)
China	PPO	1,074	1,074 (100%)	1,074 (100%)	1,038 (96.6%)
China	HY Logistic Center + Dorina WH	188	62 (33%)	45 (23.9%)	33 (17.6%)
China	Heyuan	878	91 (10.4%)	66 (7.5%)	51 (5.8%)
China	Quannan	1,532	61 (4%)	37 (2.4%)	27 (1.8%)
China	Hong Kong Head Office	170	168 (98.8%)	165 (97.1%)	145 (85.3%)
All	Group-wide	30,434	28,044 (92.1%)	24,295 (80%)	11,527 (38%)

Appendix 4 – Sustainability Governance

Hop Lun's 60 Strategic Suppliers

By category for FY21

FABRIC	LACE	MOULD CUP	PACKING	ACCESSORY
Best Pacific/超盈	Hang Gang/航港	Vanessa/高文	Avery Dennison (Paxar BD)	Hanoch/汉诺
Hong Gang/宏港	Tianhai/天海	Kaimei/凯美	Mainetti/万景	Texco/德高
Media/新锦	Brunet/凯莉	Sun Po/新宝	TIC/特恩思(丽骏)	Hing Yip/凯业
Sun Hing/新兴	Bright Sun/万顺行	FuYuan/富元	MONO	Prym/培廉欣姿美
Derun/德润	Allied Great/汇智	Yingmei/莹美	M&U	Coats/高士
Unitex/宇邦	Wanjiali/万家丽	Silueta/PT MAS	Checkpoint/保点	Xiangya/翔亚
Fu Yang/复扬	Talent/腾蕾		Montrims	
Pacific/互太	Baikai/百凯经编	ELASTIC	Britannia/宝盛	OTHERS
Fountain Set/福力	Xiamen Fashion/福励	New Horizon/润信	CVI (Morgan Printone) /摩根	HaoTing/豪挺(依维嫫)
Zhongxin/众鑫		Cheung Fung/长丰	TAG	Hualian/华联
Lineng/丽鼎	Gayou/佳友	Pioneer/明新	Sheen Master/冠日	S&C/鼎屯
Well Source/利源	Springtex/健萌	Takefast/德发/鼎伟	Goolien/广联	Leido/莱多
Rongbo/荣柏	Yingmei/颖美	Sun Tak/新德		TengFei/腾飛
		Stretchline/马田		

Appendix 5 – SDG Guide

Sustainability Aspects	SDGs		Our FY21 Progress	Reference
Environmental	Goal 6: Clean water and sanitation Ensure access to safe water sources and sanitation at all		8% reduction of water consumption per headcount since FY20 Capacity building for wet processing suppliers to improve water efficiency and wastewater treatment	Please refer to 'Water' (P. 16) Please refer to 'Supplier Management' (P. 47)
	Goal 12: Reasonable consumption and production Ensure sustainable consumption and production patterns		12% recycled or sustainably sourced material 64% of our waste recycled or diverted from landfill	Please refer to 'Sustainable Materials' (P. 19) Please refer to 'Waste' (P. 17-18)
	Goal 13: Climate Action Take urgent action to tackle climate change and its impacts		15% reduction of energy consumption per piece and 16% GHG emissions reduction per piece since FY20	Please refer to 'Environmental Sustainability' (P. 13-15)
Social	Goal 3: Good health and well-being Ensure healthy lives and promote well-being at all ages		18.1 injuries per 1,000 workers Focus on nutritional food, family planning and menstrual hygiene	Please refer to 'Social Sustainability' (P. 25-37)
	Goal 5: Gender equality Achieve gender equality and empower all women and girls		44% women in supervisory positions Company-wide training on DE&I topics	Please refer to 'DE&I' (P. 29-30)
	Goal 8: Decent work and economic growth Promote inclusive and sustainable economic growth, employment and decent work for all		Contribution to sustainable economic development in low- and middle income countries. Decent work provided for everyone employed by Hop Lun or our suppliers.	Please refer to 'Social Sustainability' (P. 25-37), 'Supply Chain Management' (P. 47)

Glossary

BCI - Better Cotton Initiative	RCS - Recycled Claim Standard
BSCI - Business Social Compliance Initiative	SCAN - Supplier Compliance Audit Network
BVE3 - Environmental emissions evaluator by Bureau Veritas	SLCP - Social & Labor Convergence Program
CO2e - Carbon dioxide equivalent	SMETA - Sedex Members Ethical Trade Audit
C-TPAT - Customs Trade Partnership Against Terrorism	FY14 - Financial Year April 1, 2013 to March 31, 2014
ERM - Environmental Resources Management (consultant company)	FY17 - Financial Year April 1, 2016 to March 31, 2017
ESG - Environmental, Social, Governance	FY18 - Financial Year April 1, 2017 to March 31, 2018
ETP - Effluent treatment plants	FY19 - Financial Year April 1, 2018 to March 31, 2019
EU - European Union	FY20 - Financial Year April 1, 2019 to March 31, 2020
FEM - Facility Environmental Module	FY21 - Financial Year April 1, 2020 to March 31, 2021
FSLM - Facility Social Labor Module	FY25 - Financial Year April 1, 2024 to March 31, 2025
FSC - Forest Stewardship Council	FY26 - Financial Year April 1, 2025 to March 31, 2026
GHG - Greenhouse gas	TRIR - Total Recordable Incident Rate (OSHA standard)
GOTS - Global Organic Textile Standard	UN - United Nations
GRS- Global Recycle Standard	UNFCCC - United Nations Framework Convention on Climate Change
GSV - Global Security Verification	vFEM - Verified Facility Environmental Module
ILO - International Labor Organization	vFSLM - Verified Facility Social Labor Module
LCMP - Low Carbon Manufacturing Program	WWF - World Wide Fund for nature
M&S - Marks & Spencer	ZDHC - Zero Discharge of Hazardous Chemicals
NGO - Non-governmental Organisation	ZDHC's MRSL - ZDHC Manufacturing Restricted Substances List
OCS - Organic Content Standard	Year 2017 - Calendar year Jan 1, 2017 to Dec 31, 2017
OSHA - Occupational Safety and Health Administration	Year 2018 - Calendar year Jan 1, 2018 to Dec 31, 2018
PET - Polyethylene Terephthalate	Year 2019 - Calendar year Jan 1, 2019 to Dec 31, 2019
PPE - Personal protective equipment	Year 2020 - Calendar year Jan 1, 2020 to Dec 31, 2020
	Year 2021 - Calendar year Jan 1, 2021 to Dec 31, 2021



Thank you.

Please feel free to contact us with any questions,
comments and thoughts you might have on
sustainability@hoplun.com