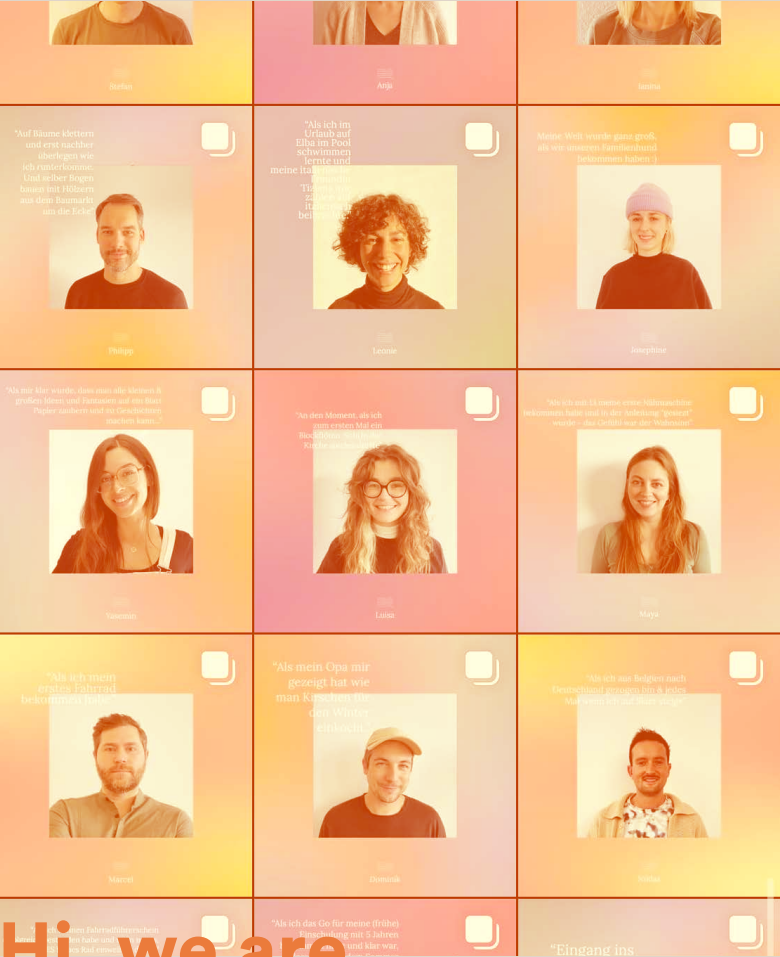




Responsibility Report 2023

Content



Hi, we are FOND OF



Sustainability Strategy

Welcome to our world



Outlook

Foreword

The past business year was marked by great uncertainty for FOND OF. The war in Ukraine, persistent inflation and the ongoing global pandemic with its strong impact on the world economy, supply chains and all of our daily lives have presented us with major challenges, particularly in the area of sustainability.

At FOND OF, we associate sustainability with the term responsibility. Responsibility towards suppliers and their workers in the factories who, despite national lockdowns and closed ports, are dependent on salaries. Responsibility towards our approx. 1 million annual FOND OF customers for whom quality, safety and transparency are essential. And, last but not least, responsibility towards our planet, whose ecosystems should not be unduly burdened by the production and distribution of products. In order to live up to our responsibility to all these stakeholders, our team places a strong focus on sustainability. In concrete terms, this means that we deliberately address the ecological and social effects of our entrepreneurial actions, we actively incorporate these into our decision-making processes and communicate them transparently. This means not only communicating our successes, but also the areas in which we still need to learn and see potential for improvement.

Through this intensive work, we have achieved a lot. We are constantly working on reducing our CO₂ footprint. This year, for the fifth consecutive year, we have achieved the Fair Wear Leader status. During the lockdown in Vietnam, we provided a Corona bonus and prepayments to our suppliers to help the local employees. We have also made the decision to design many of our products as bluesign® products. However, there is still much to be done. In the coming year, we want to work on implementing a company-wide ‘Responsible Business Conduct’ to further embed responsible behavior in the organization. We also want to focus more on using recycled materials not only in our products but, among other things, also in their packaging. We are looking forward to facing these new challenges.



Mathias Lievenbrück
Vice President Commercial



Carsten Winkler
Managing Director FOND OF

Hi, we are FOND OF



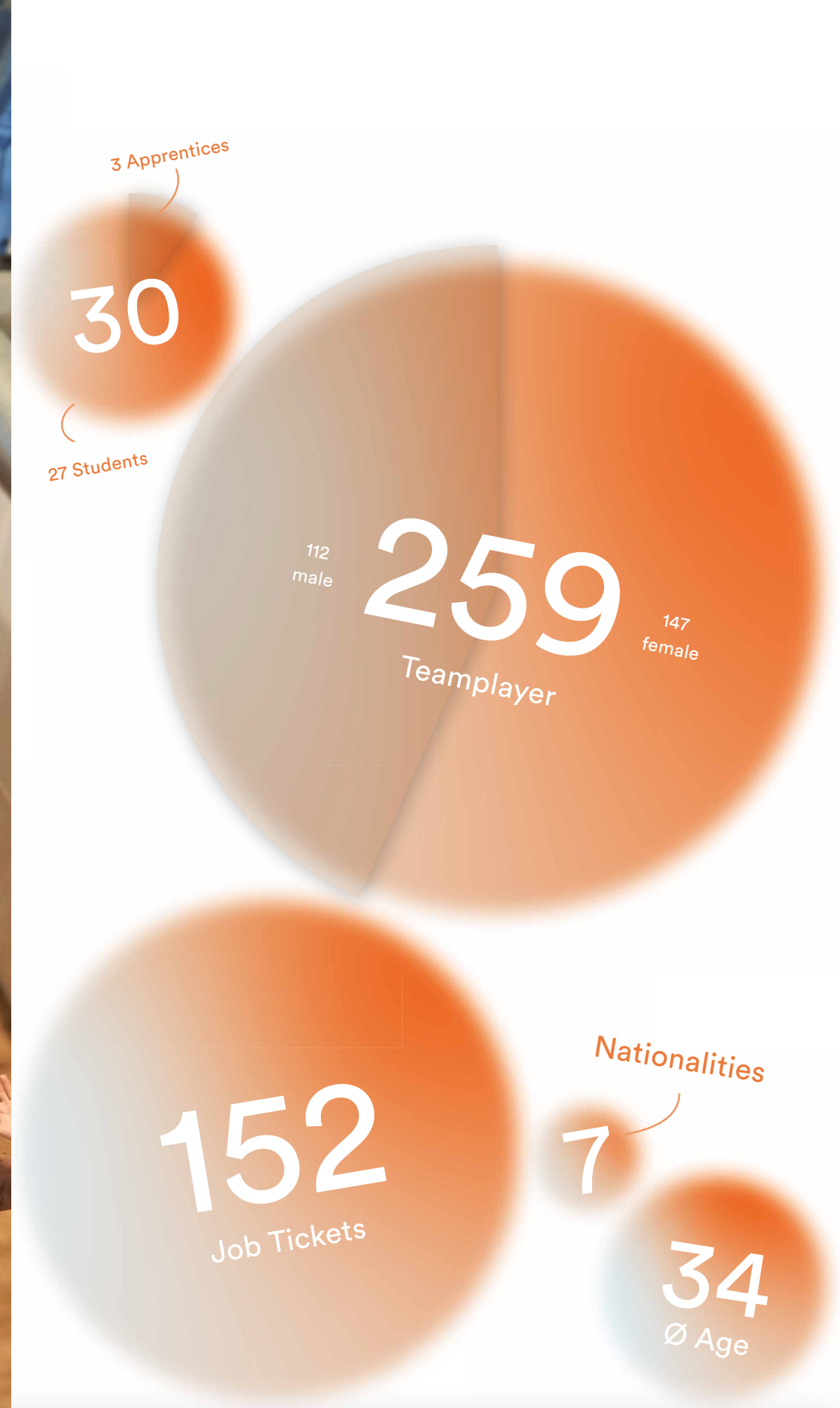
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1.1 Our Team Players

Since 2010, FOND OF has been all about enthusiasm. Enthusiasm for products, brands, design, sustainability, and above all, people. We want to be a companion when little worlds become bigger. In kindergarten and school, with moms and dads, aunts and uncles, and also within our FOND OF team.

For the FOND OF team, we place special value on our organizational culture. What does that mean? We see our team players and their needs holistically. Therefore, on one hand, we try to provide opportunities for development in our innovative office building called 'The Ship'. We do this through sports offerings, modern workspaces in an open office concept, and healthy lunch options in our cafeteria. On the other hand, we also aim to give space to the personality of each individual. Offerings such as 'likeminded,' a tool for mental health in the workplace, our Academy with development opportunities, or 'looky looky' to allow employees to explore other jobs are just some examples. Our goal is to align the needs of children and parents as well as our entrepreneurial actions with the resources of the environment.





1.2 Our Brands

Playful friends for everyday adventures! Backpacks and bags, shoes, books, children's vehicles, and various accessories – the brand Affenzahn has many faces. As diverse as the products are, they all have one thing in common: They were developed to make the world of children easier, more colorful and exciting.

Our developers and designers know how children move, how they play, how their movement and cognitive abilities change throughout childhood, and how to promote them. This knowledge is integrated into each of our products, making them ideal everyday companions for all children who want to explore and conquer the world for themselves. We aim to make little children's worlds a little bigger every day, which is why our product range is constantly expanding.



ergobag



So kids can be kids.

Collecting experiences, discovering new things without worries, and growing together. Always by the side of the kids: ergobag! Because we believe that school backpacks should adapt to children – and not the other way around.

We work daily to make our school bags even better, so that kids can simply be kids. For great trust on little backs. Every day. Whether on the schoolyard, on the way to training, or during leisure time. Running, romping, climbing, and jumping – even with a backpack, thanks to a sophisticated back system, it's no problem! Even in particularly challenging situations, ergobag stands strong. Our mission is to provide full freedom of movement with full functionality.

It's up to you!

With satch, everything revolves around kids and teens in secondary schools and their individual needs. From smart school backpacks in trendy designs to interchangeable SWAPS for trading, collecting, and gifting, to the unique graffiti look.

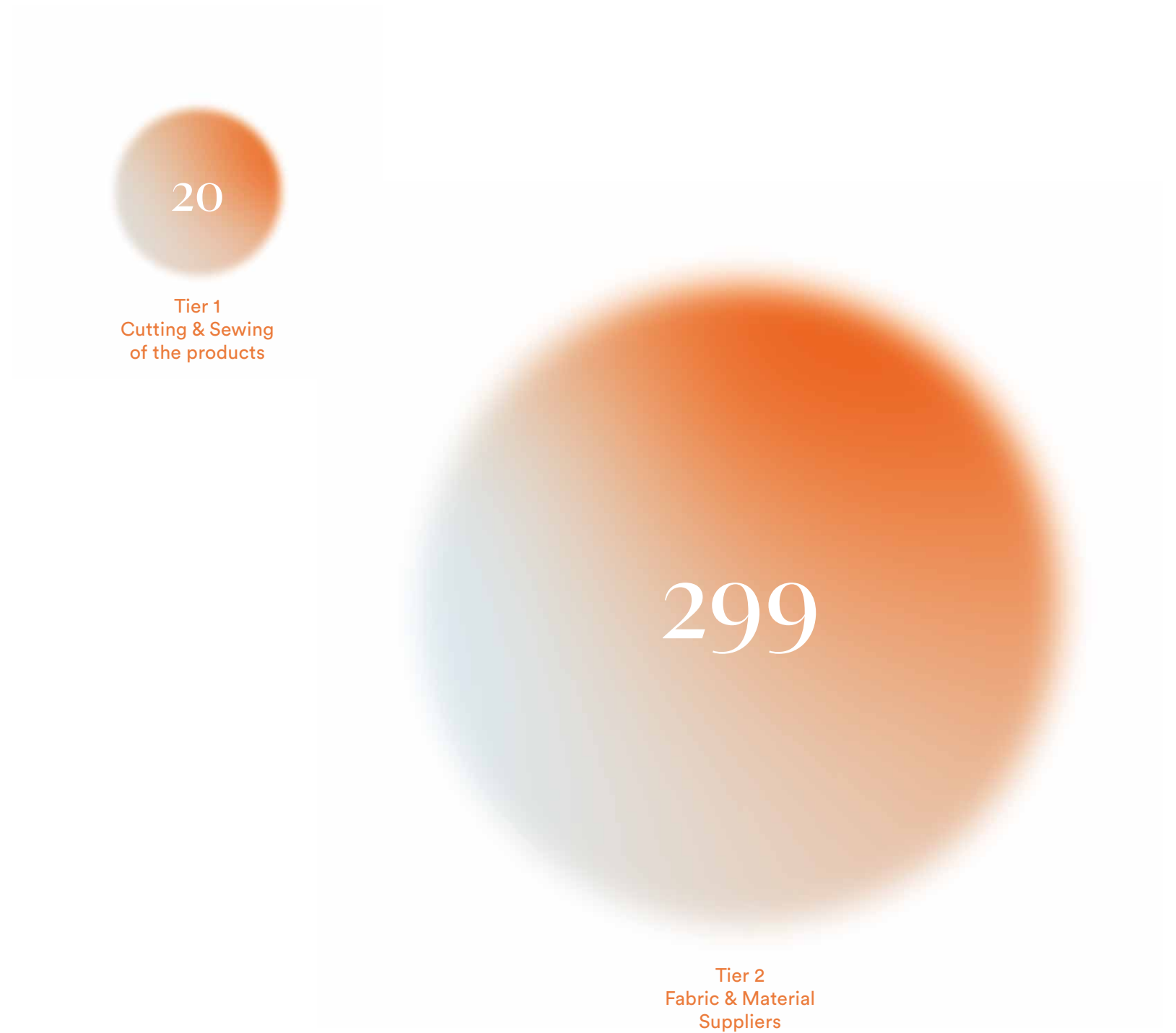
We know what matters in everyday school life and strive to make our products as functional, sustainable, and customizable as possible. Because school life is only a part of youth life, satch offers not only school backpacks and accessories but also cool bags and backpacks for leisure and travel.



1.3 Our Supply Chain

To fulfill our due diligence obligations, it is essential to know our supply chain. Ideally, we have an overview of the entire supply chain, including up to the cultivation or extraction of the raw material.

Currently, we can ensure traceability up to the second tier (Tier 2), which means up to our material suppliers. At levels one and two, we already have over 300 suppliers.

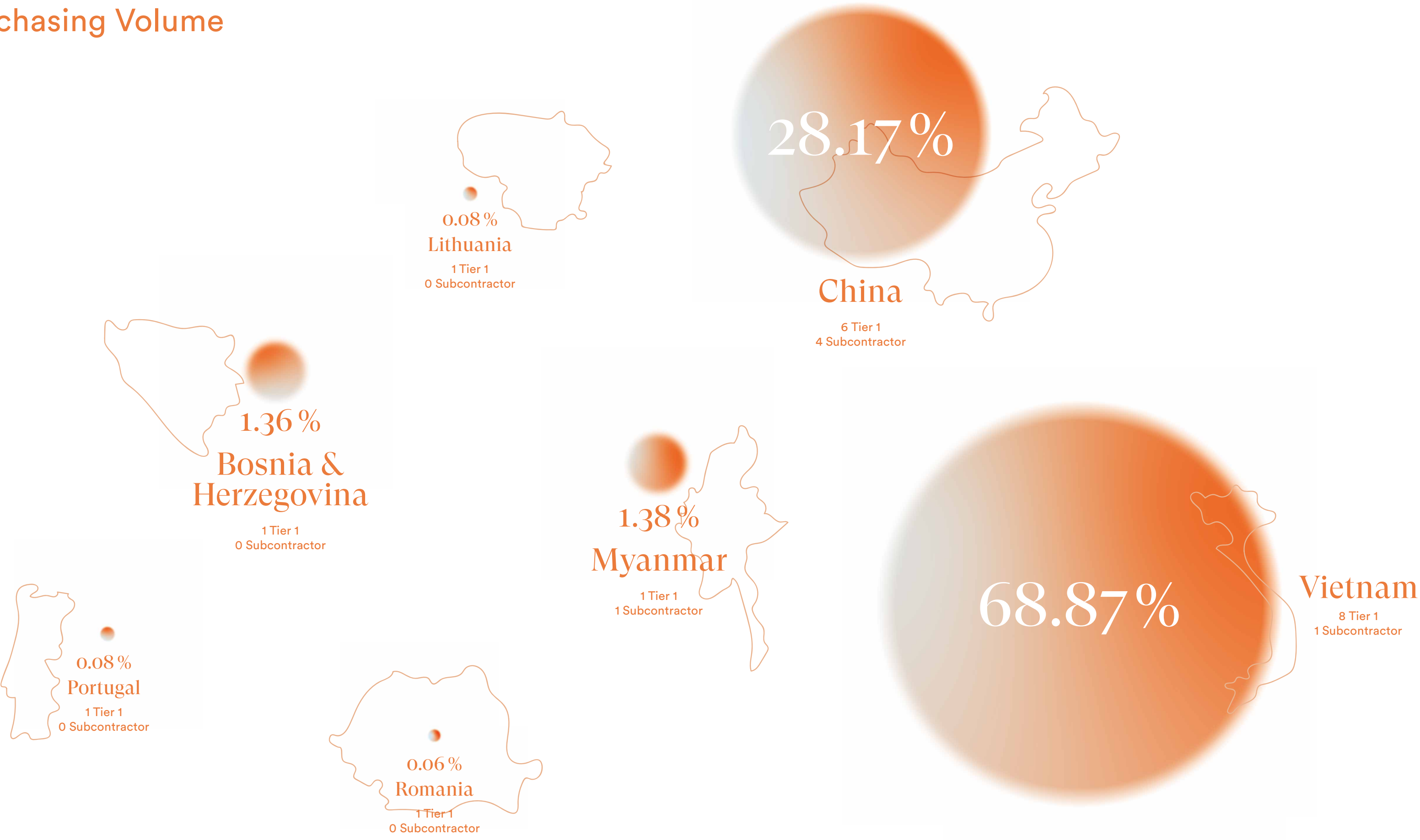


As the depth of the supply chain increases, so does the number of different suppliers. This is partly due to the complexity of our products since a backpack can consist of up to 200 individual parts. Despite this complexity and extensive supplier network, we are committed to continually expanding transparency in our supply chain. Currently, we inquire with our direct suppliers (Tier 1) about their material suppliers (Tier 2) and subcontractors at least once a year. In the next step, we will extend this inquiry to their suppliers and subcontractors, our Tier 3 suppliers.

In the last fiscal year, we had direct business relationships in four European countries (Portugal, Romania, Lithuania, Bosnia and Herzegovina) and three Asian countries (Vietnam, China, and Myanmar). A direct business relationship means that these partners handle the final production steps, including the assembly and packaging of the products. Afterwards, the products are shipped to our warehouse in Euskirchen. As shown in the graph, we had the highest purchasing volume in Vietnam in the last fiscal year, followed by China and Myanmar.

We conduct 100 % verification of our direct business partners and, if applicable, their subcontractors for outsourced production processes such as embroidery, washing, or dyeing. A trusting collaboration with our partners is the foundation of our work.

Purchasing Volume



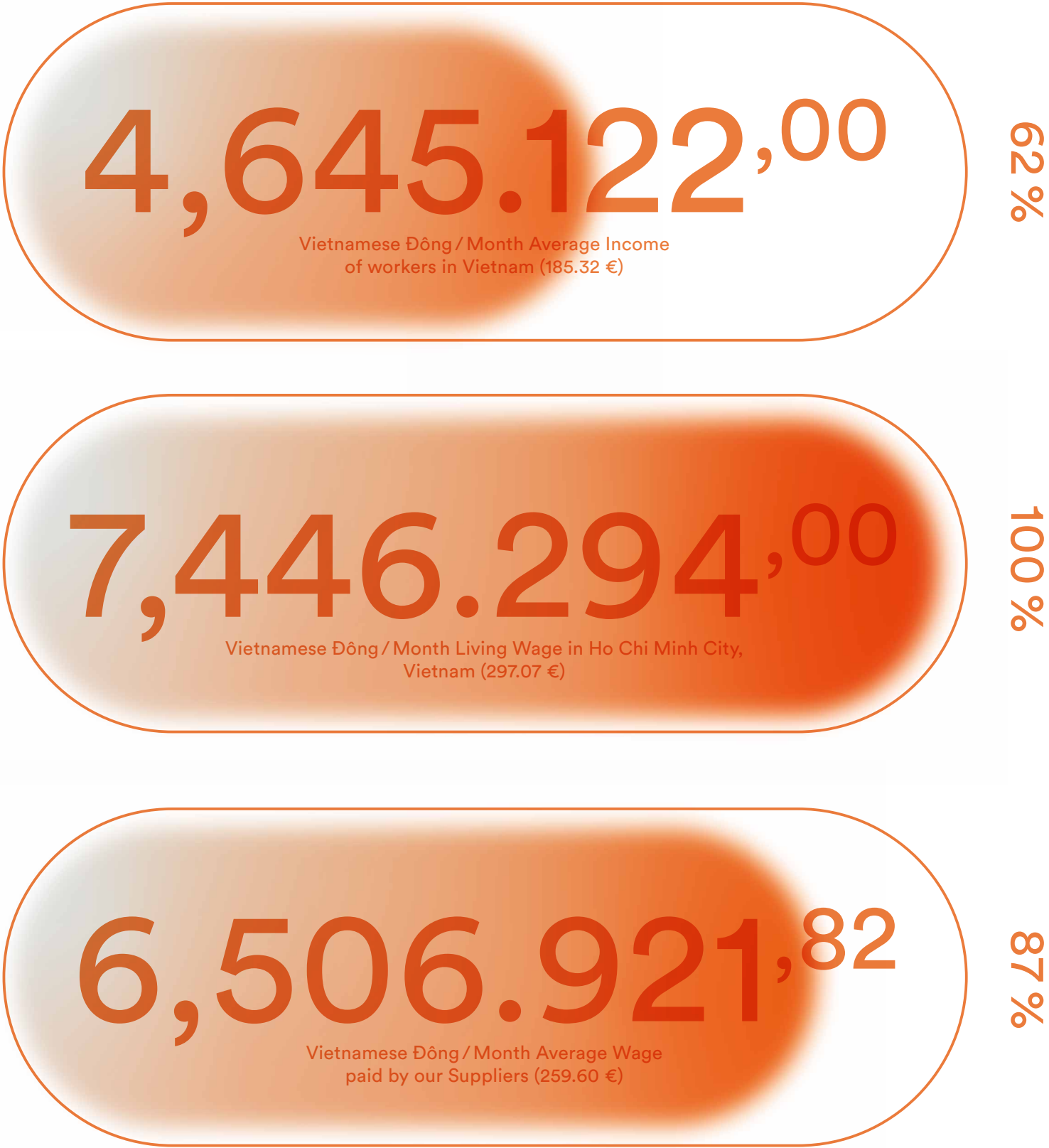


1.4 Our Risks

The fashion industry, which is currently dominated by fast and ultra-fast fashion manufacturers, is one of the most environmentally damaging and exploitative industries worldwide.

The textile industry in numbers

The ecological and social problems within the textile industry are interdependent and complex, existing within an opaque system. These issues include short-lived overproduction, extensive resource, land, and energy consumption, high greenhouse gas emissions, water pollution, exploitative working conditions, health hazards, and massive waste generation. The list is extensive, yet it serves as the context in which our corporate responsibility (CR) work is situated and evaluated. The facts mentioned here aim to highlight the environment and challenges we and others face in the industry.



Produced Garments

183

183 billion garments
were produced in the year
2019 (according to
Greenpeace)

206

billion garments are forecasted
to be produced by 2030

Garments per Consumer

12

12 are never worn (ø 20%)

60

new garments are purchased on average
by consumers in Germany every year
(excluding underwear and socks)

4

times is the
average
amount they
are worn

Global Fiber Production

15%

approximately of
polyester fibers were from
recycled polyester

54%

54 % of global fiber
production was polyester
in the year 2021

100 %

of global fiber production

Women in Textile Industry

75%

of workers in the textile
industry are female

100 %

of workers in the
textile industry

Risk Analysis

Our risk analysis is increasingly shaping our sourcing decisions and will be further integrated and embedded into existing processes in the coming year. This means that, for example, when evaluating new suppliers, we conduct a comprehensive risk analysis, and our decision to engage in a partnership depends on the results of this analysis.



In addition to evaluating new suppliers, we renew the risk analysis twice a year for our existing suppliers. Are there new audit reports, training reports, complaints or new laws that have reduced or increased the risks? In the case of unforeseen events in our production countries (such as the military coup in Myanmar), we also renew the risk analysis in order to be able to derive measures from it if necessary.

These results should determine our order quantities and purchasing decisions even more in the future. Based on the results for Myanmar we have already decided to end our cooperation there, as the risks have increased extremely in all areas and we can hardly influence successful preventive and mitigating measures due to our low purchasing volume.





For conducting the risk analysis, we have selected eleven risk areas that are relevant to the textile industry, based on which we evaluate all our production countries in the first step. We refer to internationally recognized indicators and risk assessments for this purpose. Building upon the country evaluation, we take the risk analysis a step further by identifying the risks associated with all our active suppliers. For this, we review current audit and training reports, complaints, as well as engage in on-site and email conversations.

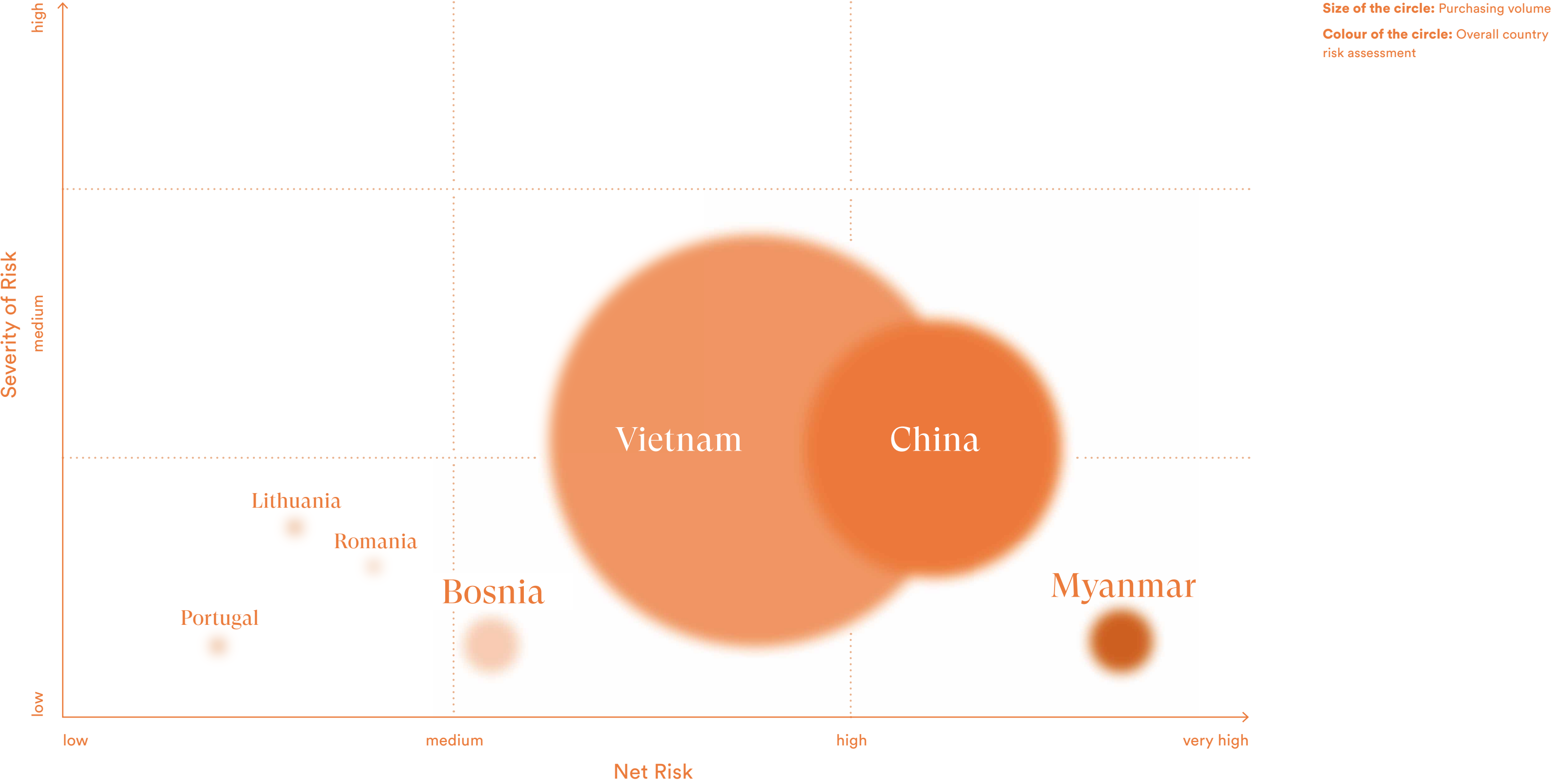
As a result, we have identified that the prevailing social risks are related to freedom of association, discrimination, as well as health and safety in the workplace. In the environmental domain, the focus is on chemical and wastewater management, as well as greenhouse gas emissions.

The findings of the risk analysis are summarized in a risk matrix (see the following page).

Our goal for the coming years is to adopt a consistently risk-based approach. This allows us to adapt to changing requirements from our partnerships and international standards.



Risk matrix





1.5 Our Partnerships



bluesign®

System partner → since 2016

Focus → Chemical monitoring of the production process

The bluesign® system serves to guarantee the chemically clean production of a product. FOND OF is a bluesign® system partner, as are many of our suppliers. System partners are required to adhere to the demanding bluesign® principles and criteria. This means, above all, that particularly hazardous chemicals should not be used in the production of our materials, especially during dyeing processes. Additionally, bluesign® ensures that all other chemicals used are filtered in the wastewater to prevent them from uncontrollably entering the environment. bluesign® sets strict rules that often exceed legal requirements. The bluesign® system focuses not only on the chemical purity of the end product but also on the entire production process. Furthermore, all bluesign® system partners commit to the following five principles: resource productivity, consumer safety, water protection, emission reduction, and occupational health and safety. [\[Link\]](#)



Fair Wear

Leader Status → since 2018

Focus → Social responsibility in the supply chain

The FAIR WEAR FOUNDATION (FWF) is a European multi-stakeholder organization composed of NGOs, industry associations, trade unions, and companies like ours. Together, we aim to improve working conditions in the textile industry. This is made possible through the 'shared responsibility' approach, where the responsibility lies not only with the suppliers but also with us as a company. How do our business practices contribute to e.g., compliance with labor standards and the improvement of working conditions?

In addition to on-site audits of our suppliers, we also undergo an annual 'Brand Performance Check' conducted by the FWF. Are we conducting enough audits? Do we provide training to our producers on labour conditions? What are the wage levels at our producers' facilities? Is there an effective mechanism for handling complaints on-site? These are just a few of the many questions we need to address annually.

Once again this year, we have undergone a thorough assessment and have been awarded the Leader Status by the Fair Wear Foundation, which represents the highest possible rating. This is the fifth consecutive year we have received this recognition. [\[Link\]](#)



GOTS

Certified → since 2020

Focus → Ecological & socially responsible production of textiles from natural fibres

The Global Organic Textile Standard (GOTS) represents environmentally and socially responsible processing of textiles made from organically produced natural fibers, such as organic cotton. It encompasses globally recognized guidelines that ensure sustainable textile production, starting from the sourcing of raw materials to environmentally and socially responsible manufacturing practices, all the way to transparent labeling. Only textile products that contain a minimum of 70 % organically produced natural fibers can be certified according to GOTS. All chemical additives used, such as dyes and auxiliaries, must meet specific environmental and toxicological criteria. [\[Link\]](#)



Green Button

Licensed → since 2020

Focus → Corporate due diligence & sustainable production processes

The Green Button is a government label for sustainable textiles and was established in 2019 on the initiative of the German Federal Ministry for Economic Cooperation and Development. Since then, it has been continuously developed. In order for our products to bear the Green Button label, independent certification bodies verify whether our company fundamentally fulfills its responsibility for people and the environment in our supply chain and thus complies with our corporate due diligence. On the one hand, it tests whether we are aware of the ecological and social risks in our supply chain and what measures we take to prevent them. It verifies if we transparently report on these risks and have complaint mechanisms in place. We must also demonstrate that the specific product has been produced sustainably. In this regard, the Green Button functions as a so-called meta-label. This means that the Green Button does not establish its own criteria but allows us to use other recognized labels, such as the GOTS certification for ecological requirements or the Fair Wear Leader Status for social requirements, to demonstrate sustainability in production processes. [\[Link\]](#)



ClimatePartner

Partnership → since 2019

Focus → Climate protection

Together with ClimatePartner, we are working on our company-wide climate protection strategy. This strategy is primarily based on measuring our CO₂ emissions caused by our business activities. We calculate our corporate and product carbon footprint annually, which allows us to identify potential CO₂ reduction measures and define targeted projects with significant emissions savings. For emissions that we are currently unable to reduce, we can offset them in collaboration with ClimatePartner. This involves investing globally in projects that result in CO₂ savings. [\[Link\]](#)



Leather Working Group

Member → since 2022

Focus → Ecological & socially responsible production of leather

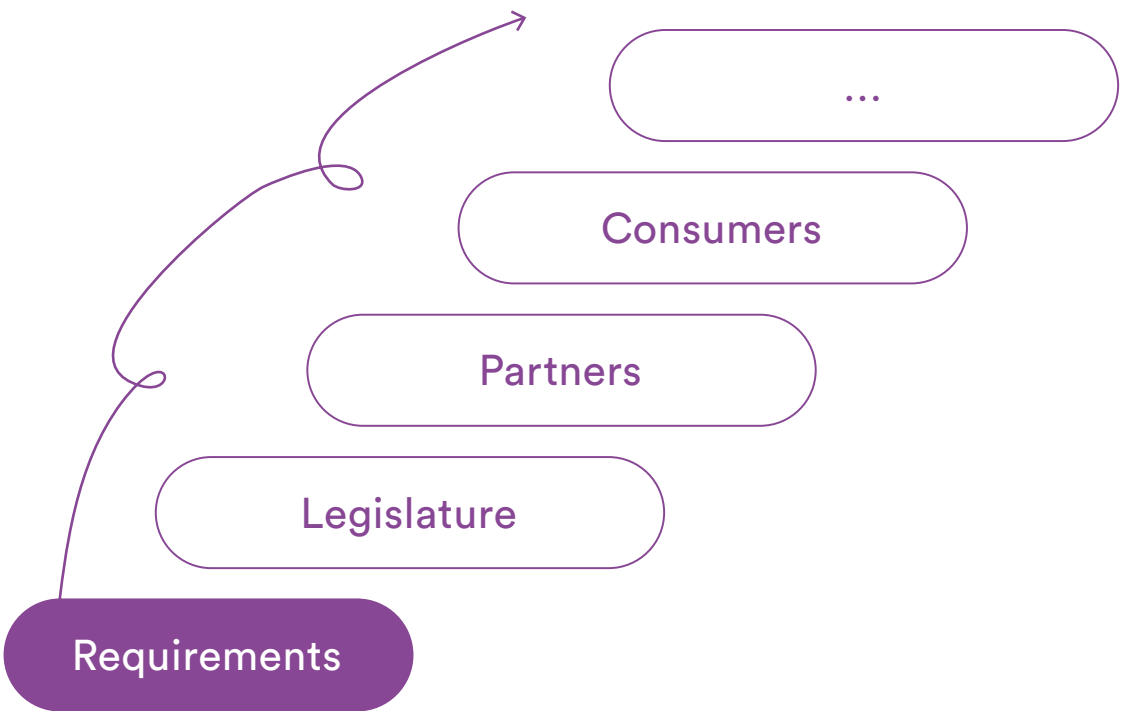
Because of the expansion of our product range that now also includes shoes, we decided to become a member of the Leather Working Group (LWG) last year. The production and processing of leather involve significant social and environmental risks, which we aim to address through our collaboration with the LWG. The basis for this collaboration is the LWG Audit Standard, which leather suppliers undergo every two years. The audit covers various aspects such as supply chain transparency, chemical management, waste management, and water consumption. Based on the audit results, suppliers are classified into four different categories. FOND OF exclusively works with leather suppliers in the first and second-best categories. [\[Link\]](#)



Sustainability Strategy

The topic of sustainability is currently characterised by great change for us, but also for the entire textile industry and beyond. The requirements from legislators, partners (such as the Green Button), and especially consumers are rapidly increasing. We view this as a positive development because the past years have shown us that the efforts of individual sustainable companies are not sufficient.

Instead, a fundamental shift in thinking is necessary for the entire industry to contribute to major goals such as combating climate change and promoting global social justice.



At FOND OF, we have been committed to sustainability from the beginning, and now we are reaping the benefits of our early focus. However, we also realize that we cannot rely solely on the status quo and must continue to evolve our sustainability strategy in line with the new requirements.

In recent years, our commitment to a holistic approach to sustainability has proven successful, both in our own business practices and throughout our global supply chain. Therefore, our strategy is built on three pillars: ecological sustainability, social sustainability and transparency and honest communication. Within these areas, we utilize the United Nations Sustainable Development Goals (SDGs) to define specific objectives. This year, we have focused particularly on the following four SDGs:

FOND OF x Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH



Decent Work and Economic Growth

Promoting sustainable and inclusive economic growth, full and productive employment, and decent work for all is the aim of SDG 8. This includes protecting workers’ rights and ensuring a safe working environment for all workers, especially for migrants and those in precarious employment. It also involves ending modern slavery and preventing forced labour and child labour. Currently, 1 in 10 children worldwide is engaged in child labour (SDG Progress Report 2022). These goals are not only integrated into our sustainability strategy but are also part of our Code

of Conduct and our Human Rights Policy. Compliance with the Fair Wear labour standards also contributes to achieving these goals. Particularly the integrated responsibility for due diligence on human rights, regular monitoring via audits and supplier dialogues, measures to improve working conditions, and efforts to prevent human rights violations, help us ensure adherence to these principles. For more details, please refer to [Chapter 3.4](#) and [3.5](#).



Responsible Consumption and Production

This SDG focuses on sustainable consumption and the promotion of resource-efficient and responsible production. Subgoals include environmentally friendly management of chemicals, reduction of global waste generation, decrease in global poverty and raising awareness of sustainable consumption. With our sustainability strategy, we contribute to achieving all the mentioned goals. Through our collaboration with bluesign® System partners and the use of bluesign® certified fabrics and materials, we promote responsible chemical management. Our Fair Wear Leader Status, held for 5 years, confirms our efforts to promote decent work in our production facilities. Furthermore, we strive for product longevity through high quality and customization and aim to work on opportunities to prevent waste and save resources through our commitment to circular products. More information about our work related to this goal can be found in [Chapters 3.3, 3.4 and 3.5](#).

13 CLIMATE ACTION



Climate Action

The objective of this SDG includes the urgent development of measures to combat climate change, aiming to limit global temperature increase to 1.5 degrees Celsius and enhance resilience to climate-related hazards. In our work, this goal is reflected primarily in our carbon reduction strategy. By regularly calculating our carbon footprint, we define effective measures to avoid CO₂ emissions through our business processes. In doing so, we not only save CO₂ but also raise awareness and support our suppliers in taking part. More information can be found in [Chapters 3.1](#) and [3.2](#).

17 PARTNERSHIPS FOR THE GOALS



Partnerships for the goals

International and long-term partnerships can contribute to the achievement of the SDGs and promote their implementation worldwide. At FOND OF, the focus has been on establishing long-term partnerships, especially with our direct suppliers, since the beginning. In [Chapters 3.4](#) and [3.5](#), you will learn about the background, challenges we have faced, and the added value of such trusted collaborations. We maintain long-term relationships not only with our suppliers but also with other organizations, such as Fair Wear, where we have been a member since 2016.





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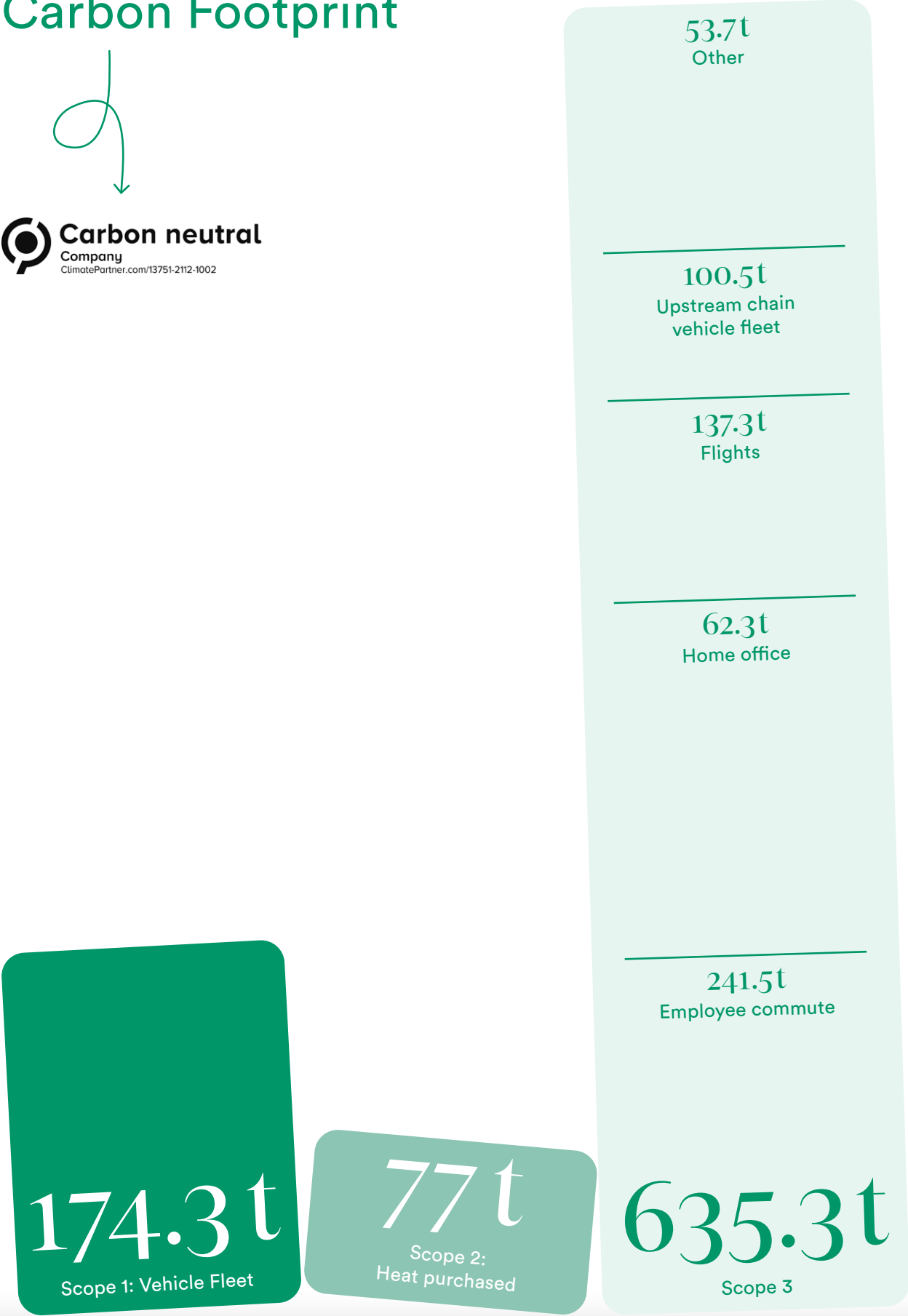
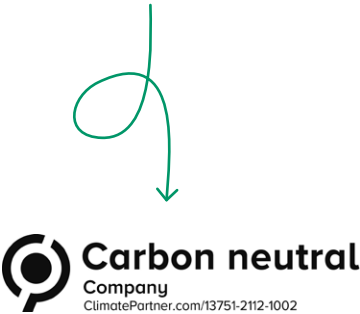
3.1 CO₂ – How do we address it?

At the end of each fiscal year, we retrospectively calculate the CO₂ emissions caused by our business activities. We differentiate between the Corporate Carbon Footprint (CCF) and the Product Carbon Footprint (PCF). The CCF includes the emissions generated by our own business processes. The PCF determines the amount of emissions caused by the production of our products.

The largest sources of emissions in our CCF are still the commute of our employees, our fleet of vehicles, and business flights. When we consider these three sources together, we are in a similar range as the previous fiscal year. However, comparing the numbers is currently challenging due to the significant distortions caused by the effects of the COVID-19 pandemic. Therefore, we will use this year’s value for comparison with next year, hoping to observe further reductions.

This year, for the second consecutive time, we have offset our CCF in collaboration with ClimatePartner. This means that we invest money in a project that will avoid future CO₂ emissions. Our project supports the expansion of various solar and wind parks in the Philippines and India. Additionally, it is linked to a project dedicated to protecting our oceans by collecting 10 kg of plastic waste per ton of offset CO₂ in coastal areas. [\[Project\]](#)

Corporate Carbon Footprint



Excursus: Criticism of CO₂ compensation	!
<p>Compensating for CO₂ emissions has become a popular tool in climate protection nowadays. Especially for companies, the slogan ‘carbon-neutral’ is playing an increasingly important role – including for us. However, in recent months, criticism of the processes behind this slogan has been growing louder.</p> <p>We consider this criticism to be very important and completely justified, which is why we also critically examine these points and take them into account in our CO₂ strategy.</p>	
① Are the climate protection projects truly additional, or would they have been implemented anyway?	
② Do the climate protection projects actually save as many CO₂ emissions as stated on the certificates?	
③ Does CO₂ compensation lead to less focus on the more effective lever, namely CO₂ reduction?	

Our CO₂ Strategy

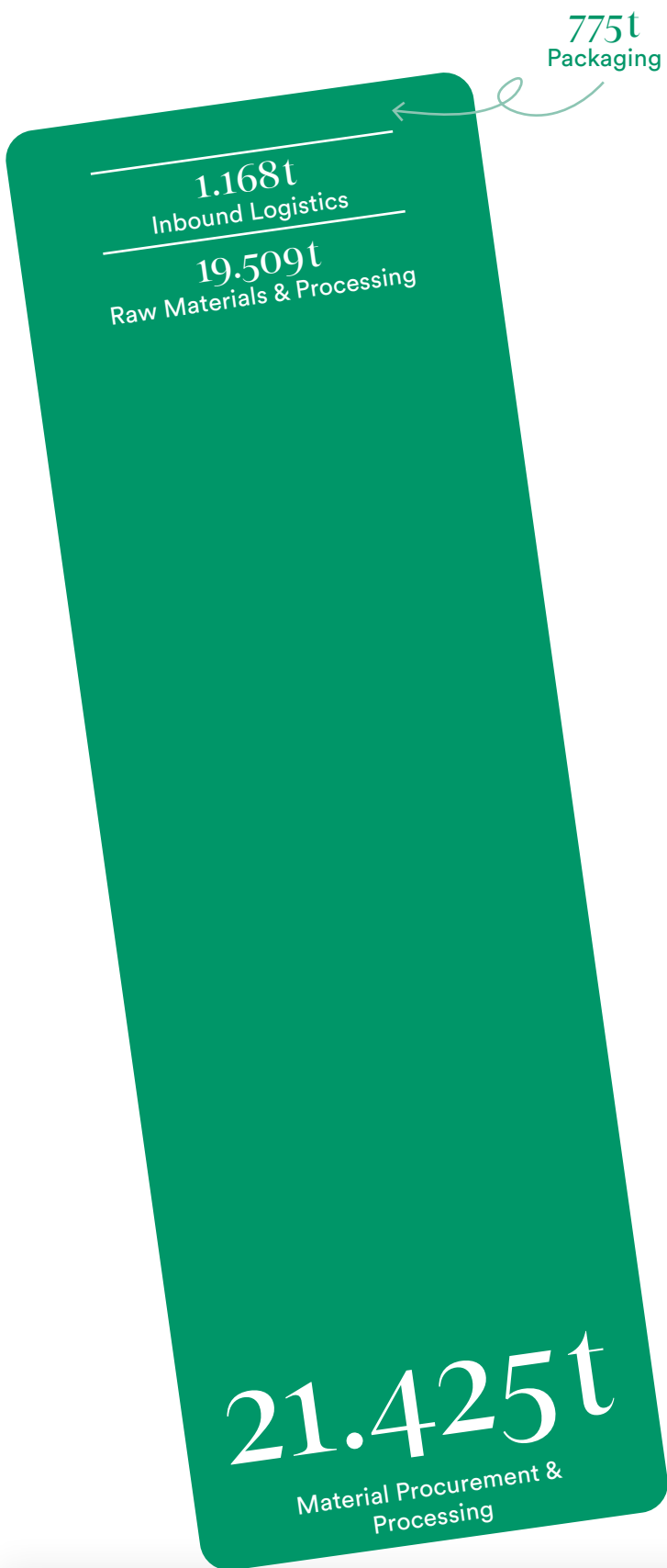
To address the first two points of criticism, we are in close communication with our long-standing partner, ClimatePartner, through whom we handle CO₂ compensation.

The projects we select undergo independent auditing and validation during the project design phase to ensure their additionality. This means that the projects rely on the financing from the sale of CO₂ certificates and would not be realized otherwise. Furthermore, the actual emissions reductions of these projects are regularly monitored and documented in publicly available reports. Verified emissions reductions are only issued after the savings have actually occurred.

In response to the third point of criticism, we view compensation not as a cure-all for climate change but rather as the last resort, albeit still a necessary part of our CO₂ strategy.

Our focus is primarily on identifying our largest sources of emissions accurately. Our goal is to efficiently reduce emissions by targeting the crucial areas where we can make the most significant impact. For instance, two years ago, we calculated our product carbon footprint for the first time and discovered that the most significant leverage for emission reduction lies not in our company processes but in the production of our products.

Product Carbon Footprint



The calculation of our PCF (Product Carbon Footprint) is a highly complex task, which is why we closely collaborate with ClimatePartner on this matter. By doing so, we can always work with the most up-to-date emission factors and have an external entity to verify our results.

The latter is extremely important to us because we rely on what is known as secondary data for the calculations. This means that we partially rely on assumptions since we and our suppliers cannot yet provide all the data as required. In this regard, ClimatePartner has significantly more expertise than we do.

However, we have been able to significantly improve data provision compared to last year. For the external calculation, we provide, among other things, the weights of the individual materials used in the production of our products, information about packaging, transport routes, transportation methods, and returns. When combined, this results in a total footprint of over 25,500 tons of CO₂ for our three brands: Affenzahn, ergobag, and satch.

Unfortunately, this is a significant increase compared to the previous year, mainly due to the lingering effects of the COVID-19 pandemic. Supply chain disruptions during the pandemic resulted in empty warehouses and an uncertain outlook, leading to the purchase of more products to replenish stock and prepare for further disruptions. This has a tremendous impact on the footprint compared to a year when fewer orders were placed.

Nevertheless, we continue to work on reducing emissions. For instance, we have identified the top 5 raw materials used and, based on that, in close coordination with our material and development team, we search for alternatives. Additionally, we are in constant communication with our Tier 1 suppliers on how to reduce CO₂ emissions during production (more on this in the next chapter). We aim to expand this approach to our major Tier 2 suppliers in the coming year.

3.2 Solar Systems for our Suppliers



That is the solar installation at INS, an Affenzahn factory. With this installation, 33 % of the energy demand is already being covered.

In 2021, we calculated for the first time the amount of CO₂ emitted during the production of our products. Based on this information, we set a goal to identify the most effective CO₂ reduction measures. One of the major sources of emissions we identified was the energy consumption of our suppliers and their upstream material suppliers.

Based on this insight, we have utilized the past months to evaluate the energy sources of our suppliers. During our research, we discovered that the majority of our suppliers have been relying on the conventional energy mix of their respective countries. In countries such as Vietnam and China, this energy mix primarily consists of environmentally harmful fossil fuels, resulting in high levels of CO₂ emissions.

However, during our various conversations with suppliers, we noticed a strong willingness to transition towards renewable energy. The main hurdles identified were a lack of motivation from external stakeholders, regulatory barriers, bureaucratic challenges, and a lack of implementation knowledge. To prepare for our annual supplier visits, we conducted research on existing renewable energy projects in our main production country, Vietnam. In advance, we obtained valuable insights from the Society for International Cooperation regarding the transition of businesses in Vietnam to renewable energy. This allowed us to address the challenges and develop concrete implementation proposals.

During our visit to Vietnam, we discovered that one of our long-term suppliers already had solar power installed on their rooftop, which could cover approximately 33 % of their electricity demand. With our largest supplier, we also initiated the construction of a solar power system.



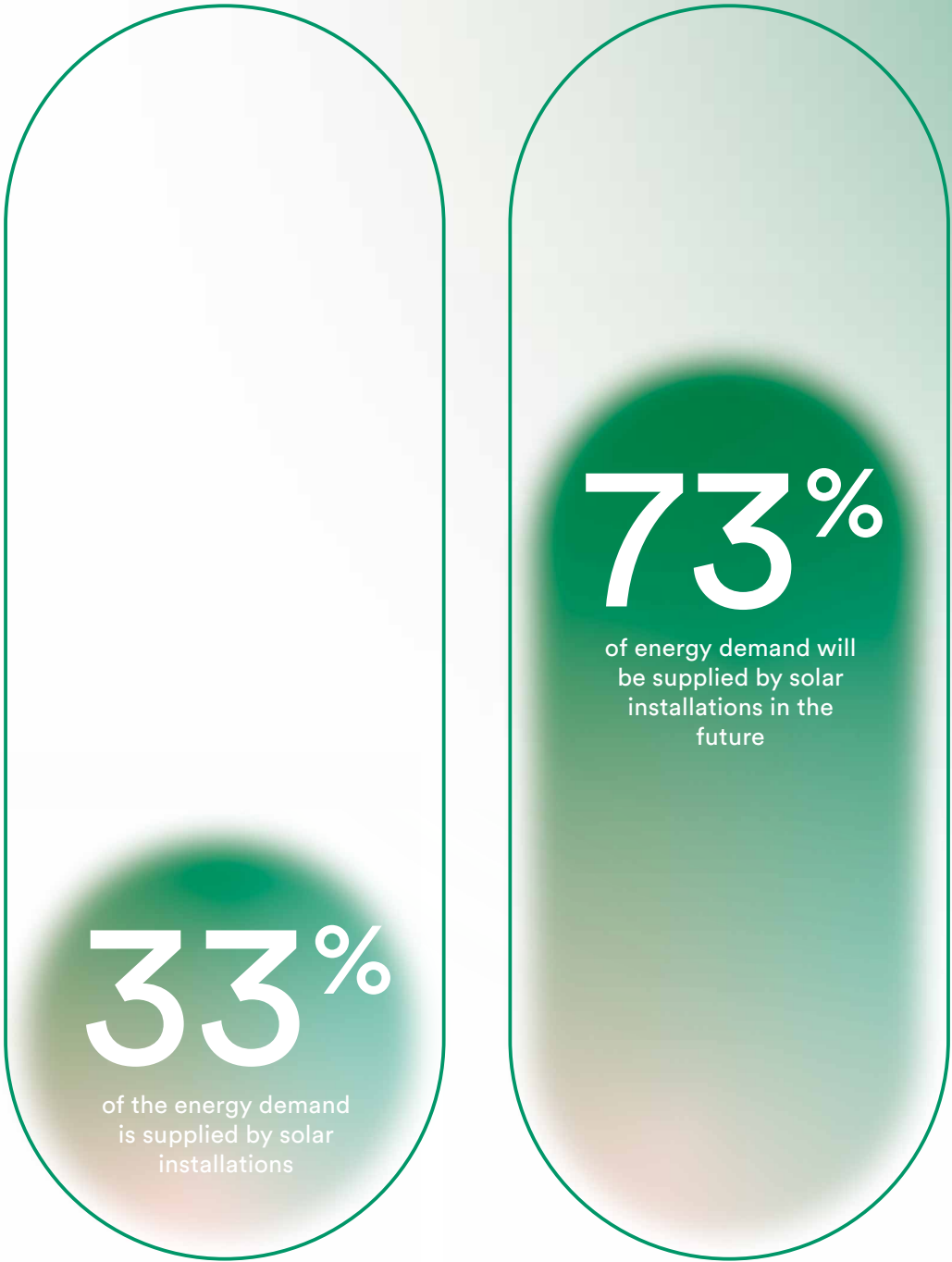
That is the solar installation at ASG Global, an ergobag and satch factory. With this installation, approximately 73 % of the energy demand will be covered in the future.

It was originally planned to be fully operational by early 2023. The construction is nearly completed, but the supplier is currently awaiting final government approval to start generating electricity from the system (as of February 2023). Once approved, the system is expected to cover around 73 % of their electricity demand. Together, both solar installations can generate a total of 1,780,000 kWh of electricity under ideal conditions.

According to the Vietnam Climate Transparency Report 2020, for every kilowatt-hour of electricity generated in Vietnam’s typical energy mix in 2020, approximately 512 g of CO₂ were emitted.

Therefore, in the future, we can save approximately 911 tonnes of CO₂ (excluding the upstream emissions from energy generation). This is more than our entire corporate carbon footprint, making it a significant reduction.

This experience has shown us the importance of continuing our efforts in this area in the coming years. Another major supplier is planning to install their own solar system by the end of 2023. Additionally, we aim to address the topic with our large Tier-2 suppliers in the next phase.



INS
Affenzahn

ASG Global
ergobag & satch



3.3 FOND OF Materials – An Interview with Our Materials Managers, Friederike and Vanessa

We discussed with our textile technology experts, Friederike and Vanessa, how we can make our materials as sustainable as possible, considering the diverse requirements and components involved in our products. We also explored the processes and efforts undertaken by our materials team that help shape a sustainable future.

A large part of your job profile involves dealing with sustainable materials. How exactly do you approach this, and how can we understand the sourcing process?

Friederike: In collaboration with product development, we discuss and align on the profile of requirements. We suggest suitable options and evaluate innovative materials together. Besides questioning the perceived sustainability aspects critically, we also consider the textile-technical functionality, which is an important factor. If an approach convinces us, we test the material and, if necessary, further develop it with the producers. Ultimately, the extensive pool of sustainable options is narrowed down by the requirements, our sustainability strategy, and the company philosophy.

Since there is a lot of scientific work and many advancements in this field, it is crucial to continuously update our knowledge and remain open to new technologies.

Vanessa: For the sourcing of sustainable materials, we are supported, not only by the knowledge of currently available technologies but also by comprehensive information from suppliers regarding the raw materials used, the process sequence, the supply chain, the ecological footprint, as well as certifications.

The bluesign® system, in particular, serves as an important guideline as it supports us in risk management.

If a supplier adheres to bluesign® standards, it is a clear indication for us that no hazardous substances are involved in the manufacturing process, and the facilities have proper exhaust systems and wastewater treatment. We consider this as an important aspect of sustainability since our actions always influence the environment. As a small department at FOND OF, we don't have the internal capacity to manage a 'Chemical Inventory Management' of the textile value chain, which is why we believe in collaborating with bluesign®. Suppliers showcase their sustainable certifications at trade fairs and in their corporate communications, making it easier for us to focus on sourcing. However, we still have the task of researching whether a material, including all finishing processes, has been produced and registered according to bluesign®, which is not always a given even for certified suppliers.

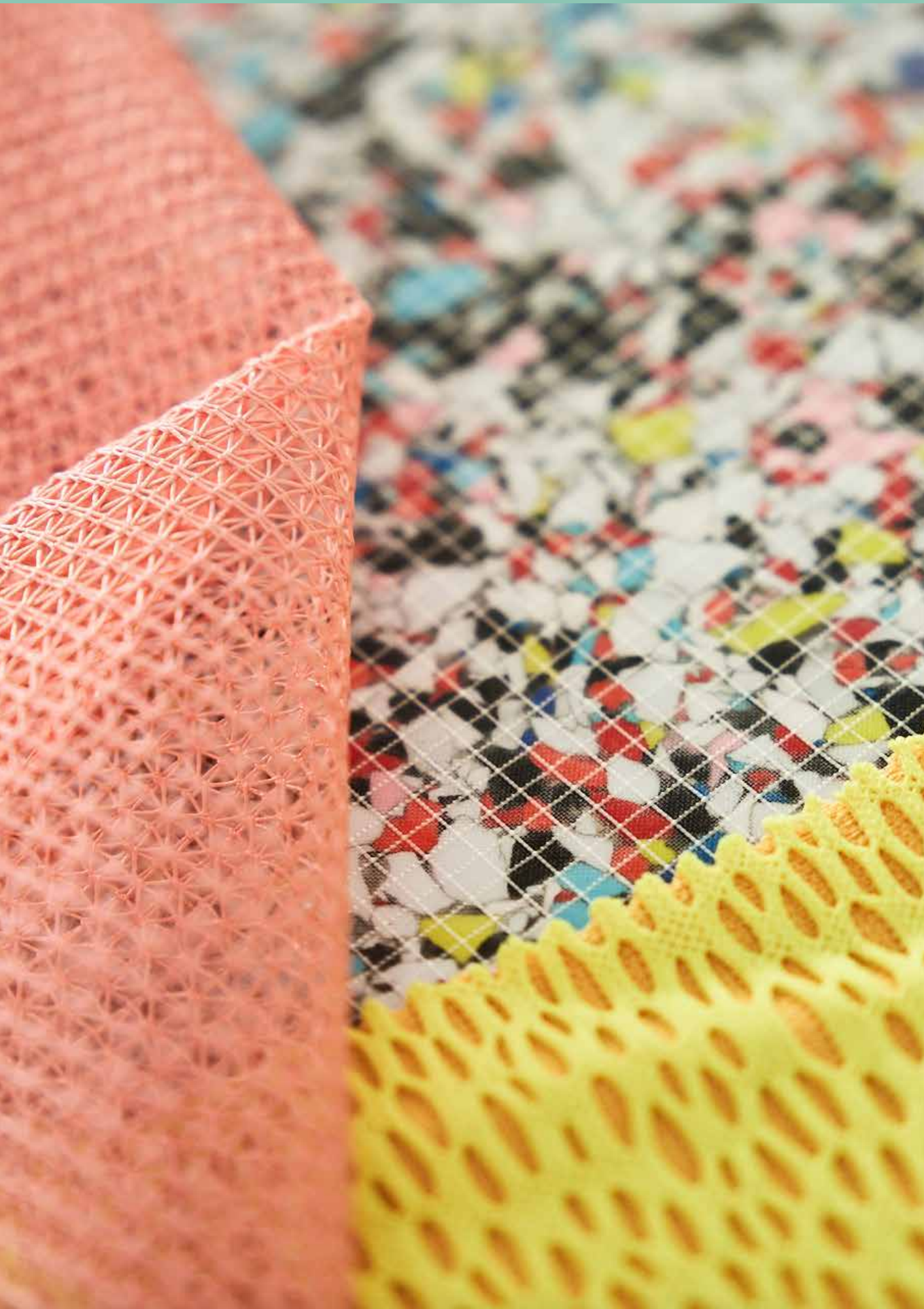
How do you search for and find material innovations?

Friederike: Many innovations from established manufacturers are presented on popular platforms, trade journals, and trade fairs. It's important to maintain existing contacts and foster relationships to be able to implement trends at FOND OF at an early stage. Our suppliers also regularly introduce us to new developments and advancements.



Friederike





One alternative is to establish contact with many small forward-thinking companies to collaborate and test progress at an early stage.

We also appreciate input from our colleagues regarding news they have discovered. Additionally, our technical understanding helps us draw cross-references from industries outside the textile sector and pursue an interdisciplinary approach.

Vanessa: Exactly – we utilize a diverse range of options. Visiting international trade fairs is essential as they serve as a stage for companies with innovative capabilities. There is a lot of exchange and opportunities to engage in conversations to look beyond the marketing facade that suppliers diligently build and print in brochures. Genuine substance and innovation become evident quickly. Additionally, we read publications from trade magazines, web portals, associations, and institutes. We attend training sessions and gather information from expert discussions, panel talks, and keynotes. Regular meetings with our current suppliers, sometimes online and sometimes in person in Asia or Cologne, are also very important. At times, we also engage with universities or participate in development projects with raw material suppliers (Tier 4).

Do we have a strategy at FOND OF to successfully implement innovations?

Vanessa: Having a fixed strategy for implementation is not so simple due to various conflicting goals and necessary considerations, even though I sometimes wish it were, when I only have my material-focused perspective. Innovative materials require investments and are rarely cost-neutral. This means that not every approach that excites me can be realized. However, as material managers, we aim to show the teams around us what is currently possible and where we see potential. Sometimes it feels a bit like political campaigning because whether we implement a material innovation depends not only on comprehensive evaluations, consideration of various perspectives, and investment frameworks, but also on who we have managed to convince – ideally the whole team.

Where do you see challenges for the next years? Can you provide an outlook on what you currently have in focus?

Friederike: The biggest challenge, in my opinion, will be finding a compromise. We want to address sustainability at all levels, maintain the same functional and technical level of our products, and still keep them affordable for our customers.

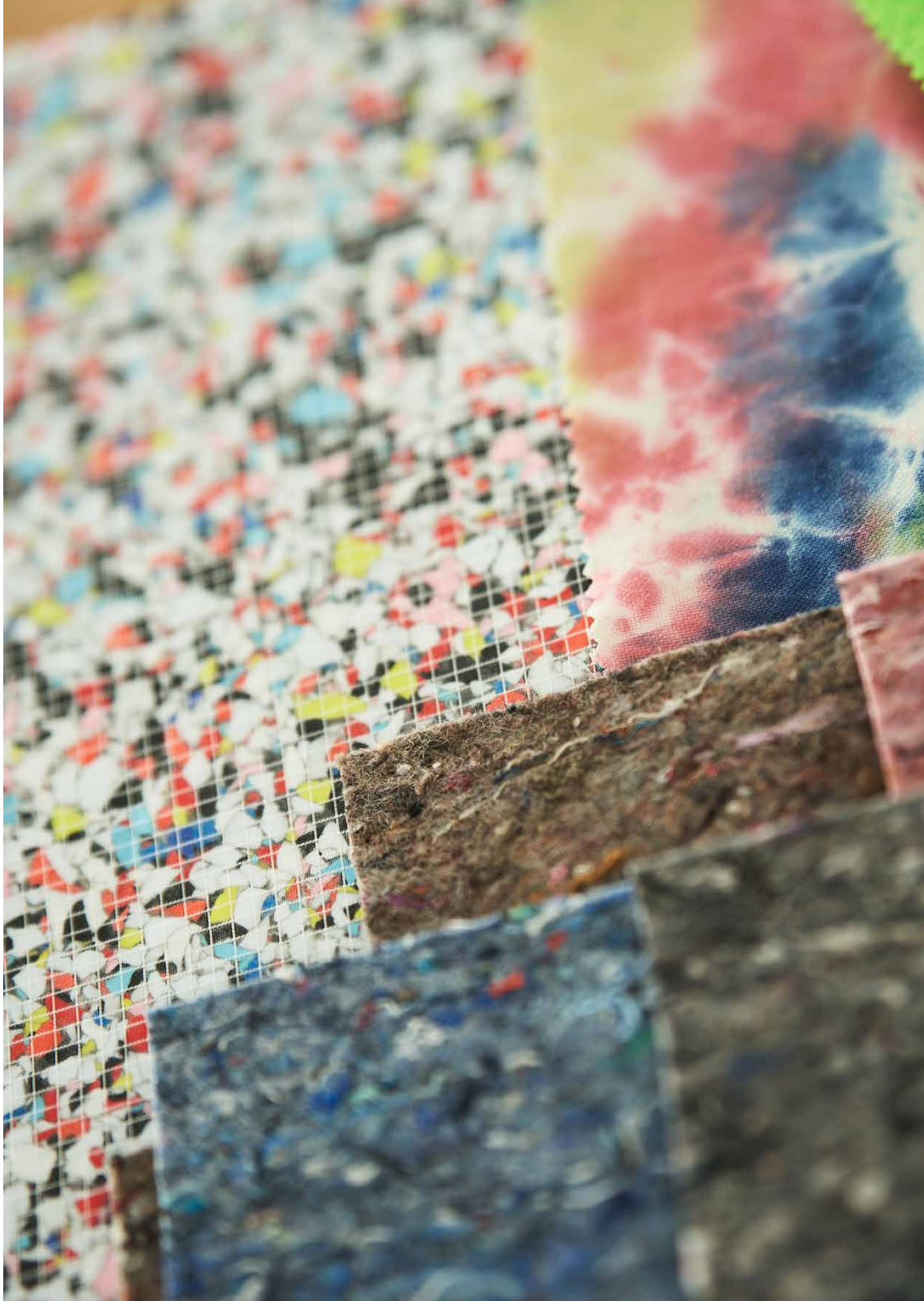
Vanessa: I anticipate significant challenges ahead and I hope that as a company, we will maintain a strong position.

We need to confront the well-known limitations of natural resources in a radical and timely manner. This requires courage and vision in combination with investments and honesty.



Vanessa

Courage to venture beyond familiar paths, test new materials, and question the established status quo. It involves adapting quality standards, utilizing biobased plastics, significantly increasing textile-to-textile recycling, and embracing new business models that incorporate second-life and circularity. These visions oblige us to live by the buzzwords ‘reduce, reuse, recycle’ in harmony and not shy away from the potential outcomes. Investments are needed to secure our future sustainability. Honesty is crucial in our interactions and throughout the journey that lies ahead of us.





3.4 Supplier Relationships – A Give and Take



61%

of purchasing volume is generated
by long-term business relationships

Despite our rapid growth in recent years, we continue to prioritize long-term business relationships with our current suppliers. This is not always easy, as our product portfolio is constantly expanding. New products such as shoes or clothing require new specialized suppliers. However, these suppliers are carefully selected to create the conditions for a long-term business relationship.

Stable business relationships reinforce compliance with Fair Wear’s labour standards and provide factories with a reason to invest in improving working conditions. In the last fiscal year, we generated 61% of our purchasing volume with suppliers with whom we have a long-term business relationship. Fair Wear defines a ‘long-term’ business relationship as lasting at least five years.

In some cases, we even have suppliers with whom we have been working with since the beginning, producing and co-developing our first products for ergobag. Our aim is to grow together with our suppliers.

During these long-term partnerships, we have naturally experienced some highs and lows that have tested us and further intensified our collaboration. The recent example of this is the COVID-19 pandemic, which has put our suppliers in financially difficult situations. Reasons for this include canceled orders from other brands, but especially the months-long lockdowns in our main production country, Vietnam. In intensive discussions with our partners, it became clear that providing them with a down payment for our orders would help alleviate the burden. As a result, we were able to support our suppliers in doing so in nearly 20 cases. Additionally, in the last fiscal year, we distributed a COVID bonus of €83,000 to the workers at four of our direct partners.

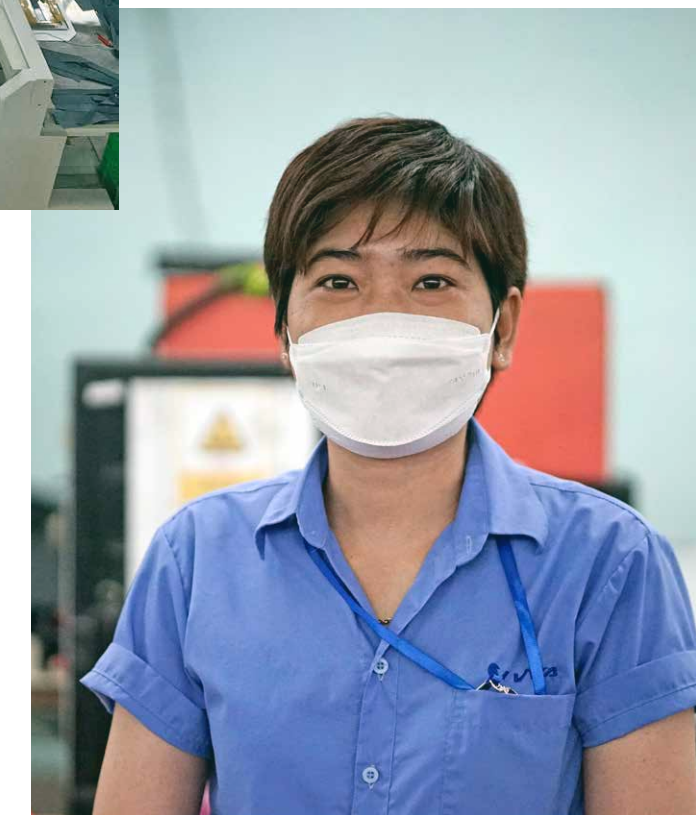
We, as a company, also received support from our long-term partners to navigate the crisis successfully. They granted us a discount for a certain period, ensuring that we could maintain our stable order volume. Such agreements are only possible with long-term partners with whom we maintain a reliable and trusting collaboration.

It is through these fantastic partners that we can emerge from a crisis together and stronger.



83,000

€ COVID Bonus for workers



3.5 Insight into a Supplier's Improvement Process



The COVID-19 pandemic and its impact have shaped both our suppliers and us in recent years. This story aims to illustrate the long-term repercussions it brought and the importance of social audits for our corporate due diligence responsibilities.

Our long-term partner, VIVA, in Vietnam, where satch and AEVOR products are produced, underwent its first Fair Wear audit after the COVID-19 pandemic in July 2022. Unlike the consistent performance in the past, numerous non-conformities posing a high risk to the workers were identified. The factory's management immediately recognized the urgency to address these findings and, in close collaboration with another Fair Wear member and us, swiftly pursued and resolved them to a large extent. As a result, we decided to conduct another audit in the following year (spring 2023) to have the improvements on-site externally verified.

During our visit to Vietnam, we discussed why so many non-conformities arose in 2022 and how the workers and management perceived the progress since the last audit.

‘The workers in our factory mean the world to me, as they are the backbone of our operation and success’

‘Investing in our workers is the key to achieving our objectives as a company, and I strongly believe in creating a working environment where they feel valued, empowered, and proud to be part of Viva.’

Jay Kim (Managing, Director VIVA)



For the future, Jay aims to create a work environment where workers look forward to coming to work and develop a shared mindset with the management and customers.

In the future, the management will place a stronger focus on sustainability, driving topics such as living wages and empowering workers to make VIVA a role model company.

This change and realignment in the management, along with the accompanying vision for the coming years, were confirmed in the most recent audit. The off-site interviews conducted with the workers prior to the audit provided valuable and comprehensive insights into the improvements made in the last six months.

During our visit, we also spoke with workers in the factory to inquire whether they have noticed these changes.

For example, Huyen from the Cutting Department shared that the workers had raised concerns during a meeting with the management about the lunch provided, which was prepared and delivered by an external service provider. Although the factory paid for the lunch, there was a limited selection of dishes and no second helpings. In response, the management ordered a higher-quality menu that offers a

variety of choices and unlimited refills. According to Huyen, this change was positively perceived.

Hien, a seamstress who has been working in the factory for over ten years, mentioned that overtime hours have significantly reduced, and payment is reliable and punctual. On Women’s Day, the female workers in the factory received ‘lucky money,’ which brought them joy.

While the final audit report is not yet available at this time, we had the opportunity to speak with the auditors during the audit, who assured us that many of the findings from the previous audit have shown significant improvements. However, as is customary in most audits, new insights have also emerged, which we will discuss with the management in the coming weeks and months to address together. Improving working conditions at our partners’ facilities is an ongoing and long-term process that requires collaborative efforts.





3.6 Our Cooperation with CARE

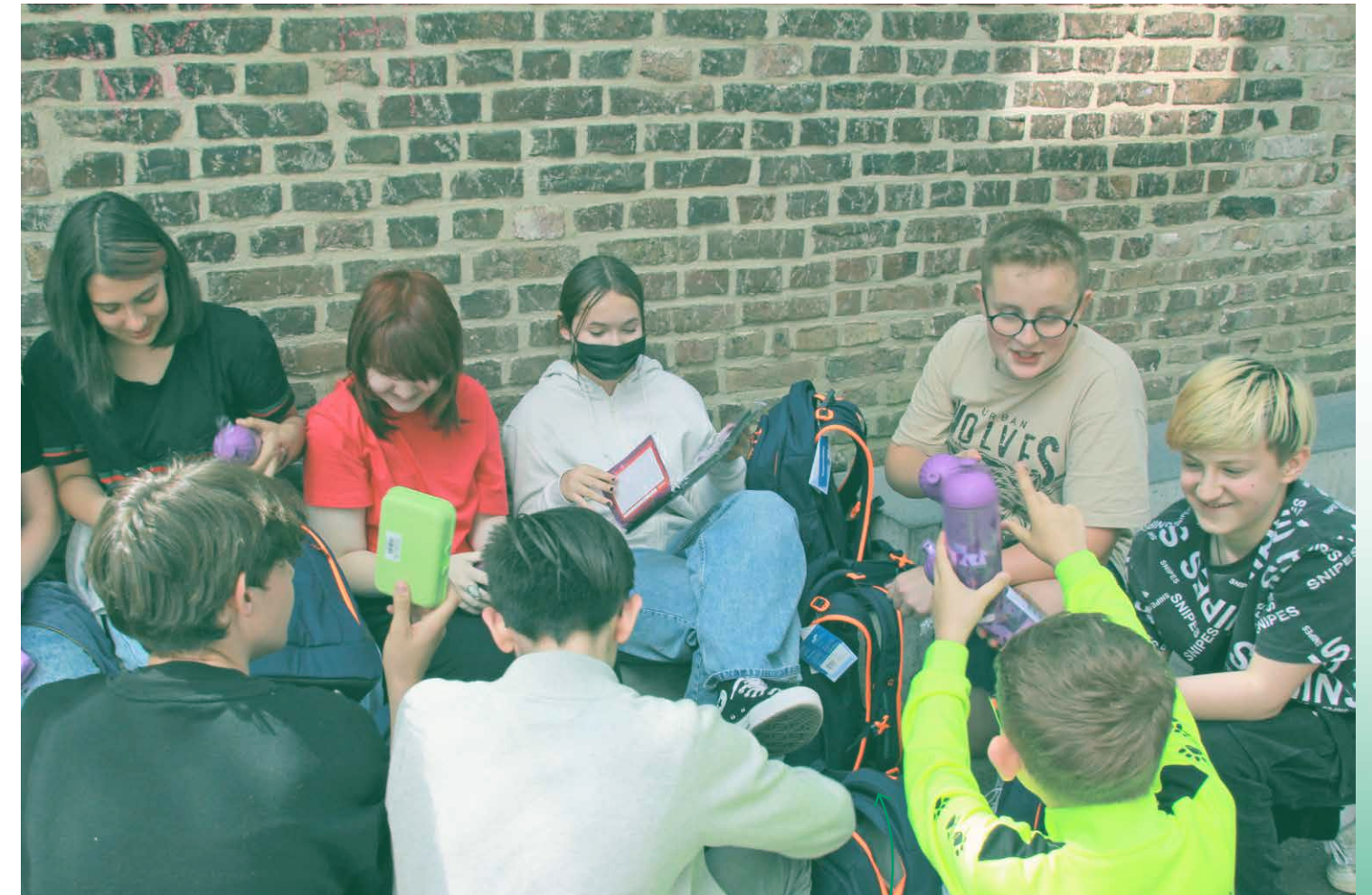
Alongside our responsibilities for due diligence in our global supply chains, we also feel a significant responsibility towards the society in which we operate on a daily basis. For FOND OF, children and adolescents of school age are particularly important. Therefore, we are very grateful that the aid organization CARE approached us last year with a project to support refugee children from Ukraine in German schools.

According to evaluations by the Federal Office for Migration and Refugees, over 1 million people (as of January 17, 2023) have fled from Ukraine and been registered in Germany. Approximately one-third of them are children and adolescents under 18 years old. According to the Standing Conference of the Ministers of Education and Cultural Affairs, nearly 200,000 of them have already been enrolled in German schools nationwide. Participating in educational activities provides these children with security and stability. However, they often lack the basic supplies necessary to effectively participate in classes. Some children

even come to school with plastic bags because they couldn't bring their school materials during their flight.

CARE aims to address this issue through the School Starter Kit project. The goal is to assemble customized kits and distribute them free of charge to refugee children and adolescents. The distribution takes place directly through schools and organizations that can order the kits from CARE through an online form.

A school starter kit includes a school backpack, notebooks, folders, a pencil case with contents, a lunch box, a water bottle, a gym bag, a dictionary, a sketch-book, watercolors, glue, scissors, and a calculator.





7,700 Backpacks
7,500 Pencil Cases
2,500 Water Bottles

This project is financed through funding partners of CARE. We wanted to contribute and believed that we could support this project through our products in a long-term collaboration. Since the project started in May 2022, a total of 7,700 packages have already been distributed nationwide. FOND OF has provided 7,700 backpacks, 7,500 pencil cases, and 2,500 water bottles at a significantly discounted price and covered the delivery costs.

The satchel sleek backpack was predominantly used for the packages. Its adjustable height makes it suitable for children of different age groups, making the distribution much more straightforward. High demand and consistently positive, sometimes very touching feedback have encouraged us to continue supporting CARE in 2023. We are grateful that our products can provide a sense of normalcy and joy in unimaginably difficult times and we thank CARE for this project.



Outlook

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We are *not* perfect



And neither is this report. Although as a company we are not (yet) obligated to report, we want to transparently inform our stakeholders about how we fulfill our social and environmental responsibilities and where we stand. We take pride in what we have already achieved, but we also want to communicate honestly and clearly about areas where we need to improve.

To select the topics and content for this report, we asked ourselves the following questions:

- Where does our value chain have the greatest impact on social and environmental conditions, and how do we contribute to improvement?
- What was contained in the last report?
- And what topics are of interest to our target audience?

And, how can we make our report visually appealing? In addition, this year we extensively engaged with recognized reporting standards such as the Global Reporting Initiative (GRI) and the Deutsche Nachhaltigkeitskodex (DNK), and partly aligned our reporting with their guidelines. We believe that such standards are important to ensure that corporate sustainability reporting is transparent, credible, and comparable. In the coming years, we aim to gradually work towards full compliance with one of these standards in our reporting. As a result of these considerations, additional information is included and/or content is presented differently compared to last year. Our reports are published annually.

The reporting period covers our latest fiscal year, from August 1, 2021, to July 31, 2022.

To save resources, this report is exclusively available in digital format.

4.2 Looking into the future

Reducing our ecological footprint and ensuring compliance with social standards throughout the entire supply chain are our daily challenges in the CR team. Despite all our efforts, we are far from being perfect. This is partly due to the nature of the business: any company that brings consumer goods to the market inevitably leaves an ecological footprint.

Our last fiscal year was also marked by the COVID-19 pandemic and its aftermath, as well as the consequences of the war in Ukraine. We had to cancel or postpone several projects that we had planned for the past year. Nevertheless, we would like to transparently show which topics we were unable to implement and which topics will continue to be relevant for us in the future.

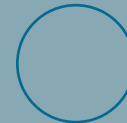


Next Steps



Responsible Business Conduct

Responsible Business Conduct is a policy that supports compliance with the Fair Wear labour standards and aligns with the OECD Guidelines for Responsible Supply Chains in the Apparel and Footwear Industry. With this new requirement from Fair Wear, we aim to align ourselves more with international standards and see it as an opportunity to create a foundational document that will serve as the basis for our decisions and business practices in the future. We involve all internal and external stakeholders in the development process to create a sense of commitment at all levels.



Living Wage

The topic of living wage will be familiar to our loyal readers. We have been committed to promoting living wage/fair prices at our Tier 1 suppliers for many years. The COVID-19 pandemic, in particular, set us back in this regard, as the prolonged lockdowns in Vietnam also affected the local workers, and we had to ensure that at least minimum wages were being paid. Now, we have once again put this issue on our agenda and plan to launch a pilot project on living wages with at least one partner and establish a roadmap for the years ahead.



Circularity

We are convinced that the transition to a circular economy will be one of the biggest challenges across industries in the coming years. The various facets of this topic require a comprehensive strategy, and we are currently working at full speed on it. From revising the materials we use to exploring new design concepts for our products, as well as implementing take-back systems and second-hand platforms, all of these areas are being intensively evaluated to derive concrete action steps. We aim to present our strategy and initial successes to you in the coming year.



Contact

cr@fondof.de
FOND OF GmbH
Vitalisstraße 67, 50827 Cologne, Germany

Our CR Team



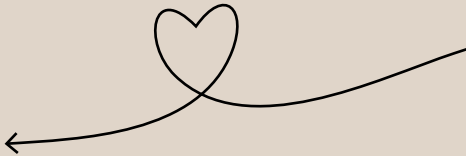
Danae
danae.arwanitidou@fondof.de



Katharina
katharina.liefner@fondof.de



Philipp
philipp.schumacher@fondof.de



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