



KAPTEN & SON

IMPACT REPORT 2022/2023

BECOMING THE MOST RESPONSIBLE VERSION OF OURSELVES

BE THE EXPERIENCE



FOREWORD BY OUR MANAGING DIRECTORS

Fabian Deventer, Phil Pezus, Johannes Theobald

As the environment we are operating in has become subject of constant change in the past years, we have seen the necessity to face up to these challenges and work on making Kapten & Son an even more resilient and strong brand in the future.

In March of 2023 we have launched a new strategy. Core of our new strategy is the expansion of our purpose and vision, of which our team and individual departments can derive clear goals and continue to grow.

But this is not the only reason why we are working on changing our work structures and processes. The last few years have clearly shown that a fundamental change in the textile industry is unavoidable if we want to achieve social and sustainable goals internationally. Integrating sustainability and social responsibility into our business practices and our corporate understanding is therefore indispensable.

To be honest, in many respects we are only at the beginning of our journey. The last two years have been marked by many „firsts.“ As a result, we have laid many foundations on which we intend to build our work. Examples include the implementation of our RBC

Policy and internal Code of Conduct. We have become a member of the Fair Wear Foundation and want to profoundly rethink our purchasing practices, as well as increase supply chain responsibility. We have started to measure our ecological footprint and want to professionalise the calculation of our environmental impact in the future. Furthermore, we are taking a fundamental look at products and packaging. We have set ourselves a bunch of goals and do not have a perfect solution for every one of them yet, but we always chose to stay hopeful.

Because we need the full motivation of our team, it is particularly important to us to invest in the well-being and satisfaction of our employees as well as a thriving work environment. That's why we also provide insights into how we empower and strengthen our team internally.

We are excited about the next few years and look forward to taking you with us on this journey.

 **KAPTEN & SON**
BE THE EXPERIENCE

AGENDA

- 1 PURPOSE, AMBITION & VALUES
- 2 KAPTEN & SON IN A NUTSHELL...
- 3 ABOUT THIS REPORT
- 4 DEFINING THE CHALLENGES OF THE FASHION INDUSTRY
- 5 PRESENTING OUR CORPORATE SUSTAINABILITY STRATEGY
- 6 RECAPPING THE YEAR 2022 AND 2023 SO FAR
- 7 IMPROVING OUR GOVERNANCE APPROACH
- 8 INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY
- 9 FOCUSING ON PRODUCT QUALITY AND LONGEVITY
- 10 CALCULATING OUR CARBON FOOTPRINT
- 11 THINKING ABOUT OUR COMMUNITY
- 12 FOSTERING OUR INTERNAL TEAM
- 13 SOME FINAL WORDS

PURPOSE

WE ARE NOT JUST A BRAND, WE ARE AN EXPERIENCE!

AMBITION

BASED ON THE BELIEF THAT CUSTOMER EXPECTATIONS
MUST ALWAYS BE EXCEEDED, WE BECOME THE PREMIER
EUROPEAN LIFESTYLE BRAND.

VALUES

EMPOWER EACH OTHER. THINK OUTSIDE THE BOX. ACT SUSTAINABLY.
WORK RESULTS DRIVEN. DO IT WITH ALL YOUR HEART.



2. KAPTEN & SON IN A NUTSHELL...

EMPLOYEE NUMBERS:

135 (April 2023)

SALES CHANNEL:

Online, Retail, B2B

FOCUS MARKETS:

D, A, CH, FR, NL, UK

B2B PARTNERS:

ABOUTYOU, Zalando, Breuninger

PRODUCT PORTFOLIO:

Backpacks & Bags, Luggage,
Eyewear, Watches, Jewellery

STORES:

Cologne, Berlin, Stuttgart, Munich,
Muenster, Vienna, Hamburg

COMPANY LOCATIONS:

HQ Cologne, Vitrification Laboratory
Cologne

This report covers the period from January 2022 to April 2023, as we have changed our fiscal year during that time. In addition to the annual publication of social reports in the course of our Fair Wear membership, the more extensive Impact Report will be published every two years.

We put a lot of thought into how our first Impact Report should be designed. To kick things off, we have dealt with standardised frameworks such as the Global Reporting Initiative (GRI) and the German Sustainability Code (DNK). We took individual elements that we found particularly important for our business practices from these guidelines.

Nevertheless, this report is not compliant with either of the standards above. We are still at the very beginning of reporting and want to become more professional and transparent every year. It is important to us that we work towards conformity so that we can enable our customers and business partners to create their own picture and compare our efforts to other companies. However, this also presumes that the basic conditions for this must first be established internally.

Our report shall give you a comprehensive picture of our activities on the way to more conscious practices in our work environment. We not only take a closer look at our products and their value chain as the most important pillars in our business practices, but we also dive into internal structures, the personal and professional development of our team and our cooperation with various stakeholders. If you have any questions or feedback about the content, please contact our Corporate Sustainability team. We want to give your voice a weight and take it into account for our constant improvement.

ABOUT THIS REPORT

IT IS A DIRTY BUSINESS

**THE FASHION INDUSTRY HAS HISTORICALLY
GROWN TO MEET FAST CHANGING CONSUMER
NEEDS ON THE EXPENSE OF SOCIAL EQUITY
AND PLANETARY BOUNDARIES.**

IT IS A DIRTY BUSINESS

Companies in the Apparel & Accessories industry heavily rely on the outsourcing of production to countries with lowest costs (1). These countries often do not endorse worker's rights protection, resulting for example in a relatively high proportion of excessive overtime within the industry, low pay, unhealthy working conditions or even forced labour (2). The nature of global supply chains adds even more complexity, as scattered supplier bases, supply chains beyond tier 1 and subcontracting create challenges for companies to trace and ensure responsible production (3).

Therefore, labour conditions within the supply chain are a growing concern for not only industries, but also governments in several countries, which start to take action by passing laws on supply chain transparency or modern slavery (4). Environmental impacts of the industry, also mainly generated in production stages, are diverse and far-reaching in consequences and, thus, another great challenge. The industry relies heavily on raw material extraction, with a large proportion being accounted for by petroleum-based materials (5). Fashion is the third most emitting industry of GHG (6), responsible for 20% of world's wastewater and 9% of annual microplastic losses to the ocean (7). On the other end of the product life cycle, 92 million tonnes of textile waste are generated each year, of which the majority is either incinerated or landfilled (8).

While legislations, such as REACH in the EU, convey an improving regulatory on the use of hazardous chemicals (9), an ongoing investigation of Greenpeace has shown, that a wide range of restricted substances could still be traced in waterways of garment and textile factories in production countries (10). Posing a great threat to health of communities and ecosystems in production areas and consumers around the globe, the Apparel & Accessories industry is pressured to properly address chemical usage in supply chains.

B2B PARTNERS

EMPLOYEES

LOCAL
COMMUNITY

CUSTOMERS

INVESTORS

ANCHOR **KAPTEN & SON**
BE THE EXPERIENCE

COMPETITORS

SUPPLY
CHAIN
PARTNERS

FAIR WEAR

MEMBER
BRANDS

GIZ

TRADE
UNIONS

WORKERS

We operate in a dynamic environment of stakeholders who increasingly demand accountability regarding the aforementioned challenges. For example, our team seeks purpose and wants to work for a brand that cares for its impact on people and planet. Customers increasingly question production and origin of textiles to make more informed purchasing decisions and investors steer their money toward resilient and responsible businesses. The challenges and raising demands urge us to make a greater commitment to social responsibility and environmental impacts in our supply chain.

BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

In order to address the challenges and demands as efficient as possible, we have set corresponding focus areas that we deem the most important ones and where we estimate to have the greatest leverage. In a second step we have set out overarching goals, that incorporate the whole team, yet give our strategy a frame, of which we can derive a yearly action plan.

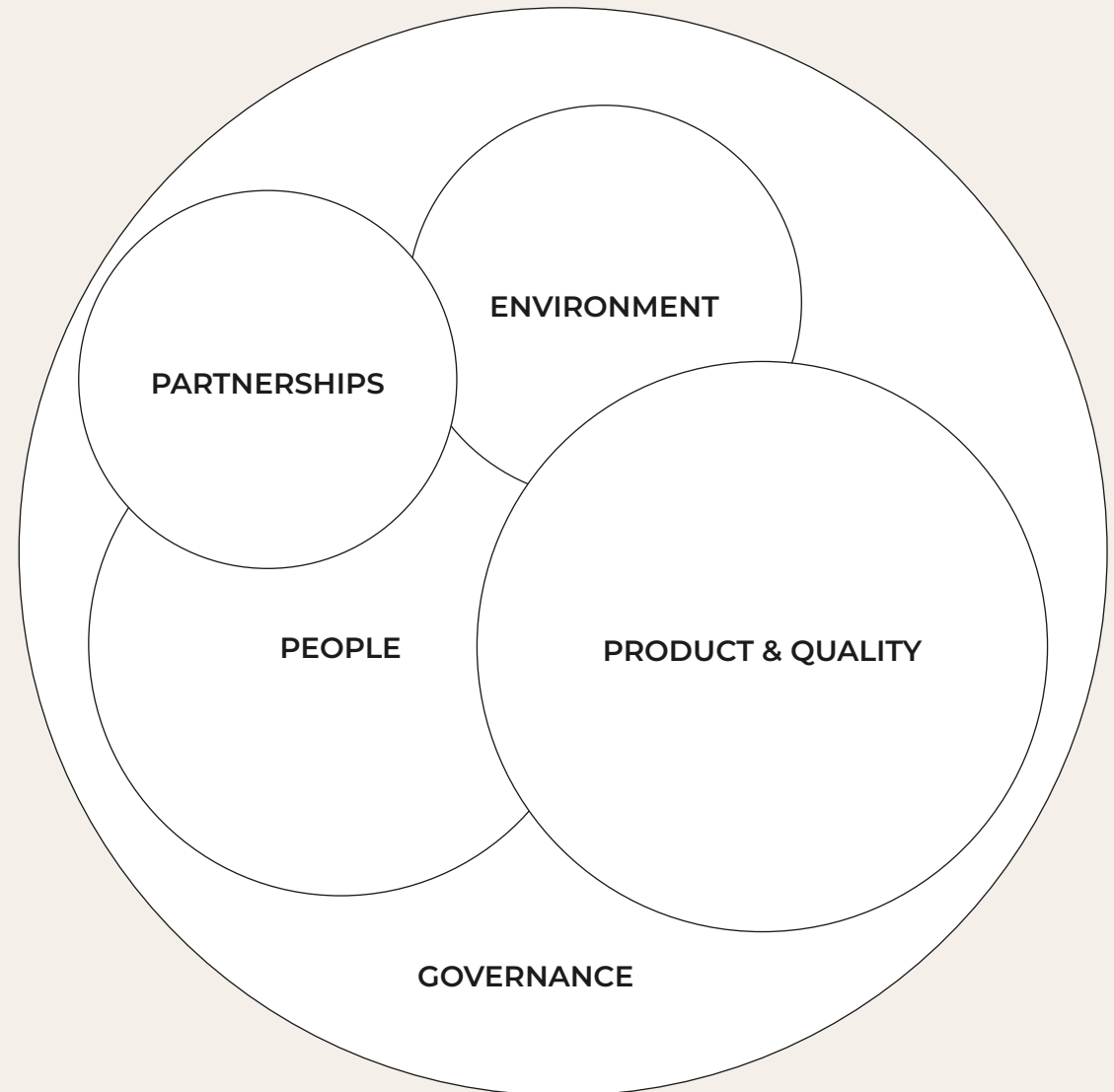
Product & Quality is one of our biggest focus areas, as it encompasses our supply chain with sourcing, production and transportation of goods.

This area has a correlating impact on our environment that needs to be calculated, monitored and mitigated so that we ultimately achieve to operate within planetary boundaries.

As our second biggest focus area we put our people. Whether production workers at partner factories, our own employees or customers, all stakeholders have a voice and the right to a decent living.

Partnerships are a vital part of all other focus areas. Only if we work together with business partners, NGOs, the government or other brands, we are able to tackle the transformational challenges that lie ahead of us.

Lastly, all our efforts have to be supported by a governance approach that defines policies and form a mutual understanding of how we want to do business.



BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

An overarching goal is not something that can be achieved in the short run. We use our overarching goals as a clear frame, of which we derive projects, actions and measures on a year to year basis. While we think it is important to approach these projects and actions dynamically, it is also crucial to not lose sight of the bigger picture and take a step back, when we feel to be stuck along the way.

The Corporate Sustainability department sits down with respective departments in the beginning of the year and brainstorms together, how goals and actions can be aligned and more than often, we see the opportunity to create even greater synergies than expected.

On a quarterly basis, the Corporate Sustainability department tracks progress of the action plan and reports to responsables and management. It can happen that deadlines need to be adjusted or projects need to be reassessed, but we try to be as transparent and honest in this process as possible.

OUR OVERARCHING GOALS UNTIL 2025

- Build Corporate Sustainability foundations and knowledge internally
- Become a Fair Wear partner and advocate
- Enhance transparency and working conditions in tier 1 supplier factories
- Professionalise in calculating the environmental impact in the supply chain
- Increase efforts of resource-saving design and production
- Improve employee wellbeing and satisfaction
- Foster volunteering and community impact

BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

2022

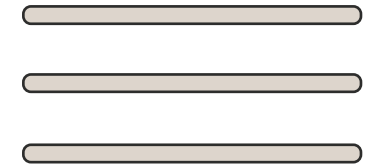
OVERARCHING GOAL

1. Become a Fair Wear partner
and advocate

ACTIONS

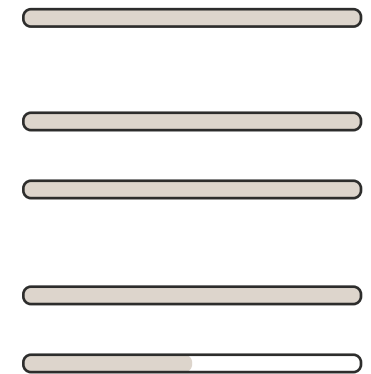
- Become a Fair Wear member
- Attend Fair Wear networking events
- Write a workplan for the first year of membership

STATUS QUO



2. Enhance transparency and
working conditions in supplier
factories

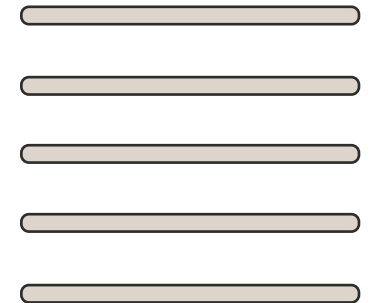
- Implement Fair Wear grievance mechanism in supply chain partner's factories
- Onboard suppliers about Fair Wear membership and requirements
- Write Supplier's Code of Conduct and collect signed Conducts of supplier partners
- Draft General Agreements for supplier/brand partnership
- Sign General Agreement with selected backpack supplier



BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

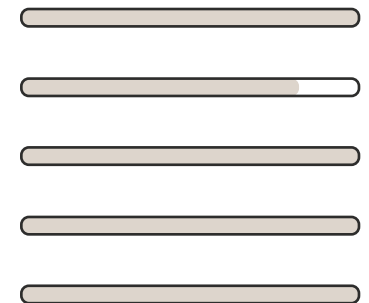
3. Build foundations and knowledge

- Define and roll out Responsible Business Conduct Policy
- Write and roll out Internal Code of Conduct
- Conduct Human Rights Workshop with selected departments
- Define and roll out a selection process of new suppliers
- Conduct a foundational risk analysis of existing production countries and suppliers of tier 1



4. Foster volunteering and community impact

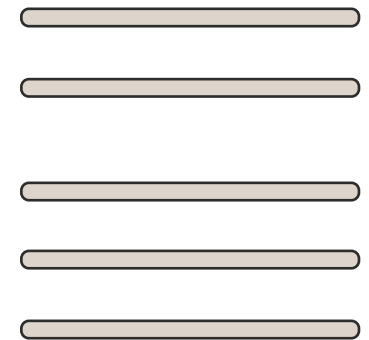
- Donate to various Charity causes locally and globally
- Grow Kapten forest to 200.000 trees
- Introduce Volunteer Day
- Host a local charity event
- Start a „Wunschbaum“ initiative during Christmas season



BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

5. Improve employee wellbeing and satisfaction

- Introduce new feedback tool & frankly
- Increase monthly employee feedback to 60-70% of overall workforce
- Increase and maintain ENPS score to an average of 25
- Conduct monthly Kreativschmieden
- Draft a wellbeing programme for the upcoming year



6. Increase efforts of ressource- saving design and production

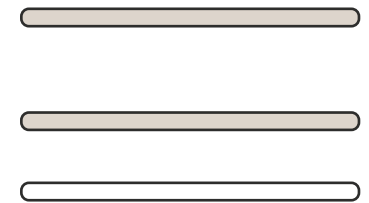
- Streamline product portfolio to reduce complexity
- Introduce sunglasses with bio acetate frames
- Launch watches collection mainly made out of recycled stainless steel
- Discontinue the production of leather watch bands
- Reduce packaging material of all product categories



BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

7. Professionalise in calculating
the environmental impact in the
supply chain

- Calculate emissions for all scopes in 2021 excluding production
with partner CO2-positiv!
- Offset emissions from all scopes excluding production
- Define a carbon emission reduction strategy for backpacks



BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

2023

OVERARCHING GOAL

1. Become a Fair Wear partner and advocate

ACTIONS

- Successfully conduct first Brand Performance Check with Fair Wear and receive a GOOD
- Conduct training programme about Code of Labour Practices of Fair Wear for factory management and workers of selected suppliers
- Join Fair Wear's #fashionrevolution campaign on social media

STATUS QUO



2. Enhance transparency and working conditions in supplier factories

- Expand mapping labour conditions in Chinese factories via questionnaires and audits and derive action plans for the biggest backpack suppliers
- Conduct a workshop with Operations team regarding Responsible Purchasing Practices
- Map potential procurement markets in terms of Human Rights situation
- Assess and document all backpack suppliers upstream of tier 1



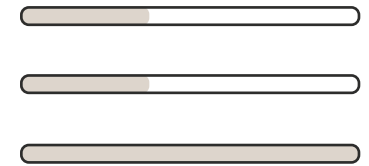
BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

| | | |
|--|---|------------------------|
| | • Implement processes to continually map Human Rights situation for existing and prospective production countries and suppliers | <div><div></div></div> |
| | • Introduce Supplier Grading System with social performance criteria | <div><div></div></div> |
| | • Conduct factory visits at the majority (>70%) of Chinese tier 1 supply chain partners | <div><div></div></div> |
| 3. Build Corporate Sustainability foundations and knowledge internally | • Write first Impact Report for 2022/23 | <div><div></div></div> |
| | • Define Corporate Sustainability Budget for 2023/24 | <div><div></div></div> |
| | • Conduct workshop with HR around Social Responsibility | <div><div></div></div> |
| | • Enrol bonus programme on sustainability related goals with Leapsome | <div><div></div></div> |
| | • Launch webinars around Corporate Sustainability on new L&D platform | <div><div></div></div> |
| | • Conduct eco design workshop for product development department | <div><div></div></div> |
| | • Write biweekly engagement posts on Corporate Sustainability Hub in Hailo | <div><div></div></div> |

BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

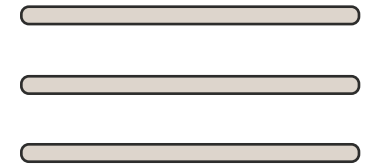
4. Foster volunteering and community impact

- Enhance use of Volunteer Day to 20% of overall workforce
- Organise Charity Run Month in October 2023
- Define and roll out high impact Charity Strategy



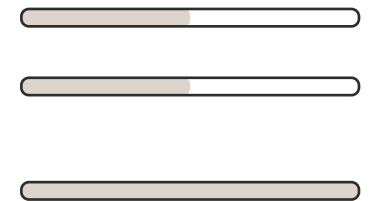
5. Improve employee wellbeing and satisfaction

- Introduce corporate bike and e-roller leasing
- Launch mindfulness course
- Raise awareness for employer-funded pension



6. Increase efforts of resource- saving design and production

- Streamline product portfolio to reduce complexity
- Assess portfolio in terms of used materials and volumes to identify potential of simplifying material usage
- Further reduce packaging material of all product categories



BECOMING THE MOST SUSTAINABLE VERSION OF OURSELVES

| | | |
|--|---|------------------------|
| | • Increase the use of biobased and recycled materials in product portfolio and packaging | <div><div></div></div> |
| | • Introduce chemical management for backpack production | <div><div></div></div> |
| | • Improve quality management processes in the supply chain | <div><div></div></div> |
| 7. Professionalise in calculating the environmental impact in the supply chain | • Calculate emissions from Scope 1,2 and 3 (excluding production) | <div><div></div></div> |
| | • Do a pilot project on calculating product carbon footprint of Bergen backpack | <div><div></div></div> |
| | • Define a carbon emission reduction strategy for backpacks | <div><div></div></div> |
| | • Evaluate supplier performance based on environmental aspects within the Supplier Risk Profile / Supplier Grading System | <div><div></div></div> |
| | | <div><div></div></div> |

BUILDING FOUNDATIONS AND RAISING AWARENESS 2022

JANUARY

We raise awareness within the team by setting up an **internal CSR space**. Corporate Sustainability Strategy and goals for 2022/23 is developed. We expand our **recycled stainless steel** watches portfolio.

FEBRUARY

We launch the **new sunglasses collection**, which is mainly made of **bio acetate**.

MARCH

We become a **FairWear member** and start drafting our workplan for the upcoming year.

APRIL

The new **Sustainability website is launched**. We donate 10.000 € to 'seiSTARK e.V.' as part of our Women's Day campaign.

JUNE

We donate 700+ backpacks to Kinderhilfswerk for Ukrainian kids in Germany. The brands '**Greentastic**' and '**Lieblingsglas**' join the Kapten & Son Group.

JULY

We finish the calculation of our **carbon footprint** (excluding production) with **CO₂-positiv!** All emissions from Scope 1,2 and 3 (except production) in 2021 are compensated by accredited **Reforestation projects**

AUGUST

We are awarded the **PETA Vegan Travel Award 2022** in the category of vegan sunglasses. We start a pilot test with renting platform UNOWN. Our Responsible Conduct Policy is drafted. We publish and externally communicate our **Supplier Code of Conduct**.

BUILDING FOUNDATIONS AND RAISING AWARENESS 2022/23

SEPTEMBER

We implement a selection process for new suppliers as part of our **Sourcing Strategy**. We start to draft a General agreement with suppliers. As part of **Fair Wear**, we start conducting a risk assessment of production countries and main suppliers.

OCTOBER

We sign the ‚Charta der Vielfalt‘ to demonstrate our dedication for diversity and inclusion in our team. On 9th of October, we celebrate the ‚Kapten Coming out Event‘ and donate 5000€ to **anyway Cologne**.

NOVEMBER

Along with external consultancy Helpdesk, we are conducting a **Human Rights Workshop** with selected departments. The CSR Space is moved to our new communication platform ‚**Haiilo**‘.

DECEMBER

Together with „Aktion Wunschbaum“ we fulfill **Christmas wishes** of children in need. We launch our new feedback and **whistleblowing tool** ‚&frankly‘. We donate over 7000€ to ‚Die Arche Kinderstiftung‘.

JANUARY

Our **internal Code of Conduct** is published and communicated internally. We update our strategy and goals for the upcoming year and align it with other departments. We introduce a regular ‚**mindfulness course**‘ for employees.

FEBRUARY

We conduct a workshop with Operations, Corporate Sustainability and Management on **Responsible Purchasing Practices**.

MARCH

We start to plan our first production visit to China after the pandemic. We gradually switch to **bio acetate** frames in our entire eyewear portfolio.

APRIL

We participate in **Fair Wear’s Fashion Revolution** Campaign 2023. We start to conduct a product **carbon footprint** analysis of our most relevant backpack style.

DEFINING INTERNAL POLICIES AND RAISING AWARENESS

7.1 Internal communication

In the past years, Kapten & Son has grown from a start up to a middle sized company of 135 employees. This growth did not come without challenges that needed to be addressed. For every company the right communication is key. Knowing which departments need which information at what time becomes more complex with growth. We have witnessed that communication flows became inefficient and relevant information got lost along the way, whereas some meetings turned out to be redundant or repetitive.

Therefore, we have built an internal engagement and communication team, which was tasked with mapping information needs of different departments and coming up with new communication processes. One solution was our new communica-

tion platform ,Haiilo', which allows for different communication features, such as blogs, wikis, news feeds and notifications. The ,Corporate Sustainability Hub' is our space, where we share relevant information and updates around Sustainability and Social Responsibility. We not just want to raise awareness for these topics internally, but also give everybody the chance to learn and build knowledge for their own departments and beyond. The Corporate Sustainability department strives to be as transparent as possible. The yearly roadmap is one key feature in the hub along with diverse information around supply chain, production, materials, our carbon footprint and partnerships. Moreover, we share volunteering experiences, charitable donations and what we do in our offices in Cologne and for our team. Every six weeks the Corporate Sustainability team gives an update about their current work.

7.2 Human Rights Workshop with Helpdesk

What are Human Rights in the business context and how different are these rights protected in countries around the globe? What does Social Responsibility entail for an internationally operating textile brand? We realised that we need to establish a basic understanding in order to come up with a clear action plan that encompasses and aligns different departments. Expert knowledge was needed around Human Rights, which is why we have partnered up with GlZ initiative Helpdesk. Helpdesk supports SMEs with consultancy and knowledge resources regarding human rights in the business context. After discussing our individual needs and challenges, we hold a half day workshop with different departments such as Product Development, Human Resources,

Operations, Corporate Sustainability and our CEO.

After this workshop, we had a clearer understanding of human rights in the workplace and walked away with some first ideas, how we want to approach Social Responsibility in our supply chain and our own business practices. We long took pride in being an SME, which did not lose its startup mentality and is quick and agile in its practices. However, we now see the importance of building policies and processes, which form an agreement, of how we want to conduct business and how we want to protect all stakeholders along the supply chain. These agreements are a first step in raising awareness and committing ourselves to integrate Social Responsibility into every decision.

7. IMPROVING OUR GOVERNANCE APPROACH

7.3 Our Responsible Business Conduct Policy

We are amid a big transformation within the textile industry, and that makes a shift in business practices a necessity. As an internationally growing company, we want to make sure that we are dedicated to actively shape these shifts and to become the most ethical and responsible version of ourselves in the long run.

With joining Fair Wear Foundation in 2022, we have set ourselves the goal to recognise human rights and fair labour conditions, preventing any human rights violations and fostering fair working conditions throughout our whole supply chain, including our own operations and the ones of partners and other stakeholders. The goal is clear: we only want to sell products that are produced under strict ethical standards. Drawing from

the International Labour Organisation (ILO) Tripartite Declaration, the OECD Guidelines for Multinational Organisations as well as the 10 Guiding Principles of the UN Global Compact, we have set out the following guidelines that we expect our employees, as well as business partners to respect and support in the future.

Our RBC policy forms only a basis of our commitment to human rights and ethical labour practices. Even more important will be the actions and processes that will follow to protect and foster human rights and fair working conditions. You can find the full version with detailed explanations on [our website](#).

OUR GUIDELINES

- No exploitation of child labour
- Free choice of employment
- No discrimination in employment
- Freedom of association and the right to collective bargaining
- Payment of a living wage
- Decent working hours
- Safe and healthy working conditions
- Legally binding employment relationship
- EU REACH Standard Compliance
- Minimisation of environmental impacts
- Protection of animal welfare
- Privacy Protection
- Support of fair competition
- No unauthorised subcontracting
- Continuous traceability and Monitoring

OUR PRINCIPLES

- We always treat our employees, business partners, customers and suppliers fairly and respectfully.
- Safety in the workplace is important to us.
- It is our collective responsibility to protect the reputation of Kapten & Son.
- It goes without saying that we, at Kapten & Son, always treat our competitors fairly and on eye level.
- We expect our employees to treat all company assets reliably and responsibly.
- Any conflicts of interest need to be resolved.
- We stand for honest business relationships without any form of bribery or corruption.

7.4 Internal Code of Conduct

We recognise that setting an example and raising awareness for responsibility begins by defining clear responsible behaviour in our own team and educating every employee, how responsible teamwork shall look like.

As an extension to our Responsible Business Conduct Policy, we have implemented an internal Code of Ethical and Professional Conduct, which sets out internal and external communication guidelines, how to treat data, company assets, competition, corruption or conflict of interests considerately.

This Code of Conduct represents our common basic understanding of how we want to work together as well as with partners and customers to be successful in the market - based on the applicable legal situation, international standards, internal agreements and employment contracts. The Code of Conduct is binding for all employees throughout Kapten & Son. You can find the full version of our Internal Code of Conduct in German language on [our website](#). If you have any questions or feedback, do not hesitate to contact our HR team [here](#).

7. IMPROVING OUR GOVERNANCE APPROACH

7.5 Whistleblowing Tool

To ensure that our values are protected and respected along with the Code of Conduct and other guidelines and laws, we have set up an external reporting office that serves as a central point of contact for employees, customers, partners, suppliers and other stakeholders to inform us as a company of any grievances or violations. Our Whistleblowing Tool is an external service platform not operated by Kapten & Son itself -

to make sure that reports will be treated confidentially. This tool is available around the clock, 24/7, 365 days a year. We can be contacted anonymously if the person raising an issue does not want to disclose their data – this can be easily decided before the report is sent to us.

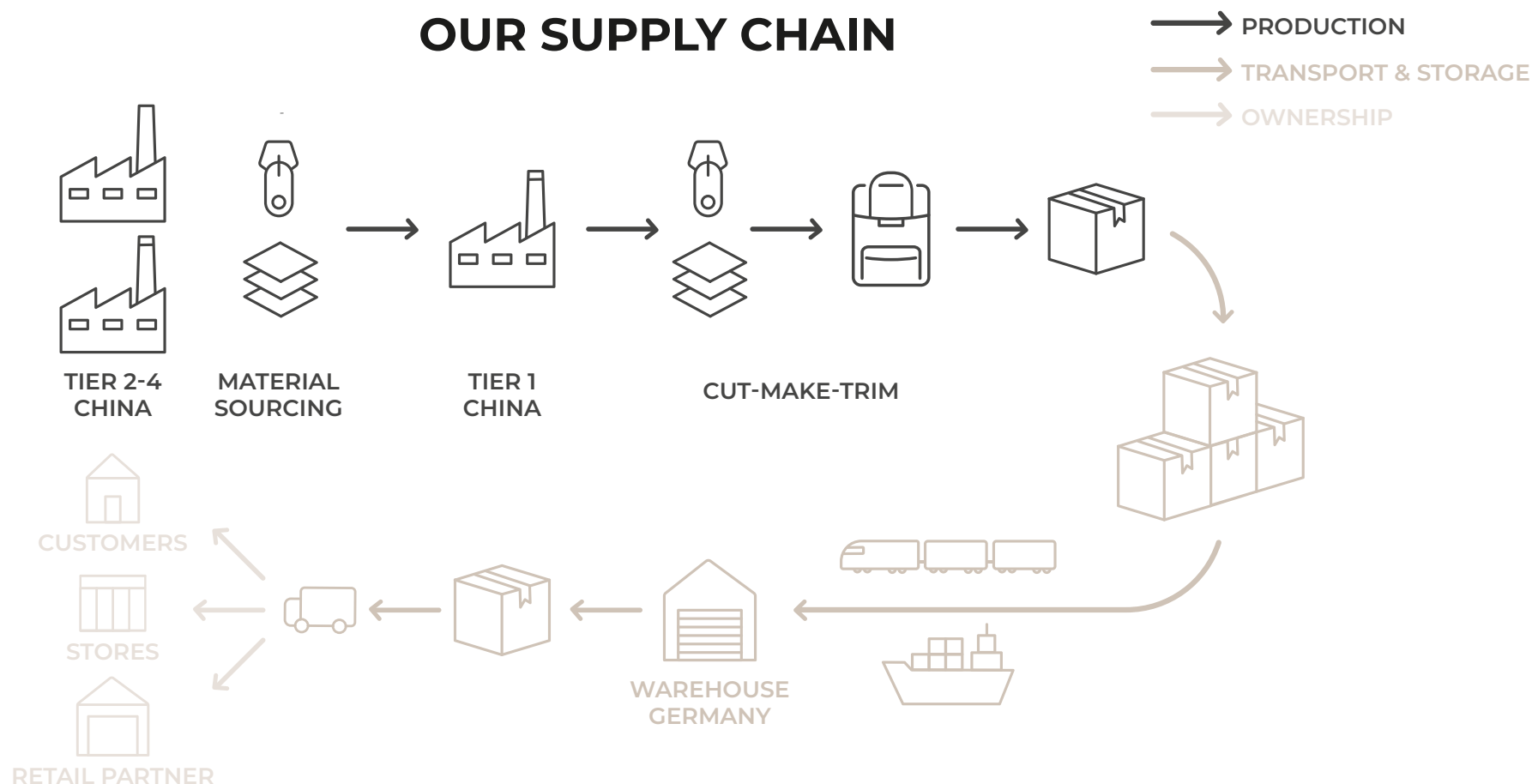
As soon as the report has been submitted with all relevant information, the case will be sent to a case manager - within seven days the person will

receive a confirmation of receipt. They will also receive a unique case ID. This is especially important in order to access follow-up information and to be able to communicate with the case manager.

The case manager will check the validity of the report and, if necessary, initiate appropriate follow-up measures. Within three months of submitting, a notification will be sent out indicating whether and why which steps have

been or will be taken. Regardless of whether the report is made anonymously or not, Kapten & Son handles every report with total confidentiality. Discrimination or other consequences against a person, who provides information or discrepancies in good faith will not be tolerated.

8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY



8.1. Our Supply Chain

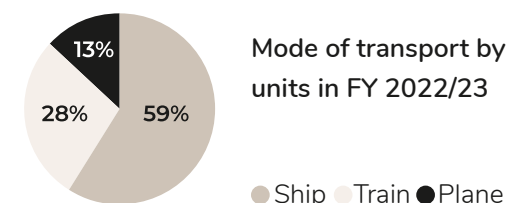
As a globally producing brand we source our materials worldwide. To give you an idea, we have illustrated our backpack supply chain above, as this is our most important product category. All materials of our product portfolio are sourced in

China. Within tier 2-4 raw materials are extracted, processed, dyed and finished.

After that, the raw materials are transported to our tier 1 suppliers mainly in Guangzhou and Shenzhen, the final products are assembled, quality checked and packaged. From the tier 1 factories,

we arrange transportation to our warehouse in Germany. While we mostly rely on ship and train as means of less environmentally damaging transportation, there are still critical incidences where we depend on the transport by plane. From our warehouse, our products are delivered to our customers, stores and

retail partners. In Germany, this happens for example via DHL GoGreen.



OUR PRODUCTION PARTNERS

CHINA – PARTNER 1

Cooperation since: 2018
Production volume: 28 %
Audits: QIMA (2021)
Used production capacity: 40%

CHINA – PARTNER 2

Cooperation since: 2022
Production volume: 16%
Audits: None
Used production capacity: 60%

CHINA – PARTNER 3

Cooperation since: 2019
Production volume: 2,5%
Audits: BSCI (2021), QIMA (2021)
Used production capacity: 15%

CHINA – PARTNER 4

Cooperation since: 2020
Production volume: 16%
Audits: QIMA (2021), BSCI (2022)
Used production capacity: 35%

CHINA – PARTNER 5

Cooperation since: 2020
Production volume: 2,5%
Audits: BSCI (2022)
Used production capacity: 15%

CHINA – PARTNER 6

Cooperation since: 2020
Production volume: 3%
Audits: None
Used production capacity: 15%
Termination: 2023

CHINA – PARTNER 7

Cooperation since: 2019
Production volume: 11%
Audits: BSCI (2021), QIMA (2021)
Used production capacity: 25%

CHINA – PARTNER 8

Cooperation since: 2022
Production volume: <1%
Audits: Sedex (2021)
Used production capacity: 5%

CHINA – PARTNER 9

Cooperation since: 2016
Production volume: 11%
Audits: QIMA (2021)
Used production capacity: 30%

CHINA – PARTNER 10

Cooperation since: 2020
Production volume: 9%
Audits: QIMA (2021)
Used production capacity: n.a.

CHINA – PARTNER 11

Cooperation since: 2016
Production volume: <1%
Audits: None
Used production capacity: n.a.

VIETNAM – PARTNER 1

Cooperation since: 2023
Production volume: <1%
Audits: BSCI (2022)
Used production capacity: 5%

Please note that these are only our Tier 1 supply chain partners. While we are currently working on getting a full and transparent picture of all supply chain partners beyond Tier 1, this process is complex and will take time. If you want to know more about our supply chain partners, please reach out to our CSR team and we are happy to share more details with you.

8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY

8.2. Long and trustful partnerships

We have a long-standing partnership with most of our production partners, which we have formed over the years and continue to nurture in the future. It is important to us to maintain personal contact with our factories and to keep our network as manageable and lean as possible. This also means that we foster a close exchange with our partners in meetings and calls, regularly visit the local factories and define responsibilities we have in our partnership. In that way, we also work on getting an in-depth picture of our partner's processes and potential struggles.

Due to the pandemic, we were unable to visit our production partners personally and had to maintain contact via external audits, virtual meetings and regular questionnaires in the past years. As soon as restrictions were loosened for travels, we have arranged a personal visit with our CEO, sourcing, product development and Corporate Sustainability team that takes place in May 2023. We are excited about what we can share of this visit in our next Impact Report.

50% of order volume in 2022 from long term partners (more than 5 years).



8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY

8.3. Joining Fair Wear in March 2022

Through our membership with Fair Wear, we are demonstrating our commitment to work towards continuously improving fair and safe working conditions at our supply chain partners. Being a part of Fair Wear has set a lot of things in motion; in our first year of membership, we have developed a work plan, which has set out what we aim to achieve until our first Brand Performance Check in August 2023. The first year was all about laying the necessary foundations to build our future work upon. Implementing an RBC Policy and a Supplier Code of Conduct, onboarding our suppliers about our membership and setting out a selection process for new suppliers were some of these concrete actions. But we also conducted an in-depth risk assessment of our production locations and suppliers of tier 1.

This risk exercise did not only help us to scope all potential risks, but also prioritise them through assessing their severity and probability of occurrence in our partner factories. Afterwards, we were able to define a clear action plan for our most pressing net risks. In the beginning of 2023, the Product Development, Sourcing and Corporate Sustainability teams sat together in a workshop to elaborate, how purchasing practices can be created more responsibly and fairly towards our supply chain partners. Moreover, we have planned a first verification audit in one of our supply chain partner's factory to consolidate labour conditions together with Fair Wear.

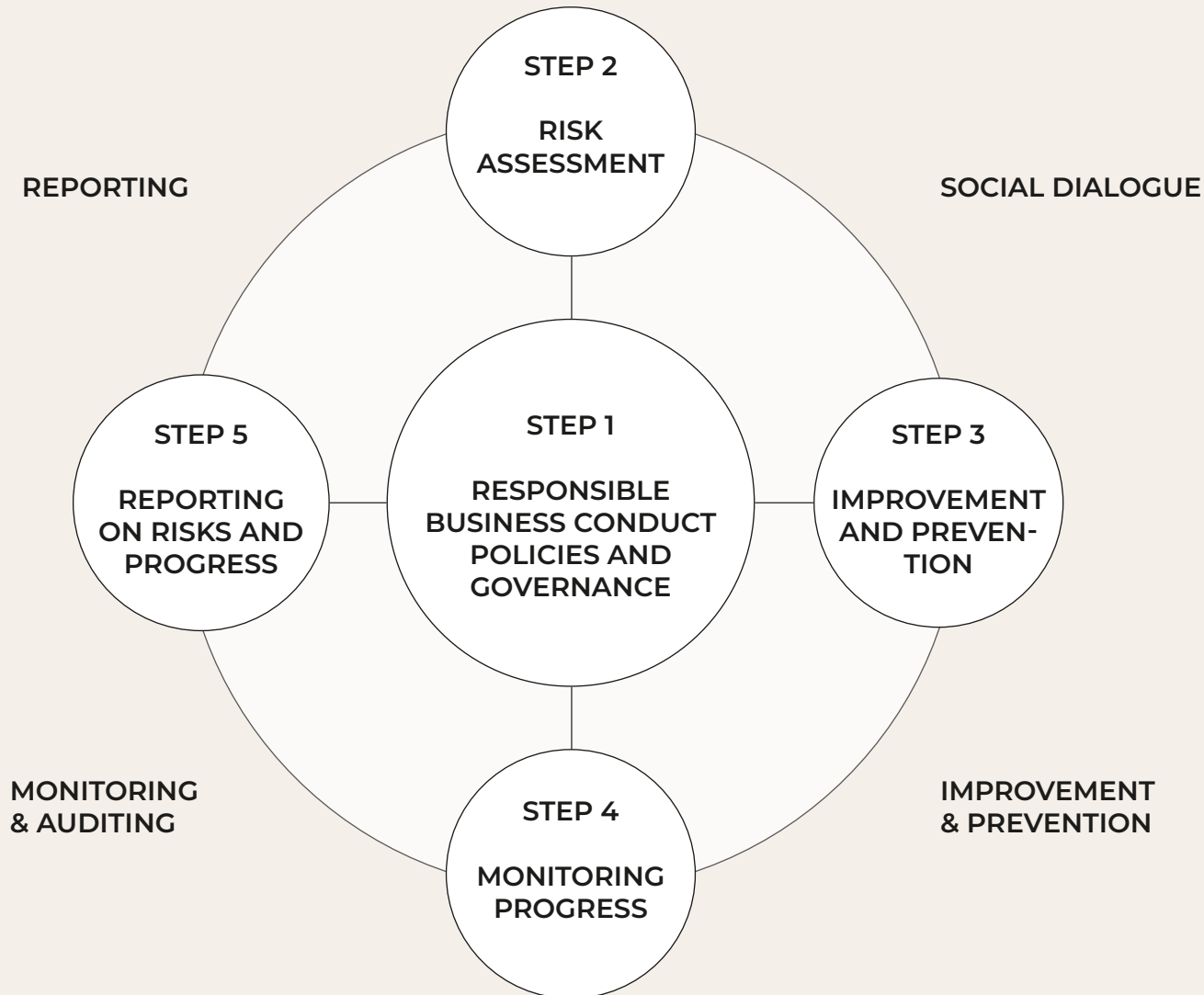
In August 2023, we will conduct our first Brand Performance Check. The results can be found on our website along with our Fair Wear Social Report 22/23.

What is Fair Wear?

Fair Wear is a multistakeholder initiative that brings together different actors to foster ethical and fair labour conditions in the textile industry. With around 130 member brands, Fair Wear develops practical solutions and pioneer projects, that are accessible publicly. Core of the Fair Wear values is the Code of Labour Practices (CoLP), which is aligned with national guidelines, such as the UN Principles or the OECD framework.

MANAGING OUR SUPPLY CHAIN RESPONSIBLY

Based on the OECD guidelines, Fair Wear has established a Human Rights Due Diligence Process, which encompasses the following 5 steps.



MANAGING OUR SUPPLY CHAIN RESPONSIBLY

How do we ensure that we live up to this Human Rights Due Diligence Process? Based on the following four pillars, we have developed mechanisms that give us guidance along our journey. Some of these actions will be presented in more detail on the following pages.

SOCIAL DIALOGUE

- Complaint mechanisms
- Two way feedback
- Regular meetings
- Personal visits
- Multistakeholder involvement

MONITORING & AUDITING

- External Audits
- Fair Wear Audits
- Factory visits
- Regular questionnaires
- Continuous risk assessment

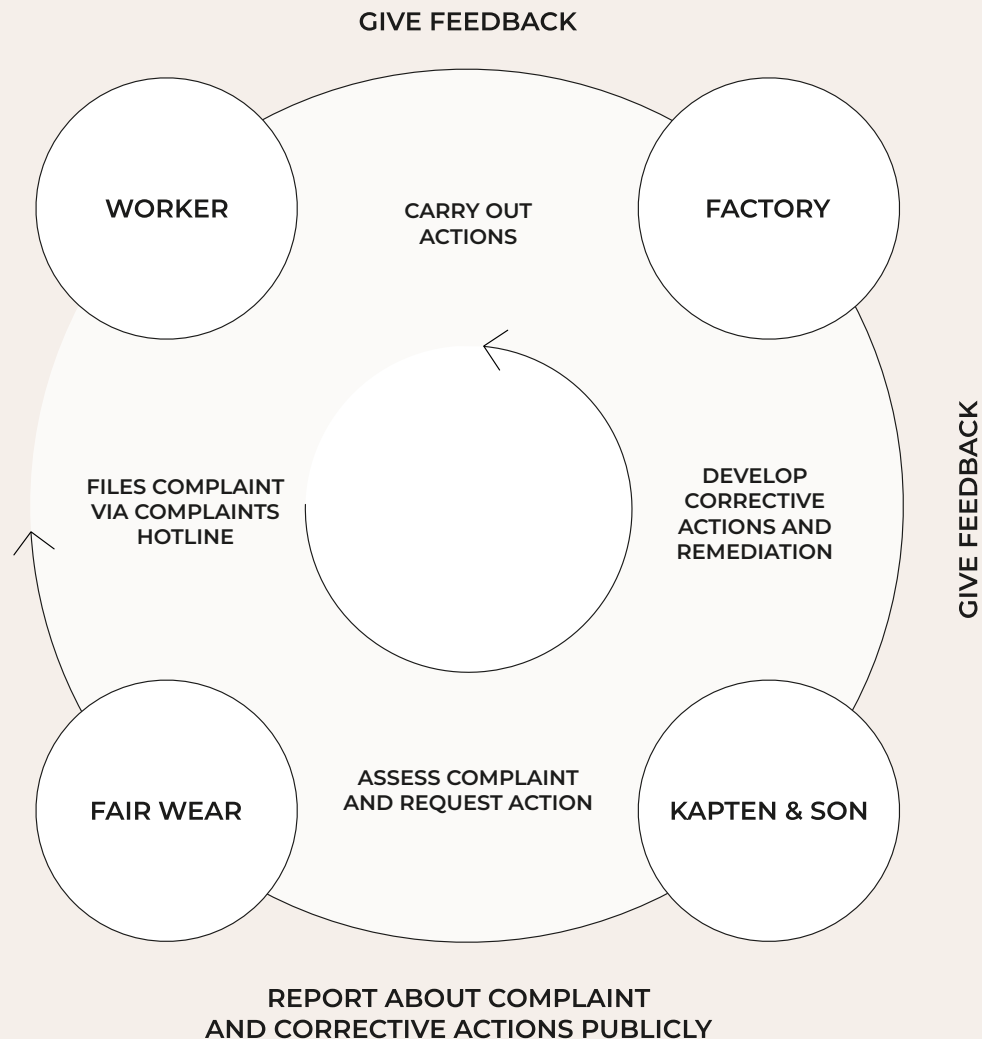
IMPROVEMENT & PREVENTION

- Supplier Code of Conduct
- Supplier Grading System
- Management and worker training
- General Agreements
- Responsible Supplier Selection
- Responsible Purchasing Practices
- Corrective Action Plans

REPORTING

- Annual Social report
- Biannual Impact report

THE GRIEVANCE MECHANISM PROCESS



8.5. Implementing a complaint mechanism

It is important to make worker's voices heard. Audits, factory visits and questionnaires usually just allow a snapshot of a factory's processes and conditions. Therefore, it is crucial to give workers a possibility to file an anonymous complaint at anytime.

Fair Wear has established a complaints hotline for several production countries, of which workers are informed through a worker information sheet that is posted in factories.

After receiving a complaint, Fair Wear examines the grievance issue and gives notice to us, which also comprise a request to come up with corrective actions and remediation.

Together with our supplier we define possible corrective actions and remediation measures and see, where it is our responsibility to support our supplier in carrying out these actions in time and satisfactorily.

It has to be closely monitored, if the corrective actions and remediations have resolved the issue through feedback of workers and factory management. In a last step, the public has to be informed about any complaints within the yearly Social Report or biannually Impact Report.

So far, we did not receive any grievances from our partner factories.

8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY



8.6. Rethinking our audit process

We believe that audits can help to get a general picture of a supply chain partner's processes, especially at the beginning of a partnership. However, an audit can only give a snapshot of conditions in a factory, which can vary widely based on factors such as workload and peak seasons. Therefore, we believe that first and foremost a constant dialogue and building longterm and trustful relationships with suppliers goes a long way in getting an in-depth understanding of their processes and workforce over time.

In an ongoing partnership, audits should merely function as a monitoring and verification tool that gives suppliers and brands the possibility to evaluate, whether they are still on track in terms of sustaining and improving working conditions.

We have decided to rethink our audit process for the future. Our audit partners need to make sure that insights of the audits enrich our in-depth risk analysis and tie in to identified risks. Since these audits also need a lot of preparation and time for corrective action, we will extend our audit cycle to every three years for existing suppliers or based on findings.

8.7 ASSESSING RISKS OF OUR TIER 1 SUPPLIERS IN CHINA & VIETNAM

Based on probability of occurrence and the severity of the risk we have assessed the net risk of 11 social and environmental impacts of the apparel and textile sector. This risk assessment has helped us to identify several focus areas, which we are putting our focus on in developing actions of improvement and prevention.

Our risk assessment is a continuous work in progress; we currently only assess risks of our Tier 1 suppliers, because we are still missing an in-depth picture of our suppliers upstream. We know that for a comprehensive assessment of all risks it is indispensable to get a transparent and detailed picture of our whole supply chain processes. We are working very hard on that and will share our progress in our future reports. If you want to have a more detailed look into our risk assessment read our Fair Wear Social Report of 2022/23.

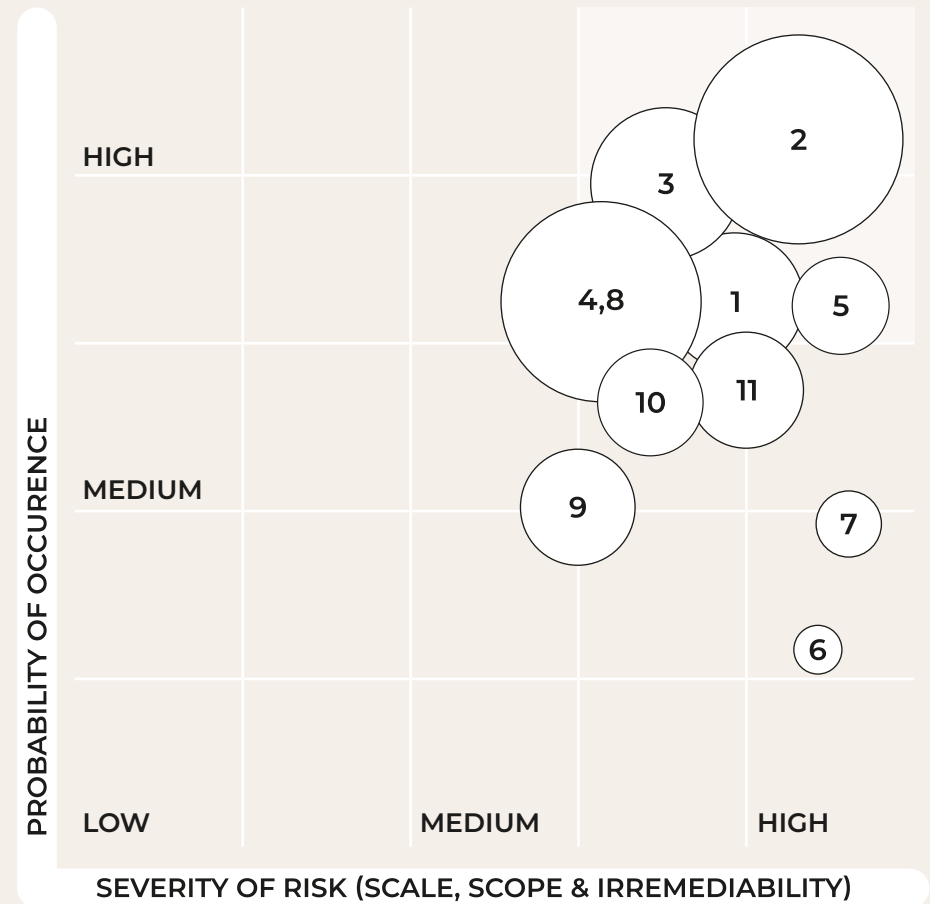


8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY

8.6. Assessing risks of our Tier 1 Supplier in China



8.7. Assessing risks of our Tier 1 Supplier in Vietnam



1. Freedom of Association 2. Living Wages 3. Excessive Overtime 4. Health & Safety 5. Social Insurance 6. Child Labour
 7. Forced Labour 8. Environmental Impacts 9. Discrimination or sexual harrassment 10. Animal welfare 11. Use of chemicals

8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY

8.8. Implementing the Supplier Code of Conduct and Supplier Grading System

We want to make sure that every supply chain partner knows and respects our approach to social and environmental responsibility. Very closely linked to our RBC Policy, we have implemented a Supplier Code of Conduct that precisely describes our standards, what we commit to and what we expect from our supply chain partners in return.

To further raise awareness for our standards and to make sure that they are actually ingrained into our own evaluation of suppliers as well as into the business processes of our partners step by step, we have developed a Supplier Grading System that will be launched in June 2023.

The Supplier Grading System rates operations, communication, product quality and social performance on a regular basis. Every quarter we provide our suppliers with their rating and a corresponding feedback. We know that good performance presupposes a lot of effort, which is why we think about, how we can incentivise our partners for good performance in the future.



8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY

8.9. Selecting new supply chain partners

As we grow as an internationally operating brand, we will also progress in expanding our supplier network where necessary. Therefore, we want to commit to establishing a Sourcing Strategy, which also sets out how we select and onboard new suppliers in alignment with our social and environmental responsibility as a business.

First, we assess if an expansion of our supplier network is unavoidable. While we always strive to keep our supplier base lean and manageable, new products or strategic decisions can make an expansion necessary.

In a second step, the general idea is to obtain a comprehensive picture of a supplier's general approach to social and environmental criteria as well as their willingness to adapt to raising standards before placing our first order. If we deem a supplier is not a fit, we will not proceed in the process.

- **Step 1:** Assessing the Need
- **Step 2:** Analyzing Country Risks
- **Step 3:** Signing NDA
- **Step 4:** Collecting information via Questionnaire
- **Step 5:** Visiting the Factory
- **Step 6:** Auditing
- **Step 7:** Signing General Agreement
- **Step 8:** Signing Supplier Code of Conduct
- **Step 9:** Posting Worker Information Sheet*
- **Step 10:** Onboarding a New Supplier

*Only for suppliers that fall under the Fair Wear membership

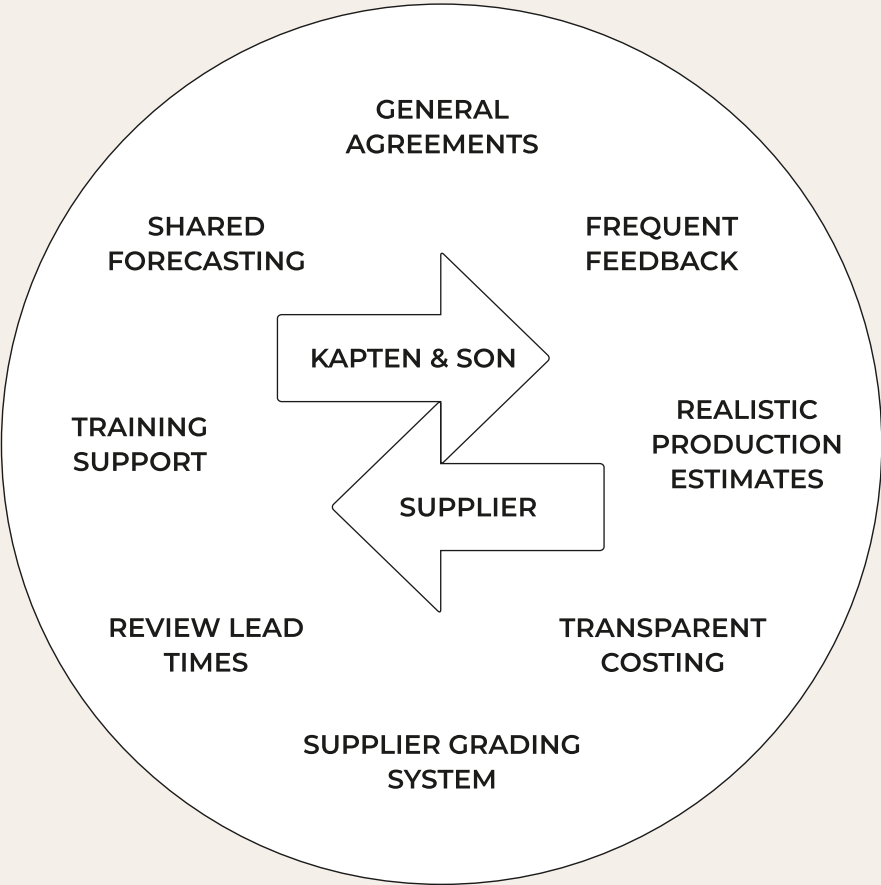
OUR RESPONSIBLE PURCHASING PRACTICES ACTION PLAN

In the beginning of 2023 the Sourcing, Product Development and CSR department sat together to map our procurement process and analyse, which purchasing practices currently serve or hinder our set standards. Especially when it comes to excessive overtime and the payment of living wages, brands have a direct impact on suppliers and can support a gradual improvement of working conditions with responsible purchasing practices.

As one of our greatest support mechanisms, we want to establish detailed forecastings on annual and quarterly basis, which give our supply chain partners the possibility to plan production capacities in advance. Secondly, introducing time motion studies to better evaluate lead times and assess, where there is possibly potential to ease processes, is another crucial action. Providing training opportunities that can help a partner to build up their capacities such as better planning or workers' skillsets, we evaluate equally important.

Our relationship with suppliers shall be further strengthened through general agreements, wherever possible, as well as supplier evaluation based on operational and social performance.

In return, we expect our partners to provide us with frequent feedback on our purchasing practices and realistic production estimates. Moreover, finding a more transparent approach to costing and pricing is key to analyse the current gap between paid wages and living wages.



HIGHER PRODUCTIVITY – BETTER QUALITY – LONGTERM PARTNERSHIP

8. INCREASING SUPPLY CHAIN RESPONSIBILITY & TRANSPARENCY

8.11. Providing training for factory management and workers

Finding solutions to complex problems around social responsibility and sustainability requires expertise and specialist knowledge in a variety of fields. It is often also a lack of knowledge that still leads to problems not being tackled at present. We ourselves are learning every day and building our expertise step by step - which is why we know how important it is to have easy access to learning and training opportunities. To help our production partners build knowledge, we want to develop a comprehensive training programme that will be rolled out over the next two years.

As part of our Fair Wear membership, it is important to us to get our textile suppliers on board right from the start and to give them a basic understanding of the Code of Labor Practices (CoLP). During this year, we will therefore conduct the first onboarding and worker education trainings with our key partner companies.

Furthermore, we are considering Chemical Management and Climate Action trainings in a pilot project with one partner company, which has been developed by GIZ FABRIC Asia.

To monitor the effectiveness of these trainings, we are in the process of defining key metrics or milestones against which we will measure success..

A photograph of two people, a woman and a man, hiking up a rocky, brown hill. They are both wearing large, dark-colored backpacks. The woman is in the foreground, wearing a light blue long-sleeved shirt and light blue cargo pants. The man is slightly behind her, wearing a light brown long-sleeved shirt and light brown cargo pants. They are both looking up the hill. The sky is overcast and grey. The text 'WORKER SKILL TRAININGS' is overlaid on the image in white, bold, uppercase letters.

**WORKER SKILL
TRAININGS**

**FAIR WEAR ONBOARDING
TRAINING**

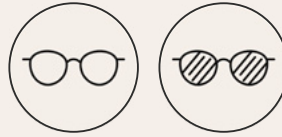
**CHEMICAL MANAGEMENT
TRAINING**

**CLIMATE ACTION
TRAINING**

9. FOCUSING ON PRODUCT QUALITY, LONGEVITY AND SAVING RESOURCES



**130 STYLES
2 COLLECTIONS PER YEAR**



**382 STYLES
4 COLLECTIONS PER YEAR**



**93 STYLES
1 COLLECTION PER YEAR**



**7 STYLES
1 COLLECTION PER YEAR**



**80 STYLES
1 COLLECTION PER YEAR**



**3 STYLES
1 COLLECTION PER YEAR**

9.1. Quality and longevity as core of our brand identity

Since the beginning, our products have been characterised by particularly high quality and durability. Thus, we have consciously positioned ourselves against the fast fashion principle and always design our products to be timeless and a long-lasting experience.

We have a comparatively constant product portfolio, which we currently expand annually by only one or two col-

lections per product category. This does not include products that are designed in collaboration with creators, which also can happen outside of our collection cycles. We believe in our high product quality, which is why we provide 24 months of warranty on all our products in case of manufacturing or material deficiencies.

In order to meet our overall goal of resource-saving production, we have increased the percentage of recycled materials, such as recycled PET in our backpacks or recycled stainless steel in

our watches. In addition, we are switching the acetate of our sunglasses entirely to a bio acetate. Since 2020 our product portfolio is completely PVC and PFC free and as of 2022 we stopped the production of materials of animal origin, for example leather watch straps. All our backpacks, watches and sunglasses hold the PETA vegan approved label.

Packaging material is and remains an important component to protect our products sufficiently during transport. Nevertheless, we are constantly looking

for more resource-efficient alternatives here as well and avoid packaging material wherever possible. Overall, we sometimes must realise that our demand for quality and durability conflicts with our goal of a more resource-saving production. We still rely on some oil based or virgin materials and an energivore production, which we can only change gradually over time.

9. FOCUSING ON PRODUCT QUALITY, LONGEVITY AND SAVING RESOURCES

9.2. Some facts about our backpack main materials

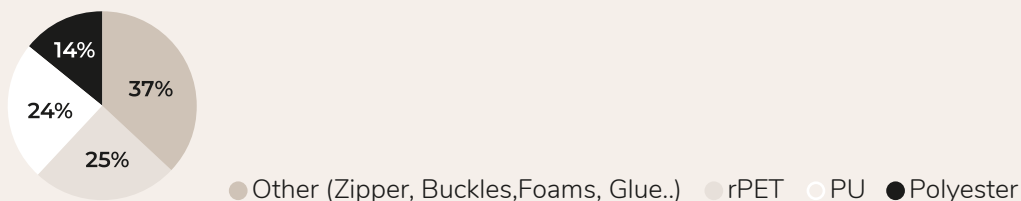
A backpack usually consists of a variety of materials, such as linings, reinforcements, foams, buckles or zippers. Therefore, here we will only go into the main materials, which are rPET, PU and polyester. These materials are made from petroleum-based commodities and are characterised by particularly high durability and longevity. This is extremely important for a backpack, as it is exposed to high stress daily and would otherwise wear out too quickly. While we currently still rely on virgin material for PU and polyester to meet these needs, we are constantly trying to increase the proportion of resource saving materials. What is the advantage of recycled material compared to virgin material?

On the one hand, finite resources such as petroleum are less strained, and on the other hand, the negative impact on the environment during processing and production is significantly lower. We will explain the process of rPET production in more detail here.

However, our product development also includes the constant process of questioning the status quo and looking for innovations. We also face the question of how we intend to address the issue of fiber-to-fiber recyclability for our backpacks in the future. The current use of composite materials or material blends complicates recycling and makes a reevaluation of our materials necessary.

What is rPET?

The abbreviation rPET stands for recycled polyethylene terephthalate, a material which is made from old plastic bottles. How does this work? Through the recycling process, the so-called „post consumer plastic“, which comes from private households, is returned to recycling plants where it is cleaned and melted down to be spun into polyester fibers. Recycled polyester is still of high quality compared to newly produced material but requires significantly less resources to be manufactured and causes much less emissions. RPET is mainly used for outer material and lining layers in our backpacks.



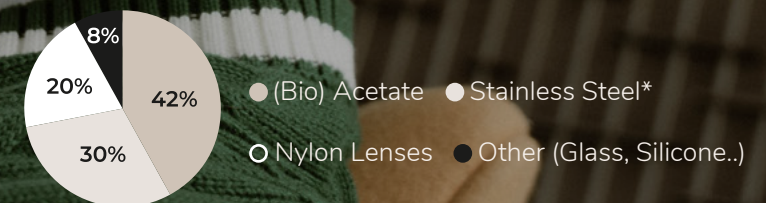
9. FOCUSING ON PRODUCT QUALITY, LONGEVITY AND SAVING RESOURCES

9.2. Some facts about our sunglasses main materials

We use stainless steel and acetate for the frames of our high-quality sunglasses. Acetate is particularly well suited to the requirements of a pair of glasses, as the material is light but at the same time very flexible and robust and can therefore withstand daily use for a long time. Acetate is a chemically produced fiber, but has a natural origin, as it largely consists of dried cotton or beech wood. These natural resources are ground into a fine cellulose powder, esterified and pressed into a sheet mold, from which the frame shapes are cut out and further processed. Any waste during the production process is collected and recycled. We recently switched the acetate of our frames to a bio-based alternative, which will be used for all our acetate eyewear models from May 2023 onwards.

Bio acetate is comparable to conventional acetate in the manufacturing process but uses nature-based plasticisers that have a less harmful environmental impact; production requires fewer resources such as water, energy and increases the use of improved chemicals. In addition, bio acetate can be degraded more quickly. Under optimal conditions, laboratory tests have shown that the cellulose pellets, from which the bio acetate is pressed, have degraded by more than 90% after 90 days. Therefore, we are very proud of our bio acetate frames; they do not only meet ambitions for a more resource saving production through the use of renewable raw materials and bio-based plasticisers, but also have a promising end-of-life concept, which we want to expand further in the future.

Contrary to what you might expect, the majority of our lenses are made of nylon rather than glass, as this material has many advantages. It is robust, versatile and does not splinter when broken. In addition, nylon lenses are very lightweight and therefore contribute to optimal wearing comfort. Due to their high flexibility, they are compatible with many frames and can also be ground into different corrective lenses. We are currently investigating whether the lenses can also be manufactured from recycled materials and how they can also possibly be recycled in the end-of life phase



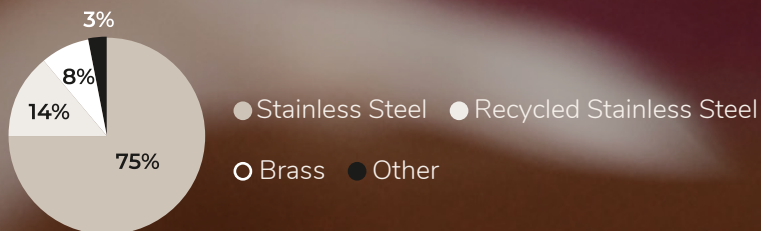
*You can find more about stainless steel on the next page

9. FOCUSING ON PRODUCT QUALITY, LONGEVITY AND SAVING RESOURCES

9.2. Some facts about our watches and jewellery main materials

For most of our watches and jewellery collections, as well as for some eyewear frames, we use 316L stainless steel refined with chrome, nickel and molybdenum. A high proportion of chromium makes the housing particularly robust as well as corrosion-resistant, while nickel and molybdenum provide protection against, for example, water, heat and salt. Among other things, this composition gives our products increased resilience. In addition, 316L stainless steel is hypoallergenic, making it suitable for everyone.

Moreover, it has the advantage of being one of the most recyclable materials on earth. However, the manufacturing of stainless steel is energy-intensive, as it requires high temperatures to melt. This is why we have made use of recycled stainless steel for our latest watches models. Recycled stainless steel is extracted from offcuts and waste materials and then reprocessed. While manufacturing of recycled stainless steel is comparable to newly manufactured steel it saves the use of finite natural resources and therefore also needs fewer resources and causes less GHG emissions. For this reason, we have decided to increase the use of recycled stainless steel in all our watch models and eyewear frames where style and condition allows.



9. FOCUSING ON PRODUCT QUALITY, LONGEVITY AND SAVING RESOURCES

9.3. Gradually replacing and reducing our packaging materials

We cannot avoid protecting our products with packaging during transportation to our warehouse and to our customers. However, our approach here is to regularly put our packaging to the test and replace or reduce it with more resource-efficient alternatives as well.

In recent years, we have successively reduced the proportion of single-use plastic in our product packaging. For example, we no longer use them to protect our sunglasses. We currently use reusable alternatives, such as a high-quality sunglasses pouch and a cleaning cloth, which also serves as an additional stowage bag. Until recently, our backpacks were shipped in a cotton bag that can be reused, for example,

when traveling or shopping. In order to save resources, we replaced the cotton bag with a recycled polyester alternative in June 2023 that still serves the idea of reusability. For the outer packaging of our watches, we rely on a high-quality cardboard box, which we have successively reduced in size in recent years in order to consume less packaging material. In addition, our cardboard box in which products are shipped to the end customer is FSC certified. However, our watches currently still require a plastic strip to protect the strap and dial from scratches during transport. Moreover, we still partly rely on a plastic blister as a filling material for our backpacks to maintain its shape during transport.

We know that our packaging still has room for improvement. We currently work on providing cardboard boxes for

shipment with a double adhesive strip so that returns do not have to be re-taped. Plus, we will continue to examine which product packaging material can be reduced or replaced with more resource-saving alternatives and work on banning virgin plastic from our packaging entirely.

9.4. Assuring better quality management

High quality standards not only prevent unwanted extra work in partner factories, but also prevent products from being sorted out, returned right from the beginning or during use phases. Ultimately, high quality standards also help to preserve resources. In 2022, we took another close look at our quality management and developed measures to support a high clean claim rate.

As a first step, we have redefined our AQL standards and provided our partner companies with improved quality controls. In addition, with the introduction of regular quality reports from our supply chain partners and an improved returns process on customer side, we can now ensure that we can better cluster quality defects and trace them more specifically to individual deficiencies, batches and models.

In addition, we have introduced individual QR codes and case numbers for our backpacks and watches, which enable precise traceability of the batch and the partner factory where the product has been manufactured.

THE IMPERFECT SHOP

Even though we have a high demand for quality, it is unavoidable that some products may show minor deficiencies from production or transportation. However, since these products are still fully functional and we do not want to dispose of them in any way, we try to raise awareness for conscious consumption with our Imperfect Shop. Our customers can purchase the 'imperfect' products at a discounted price – these discounts vary based on the imperfections, which can be slight stains or minor discolorations. The Imperfect Shop is opened for a limited time when enough goods have accumulated in our warehouse. Remaining stock is then auctioned off or given away at an internal sample sale several times a year.

How do the products look like? The Products have small blemishes. Usually you don't see them at first sight!



A photograph of a pine tree with dark, gnarled branches and green needles, situated on a light-colored, rocky or sandy shore. The tree's branches extend over a body of water that reflects the sky and the surrounding environment. The water appears calm with some ripples. The overall scene is natural and serene.

9. FOCUSING ON PRODUCT QUALITY, LONGEVITY AND SAVING RESOURCES

9.6. Product Leasing Pilot with UNOWN

In August 2022, we launched a pilot project with UNOWN. As a fashion platform, where customers can lease products for a fixed time period, UNOWN has advocated for the access-over-ownership movement for fashion in the DACH region.

We launched our pilot test with a curated selection of backpacks and could see first success with a leasing model for us. Unfortunately, we had to cancel this project at an early stage, as UNOWN discontinued their operations in May 2023.

9.7. What we have planned for the future

We found that in many respects we still lack the expertise and a sound data basis to set ourselves more ambitious targets for our materials and production. While we will work to build expertise about environmental impacts over the next few years, we will particularly address our chemical management and simplify our portfolio in terms of models and materials. Moreover, we want to push the use of innovative and resource-saving materials, wherever we can.

IMPROVING KNOWLEDGE OF OUR GHG EMISSIONS

10.1 The problem of the corporate carbon footprint and the need to act now

GHG emissions is one of the biggest challenges of producing industries. During sourcing of materials and production of goods, million tons of greenhouse gases are generated and released into our environment, which can no longer cope with all emissions in the atmosphere. Global warming, the loss of biodiversity and the increase of catastrophic weather events are only some of the consequences. Based on best available science, the Paris Agreement has been introduced in 2015, as a multilateral effort to limit global warming to well below 2 degrees above pre-industrial levels (11).

How should companies, especially the producing industries, do their bit? We believe that the first big step is to crunch the numbers and measure the corporate carbon footprint for our own business practices. In order to have common grounds on how to calculate emissions, the GHG protocol sets out a calculation framework for businesses. These emissions are divided into different scopes 1,2 and 3, which describe different forms of emissions along the supply chain as well as direct and indirect emissions of a business. While Scope 1 emissions stem directly from own business practices and can be controlled quite easily, scope 3 emissions comprise indirect emissions, which are generated along the value chain and are harder to influence directly(12).

For most businesses, around 75-99% of GHG emissions happen in Scope 3, yet just a small percentage have a comprehensive picture of their emissions in this area, as calculation requires detailed data from material sourcing and production stages. Hence, the detailed calculation of the overall carbon footprint and especially the areas, where companies have the biggest need to act, is a complex and time-intensive task that many businesses still shy away from (13).

However, we see it as crucial to professionalise in GHG emission calculation, because only with detailed data about actual emissions, we can proceed to develop strategies how to reduce our corporate carbon footprint. Reducing

GHG emissions as much as possible should always be the first goal, as it goes to the very roots of the problem.

In a second step, supporting programmes, such as Reforestation or Carbon Capture projects is a necessary step towards climate protection and achieving the goals of the Paris Agreement. Considering the recent turmoil around carbon certificates, which arose after a publication of 'The Guardian' and 'DIE ZEITUNG' in January 2023 (14), we will dig deeper into the topic of compensation and carbon certificates later on.

IMPROVING KNOWLEDGE OF OUR GHG EMISSIONS

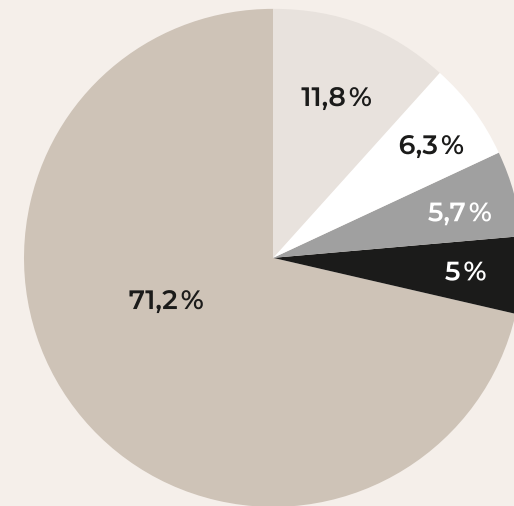
10.2 Working together with CO₂-positiv! to start calculating our corporate carbon footprint

Since 2019, we have been working together with CO₂-positiv! to start calculating our corporate carbon footprint. While our first steps were to get a detailed picture of our emissions in Scope 1 and 2, we also made some first steps to understand and measure emissions from Scope 3, especially production.

First things first; we want to underline that our carbon calculation is far from being perfect. Especially emissions from production were vague and missing an in-depth data basis.

We have tried to make use of assumptions and standardised values, where data was missing in our production calculation, nevertheless we have separated our production calculation from the rest of our corporate carbon footprint, as we could not provide enough validity for the underlying data.

But rest assured, that we are on that and have big plans for the upcoming years!



● Transport of goods ● Warehousing ● Purchasing
● Office operations ● Work routes

10. CALCULATING OUR CARBON IMPACT
ON THE ENVIRONMENT

OUR EMISSIONS OF 2021

| CO ₂ BALANCE | UNIT | EMISSIONS | t CO ₂ |
|---------------------------|-------|-----------|-------------------|
| SCOPE 1 | | | 16 |
| Fuels | litre | 6.883 | 16 |
| SCOPE 2 | | | 52 |
| District heating | kWh | 180.896 | 30,9 |
| Grey electricity | kWh | 57.593 | 21,1 |
| Green electricity | kWh | 45.802 | |
| SCOPE 3 | | | 1.407,9 |
| Upstream emissions | | | 12,7 |
| Business trips | | | 3,3 |
| Work routes | | | 73,1 |
| Purchasing | | | 93,1 |
| Transport of goods | | | 1.051,2 |
| Warehousing | | | 174,5 |
| TOTAL | | | 1.475,8 |
| Safety markup 10% | | | |
| WITH SAFETY MARKUP | | | 1.623,4 |

10. CALCULATING OUR CARBON IMPACT ON THE ENVIRONMENT

10.3 Calculating the product carbon footprint of our Bergen backpack

In April 2023 we started a pilot project with Yook to calculate a product carbon footprint of our bestselling backpack.

Focusing on our top-selling product and therefore also our biggest leverage in reducing product emissions, we have gathered in-depth information about sourced materials, production processes and transportation to generate a cradle to gate product carbon footprint of our Bergen backpack.

Through data modelling, we are now able to see, where our production causes the biggest GHG emissions and where we have the most leverage to reduce them.

Another great feature; based on the quality of our data, Yook gives us an accuracy score that shows, how reliable our calculations have been. In that way, we can get a feeling, where we are on track and where our data pool still needs improvement.

For the rest of 2023 and 2024 we have set ourselves the goal to further expand our calculations to be able to define first reduction actions for our overall backpack portfolio.



10. CALCULATING OUR CARBON IMPACT ON THE ENVIRONMENT

10.4 A few words about carbon certificates

In the previous years, we have also made use of purchasing carbon certificates to compensate parts of our corporate GHG emissions (all scopes excluding production), despite critical views that have been around for long. We have made sure that our certificates stem from accredited afforestation programmes certified by Gold Standard as well as forest protection programmes certified by VERRA.

In January 2023, a publication of 'DIE ZEIT' and 'the Guardian' have claimed that a majority of carbon certificates are useless due to favored calculations of accredited certifiers as well as project developers and companies have bought themselves free under false assumptions (14). As a response, certifiers and project developers have defended their calculation approaches as the best that are yet available, while granting the fact that calculations, especially for forest protection programmes, are partly based on assumptions that are hard to predict (15, 16, 17).

We have had many discussions internally, what stance we take in this matter and these are our take aways:

- We still believe that the general idea of compensation is right, because it is crucial to achieve the climate goals set out in alignment with the Paris Agreement; not because companies can buy themselves free.
- We do not believe that almost all certifications are flawed, but we see the problem of being confronted with a non-transparent market that is truly hard for us to navigate. As non-experts in project certification, it is difficult to evaluate reliability of certificates and what we can communicate to our stakeholders with good conscience.
- We think that the sole focus on compensation and certification for the sake of being able to label processes as „climate friendly“, „carbon neutral“ and so on, is currently the wrong approach.

We therefore decided to use financial resources, that we had previously devoted to compensation, to professionalise our emissions calculations in scope 3 and use these calculations to define important reduction measures in our production stages. At this point, we are convinced that we can have a greater impact by focusing on reduction measures and addressing the largest emissions in our supply chain first.

VOLUNTEERING, DONATING AND RAISING AWARENESS

11. THINKING ABOUT OUR COMMUNITY

11.1 Internal Volunteer Day

In the beginning of 2022 we have asked ourselves, how we can raise awareness for the importance of giving back to our community internally and share information about different local initiatives. The Kapten Volunteer Day was born - each employee can get an extra day off, if they use it to volunteer for a cause of their choosing.

In order to give others a glimpse into initiatives and share our experience, we ask everybody to write a short article in our Volunteer Blog afterwards.

In 2023, we have set ourselves the goal to increase the use of our Volunteer Day to 20% of our overall workforce.

11.2 Donations in cash and kind

Throughout the years 2022 and 2023, we have supported various organisations with either financial means or product donations. These donations were received for example by seiSTARK e.V., Deutsches Kinderhilfswerk and Die Arche Kinderstiftung.

2022/23
47.862,48€



11. THINKING ABOUT OUR COMMUNITY

11.3 Planting trees in Indonesia with Eden Reforestation

Over the past few years, we have regularly donated to the Eden Reforestation organisation, which has used the donations in our name to plant trees in Indonesia. Why Indonesia? The island nation is home to one-fifth of the world's mangroves. These contribute substantially to healthy ecosystems on the coast as well as on land. The reforestation project has also provided jobs for people living in extreme poverty. Unfortunately, Eden Reforestation stopped their reforestation project in Indonesia in 2023.



152.000 TREES
IN TOTAL

11.4 Reassessing our donation strategy for 23/24

We asked ourselves how we can improve our donation strategy in the future and ensure that our donations have the greatest possible impact. For this reason, we put a lot of time into researching and evaluating charitable projects, went into communication with donation advisors and ultimately came to the decision that we would like to commit ourselves to a long-term project that is close to our hearts. In this way, we can not only contribute to giving a project more financial security, but also look at how our donations have contributed to its success over a longer period.

We are very happy to be able to tell you more in the next Impact Report, as we are still in the final phases of completion.

11. THINKING ABOUT OUR COMMUNITY

11.5 Kapten Coming Out Day

Coming out publicly needs a lot of courage. While some people experience tolerance and support from their peers, others might associate hurtful memories with their outing. Therefore, we wanted to create a local safe space, where individuals of the queer community can share their experiences with each other.

To include experts into these conversations, we invited speakers of non-profit initiative Anyway Cologne. At anyway, around 1,400 gay & bisexual ,trans*, inter* and queer young people meet each year in the context of workshops, projects and informative events.

For a small entrance fee, which was donated to Anyway, everyone took part in a Bingo game with Pam Pengco, a Cologne drag queen.

11.6 Kapten Pride Event

Together with influencers and content creators from the LGBTQIA+ community in the Netherlands, we drew attention to Pride Month. During an account takeover, content creators were shown in pride celebrations and activities, which raised awareness, as to why pride month is an important celebration for queer people each year.

BE YOURSELF

XOXO, ⚓ KAPTEN & SON



11. THINKING ABOUT OUR COMMUNITY




11.7 ‚Aktion Wunschbaum‘ Initiative

The year 2022 has ended with a meaningful and heartwarming project for us - our Kapten ‚Wunschbaum‘ initiative. Together with ‚Aktion Wunschbaum‘ we fulfilled Christmas wishes of children in need.

In the first week of December, our employees could find these Christmas wishes on a tree in our office in Cologne. After buying and wrapping the gifts, they were sent to ‚Aktion Wunschbaum‘, who took care of distributing the presents to all children right in time before Christmas.

We were moved to see, how humble these children had chosen their wishes – ranging from a warm winter jacket or a soccer ball to a set of pens for school. We are happy that we were able to make some of their wishes come true and hopefully put a smile on their face on Christmas Eve.

A person with a backpack is climbing a rock face. The person is wearing a light-colored jacket and a backpack. The rock face is dark and textured. The person is positioned in the center of the frame, facing away from the camera. The background is a dark, textured rock face.

12. FOSTERING OUR INTERNAL TEAM

INCREASING EMPLOYEE SATISFACTION, WELLBEING AND PERSONAL DEVELOPMENT

12.1 Our team in numbers (April 2023)

135

TEAM SIZE (FULL TIME, WORKING STUDENTS
AND INTERNS)

+14

TEAM GROWTH IN TOTAL NUMBERS
(FY 2021 VS. 2022)

FULL/PART TIME

38 PART TIME, 97 FULL TIME (INCLUDING
WORKING STUDENTS AND INTERNS)

12. FOSTERING OUR INTERNAL TEAM

INCREASING EMPLOYEE SATISFACTION, WELLBEING AND PERSONAL DEVELOPMENT

12.1 Our team in numbers (April 2023)

32%

WOMEN IN MANAGEMENT POSITIONS

GENDER SPLIT

77,6% WOMEN & 22,4% MEN

28

AVERAGE AGE

INCREASING EMPLOYEE SATISFACTION, WELLBEING AND PERSONAL DEVELOPMENT

12.2 What is the Kapten Spirit?

CREW

CREW LOVE IS TRUE LOVE.

COMMUNICATION

WE CHOOSE DIRECT WAYS OF COMMUNICATION.

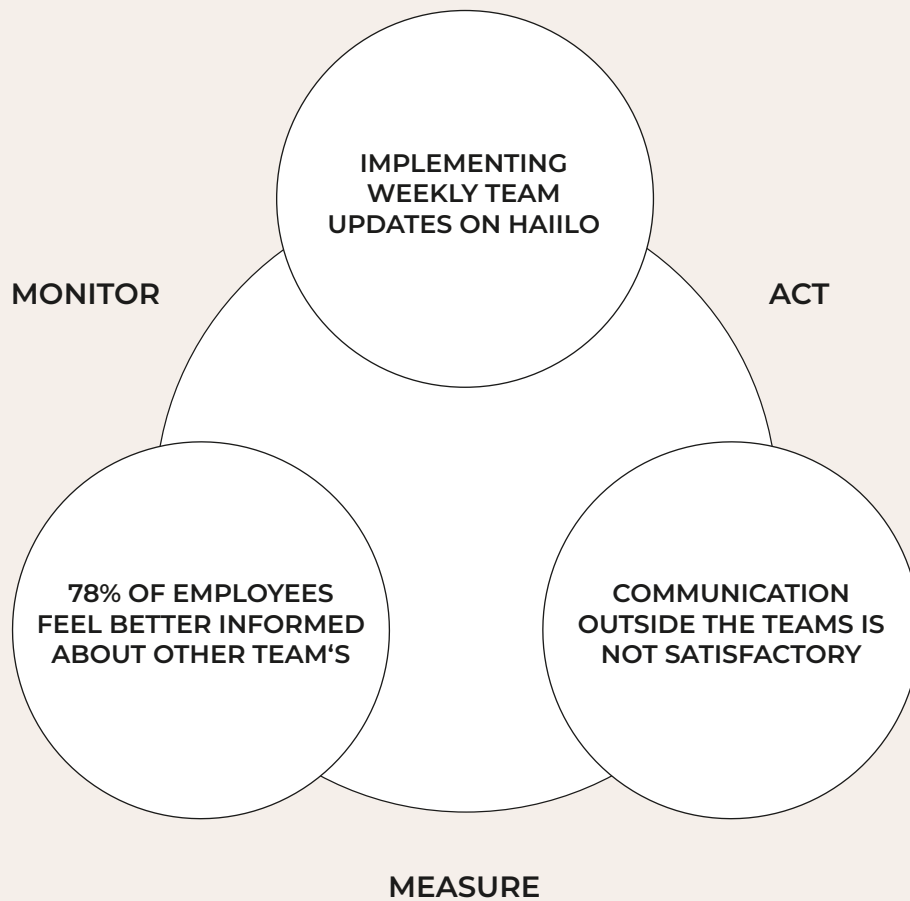
COMMITMENT

WE ARE KAPTENS BY HEART. WE GROW TOGETHER
AND REACH NEW LEVELS.

JOY

JOYFUL PEOPLE CREATE A POSITIVE WORK ENVIRONMENT.

INCREASING EMPLOYEE SATISFACTION, WELLBEING AND PERSONAL DEVELOPMENT



12.3 Employee wellbeing and satisfaction

&frankly

Our greatest asset is our team. Creating a work environment, where everybody feels heard and thrives in their daily job is one of our central goals. Therefore, we have put a lot of thought into how to continuously ask for employee feedback while also keeping engagement and response rate high. With our new tool &frankly we offer our team a platform that provides diverse feedback questions and designs, is playful and easy to use as well as anonymous. Since its implementation in December 2022 the response rate has been constantly at a level of roughly 70% of our overall workforce. Based on our employee's feedback, we analyse areas of improvement and take action.

Leapsome

To drive performance and motivation, regular feedback is necessary to enhance transparency and define clear goals that can be worked towards. In order to have one unified feedback framework with a central location for digital feedback documentation we have onboarded the tool Leapsome in the beginning of 2023 to plan and execute our quarterly 1:1 feedback meetings. Through the automated review process and standardised guidelines, the process is clear, intuitive to follow and easy to build on. Furthermore, through individual goal setting based on OKR methodology, employees are empowered and expectations are clarified as well as documented transparently. In the future, further functionalities like 360° feedbacks are planned to be implemented.

INCREASING EMPLOYEE SATISFACTION, WELLBEING AND PERSONAL DEVELOPMENT

12.4 Employee learning and development

INDIVIDUAL L&D

In our dynamic environment, it is very important to us, that every employee is interested in learning new things and developing further. During this fiscal year, we worked with an individual learning & development budget for every permanent employee, which could be used to promote individual development needs. The topic of choice was identified as part of the quarterly feedback meetings and suitable workshops found in collaboration with the HR department.

LANGUAGE LEARNING

In order to enable our employees to feel comfortable in a bilingual working environment, we have introduced “Babbel” to learn English and German for non-natives via App and private tutoring. This learning model is very flexible and can be easily adjusted to our employee’s different schedules and learning needs.

LEADERSHIP TRAINING

This fiscal year, we have started a learning journey with our Kapten leaders to reflect, enable and inspire them to grow in their leadership roles. We have partnered with an external expert to create a workshop series which is meant to enable each individual in their personal leadership within the scope and guidance of our Kapten leadership values and company philosophy.

OUTLOOK LEARNING & DEVELOPMENT

With the new fiscal year, we are starting a new L&D program, approaching the area of L&D more holistically. Instead of offering only individual external workshops we plan on rolling out a more extensive offer. This encompasses internal learning formats, external and internal group workshops, learning paths for onboarding and functional learning, internal and external e-learning, leadership trainings and mentoring. Furthermore, through more detailed performance analyses and competency analyses we want to enable our employees in their personal and professional development at Kapten & Son.

12. FOSTERING OUR INTERNAL TEAM

12.5 Employee benefits

KAPTEN-Kreativschmiede

Planning, organizing, structuring - our brain has a lot to do, and not only at work. So, it is important that we allow ourselves some time out and let our thoughts settle.

This is the reason why the KAPTEN-Kreativschmiede was launched in August 2021 - a project that gives us the opportunity to be completely present in the moment.. The KAPTEN-Kreativschmiede takes place about every 8 weeks and always has a different focus topic. From pottery, painting, candle casting to Advent wreath making - in small groups we can get creative, share and connect with ourselves.

Mindfulness Course

If you ask people what word they would use to describe the last years, for many it would probably be something like „exhausting“, „stressful“, or “overwhelming” – multiple studies show how much our mental health has suffered in recent years and how important it is to take good care of ourselves and our needs. In the beginning of 2023, we have introduced our regular mindfulness course. During a period of 8 weeks, employees will practice mindfulness and meditation that will help them to better navigate through their daily life and especially stressful periods.

Kapten Sports Programme

Shake it off! We offer our employees a discounted membership for Urban Sports Club and organise additional sports courses in or around our offices in Cologne on a regular basis.

Blind Date with a book

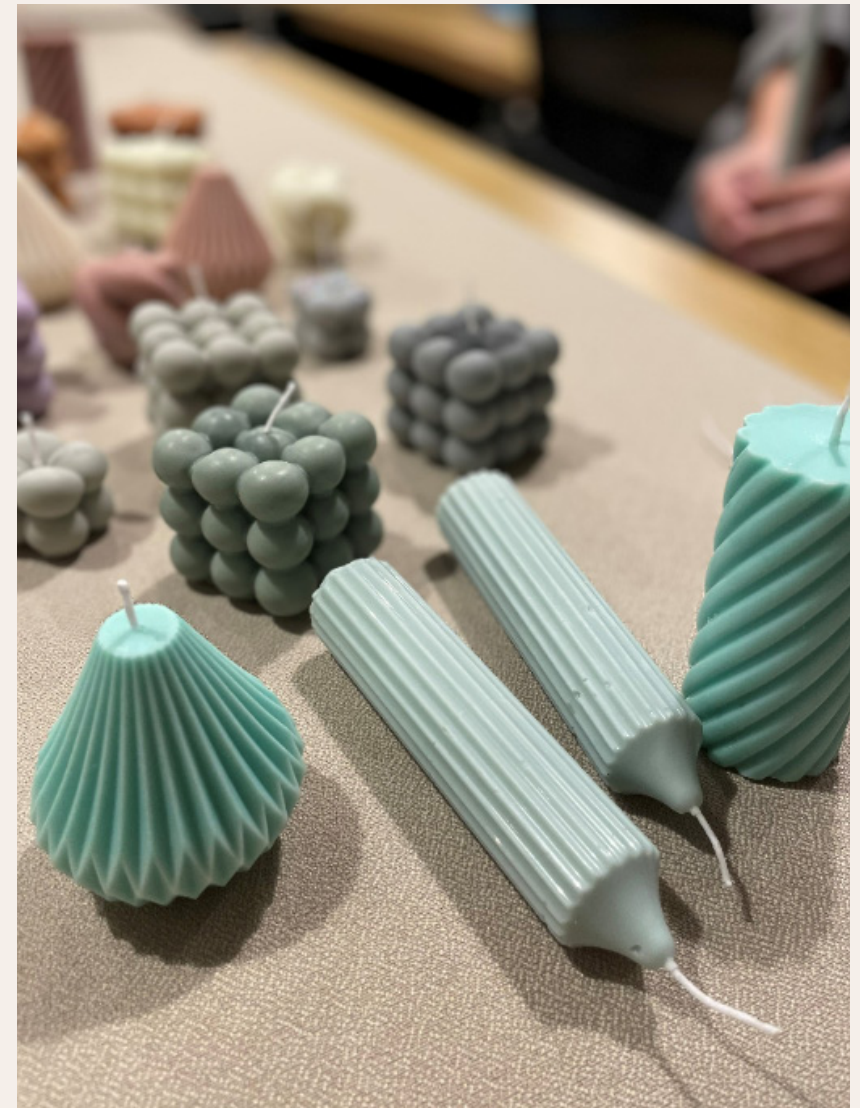
Our very own interpretation of the best blind date ever - employees can find a bookshelf filled with wrapped up books in our office. A handwritten note gives details about genre and other themes in the book without giving too much away. After reading, the books are wrapped up again and placed back on the shelf for the next lucky reader.

Kapten Events

Due to the pandemic, we have seen little of each other physically. But it is important to us to stay connected as a team and to live our shared values. Therefore, we organise regular team events, which strengthen internal exchange and liven team spirit.

Employer Funded Pension

Our permanent employees are offered a pension plan through our partnership with Allianz.



12. FOSTERING OUR INTERNAL TEAM

12.6 New Work

Cologne Office

Our beautiful and thoughtfully designed office on two floors is located directly at the river Rhine. Our open office spaces foster collaboration and exchange between our different teams. To work with focus or conduct a call, we have noise cancelling telephone boxes, which can be booked flexibly. Office areas like the „Arena“ or our „Creative room“ offer an atmosphere which enables our employees to think outside the box. Our barista bar is the centerpiece of the office where our employees spend their breaks while having good coffee and conversations. The gin bar downstairs invites for a collective afterwork drink to start the weekend or an event.

Hybrid Working

We highly value personal exchange and direct personal communication, but also like the opportunity of working flexibly from home from time to time. The past year we have practiced a hybrid working model, which is based on three office days per week and two optional home office days.

Workation

This fiscal year, we have introduced the opportunity for every employee to work abroad (within Europe) for two weeks per year. This enables our employees to be more flexible regarding their stays, e.g. by extending a holiday abroad and working from there for some additional days.

Sabbatical

After staying with the company for 3 years, our permanent employees have the opportunity to do an expanded period away from work for 4 weeks which can be extended with holidays to 6 weeks maximum. This allows for longer and farther travels, longer relaxation periods and focus on private interests.



13. SOME FINAL WORDS

Looking back on the past 2 years.

It is fair to say that the past 2 years did not come without challenges. The continuing global pandemic, the inflation as well as the war of aggression in Ukraine has had a major impact on us both privately and economically. As a result, we had to scale back or extend many of the goals we had set ourselves and were sometimes overwhelmed by the conflicting objectives we were confronted with.

That's why we think it's especially important to first be aware of our successes. With our Fair Wear partnership, we have laid important foundations for further developing our social commitment towards our partners in the future. We have implemented processes that have raised internal buy in and awareness for corporate responsibility. We have been able to increase the proportion of recycled or resource-saving materials in our products. We supported some wonderful projects through volunteer work or donations and our team satisfaction has recovered substantially by the end of the fiscal year 2022.

Nevertheless, not everything went as planned and we would also like to mention our shortfalls. We had set ourselves ambitious targets for our carbon emission calculation and could not deliver on these expectations. We still lack expertise when it comes to environmental impacts in our production stages. Executing our Fair Wear action plan in cooperation with our supply chain partners sometimes took longer than expected.

For example we needed to postpone a verification audit with Fair Wear several times due to Covid restrictions and little capacities at one factory. We started a product leasing pilot with UNOWN that needed to be discontinued. In addition, we see challenges ahead, for which we do not yet have good solutions. All of these things have proven us again that change is not a sprint, but a marathon. But we are here for it and will show that we have the patience and perseverance that is necessary to transform ourselves and the industry for the better.



13. SOME FINAL WORDS

What is ahead?

We are looking forward to continue working on strong partnerships and improving labour conditions with our supply chain partners, Fair Wear and other member brands. We are eager to tackle product design from the ground and see, how we can make more substantial adjustments to our product development in the next years. We want to professionalise in data collection and analysis and see, where we have the greatest leverage in our production processes to mitigate negative environmental and social impacts. Lastly, we want to empower our team with the necessary expertise and knowledge to drive change in the future. We hope that you will be part of this exciting journey!



GLOSSARY

| | |
|------------------------|--|
| AQL | The acceptable quality level is a measure applied to products to standardise acceptance and rejection of products. |
| COLP | The Fair Wear Code of Labour Practices defines 8 labour standards that member brands and partner factories have to respect. |
| DNK | Deutscher Nachhaltigkeitskodex provides a framework for organisation and companies of all sizes and legal forms to report on non-financial performance. |
| FSC | Forest Stewardship Council is an international certification system for more sustainable forest management. |
| GHG | Greenhouse gases are those gases in the atmosphere that raise the surface temperature of planets. The most known greenhouse gases are carbon dioxide, methane and nitrous oxide. |
| GIZ | Gesellschaft für Internationale Zusammenarbeit is Germany's leading provider of international cooperation services. |
| GIZ FABRIC ASIA | Supports the textile and garment industry in Asia in its transformation towards a socially, economically and ecologically sustainable production |
| GOLD STANDARD | Certification system for non-governmental emission reduction projects that is administered by the Gold Standard Foundation. |
| GRI | Global Reporting Initiative is an independent, international organisation that provides businesses and organisations with the global common language to communicate their impacts. |
| HRDD | An ongoing risk management process that a company needs to follow to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts set out in the UN Guiding Principles. |
| ILO | International Labour Organisation is an agency which goal it is to promote social justice and labour rights and to serve as a force between governments, businesses and workers. |
| ENPS | Net Promoter Score is a metric used to measure satisfaction and loyalty of employees to a company. |

GLOSSARY

| | |
|--------------------------|--|
| OECD | Organisation for economic cooperation and development aims to encourage economic growth, prosperity, equality, opportunity and well-being for all. |
| OKR | Objectives and Key Results is a goal-setting framework for defining and tracking objectives and their outcomes. |
| RBC POLICY | Responsible Business Conduct Policy is a set of guidelines that aim to promote and enable business practices that contribute positively to sustainable development while preventing and mitigating the adverse impacts that their operations, supply chains, or other business relationships may cause on people, the planet, and society. |
| REACH | EU Chemicals Regulation, which standardises chemicals legislation throughout Europe and increases the level of knowledge about the hazards and risks of chemicals. |
| UN GLOBAL COMPACT | Is a call to companies to align their strategies and operations with ten universal principles related to human rights, labour, environment and anti-corruption, and take actions that advance societal goals and the implementation of the SDGs |
| VERRA | Verra supports climate action and sustainable development through the development and management of standards, tools and programs. |
| TIER | Describes the different supply levels of a supply chain. Tier 1 suppliers usually describes suppliers with a direct business relationship. |
| TIER 4 | Raw material extraction. |
| TIER 3 | Fiber production. |
| TIER 2 | Material production. |
| TIER 1 | Cut, make, trim processes. |

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BE THE EXPERIENCE