



Sustainability report for Croata Fashion Brand

2023

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1. Letter from Bušić family

From the beginning of Croata's existence we were striving for the design that is unique and timeless, reflecting the beauty of the Croatian and World heritage. Even if we weren't talking about sustainability we always wanted the best for our local community, our suppliers, our customers and above all our people. We were designing our products and processes so that they do not harm the planet and we were determined to use natural and top-quality materials. Sustainability is inherently in our company's culture and it is intertwined with our business strategy. Brand was founded on ideals, and always wanted to communicate universal values that cravat as symbol represents and change and/or refresh the global culture in that regard. In years and decades to come, we promise that we will continue to build on values that our founders established and improve our sustainability goals and strive to be the best example and inspiration for many around the world.

2. Introduction

As an SME which is a part of the luxury fashion industry, we acknowledge our responsibility to identify and analyze the impact on the world around us and to set sustainability as the vision for the future development. This is our first sustainability report with which we aim to transparently portray the impacts of our operations on the people and environment and set the goals for more sustainable performance in the future. The content of this report was selected based on the analysis of the sustainability challenges in the fashion industry and impact analysis.

This sustainability report was prepared with the support of The Croatian Institute for CSR and by using GRI standards as guidelines. All questions and comments regarding our sustainability journey can be sent to: info@croata.hr. This report is publicly available in digital format at Croata's website: www.croata.com.

3. About Croata

Family-owned and independent artisanal house since 1990, Croata creates beautiful and unique items that are recognizable for their rich heritage and attention to details. The quality of the raw materials, combined with the exceptional know-how kept alive by its artisans, makes for sustainable creations characterized by timeless elegance. Committed to humanist and artisanal values, the company, which employs more or less 110 people, is dedicated to a responsible approach based—in both its production and development—on a never-ending demand for quality and reflected in its cultural and luxurious commitments.

Croata's value chain



Croata is one of the rare brands in the fashion industry that is still involved in all steps of the value chain. Every product starts as an idea in the design studio where our team, driven by philosophy of high quality, modernism and zero waste principles, carefully designs every detail of what will be cravat, scarf, bag or shirt. Our designers then place the orders for needed fabric and accessories which are acquired from trustworthy and certified suppliers. Croata has always shunned mass production, manufacturing lines and outsourcing. Every product coming out under Croata name reflects the hard work put into it by the skillful artisan. Ready-to-wear garments are then distributed to 10 Croata stores located in every corner of Croatia, from Osijek to Dubrovnik. Croata pieces are bought as a VIP souvenir on the beautiful moments spent in Croatia, as a gift for dear, special and important people, as a fashion statement and as an investment in the high-quality and timeless design. Cravat is thus once again spread across the world leaving a mark in the hearts of the people.

4. SDG strategy

In October 2015, more than 150 countries adopted UN's Agenda 2030 and its 17 Sustainable Development Goals (SDGs) whose achievement should end poverty, protect the planet and ensure prosperity for all by 2030. In order to reach the goals everyone's contribution is needed. To meet the targets all parts of the society must work together.

The biggest impact of the business sector on people and the planet is happening in day-to-day operations and it is the result of the chosen business model and present work ethics. For sustainable development it is important that companies identify where their main impacts lie and what they can change in their core business operations to achieve SDGs.

With the help of external consultants and experts from different Croata departments we managed to identify the main areas in which Croata has the most significant impact and defined the sustainable development goals to which we can contribute the most.

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

We have always worked on ensuring that we provide valuable opportunities for the development of the local community and local economy. We employ locally, all our products are made in Croatia, we work with small craftsmen and we invest in culture and heritage preservation. We want to ensure decent working conditions for all of our employees, a safe workplace, fair wages and additional benefits, work-life balance and career development opportunities. We will continue to support sustainable economic growth and full and productive employment.

SDG 12: Ensure sustainable consumption and production patterns

As Croata is part of the fashion industry which is infamous for its linearity, we feel responsible for implementing more sustainable practices in line with circular economy principles. We strive to use only natural and certified materials which have reduced negative environmental impact. Furthermore, we aim to reduce the consumption of energy that comes from non-renewable sources and ensure that we treat all resources with utmost care. We will seek to further minimize our waste and introduce circular services that will further extend the life of our products.

SDG	Achivements	Goals	Measures
SDG 8: Promote sustained, inclusive and sustainable	<ul style="list-style-type: none">• 100% silk handmade products• 99% made in Croatia	<ul style="list-style-type: none">• Continue to support local economy through supply chain and employment	<ul style="list-style-type: none">• Regular audits of the health and safety management system• Regular performance reviews to determine the opportunities for

economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> • 48% local suppliers • 0 work-related injuries • 20 hours of education per employee 	<p>opportunities</p> <ul style="list-style-type: none"> • Maintain a safe workplace with 0 work-related injuries • Increase the number of opportunities for education per employee 	<p>personal and professional growth</p> <ul style="list-style-type: none"> • Annual employee satisfaction survey • Mentorship programs for young employees
SDG 12: Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> • 99% natural materials • 0.6% fabric waste in production • 2.8% plastic packaging • 75% certified materials • 10.7% recycled fabric 	<ul style="list-style-type: none"> • Increase the % of certified materials in production • Increase the % of recycled materials in garments and packaging • Improve energy efficiency at production sites and in the stores • Switch to the renewable energy 	<ul style="list-style-type: none"> • Commit to prioritizing materials with low-climate impact without negatively affecting other sustainability aspects • Continue to integrate <i>zero-waste design</i> principles • Instal solar panels on the roofs of the production sites • Implement energy efficiency measures • Establish a closer dialogue with consumers to reduce environmental impacts and extend the useful life of products

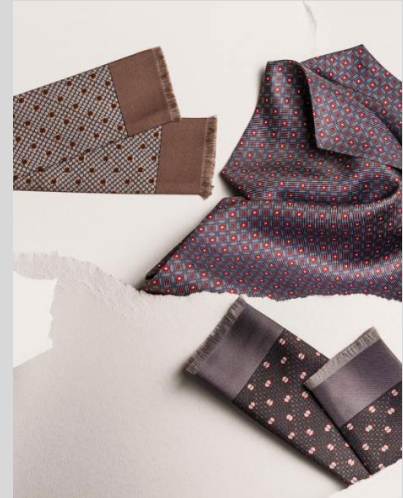
Decisions regarding economic, environmental and social impacts are made at the Board level. Goals and measures are developed in communication with heads of departments and experts from different fields.

5. Responsible product

Croata brand is known for its heritage, craftsmanship and exclusivity in the domain of ultra-luxury products. We have created a complete production process - from selection of the materials to handmade finishing, while our commitment to quality and the use of modern technology to support the mastery of craft is a living tradition that connects the past, present and future.

Design

The objective of the design department has always been to develop creative skills outside the box and to find new approaches and solutions in design through research, experimentation and freedom of expression. This has enabled Croata to emerge as the luxury, timeless brand as it is now. Since 1990, Croata products have been made to last across generations, with a *no-compromises approach* to quality. The design phase plays a critical role as the choices made here affect the whole value chain, beginning with product aims and selecting appropriate materials and processes. Therefore, we foster the organizational culture that encourages our designers to think of the environmental and social impact of their design decisions and offer support in terms of training and education.



As at the start of the fashion life cycle, designers play a pivotal role in reducing environmental impacts in the production and at the end-of-use phase because decisions made at the design stage determine how long the product will be used and what kind of materials and production techniques will be used. We design our products so that they are durable in terms of quality and style, and that they can be easily recycled or reused at the end of the lifecycle. We also apply zero-waste design principles and think about the environmental impact of different materials.

Figure: use of materials (in kg)

In order to create items that customers will enjoy and use for a very long time, Croata is committed to high quality and sustainable fabrics. We have 5 main types of fabrics we use: cotton, wool, leather, silk and cashmere. In 2023 we used a total 7940kg of materials, which is a 4,8% growth from 2022. Besides fabrics we also used 490 kg of semi-manufactured goods or parts¹ (ex. Zippers, buttons or labels) to make our products complete.

Having in mind the aim to prolong the life of the products we offer the personalization service and we create limited edition collections. By making products rare and unique we encourage our customers to take better care of the products and to keep them longer by their hearts.



For our designs, we take inspiration from street fashion, films, exhibitions, flora and fauna details, travel and culture. Our Croata pieces are known for the motifs of Croatian interlace or “pleter” braiding and The Glagolitic script. Croatian interlace or “pleter” braiding is taken from the old Croatian stone monuments from the time of the Croatian princes and kings and The Glagolitic script is an old Croatian script from the 9th century, which appears in historical sources. These two motifs reflect the Croatian culture and promote our heritage all around the world.

¹ including all forms of materials and components other than raw materials that are part of the final product

Supply chain

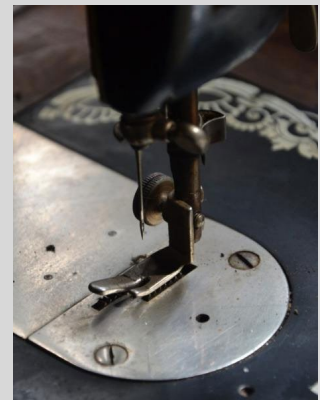
In total, Croata has more than 360 suppliers of fabric, semi-manufactured goods, services and packaging. When it comes to the supply of fabric used in Croata's production, around 42% of the procurement budget is used for Croatian suppliers, for semi-manufactured goods this number is 53% and for packaging 49%. This is important because by sourcing locally Croata is supporting the local economy and having better control over the impacts in the supply chain. Croata produces all of its products in-house, except leather products and jewelry, which are outsourced to the specialized craftsmen. We are very proud that we use 99% local services, i.e. most of our partners are small Croatian artisans.



Due to the size and nature of SMEs, they usually have little control and no influence over the transparency and environmental footprint of their supply chains. We are aware of this challenge and we try to cope with it by using certificates that serve as proxies for direct control and audits of the suppliers. In 2023, approximately 75% of our fabric materials have had some kind of certification related to organic production, product quality and fair business practices. We hope to further increase this number in the future. When arranging new business deals we search for suppliers who share our values and we try to build long-term relationships with them so that we can have conversations about production and human resources practices in their operations.

Production

Croata as a brand enjoys an iconic status in the world of luxury due to a combination of rich heritage, exquisite craftsmanship, eye for detail and high levels of quality and professionalism through the entire manufacturing process. All Croata products are handmade in Croatia by our artisans who possess a wide range of skills that allow them to work on different products, with different materials and tailoring techniques.



According to the Fashion&Environment White paper² published by Center for Sustainable Fashion, one quarter of fashion industry resources are wasted as fabric and garment leftovers. We in Croata work by the *zero-waste principle*, designing our products and our processes so that none of the resources are wasted. By carefully planning the manufacturing processes and reusing excess

² <https://www.sustainable-fashion.com/publications/fashion-%26-environment-white-paper>

materials in other collections we managed to significantly reduce our textile waste. In 2023, 46kg of fabric was wasted, which is only **0.5%** of the total amount of fabric we used in the production.

Generally, in 2023 we had 200kg of waste, from which 25% was fabric, 40% was packaging and 35% was other waste (eg. from offices or stores).

Table: waste (in kg)

Category of waste	2022	2023
fabric	50	46
packaging	80	73
other	70	68
Total waste in kg	200	187

In our aim to reduce the waste going to the landfill in the fashion industry we incorporate recycled materials in our designs. In 2022 we used 830 kg of recycled fabric in our production, which is 10.9% of the total amount of fabric used.

Table: use of recycled materials in production

Category	2022	2023
Recycled fabric	825 kg	830 kg

Commitment towards protecting the environment means managing and developing our sites and stores in an increasingly sustainable manner. Increasing energy efficiency in the fashion sector offers plentiful opportunities to reduce electricity and gas consumption — and therefore carbon emissions — resulting also in measurable cost savings. In the presence of climate change challenge, we acknowledge our responsibility to reduce energy consumption and lessen the carbon emissions, therefore we plan to:

1. Measure the annual water and energy consumption.
2. Make an assessment of our workshop, office, studio and retail stores to identify key areas for energy efficiency improvements.
3. Develop a plan on how to implement changes and integrate investments into our budgets.
4. Implement the energy efficiency measures.
5. Install photovoltaic plants on our sites in order to increase the % of energy coming from renewable sources.
6. Share our experience and insights with partners and suppliers.

These measures will reduce the energy consumption in direct operations and lead to the lower carbon footprint.

Stores

Croata distributes its products using an agile and complementary multichannel approach combining a directly operated store network in Croatia and e-commerce used to reach customers worldwide.

The stores are important points of communication between Croata and the customers. The same degree of excellence must be attained in marketing and sales of the Croata's products as in designing and manufacturing them. We therefore introduced the CROATA Museum Concept Store which tells the story of cravat's origins through a series of exhibit narratives about famous people from the town where it is located (Zadar, Osijek, Dubrovnik...). This can be described as an interpolation of a museum into a commercial space, representing an innovative step in the retail business. This innovation was recognized as early as 2008 at the Milan European Forum of Company Museums, attended by brands such as Ferrari, Ducati, Siemens, Guinness and Sony.



Packaging

As part of our social responsibility we also have to consider how to deliver garments in the most efficient and sustainable manner possible. Plastic is a great material for packaging, it is durable, lightweight and functional. Unfortunately, it is also highly harmful to the environment. Therefore, a couple of years ago we started our shift from plastic packaging to paper and cardboard. We redesigned our packaging through which we eliminated single use plastic and increased the percentage of renewable materials like paper. In 2023, we used in total 640kg of packaging.



Table: packaging materials

Category	2022	2023
Paper	225 kg	238 kg
Plastic	43 kg	32 kg
Cardboard	345 kg	360 kg
Other	16 kg	10 kg
Total	629kg	640kg

All our packaging can be recycled, and we provide instructions about proper recycling on the label. Croata has started to progressively replace plastic with substitutes in bioplastic and recycled and recyclable plastic. As regards paper packaging for the retail business, Croata favors paper certified by FSC® (Forest Stewardship Council®) and ISO 14001.



We have an extended responsibility for our product beyond the point of sale. All our products contain instructions about the ways to wash and care for clothes to prolong their life. Moreover, our employees at the stores are trained in this field and can provide additional help to our customers. In the next period we plan to consider a scheme for garment collection and repair in order to keep the products longer in the loop.

6. Our employees' wellbeing

People are the core of Croata's success. Their experience and hard work are woven into the products making them so unique and valuable. That is why we make their well-being a priority and cherish the culture where everyone feels like they belong, can freely express their creativity and reach their full potential. Our human resources policy centers around listening to and communicating with employees so as to protect their health, safety and well-being and create a high-quality working environment.

Training and education

Croata relies not only on talented creators, but also on exceptional know-how. The capacity to satisfy our customers' expectations depends on maintaining the production teams' know-how at the highest level. As our artisans age we want to preserve their skill-set and experience. We dedicate a mentor to each new employee in the design and production so that the transition is easier for both sides. We ensure that rich knowledge and know-how stays in the company and it is passed on to the new generation and our new employees are given additional support to develop and succeed in the careers in Croata and to feel welcomed and comforted because they know they have someone more experienced by their side.

We offer our employees the opportunities to develop personally and professionally within our team. We know that continuous learning is important for both individual and organizational growth which is why we invest in the education of our employees. In 2023 we had 2070 hours of education and training, Education and training takes place in form of professional seminars and conferences, internal workshops and mentorships.

Health and safety

We embrace our responsibility for the healthy and safe working environment and uphold highest standards to keep our employees safe. We developed an internal health & safety management system in line with the law requirements. For all workplaces, risk-assessment has been conducted and main threats have been identified. We implemented the measures to reduce the risk and protect our employees and set up health and safety protocols across all our sites in line with government guidelines. Site managers are trained to organize processes so the work-related health and safety

risks for employees are minimized. Employees are supplied with top-quality safety equipment and provided with clear instructions on how to perform their tasks in a safe manner.

We are happy that our health and safety measures paid off and that we didn't have any work-related injuries in history of our company.

Benefits for employees

Equitable pay and equal opportunities are fundamental commitments at Croata and central to our mission to attract and retain the best talent. Our reward philosophy is to provide competitive remuneration packages to all our people in line with their level and expertise. This is closely aligned to our performance management processes, focusing on recognising and rewarding our people for excellent performance.

**0 work-related injuries
in history of our
company**

Regular feedback and career conversations with managers guide meaningful development. Career development conversations take place annually as part of our performance management processes. Based on the conclusions of the reviews, along with company's needs and employee's personal preferences, each employee is allocated a dedicated budget for education and proposed advancement opportunities if there is an organizational opening at the moment.

Physical and mental well-being, as well as proper work-life balance, are essential to enabling employees to feel fulfilled and engaged. This is why we allow our employees to take free days when they need to, for various reasons including not-specified. In order to improve work-life balance we offer our employees the opportunity to use flexible working hours and to work remotely (if so is possible in relation to the requirements of the job).

7. Commitment to preservation of the heritage

Croata is committed to supporting culture, art, heritage and science. This is our contribution to the local community - preservation of the local tradition.

Academia Cravatica

AC was founded in 1997 and it studies, preserves and improves the cravat as a part of Croatian and world heritage. It is considered to be the central research establishment for this cultural and fashion phenomenon in the world. During the years AC successfully carried out multiple projects,

starting from books, documentary films, international exhibitions, theater plays, historical and ethnological researches to art installations, environmental art projects, and to even historical guard revivals.

The tie in the rye



Cultivating land is the foundation of human civilization in general and The tie in the rye is a true acknowledgement of value; with concern for the environment it could be described as ecologically aware, a nature-friendly project. Through the material of which it was made it glorified the grain, by its form, it glorified, of course, the tie.

The biggest tie in the world and the Pula Arena

In the Pula Arena, the biggest tie in the world arrived on the 18th October 2003. It was 808 meters long and 25 meters wide, and built from 9015 square meters of red fabric, and symbolized the tie as a part of Croatian and World heritage.

For the creation of this piece of art, there were 120 km of thread, 450 kg of fabric and more than 300 hours of sewing used. The most challenging part was to tie a knot, which was tied at 21 meters of height, and was 9 meters deep.



Cravat Museum

Croatia is developing the only Cravat museum in the world in (Zagreb/Dubrovnik), a museum of direct experience ("hands on") in which the emphasis would not be to such an extent on taxativity and classification, a museum that would strive to be inspiring and evocative.

Cravat Regiment

The Cravat Regiment (Croatian: Kravat pukovnija) is a guard of honour based in Zagreb, Croatia. Beginning in 2010 and founded by Croata, the regiment has regularly performed a march in the Upper Town of Zagreb which culminates in a changing of the guard at St Mark's Square. The regiment wears uniforms that are replicas of those worn by the military forces called the Croats which fought during the Thirty Years' War. The changing of the guard is performed every Saturday and Sunday at noon, from April to October. Aside from weekends, the changing of the guard also takes place on special occasions such as Zagreb City Day (31 May), Cravat Day (18 October) and New Year's Day (1 January).

