2022
IMPACT REPORT

This report pertains the activities of House of Baukjen (Izzie and Ollie Ltd) for calendar year 2022. House of Baukjen is the holding company of apparel brands Baukjen and Isabella Oliver.

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Introduction

House of Baukjen is a family-run business with deep-rooted values regarding the health of People and Planet. We understand that the work we do as a brand has an impact far wider than our own operations and are dedicated to being a force for good in as many areas as possible.

From working closely with our manufacturers and having a strict code of conduct, to placing all of our production in Europe, we are actively making choices that are aligned with having a positive impact on the people in our value chain and beyond. It is important to us that our workers, either directly or indirectly employed, be given all the conditions which are conducive of happy and fulfilled lives. To this end, we continue to do work to gain full transparency of our supply chains and support suppliers in creating those same conditions.

For the protection of our planet, we are tracking our environmental footprint and aiming to reduce negative impacts. As a company, we have very little impact on our own operations, therefore most of our work is focused on key areas of Scope 3. Besides streamlining our processes and continuing to shorten supply chains, we aim to in future further lower the impact of our materials and garments at various stages of production whilst promoting innovation and a truly circular textile economy.

After a stand-out 2021 in which the company was awarded a Climate Action Award by the United Nations, in 2022 our focus has been on cementing our position as leaders in conscious fashion.

Our team has continued to openly communicate our efforts in sustainability and the environmental and social impacts of our clothes, going against the trend of “green-hushing” that saw companies intentionally keeping quiet about their sustainability goals. As part of our strategy to expand our customer base and make more sustainable clothing a viable option for the widest number of women, 2022 saw us rapidly expand with retail. During the year we grew our presence in John Lewis from 7 to 22 retail sites, and our Baukjen clothes also became available in 2 independent department stores.

Our team also focused on creating the resources to further support customers in caring for their clothes, as we want our clothes to be kept in use for as long as possible. To this end, we’ve added a significant amount of pages with dedicate Care & Repair information to our websites, and have also increased the number of products available in our Eco-Laundry shop to lower the impact of washing garments.

Key highlights in 2022

We've improved our CDP Climate score

Our first disclosure on Climate to CDP related year 2020 and received a score C. We've again submitted all of our emissions impact and related initiatives to CDP for year 2021 and our score has now improved to B, reflecting the maturity of our work in this area of impact (industry average score is C). Given our first actions to lower carbon footprint were adopted in 2019 and we first calculated our emissions in 2020, we believe our score reflects the quick improvements the company has been able to achieve in this short span of time.

We've additionally been rated on Supplier Engagement (SER), where we score A- (against an industry average score of C). As a purchasing organisation, we have the potential to incentivize significant change and this score recognises our successful implementation of best practices. CDP evaluates supplier engagement with the aim to accelerate global action on supply chain emissions.

We're sharing unique product information

In 2022 we initiated a pilot project to communicate product journey and specific care information to our customers for a selection of our products, through QR codes on care labels. Due to several challenges the project was delayed, and the pilot was restricted to 10 products, but the technical aspects have been resolved and we're considering the pilot a success. We're now working to roll out dedicated product information to a larger number of products in 2023.

Figure 1: One of our retail spaces at John Lewis

Growing Retail demand

In 2022 we've experienced growing demand from Retail partners, in particular John Lewis with whom we've grown from 7 stores at the start of the year to 22 sites at the end of the year. Customers are increasingly paying attention to the environmental credentials of brands and want to spend their money in products that aligned with their values, which we're benefiting from.

Our Science Based Targets have been approved

We are now listed on the Science Based Targets Initiative (commonly referred to as SBTi) website as an SME committed to taking action on climate aligned with the Paris Agreement, further strengthening our commitment in this area.

We've joined Business Declares

House of Baukjen has been vocal over the last 3 years about the need for action to address our climate emergency. To further formalize our commitment to fight climate change and grow our reach by joining in collective activism, we are pleased to have joined the Business Declares movement. Business Declares raises awareness across the business sector of the imperative to accelerate action to address climate change, biodiversity loss and social injustice.

Sourcing and Use of Materials

House of Baukjen is committed to sourcing materials which have a smaller environmental footprint and have as positive an impact as possible on people. As such, we acknowledge the risks inherent to the sourcing of conventional raw materials and have taken measures to mitigate them.

We work extensively to develop and improve our sourcing of materials: for 2021, 92% of our materials have lower environmental footprint than the conventional alternative. Our Materials' strategy has seen us limit the use of conventional fibres and materials to less than 5% of our portfolio, increase the percentage of recycled content certified fibres and adopt other innovative materials with lower environmental impacts[1].

Our risk analysis for the sourcing of priority raw materials has highlighted that we have significantly more insight into environmental risks than for social ones, which demonstrates a need to gain further transparency of our supply chains to uncover potential social impacts and develop mitigation strategies where needed.

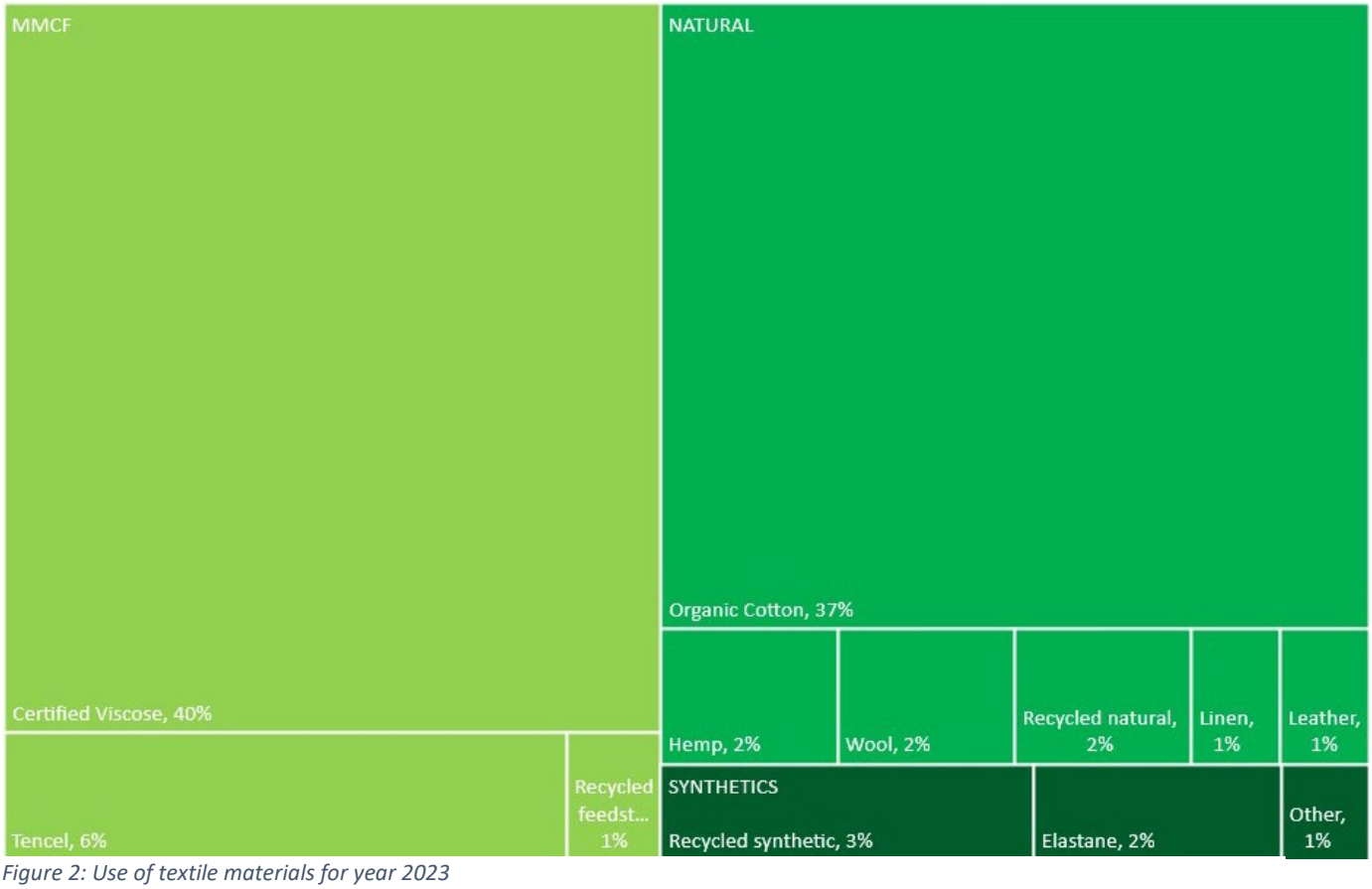

Figure 2: Use of textile materials for year 2023

[1] As per table How we classify our Materials in Supporting Documents

Environmental and social risks associated with priority raw materials

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In recognition of the high impacts and risks stemming from raw material sourcing, we are working to obtain clear and consistent evidence from our suppliers as to the provenance of our materials (i.e. Transactional Certificates with information of entire supply chain).

Cotton

Cotton agriculture may be a cause of soil degradation (usually being a mono-culture), pollution (from the use of pesticides and machinery that is powered by fossil-fuels), eutrophication (due to the intensive use of fertilizers, resulting in run-off of phosphorous and nitrogen) and may contribute to water scarcity if using ground water/ irrigation. The impacts on people and communities from cotton agriculture are wide ranging and well-documented, from keeping farmers trapped in poverty and/or economic insecurity if their work is not properly paid for or safeguarded, to using water resources that would otherwise be used for human needs or food agriculture, to the negative health effects of working with harsh chemicals (pesticides and fertilizers) and the associated pollution.

For the year 2022, House of Baukjen used only Organic and Recycled Cotton fibres. Organic Cotton uses no pesticides or chemical fertilizers, making it inherently healthier for people and planet. Recycled Cotton decreases our reliance on virgin fibres and agricultural output, contributing also to a circular material economy.

Our strategy for Cotton will see us maintain the percentage of Cotton fibres in our portfolio, whilst increasing the use of Recycled Cotton and sourcing In Conversion and Regenerative Agriculture Cotton.

Wood-pulp

The agriculture and harvesting of wood can contribute to deforestation and destruction of habitats. Tree plantations that are poorly managed can result in soil-depletion and water-depletion, deprive local fauna and flora of their natural habitat, as well as other negative consequences for biodiversity and local communities. Importantly, poorly managed tree plantations can result in net-positive carbon emissions (as opposed to functioning as carbon sinks).

House of Baukjen is committed to sourcing its wood-pulp materials from sustainable sources, causing no deforestation and with as small an environmental footprint as possible. We have signed the Canopy Pack pledge to purchase only paper products with forestry certifications and increase recycled content, and Canopy Style pledge to source all man-made cellulosic fibres from audited, “Green Shirt” suppliers.

In 2022, all of our purchased paper products (packaging, catalogues, garment tags) had a Forestry certificate. 100% of all our man-made cellulosic fibres (viscose, lyocell, rayon) were made from wood-fibres harvested without causing deforestation, with 100% of MMCF coming from Canopy “Green Shirt” suppliers by end of 2021.

In 2022 we used for the first time a viscose material made from recycled cotton feedstock, called Ecojilin. Our sourcing strategy for wood-based fibres is to decrease reliance on virgin feedstock by sourcing “Next Generation” fibres that use recycled materials as a feedstock– namely post-consumer recycled cotton.

Figure 3: The Kat Ecojilin dress

Wool

Wool being an animal fibre, one of the key issues associated with its sourcing is animal welfare – as sheep being reared for wool can be subject to a number of practices that cause them harm and pain, such as mulesing and physical abuse.

The rearing of sheep can contribute to a decrease in natural biodiversity (both because of the culling of natural predators and competing species, and due to the grazing of the sheep), water pollution due to the unnatural accumulation of phosphates and nitrates in the soil leading to eutrophication of nearby water channels. Run-off of contaminated waters can pose a health risk to local communities.

House of Baukjen has in recent years limited its use of virgin wool fibres. In 2022, only 49% of our wool was virgin material, with the remaining 51% coming from recycled sources.

All of our virgin wool fibres are mulesing-free. This does not reassure us of how sheep rearing might be impacting the surrounding environment, so further supply chain transparency and data is needed to establish the actual impact of animal farming in our supply chain. To address this, we've been working toward transparency of virgin wool fibres origin and assessing potential environmental risks by using tools such as the Global Fibre Impact Explorer[2].

In 2022 we started working with yarn from Yorkshire county, using wool from Bluefaced Leicester and Masham sheep. The yarn travels less than 50 miles from farm to finished material, and garments are then being produced around the same area.

Our strategy for sourcing wool is to continue using Recycled Wool and Recycled Cashmere more than virgin wool fibres, moving toward Regenerative Wool where virgin fibres continue to be sourced.

Figure 4: The Jody sweater made from 100% English wool

Hemp and Linen

The agriculture of hemp has a relatively small environmental impact due to the natural qualities of the hemp plant, which grows well in a variety of climates without need of fertilizers or pesticides. As such, potential negative impacts associated with the agriculture of hemp are associated with water use and it being grown as a mono-culture (leading to potential soil depletion). There are no significant social impacts to report on currently.

House of Baukjen uses conventional Hemp fibres in its collections, which is classed as a Preferred Fibre by Textile Exchange. We aim to continue using Hemp in our collections and procure fibres of European origin.

Similarly, linen is a natural fibre from the flax plant with a small environmental impact at source. Flax doesn't require significant chemical inputs but lack of soil productivity or lack of education can lead farmers to overload the soil with fertilizers. There are no significant social impacts to report at this time.

[2] The Global Fibre Impact Explorer assesses portfolios across five key impact categories: air pollution, forest, biodiversity, climate and water usage and quality. The primary goal is to identify high risk fibres in brands' portfolio and then guide them to recommendations on how to support local initiatives to improve their environmental impact. More at: Global Fibre Impact Explorer

We mean to continue sourcing linen and hemp for our collections, transitioning to fibres of European and Organic source when possible. In the future we plan also to uptake linen and hemp that are regeneratively grown and ratted with the aid of enzymes, significantly decreasing use of water and chemicals associated with ratting.

Leather

At House of Baukjen we do not use exotic animal skins nor fur. All of our leather is ovine or bovine, and comes from farmed animals reared for their meat. Our leather originates in New Zealand and Europe, suppliers are certified for Animal Welfare practices and are not known to be impacting deforestation.

Animal agriculture has a significant environmental impact due to the emissions from raising cattle, changes in land use and consumption of resources. Furthermore, its potential to contaminate soil and waterways is significant and often a leading cause of eutrophication in rivers and lagoons. In this way, antibiotics and hormones can also enter the surrounding ecosystems, with a potential to impact fauna and flora. At production, the processing of hides into leather can also have a number of negative impacts on surrounding environment and communities due to use of chemical substances.

Our strategy for addressing impacts associated with leather is to limit its use, use vegetable tanned leather when possible and explore other tanning technologies that lower environmental impact.

Furthermore, we are committed to finding alternatives to animal leather but are not yet using any "vegan leather" materials as options available in the market are largely synthetic and do not compete in longevity. Materials found by our team so far didn't conform to our quality standard or were found to be potentially hazardous in their use of chemicals.

Figure 5: Shearling being cut by hand by our supplier

Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard

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Below are the percentages of key raw materials used in 2022 with certifications. Please note that the amount of raw materials used is calculated based on the use of finished materials, as House of Baukjen purchases finished products and is not involved in the purchase of fibres or other raw materials. For this purpose, the conversion rates used for fibre calculations were provided by Textile Exchange as per the document "CFMB Fiber Conversion Methodology", dated 2019.

An estimated total of 98% of all key raw materials are certified to one of the below standards. Key Raw Materials are in this context defined as any unprocessed material in raw or natural state which is integral to the creation of the bulk of products purchased by the company – excluding materials used in smaller amounts for garment trims, office supplies, and other products purchased in minor quantities by the company for its everyday operations.

FSC/ PEFC - An estimated 100% of all MMCF fibres used in 2022 were made with either FSC or PEFC certified wood-pulp feedstock, with the company being unable to differentiate in between both standards due to chain of custody not being maintained. As per supplier claims, 100% of all cardboard used in 2021 was FSC certified, being made from a mix of recycled and virgin pulp sources. 100% of paper stock used in our catalogues was PEFC certified from a mix of recycled and virgin pulp sources.

GOTS/ OCS – GOTS and OCS are currently only relevant to our use of Cotton. Whilst 100% of virgin cotton fibres used in 2022 were purchased as organic, the company has only been able to obtain Transactional Certificates covering 20% of cotton fabric used. For the remainder of our organic cotton, we currently have no visibility of source due to our suppliers not maintaining the due chain of custody.

RWS – 81% of our virgin wool fibres have been purchased from RWS sources, but chain of custody has been broken and we've been unable to collect the due Transactional Certificates.

GRS/ RCS – In 2022, the company has purchased natural, cellulosic, and synthetic fibres from recycled sources. Over 70% of recycled fibres claim to be certified to either GRS or RCS standard, with the remaining being pre-consumer recycled at supplier sites. Due to chain of custody being broken we've been unable to collect the due Transactional Certificates.

Figure 6: One of the seamstresses at a manufacturing supplier for Jersey garments in the North of Portugal

Production

The Social and Environmental Impacts of our goods throughout supply chain are thoroughly considered by us as a brand and inform our planning and sourcing decisions.

We regularly engage with suppliers on conversations about their practices and try to visit their facilities at least once a year. Key suppliers which collectively represent 64% of our tier 1 manufacturers have been visited by one or more members of our team in 2021.

In addition, our agents who regularly visit supplier facilities on our behalf for production and quality control purposes, are tasked with updating us of any developments at factory level – such as audits in process, installation of more efficient equipment, adoption of renewable energy, etc. We have agents based in three countries, covering 80% of our suppliers and 98% of all product purchased.

The percentages of our suppliers who have completed social and environmental assessments or audits are not a good representation of the good practices they have implemented in their facilities. The majority of our tier 1 suppliers are family-owned factories, with 28% being Small Enterprises with less than 49 employees, 64% being Medium Enterprises with less than 249 employees and 8% employing above 250 people.

As such, a significant number of our direct suppliers are operating at a level that doesn't financially justify going through the process of third-party auditing. As a brand we're likewise not yet trading at a volume that financially justifies covering the associated costs on behalf of our suppliers.

Activity Metrics: number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1

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For the year 2022, House of Baukjen had 25 Tier 1 suppliers and mapped out a total of 74 suppliers in Tiers 2, 3 and 4. In addition, we have 17 companies who indirectly supply us with trims, though the number is likely to be at least double[3]. A lack of transparency in supply chain makes it impossible for us to determine exactly how many suppliers beyond tier 1 we have; supply chain transparency remains a key goal for the company.

Management of Chemicals in Products

Discussion of processes to maintain compliance of restricted substances regulations, as well as assess and manage risks and/or hazards associated with chemicals in products

CG-AA-250a.1 and CG-AA-250a.2

House of Baukjen is bound by REACH UK regulations, which deal with the Registration, Evaluation, Authorisation and Restriction of Chemicals. As all of our Tier 1 suppliers and majority of Tier2-3 suppliers are located in Europe, they are bound by REACH EU regulations – which are effectively the same as REACH UK in the context of our industry. We therefore operate on the assumption that all products traded are compliant with restricted substances regulations and that the various materials going into our products have been created in accordance to legislation in vigour.

House of Baukjen (Izzie & Ollie Ltd) keeps a Restricted Substances List (RSL) and is in the process of implementing a policy with all of its suppliers to limit the use of restricted substances and their presence in final products. Our RSL goes beyond legal requirements, whilst being aligned with REACH UK and REACH EU regulations.

As per the House of Baukjen (Izzie & Ollie Ltd) Chemical Management Policy being implemented with suppliers, suppliers are responsible for ensuring that the products sold to House of Baukjen do not infringe on the company's RSL and for presenting relevant test results carried out on the product where deemed necessary or relevant by the company. Internally, the risk associated with chemicals in products is assessed based on the origin of materials and the chemical certifications of suppliers and/or associated with the products. Other certifications we look at to determine the materiality of risk include but are not limited to ISO 14001, Oeko-Tex Standard 100, ZDHC ClearStream, Bluesign and GOTS.

Environmental Impacts in the Supply Chain

House of Baukjen has shifted its production to be located primarily in Europe, where production facilities are regulated by European standards as well as National law, achieving a higher level of compliance on a range of environmental issues.

100% of our approved Tier 1 suppliers are located in Europe, with one additional supplier located in India where an agent placed production of 3 of our product references without prior consent – representing 0.4% of our purchased product for the year.

Additionally, the dye houses and fabric mills we have visibility of are not using any coal in their operations (relying on a mix of renewable energy generated at own facilities, grid electricity and natural gas). This significantly lowers both emissions and pollution levels caused at production stages.

24% of our suppliers (Tier 1-3) have an ISO 9001 certification which assesses quality at production. The certification process includes a third-party audit of manufacturing facilities and verification of good practices to avoid air, water and soil pollution.

[3] This is based on at least 4 of the known suppliers being wholesalers, selling trims from multiple brands. The names of trim suppliers was disclosed by Tier 1 factories as part of our 2021 Supplier Data Gathering questionnaire.

Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement

CG-AA-430a.1

(1) Percentage of Tier 1 supplier facilities in compliance with wastewater discharge permits: We do not currently track which Tier 1 supplier facilities hold a discharge permit. 88% of our production in 2021 was done in Portugal, where wastewater discharge permits for business activities are monitored by local authorities. We will work to gather better information for this purpose.

(2) Percentage of tier 2 and tier 3 suppliers in compliance with wastewater discharge permits: House of Baukjen has mapped out 48 suppliers in Tiers 2 and 3 which are located in Europe, of which any companies that handle wet processes would be legally required to hold an industrial permit and have their wastewater discharge permits audited. We do not currently hold copies of these permits, therefore this remains an area for improvement.

Figure 7: Water treatment plant at one of the dyehouses in our supply chain

Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment

CG-AA-430a.2

As environmental assessments for supply chain, we look for Verified Higg FEM, ISO 14001 or Oeko-Tex STeP.

(1) Percentage of Tier 1 supplier facilities that have an environmental data assessment or third party audit: 4%

(2) Percentage of Tier 2 and 3 supplier facilities that have an environmental data assessment or third party audit: 23%

Labor Conditions in the Supply Chain

100% of our Tier 1 suppliers and an estimated 86% of our Tier 2 and 3 suppliers are based in Europe, where production facilities are regulated under European standards as well as National laws – and therefore safe and with strict employment regulations. It's very important to us that workers receive fair compensation for their work. All three countries we purchase directly from have a set minimum wage established. The minimum wage in Portugal (representing over 88% of tier 1 production) is at least as high as the living wage, with majority of our suppliers paying above minimum wage to factory floor workers.

Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor

CG-AA-430b.1

The below percentages are for suppliers third-party audited on SEDEX Smeta, Amfori BSCI, SA8000 or Higg FLSM.

(1) Percentage of Tier 1 supplier facilities that have been audited to a labor code of conduct: 43%
(2) Percentage of Tier 2 and 3 supplier facilities that have been audited to a labor code of conduct: 7%
(3) Percentage of total audits conducted by a third-party auditor: All of the above, which amounts to 15% of our mapped out supply chain

Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain

CG-AA-430b.3

(1) The greatest labor risks in our supply chain are believed to be: for tiers 1 to 3 in Europe, related to labour violations in the form of excessive hours worked; for tiers 2 to 4 outside of Europe, related to unethical employment practices which may include workers with no contracts or poor working conditions.
(2) The greatest environmental, health and safety risks in the supply chain are believed to be at the wet stages (tier 2) in particular for any facilities located outside of European Union (where the handling of chemicals and related processes is not covered by REACH legislation, with which we are aligned). We do not have direct contact and/or visibility of the factories in our supply chain doing wet processes outside of Europe, therefore we understand that there's higher risk these are not aligned with our Supplier Code of Conduct.

House of Baukjen commits to taking action on any violation of its Code of Conduct discovered in Supply Chain. Should we discover a violation of our Code of Conduct by one of our direct suppliers who has signed the document in question, we will investigate the cause of the incident and whether it is an isolated incident. We will work with the supplier in question to address the causes of the incident if possible, request assurances that it won't repeat itself and request quarterly self-report assessments from their part – to be verified if possible by our agents on the ground. For indirect suppliers who have not signed our Code of Conduct, we will work together with our direct suppliers to explore alternative suppliers unless we can be given proof that the issues have been addressed.

For any systemic problems uncovered or if the violation is deemed material enough, we will seize to do business with the supplier in question.

Figure 8: Our "Designed for Good" 100% compostable mailer boxes

Product Packaging and Distribution

In 2022 the shift in our strategy that saw us increase retail sales has resulted in changes to the footprint of our product packaging and distribution. Despite an increase in retail presence, the company saw an increase in the emissions associated with packaging and shipping. The market-wide increase of online returns continues to present a challenge within this area, as our packaging is designed to be reused by the customer but not by us (meaning that packaging that comes back to us goes into recycling and is replaced by new packaging).

Product Packaging

Our B2C packaging is entirely made of FSC paper and cardboard, printed with water-based inks and is sealed with a certified biodegradable glue strip. It is completely plastic-free, recyclable and home compostable. It was developed in partnership with our partner Lil Packaging and was the first of its kind for both companies.

Hangtags placed on garments are printed on FSC certified card from mixed sources, with an organic cotton string and a fully compostable PLA closure.

Packaging in our operations is present in the form of B2B cardboard boxes and protective garment bags, commonly referred to as polybags. Cardboard boxes that are used for the shipping of products from suppliers to us are reused as much as possible. We avoid plastic tape as much as possible within our company, opting for a kraft paper tape instead. Polybags made of polypropylene (PP) are used for shipping garments to our warehouse, which are removed prior to product being sent to customers and separated for recycling in dedicated bins. We have further adopted polyacetic acid bags (PLA) in 2021, which are fully home-compostable and are used for products shipped to third-parties who mail these bags directly to customers – thus avoiding passing to customers problematic plastic that is hard to dispose of.

Emissions resulting from product shipments

In 2022 we relied on two partners for the delivery of parcels to customers: Evri and DHL. 94% of customer orders came from within the UK with parcels being moved by road freight, which plays a significant part in keeping the carbon footprint of outbound shipments relatively low.

Emissions from the shipping of parcels to customers (later referred to as Category 9: Downstream transportation and distribution) amounted to 71.2 tCO2e.

Strategies to reduce the environmental impact of product delivery

As with every other element of our products, we have carefully considered how to reduce the environmental footprint of parcel deliveries.

Our packaging is manufactured in the UK and from a mix of recycled and virgin fibres, by a partner who have themselves been working to limit emissions and become carbon neutral (which was achieved in March 2022). The design of our boxes and kraft paper envelopes eliminates the need for other protective or insulating packaging materials.

Our warehouse team is carefully instructed to use packaging that best suits the size of products, to limit empty space or unnecessarily large boxes being shipped.

We assess our choice of couriers and delivery services based on a number of principles, namely their environmental impact and environmental management practices. The majority of our parcels in 2021 – 88% - were shipped by Evri, who are the UK's greenest courier with the biggest CNG fleet in the industry. The remaining parcels were shipping by DPD (9%) and DHL (4%), both also have set decarbonization targets.

The company's Environmental Impact in 2021

Areas of Environmental Impact being measured and reported on

House of Baukjen calculates environmental impact associated with its operations and its purchased goods and services. Our processes for measuring and reporting on impact are more mature for GHG emissions and energy use, whilst there's much more uncertainty in how we account for use of chemicals and contributions to eutrophication.

Changes to methodology

The environmental footprint of our purchased goods had previously been calculated solely based on composition of materials, disregarding the diversity of processes used to create our materials and garments. At the close of the year, we changed our process to better account for a number of processes that significantly impact the environmental footprint of materials and garments, such as different dying processes and washes. We are now also accounting for Metal and Plastic (zips and buttons).

Exclusions

Other trims accounting for less than 7% of total garment weight (cover tape, pocket liners, brand and composition labels) are not being accounted for, as the footprint in comparison to garment is negligible but adds significant complexity to the calculations.

Some cutting and sewing processes are not accounted for, namely due to a number of Tier 1 suppliers being powered by renewable energy (with low emissions to report on).

Overall impact

		Carbon Emissions	Water Use	Responsible Fibres
		kg CO2e	*m3*	*kg*
2022	*year total*	1,341,969	752,974	70,998
	intensity, p/garment	5.73	3.21	98%
2021	*year total*	1,074,282	690,430	38,536
	intensity, p/garment	5.16	3.31	93%
2020	*year total*	809,349	581,390	18,569
	intensity, p/garment	6.64	4.55	60%
2019	*year total*	790,586	607,624	1,633
	intensity, p/garment	9.54	6.92	8%

Table 1: Absolute and Intensity impact from year 2019 to 2022

Greenhouse Gas Emissions

Greenhouse Gas emissions (GHG) are one of the most important areas of environmental management for any business in our industry and one of our Key Performance Indicators. We measure GHG emissions as carbon dioxide equivalent emissions in scopes 1, 2 and 3 of the business and going into detail for key categories of our scope 3 (as detailed at the start of this chapter).

All of our own operations are powered by renewable energy (more under Energy Use) and we don't own any company vehicles, therefore over 99% of our GHG footprint comes from Scope 3.

The three categories with highest emissions to report on are, in order of most to least significant:

- Category 1, Purchased goods and Services (Upstream): this encompasses the garments and accessories we purchase for retail. This category accounts for close to 80% of all our emissions for 2022.
- Category 9, Downstream transportation and distribution: the emissions from shipping products to customers and retail locations, as well as returns. This category accounted for 10.5% of all our emissions for 2022.
- Other, Brochures, Inserts, Packaging and Mailing: the emissions related to our printed goods and other packaging, as well as the

mailing of promotional materials. This category accounted for close to 4.6% of all our emissions in 2022, having more than halved in comparison to previous year.

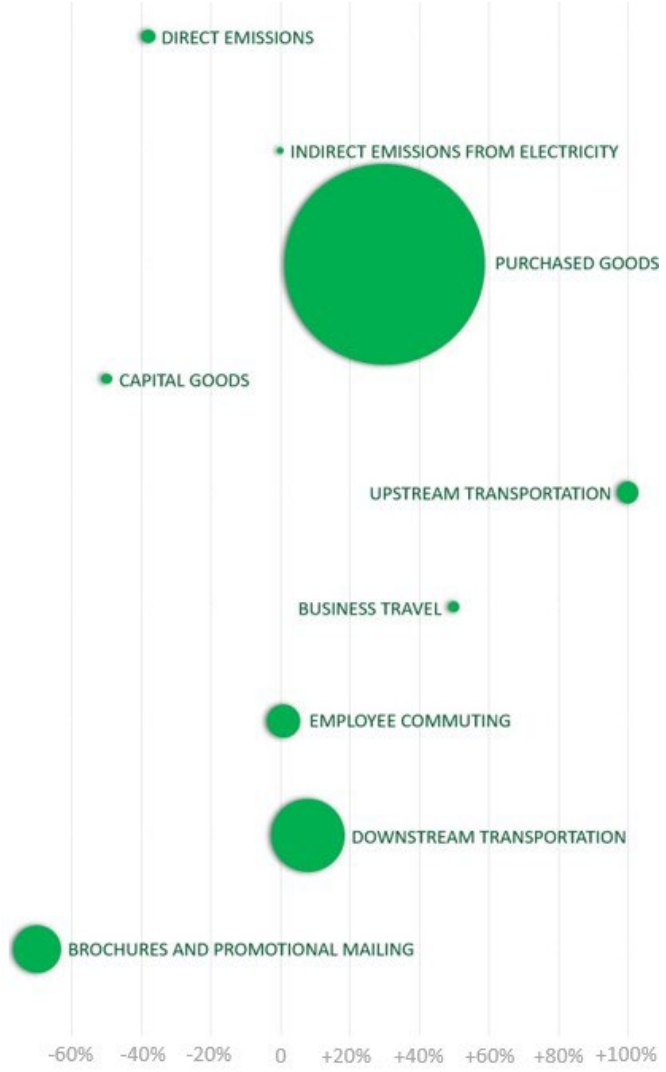

Table 2: Significance of each category of emissions and change from previous year

Water Use

The consumption of water resources is one of our Key Performance Indicators for environmental management, for which we aggregate data and report on quarterly. We measure water consumption from our warehouse as well as to produce our garments, from tiers 4 to 1, using secondary data from Higg product tools.

Absolute water use associated with our purchased products has continued to rise, albeit at a slower rate than our product intake. Despite this, the average water footprint associated with our products has decreased by 3%.

In 2022 our team has begun gathering further information on water recycling technologies used by our suppliers as well as wastewater management practices, namely compliance with ZDHC Clear Water.

Energy Use

The use of energy is one of our Key Performance Indicators for environmental management, for which we aggregate data and report on quarterly. We measure energy consumption from our warehouse as well as to produce our garments, from tiers 1 to 4, using secondary data.

House of Baukjen is completely powered by Low-Impact Renewable energy for its own operations (office and warehouse).

In 2021 our office moved to a Certified Green Building which benefits from having its own solar panels for generation of renewable energy and heat solar pumps for hot water. It also has a number of efficiency features, from all light bulbs being LEDs to windows being positioned in such a way as to maximize airflow and minimize the need for air conditioning in the warmer months.

Our warehouse is likewise equipped with a number of energy saving features and staff is instructed on how to run the facility in as efficient a manner as possible.

Portugal, where over 88% of our Tier 1 production was located for the year, with a significant portion of Tier 2 and 3 production also, reported being 58% powered by renewable energy in 2022.

19% our direct and indirect suppliers in Portugal, Spain, Italy and Bulgaria have on-site generation of renewable energy, the majority through solar panels. Some suppliers have also the capacity to generate electricity from process-generated steam in their facilities, one has a cogeneration plant. Further, all suppliers we have spoken with about efficiency measures being adopted at their facilities have pointed this out to be a priority as a result of the rising energy prices.

We are working to increasingly use primary data from our tier 1 suppliers to calculate energy consumption at

manufacturing, which we had aimed to achieve in 2022 but remains a work in progress.

Biodiversity

Biodiversity, or the variety of animal and plant species in a given habitat or the planet, has been falling drastically over the last century. As it is a complex area of study and impacted by a variety of other ecological boundaries, it can also act as a good indicator of planetary health.

Whilst we don't have a key metric to look at our performance in relation to biodiversity, we assess our impact on other key planetary boundaries (as defined in the Doughnut Diagram created by Kate Raworth). The boundaries we look at in relation to our contributions to Biodiversity are:

- Chemical pollution, which you can read more about in the chapter Production, under Management of Chemicals in Products
- Phosphorous loading, or Eutrophication, which we started tracking in 2021 using secondary data from Higg MSI.
- Freshwater Withdrawals, which is associated to Consumption of Water in this same chapter. As of yet we do not have good enough data to estimate which percentages of water used in the production of our materials and garments come from rain, local water grid or local captation. In 2021 we have started requesting this information be disclosed to us by key tier 2 and 3 suppliers.
- Land conversion, which is associated with harvesting and agriculture of raw materials, is not currently being measured due to the complexity of the task as well as lack of complete transparency at tier 4 stage. Risks associated with land conversion are managed by sourcing materials of reputable sources and with third-party certifications where relevant (such as forestry certifications for wood-fibres). Please consult the chapter Sourcing and Use of Raw Materials.

Last year we wrote about our data disclosure to GEF Biodiversity in association with Textile Exchange, which aims to uncover and map risks associated with use of materials from the textile industry. This has been further integrated with the data disclosure from Fashion Pact. Whilst the methodology continues to be informed by GEF, no company-specific report of impacts has been made available to date. The CFMB data disclosure by Textile Exchange (which we complete annually) has been aligned with Science Based Targets for Nature for reporting cycle 2023 (pertaining operations for year 2022).

Waste

House of Baukjen prides itself on operating as a Zero Waste business, as per the definition set by the Zero Waste International Alliance[4]: to divert 90% or more of waste from landfill or incineration, applying circularity principles to keep materials in use.

Waste generated in our operations is tracked, with different recycling containers being used for various materials to avoid contamination and provide recycling partners with quality materials that are suitable for recycling. We keep documentation for each collection of materials, with appropriate chain of custody maintained. We never send garments to landfill or incineration, as we see our clothing as being of value and not as throw-away items – unsold garments from previous seasons are listed in our online Outlet. We have been able to continuously send at least 90% of all waste materials to recycling since we first implemented revised waste management policies in 2019.

To address waste of fabrics and fibres in the textile industry, we have been sourcing recycled and upcycled (or deadstock) fabrics and fibres for our collections – with a goal to continuously increase percentages of non-virgin materials every year.

We are producing in companies that share our vision and have implemented policies to reduce waste and keep materials in use. This includes tier 1 to 3 factories who have waste reduction targets, are actively measuring amounts of waste generated and keep dedicated bins for fabric recycling. Our 2021 Supplier Data Gathering included 3 questions on waste and recycling, with direct suppliers on average

[4] More information available on the Zero Waste International Alliance website at https://zwia.org/

reporting they are able to send 85% of materials to recycling. A number of suppliers also highlighted that increasing the percentage of materials sent to recycling is often out of their hands, as only some fibres are of value to fabric recyclers – since fabric compositions are decided on by their clients, amount of waste varies according to the fabrics in production.

To address waste and pollution caused by the disposal of clothing we take both mitigating and direct action.

As mitigating actions, we produce all our garments from high-quality materials and design timeless styles that won't go out of fashion. We engage our consumers about Care & Repair of clothing to promote longevity of clothing and provide additional trims on request.

We operate a take-back scheme across both our brands so that customers can send us clothes they no longer wear, which is a direct action. Our take-back scheme is run from our own team from our warehouse. Garments in exceptionally good condition are given a second clean in our Ozone Chamber, then photographed and listed in our Pre-Loved shops. Garments in good condition but which don't go into our Pre-Loved shop can be passed on to charity partners who provide clothing to people in need or can sell them in their shops. Garments which are nearing their end of usable life or not in wearable condition are collected for recycling and passed on to our recycling partners.

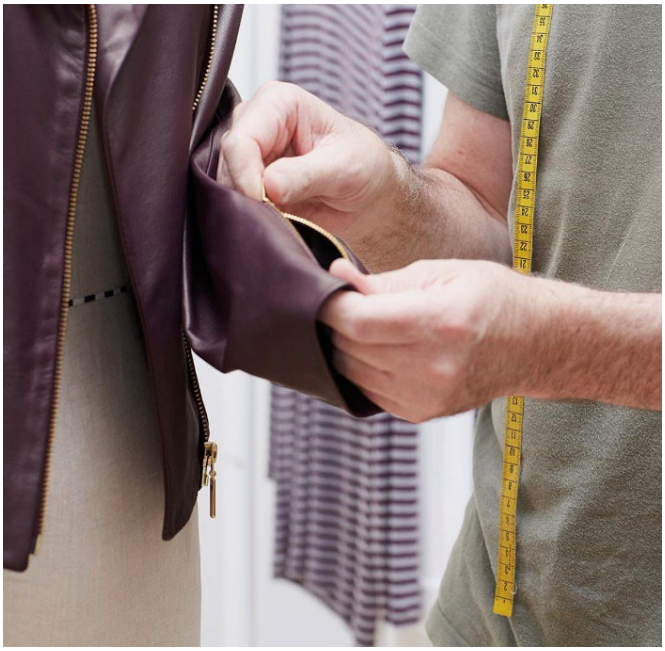

Figure 9: A leather jacket is quality controlled

Our Employees, Inclusion & Performance

Employees are defined as those employed by the company under a contract, which can be zero hours, part-time or full-time. Excludes contractors and outsourced employees.

Employee engagement as a percentage

CG-EC-330a.1.

In a recent employee survey on Sustainability, 95% of our employees participated (includes full- and part-time employees, excludes warehouse staff who are not equipped with an email address).

The survey aimed to understand which percentage of employees felt comfortable engaging with environmental topics in the context of work, as well as percentage of employees who would like further training on the subject to be better equipped for their job roles.

(1) Voluntary and (2) involuntary turnover rate for all employees

CG-EC-330a.2.

Attrition rate for the year was 17%, 9% voluntary and 8% involuntary.

Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees

CG-EC-330a.3.

At House of Baukjen in 2022, Management represented 22% of all staff (16% female and 6% male); Technical staff represented 2%, male; within the remainder of our employees for the year, 65% are female and 12% are male.

In terms of racial/ethnic group representation, all Management as well as Technical staff are White. Within all other employees, for year 2022 we see the following split: 67% White, 6% Asian, 2% Black and 2% of Other background.

Management includes Executive/ Senior Level Officials and Managers; Technical staff includes employees categorized in computer and mathematical occupations.

Percentage of technical employees who are H-1B visa holders

CG-EC-330a.4.

House of Baukjen didn’t employ any personnel on a H-1B visa or equivalent for the duration of the year 2022. Percentage to report is 0%.

Safeguarding Customers and E-Commerce practices

Data Privacy & Advertising Standards

Number of users whose information is used for secondary purposes

CG-EC-220a.1

In 2021, we stored information on 592,083 users for purposes such as marketing.

Description of policies and practices relating to behavioral advertising and user privacy

CG-EC-220a.2

House of Baukjen has a number of policies and practices in place to protect user privacy. We are committed to complying with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018.

Collection

We collect information about users when they register with us or place an order for our products or services. We also collect information when users voluntarily complete customer surveys, provide feedback and participate in competitions.

We collect names, addresses (and previous addresses), contact numbers, emails addresses, due dates (if applicable), location data, IP addresses, social identifiers, website usage via cookies, functional data including registration and system data, any additional usage data e.g. performance and activity information, email communication, comment and product reviews.

We collect website usage information using cookies and other similar technologies like pixels, tags and web beacons when a user visits our website. By visiting our website, users agree to the use of cookies and similar technologies for the purposes described below. This enables us to provide our users with the best customer experience and allows certain parts of our website to function properly.

Usage

We use the data collected for: fulfilment of orders; to enhance future shopping experiences; customer support; product performance analysis; product development; communication and direct marketing. We use it in compliance with Data Protection guidelines i.e. we use and share personal data when we have one or more of the below reasons to do so:

- Consent e.g. ticking a box to receive our email newsletters
- Contractual obligations e.g. collecting address details to deliver orders
- Legal compliance e.g. passing on details of people involved in criminal activity
- Legitimate interest e.g. direct marketing, understanding our customer wishes and shopping preferences, improving our service and products

With explicit consent of our customers, we share data with data processors and trusted retailers so that they may offer their products and services. We share personal data with Experian and Conexance, who process name, address, mailing preferences and purchase history. We also work with Epsilon Abacus (registered as Epsilon International UK Ltd), a company that manages the Abacus Alliance on behalf of UK retailers. Epsilon Abacus may transfer data outside the EEA. The transfer will take place in the presence of appropriate safeguards, including standard data protection clauses adopted by the EU Commission.

We may also share data (name & address only) directly with other trusted retailers we think our users will love. If data is shared it is done so on a one time only basis and the company or organisation are not entitled to store the user data for further use unless a user engages with them.

We use our own cookies to provide users with relevant online display advertising tailored to their interests. We may also use cookies to improve shopping experience by keeping track of what users have in their baskets and to remember them when they return to our site. This is important to us as we want to improve their journey across the website.

We also use third party companies to provide advertising services and/or to collect certain information when users visit and interact with our website. These third-party companies may collect and use non-personally identifiable information (e.g., click stream information, browser type, time and date, subject of advertisements clicked or scrolled over) during a user's visit to our website [and/or other websites] in order to provide advertisements about goods and services likely to be of greater interest to them. These third-party companies may use cookies and other technologies to recognise a user's browser to collect and record information about their web surfing activity including their activities on our website. Users are advised on our cookie policy that they can visit the European Interactive Digital Advertising Alliance at http://youronlinechoices.eu/ to learn more about interest-based advertising, or to opt out of receiving advertisements tailored to their interests on their browser, from their respective members and participants.

Retention of user information

We retain personal data for the duration we are legally and contractually allowed to. We are always working to keep our data and servers as secure as possible, taking all the most up to date measures.

Data Security

Description of approach to identifying and addressing data security risks

CG-EC-230a.1

House of Baukjen employs an in-house Systems and Devs Manager who supports the team in maintaining good cyber-security, as well as an external agency that supports the company in all its IT services, related concerns and queries.

Over two thirds of the identified threats to our security come via email, for which we have two defense lines: Barracuda and Microsoft anti-spam tools. Should an email get through which is a potential threat, all employees have been educated on best practices and have easy access to a Cyber Security Manual which helps identify threats and determines which actions to take.

The company provides additional security software to our employees for use on their own personal mobile devices, and we regularly and proactively promote good cyber security awareness within the team.

Every system we use across the company has varying levels of access, which are maintained by our IT resource, and we insist on Password Management tools being used. Full information can be found in our IT and Cyber Security Policy.

(1)Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected

CG-EC-230a.2

House of Baukjen has 0 data breaches to report for the year 2022.

Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)

1. Environmental Governance

Sustainability has been embedded into all aspects of the business and impacts the work of most teams within the business, with climate-related governance being a key area of focus. To manage the implementation of best practices and ensure the necessary work for attainment of targets, the company has a formal structure for Environmental Governance.

Structure for Environmental Governance:

Board of Directors: responsible for approving the sustainability strategy and oversight of environmental governance targets. Meets bi-monthly.

CEO: supervises the implementation of the sustainability roadmap and the attainment of environmental governance goals. Approves internal and external reports prior to these being published.

Sustainability team: responsible for the everyday operations related to the environmental management of the business. Supervises the implementation and proper functioning of sustainability-related activities, advises on material risks affecting the company, maintains and updates environmental and social management documents. Creates internal and external reporting.

2. Strategy

Our environmental strategy is underpinned by a focus on circular economy principles, which far from being a buzzword within our business has gained power as a fundamental guiding principle. All relevant teams within the business have been educated on circular practices, with the Butterfly Diagram by the Ellen MacArthur Foundation providing the basis of our Materials Strategy, whilst the Doughnut Diagram by Kate Raworth is employed in the development of wider company strategy in medium to long-term outlook as it references social and environmental goals.

Due to the urgency of the crisis our planet faces and the nature of the challenges posed by climate change, risks and opportunities associated with the analysis of future climate scenarios have been assessed and categorized as short (0-2 years), medium (3-8 years) and long-term (9 years +).

Scenario Analysis

Please refer to Supporting Documents for a Risk Analysis Matrix with key risks that House of Baukjen is tracking and considering in its Scenario Analysis and for its Strategy.

Key risks we are currently tracking include:

- Changes in availability and price of natural raw materials
- Disruptions of production
- Disruption of operations
- Increase in the operating costs of our business
- New environmental legislations
- Increase in the cost of carbon credits

Climate Change resilience and opportunities

House of Baukjen's positioning in terms of sustainability and the definition of long-term milestones is enabling us to boost the opportunities associated with a transition to a circular and low-emissions economy.

We aim to lead the Fashion industry with a comprehensive approach to material and social sustainability, fostering better practices and leveraging next-generation materials to create positive impact not only through our own operations but which ripple through our value-chains. We believe this to be the best approach to mitigate exposure to physical risks, whilst generating value and competitive advantage.

Our commitments to reduce global environmental impact (namely SBTs, UN Fashion Charter, Fashion Pact and SAC) provide us with robust frameworks and

support systems to unlock further opportunities in the transition to a low-emissions economy and overall healthier planet. In addition to the knowledge and systems we gain access to through involvement with these organizations, we are also part of a number of projects and working groups that aim to take action in the sourcing and development of more circular fibres, protect water resources, protect biodiversity.

We have developed our own Baukjen Sustainability Index which communicates the environmental and social performance of garments to customers, whilst our new garment collateral communicates the Sustainable Attributes of clothing at a glance.

3. Risk Management

House of Baukjen has a Risk Management System, the purpose of which is to provide reasonable assurance that our responses to the social and environmental challenges will be effective and achieved in harmony to the other business objectives in play. Risks are assessed in terms of impact, probability of occurrence and degree of preparedness.

Within our team, members of our financial, operations and sustainability teams share the responsibilities associated with Risk Management within the business. The employees in question assess the efficacy of internal management systems, as well as the measures envisaged to mitigate the impact of the risks identified. They are also responsible for the identification and re-assessment, at least annually, of the main financial and non-financial risks and their tolerance levels.

The company conducts an internal audit at every quarter, objectively supervising the Risk Management System.

Senior Management is responsible for the approval of action plans and work plans derived from the risk management process itself, activity monitoring and the attribution of roles within the framework of the Risk Management System.

Finally, the Board of Directors is responsible for the approval of the Risk Management and Control Policy, which establishes the basic principles, key risk factors and the general framework of action for their management.

4. Metrics and Targets

House of Baukjen has set a number of internal and external targets for the reduction of environmental impact in key metrics. Please refer to “The company’s Environmental Impact in 2022” for detailed information on carbon and water, as well as other impacts which help inform our target setting.

Below you can read our Targets.

Key targets we’re currently working toward:

Carbon

“Commitment to achieve net zero emissions by 2050. We’ll quantify, track and publicly report on GHG emissions every year.”

“Commitment to set SBTI approved science-based emissions reduction targets on scope 1, 2 and 3 by end of 2023, in line with the latest criteria and recommendations of the SBTi; with a further commitment to submit relevant reduction pathway plans for the selected 2030 goal within 12 months.”

“Commitment to decarbonize supply chain. We will incentivize implementation of renewables in all high impact manufacturing processes along the entire supply chain – with a goal to achieve 50% renewable energy across Tiers 1 and 2 by 2030.”

Water

“Commitment to ensure that no substances likely to cause harm to human, animal or vegetable life are released into Nature, directly or indirectly. We will work with suppliers who have wet processes to achieve clear wastewater certifications, with a goal to source 50% of materials from ZDHC Clear Stream certified (or equivalent) suppliers by 2030. We will further look to phase out any chemicals which have the potential to cause harm from our supply chain, by working with suppliers to replace such substances with safer alternatives.”

“Commitment to reduce use of water related to creation and processing of materials by 30% by 2030, from a 2019 benchmark. We will procure materials and fibres with lower water footprint and work with suppliers to adopt better water management practices,

which may include incentivizing the uptake of water recycling and other technological solutions."

Use of Materials

"Commitment to source 100% of Key Raw Materials as Low Climate Impact by 2030, with an interim goal to achieve 75% by 2025."

"Commitment to move away from virgin fibres and materials and to invest in circular alternatives, with a goal to source 35% of our Key Raw Materials from recycled sources by 2025."

"Commitment to protect forest cover and associated lifeforms, by ensuring that 100% of our wood-based fibres and materials cause no deforestation (namely our paper, viscose and other MMCF), nor is forest cover destroyed for the attainment or creation of any other materials we use (namely leather and precious metals).

SASB Index

	Accounting Metric	*Location of disclosure*	SASB Code	Category	Unit of Measure
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations	*page 12*	CG-AA-250a.1	Discussion and Analysis	n/a
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	*page 12*	CG-AA-250a.2	Discussion and Analysis	n/a
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement	*page 12*	CG-AA-430a.1	Quantitative	Percentage (%)
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	*page 12*	CG-AA-430a.2	Quantitative	Percentage (%)
Labor Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor	*page 14*	CG-AA-430b.1	Quantitative	Percentage (%)
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	*page 14*	CG-AA-430b.2	Quantitative	Rate
	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	*page 14*	CG-AA-430b.3	Discussion and Analysis	n/a
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials	*pages 6-10*	CG-AA-440a.1	Discussion and Analysis	n/a
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard	*pages 6-10*	CG-AA-440a.2	Quantitative	Percentage (%) by weight
Data Privacy & Advertising Standards	Number of users whose information is used for secondary purposes	*page 22*	CG-EC-220a.1	Quantitative	Number
	Description of policies and practices relating to behavioral advertising and user privacy	*page 22*	CG-EC-220a.2	Discussion and Analysis	n/a
Data Security	Description of approach to identifying and addressing data security risks	*page 23*	CG-EC-230a.1	Discussion and Analysis	n/a
	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected2	*page 23*	CG-EC-230a.2	Quantitative	Number, Percentage (%)
Employee Recruitment, Inclusion & Performance	Employee engagement as a percentage3	*page 21*	CG-EC-330a.1	Quantitative	Percentage (%)
	(1) Voluntary and (2) involuntary turnover rate for all employees	*page 21*	CG-EC-330a.2	Quantitative	Rate
	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees4	*page 21*	CG-EC-330a.3	Quantitative	Percentage (%)
	Percentage of technical employees who are H 1B visa holders	*page 21*	CG-EC-330a.4	Quantitative	Percentage (%)
Product Packaging & Distribution	Total greenhouse gas (GHG) footprint of product shipments	*page 16*	CG-EC-410a.1	Quantitative	Metric tons (t) CO -e
	Discussion of strategies to reduce the environmental impact of product delivery	*page 16*	CG-EC-410a.2	Discussion and Analysis	n/a

Supporting Documents

List of Materials	Risks of Conventional Sourcing	Responsibly Sourced	Low Impact	Next Gen
		Minimising negative impacts on people and the planet	Materials have a lower environmental impact	Examples of even better solutions
Cotton	A natural fibre with at times a negative environmental and people impact	•Cotton made in Africa •Better cotton initiative •Fair trade •US cotton protocol	•Organic cotton •Recycled cotton	•Regenerative cotton
Viscose	A cellulosic usually derived from wood fibres, it can impact deforestation	•FSC certified •PEFC certified	•Lenzing ecoveroTM •Birla liva ecoTM	•Birla liva revivaTM •Spinnova
Lyocell	A cellulosic usually derived from wood fibres, it can impact deforestation	•FSC certified •PEFC certified	•Lenzing tencelTM •Birla excel	•Lenzing refibraTM •Renewcell
Wool	Treated sheep hair, some practices harm animals or degrade soil	•RWS certified wool	•Organic wool	•Regenerative wool •100% recycled wool
Leather	Natural material from animal hides, some practices distress animals and have negative environmental impact	•Certified origin leather •Leather working group •Mulesing free	•Organic and vegetable tanned leather	
Hemp	Natural fibre from hemp plants, can degrade soil	•By default already a preferred fiber	•Organic hemp	
Linen	A natural fibre from flax plants, can degrade soil	•By default already a preferred fiber	•Organic linen	
Algae	Processed fibres made from harvested algae, can affect marine biodiversity	•SeaqualTM		
Cork	A natural material harvested from oak barks, no known risks		•By default already a low impact material	
Polyester	Synthetic fibre commonly made from petroleum, relies on fossil fuels	•Bio-based, made from a natural material	•Recycled polyester	•Recycled fibre-to-fibre
Polyamide	Synthetic fibre commonly made from petroleum, relies on fossil fuels	•Bio-based, made from a natural material	•Recycled polyamide	•Recycled fibre-to-fibre
Elastane	Synthetic stretchy fibre commonly made from petroleum, relies on fossil fuels	•Bio-based, made from a natural material	•Recycled feedstock	•Biodegradable
Other synthetics	Synthetic fibre commonly made from petroleum, relies on fossil fuels	•Bio-based, made from a natural material	•Recycled feedstock	

Risk Analysis Matrix

House of Baukjen assesses the potential impact of various climate-related risks on its business. These risks are named and explained in our Risks Analysis Matrix, which also looks into the time horizon, likelihood and magnitude of impact for each risk in our business.

House of Baukjen has defined for the purpose of its Risk Analysis Matrix and Strategy the following time horizons:

Short-term = 1-2 years

Medium-term = 3-8 years

Long-term = 9-25 years

Looking at short-term risks and opportunities within a short timeframe was deemed appropriate to us given the uncertainty of how quickly some key climate-related risks may materialize, whilst also giving our small team more time to implement projects and measure results.

Magnitude of impact is assessed with reference to the likelihood of occurrence and degree of preparedness of the business to address the consequences of this occurrence.

	Risk Type	Primary Driver	Value-chain stage	Company-specific description	Time horizon	Likelihood	Magnitude of Impact	Description of response and explanation of cost calculation
1	Chronic Physical	Changing temperature (air, freshwater, marine water)	Upstream	Changes to availability of natural materials leading to impaired ability to produce goods. As a company we rely on avg 49% natural fibres, the availability of which is impacted by changing weather patterns. Rising temperatures are likely to impact the areas where key crops can be grown, cause a shift in the seasons in which crops can be grown, and negatively effect the safety and wellbeing of farmers. Natural fibres vulnerable to such changes include cotton, linen and hemp. Cotton and flax (linen) are grown during Summer season and are therefore particularly at risk of being negatively impacted by changes in temperature. An increase in air temperature can make current areas of cultivation unsuitable for the plants currently grown there by becoming too warm and/or arid, as well as decreasing yields or quality of the fibres and therefore their profitability. When temperatures become too warm, which can be a chronic increase or a result of more regular heatwaves, they can reduce the amount of hours that farm workers can spend working without negatively impacting their health. Other potential indirect impacts on the health of workers include geographic changes in the spread of temperature-dependent vector diseases. Additionally, any such changes can also negatively impact the availability of food and water, increase the price of key commodities for farmers and contribute to geo-political instability.	Medium-Term	Likely	Medium	Our company's response is to reduce exposure to this risk by reducing amount of virgin cotton fibre in collection whilst aiming to increase traceability of the cotton we continue to source. We are actively working to source cotton from areas at lower risk of severe heat stress. The company is aiming to source more hemp, if possible from geographic locations which are at lower risk of heat stress. In 2021 we phased out conventional cotton from our collections, replacing it mostly with Organic cotton. Our uptake of Organic Cotton is partially grounded on the belief that heritage varieties of the plant can be more resilient to variations in temperature and water availability. Cost of response to this risk covers CY 2022. Organic Cotton fibre prices in our supply chain rose in cost by about 30% during 2021, with a portion of that cost increase considered in our cost of response to this risk. The remainder of this figure represents overheads and costs associated with changes in sourcing.
2	Emerging regulation	Enhanced emissions-reporting obligations	Direct Operations	Emerging regulations for fashion sector that will require the tracking of emissions in scopes 1, 2 and 3; as well as reporting and mitigation, which represent added costs to the business. The increase in commitments and obligations of environmental reporting represents direct and indirect business costs. Direct costs include data gathering and calculations by the company's own staff, as well as paying for access to the tools that enable such calculations and verification processes. Indirect costs include surcharges by suppliers for data gathering in their own operations, which is already the case with some shipping partners. These costs are likely to increase in the medium-term as legislations become more specific about which evidence is acceptable.	Medium-Term	Very likely	Medium-low	Building in-house team to track, calculate and manage GHG emissions as well as set and meet reduction targets, to mitigate the impact of paying future carbon (and border) taxes. Working with suppliers and service providers to obtain GHG emissions data and lower where possible. Cost of response includes carbon offsetting and the amount of hours put into this work which also represents a cost for the company. Cost calculations for CY 2023.
3	Market	Increased cost of raw materials	Upstream	Increase in cost of products as a result of increased demand for certified materials. As more textile and fashion companies seek to adapt to increasing customer demand for responsible and organic fibres, the industrial demand for such materials is growing faster than supply, resulting in increased cost of raw materials. Costs related to industry certifications and benchmarks are also passed on to brands, which are increasingly sought after as assurances of the environmental performance of materials, suppliers and finished goods. These two aspects of production result in increased direct costs for the company.	Short-term	Virtually certain	Medium	We have calculated the cost of response to risk as the increase in Cost of Goods plus amount of time spent by staff sourcing certified materials, as well as requesting and maintaining copies of certificates for compliance purposes. Cost calculations for CY 2022.

4	Emerging regulation	Mandates on and regulation of existing products and services	Direct Operations	Emerging regulations to tackle the creation of textile waste, pre- and post-consumer The apparel industry creates waste at multiple stages of product lifecycle. This waste has historically not been the focus of regulation beyond the wet stages (where water and chemical pollution are of particular concern). Increasingly we see various countries discuss, propose or approve mandates to prevent the destruction of usable materials and products with a view to lessen the associated carbon footprint and pollution, as well as encourage a circular materials economy.	Unknown	More likely than not	Low	We believe this will be of low impact on our business, which is already operating on a circular model and creates no textile waste in its own operations. Costs associated with our response to this risk include operating costs for our takeback scheme, partnership with a textile recycling company and supporting our manufacturers in the implementation of Zero Waste principles in their facilities. Cost calculations for CY 2022.
5	Chronic physical	Precipitation and/or hydrological variability	Upstream	Water scarcity affecting availability of cotton as raw material. House of Baukjen uses cotton in its collections, with this fibre representing 35% to 40% of our materials portfolio for apparel. At least 60% of cotton production originates from areas under water stress and at medium to high risk of draught (as assessed using the WWF Water Risk Filter tool - https://waterriskfilter.org/). This risk can result in impaired ability to source cotton and/or incuring higher costs for the material; with a combination of both effects likely.	Short-term	Likely	Medium	Our company's response is to reduce exposure to this risk by reducing amount of virgin cotton fibre in collection whilst aiming to increase traceability of the cotton we continue to source. We are actively working to source cotton from areas at lower risk of severe water stress. Cost calculations for CY 2022.
6	Acute physical	Wildfires	Upstream	Increase in temperatures leading to an increase in frequency and magnitude of wildfires in our main manufacturing areas. In 2021, 98% of our garments were manufactured in Portugal and Romania, which were the two countries in Europe with highest incidence of forest fires in 2020, and both in the top 10 countries in Europe in 2021 also. Additionally, about 80% of the fabric manufacturers in our supply chain are located in the European Mediterranean basin and Portugal - geographies that are experiencing a rise in heatwaves and wildfires. Factories are often located in the outskirts of cities, in small industrial clusters that are sometimes surrounded by forested area. Such factories are at risk of being impacted by wildfires in a variety of ways: from being at risk of fire, to being cut off from the nearby cities due to the existence of a single access road, or being unable to safely operate due to poor air quality as a result of smoke and ash being carried from nearby fires. This risk is recognized by a number of factories, some of which have voluntary firemen and firewomen within their staff and make donations to the local firefighting stations.	Short-term	Virtually certain	Medium	In response to an increasing risk of production being disrupted because of wildfires, our company is diversifying its portfolio of suppliers, as well as working with existing suppliers to better scope risk and implement mitigating measures. Costs associated with this change include additional work for our team for managing a larger number of suppliers and additional hours spent on sourcing.

7	Market	Other: Energy crisis	Upstream	Rising cost of energy, in particular gas, resulting in higher operational costs for our suppliers (in particular, for wet stage processors) which result in rising costs of product for us. House of Baukjen tier 2 and 3 suppliers are concentrated in Europe and their facilities rely on gas-powered boilers, making them vulnerable to volatility in the availability and price of gas. The cost of gas and petrol is rising considerably as a result of socio-economic instability and is likely to continue rising in coming years. Price volatility is pushing manufacturers to explore alternative sources of fuel for key processes (such as biofuels), creating further demand for these alternative fuels which as consequence are increasing in cost as well.	Short-term	Virtually certain	Medium-low	We are currently unable to quantify the cost of responding to this risk. We are actively listening to our suppliers' concerns in this area and studying how best to support them in the transition to renewable energy processes and the creation of on-site renewable electricity generation as a means of reducing their exposure to volatility in energy prices. To address use of gas at wet stage, we're supporting two key technological changes. Firstly, the electrification of boiler equipment, which can be powered by renewable energy. Secondly, the adoption of enzymes in replacement of other additives when dyeing cellulosic fibres, which can significantly lower temperature and number of rinses.
8	Acute physical	Flood (coastal, fluvial, pluvial, groundwater)	Upstream	Reduced availability of products due to flooding in key areas of production. In 2021 over 90% of our products were manufactured in Portugal, with 2 regions in the North of the country standing out as key production areas. The North of Portugal is experiencing an increase in extreme weather events, namely rain downpours during Winter which cause flooding (pluvial), flooding (fluvial), mudslides and damage to infrastructure. Such events have the potential to impact production of our goods either by directly causing damage to the goods and/or production facilities; and/or indirectly by affecting access to production facilities; and/or indirectly by impacting the health and wellbeing of their workers.	Unknown	More likely than not	Medium-low	Our company's response to this risk is to diversify its portfolio of suppliers with the aim to limit risk associated with a single geographic location. Costs associated with this change include additional work for our team for managing a larger number of suppliers and additional hours spent on sourcing.
9	Reputation	Stigmatization of sector	Downstream	Risk of reputational damage to the fashion industry as a consequence of its environmental and social impact, leading to a sector-wide decrease in demand. As a sector which has been growing due to trends and changes in consumption patterns in mostly mature markets, the fashion industry is susceptible to changes in demand if it is perceived to be having too high a impact on the planet and its people, and not taking action quickly enough to address them.	Unknown	Unlikely	Unknown	As a company we are focused on creating clothing with as low an environmental impact as possible, as well as creating products which are of high-quality and timeless in style. As such we expect to be well-positioned for a transition in customer demand and spending, and see this as an area of opportunity (further detailed under section C2.4a, Opp1). Costs of response to this risk include the premium paid for more responsible materials, additional time spent on sourcing and compliance tasks, resources that go into educating our team and partners to ensure good practices are maintained, additional time and resources put into the marketing of more sustainable products.

10	Market	Uncertainty in Market Signals	Downstream	Risk of a recession having a negative impact on our ability to further progress on our targets to lower climate impact. As a product based company, we rely on the sale of products to finance our operation and various projects, namely those with an aim to lower the carbon emissions associated with our business and the industry as a whole. In the eventuality of a market downturn and/or recession that negatively affects our sales in a significant way, there is a risk that budget for sustainability-related projects will be cut. This is a risk due to lower emissions no longer relying on more-efficient use of resources which would also represent cost-saving. Instead we now rely on adoption of innovative and recycled materials and lower emission technologies in supply chain, which most often represent added costs for the company.	Short-term	Somewhat likely	Medium-low	House of Baukjen has customer offerings which are recession agnostic as they are free or at lower prices than our main product offerings (Care & Repair, Pre-Loved, Subscription). Whilst these represent but a small portion of our allocation of resources, they are beneficial to the business both for customer acquisition and customer retention. In the event of a market downturn we are able to continue improving on these offerings. Due to the short lead-times we work with, we are able to buy at initial small quantities and react into customer demand.
11	Reputation	Shifts in Consumer Preferences	Direct Operations	Risk of reputational damage due to the use of catalogues and other printed media for marketing purposes. House of Baukjen's brands have historically sold via catalogue and continued to do so over the years. As the company evolved to focus on being more eco-friendly, it has made changes to the catalogues to lower their footprint but hasn't discontinued the practice. Paper catalogues have a measurably higher environmental footprint when compared to digital marketing alternatives due to the use of wood-fibres, printing and logistics both within production and mailing of the catalogues. There's a risk that we can loose consumers' trust that we are taking serious action to address the climate crisis by relying on forms of physical marketing that fall out of favour due to the higher emissions associated to them.	Unknown	About as likely as not	Low	House of Baukjen has taken a gradual approach to decrease the amount of catalogues and printed media it relies on, whilst at the same time lowering the climate impact of its printed materials. Over the last 12 months, we've been strategically working to get catalogue subscribers to move from mail to digital catalogues and email. We're currently not printing nor mailing catalogues, and have only sent 1 postcard over the last 5 months. Some of our existing customers have a preference for printed media though, and printed media continues to perform well for our business in terms of conversion with above average order value. To mitigate the impact of catalogues and mailing, our business has changed the stock of paper used, which is now manufactured in Scotland from locally-harvested wood at a mill with very good energy-efficiency pratices. This both reduces the carbon footprint of production and miles traveled. Additionally, the printers we use have outstanding energy efficiency and waste management practices which further lower the footprint of our printed catalogues.
12	Market	Changing Customer Behaviour	Direct Operations	Increase in company's environmental footprint due to an increase in reverse logistics. Reverse logistics, or the return of products from customers to our warehouse, is an area of increasing concern within our Scope 3 emissions due to the normalisation of customers over-ordering and returning a part of their order; as well as growth of our Rental and Subscription services which have reverse logistics built into them.	Short-term	Likely	Low	In response to this risk we have been managing reverse logistics KPIs very strictly. We are continuously working to improve on the fit and description of our clothes, our team tries on a multitude of styles to check on how they fit different bodies to better advise customers, and has a view to eliminate exchanges and returns by eliminating doubts about sizing and look and feel of garments. We also enforce tighter quality control at factory level. We work with logistic partners who are lowering their environmental fooptrint and continue to invest in lower emission vehicles and efficiency improvements. Our cost of response to this risk includes agent fees for factory-floor QC and overheads related to pulling together such information for product pages on website.

13	Market	Uncertainty in Market Signals	Downstream	Risks related to an increase in stock, namely due to costs and emissions. As we become more reliant on third-party vendors for concessions we face a bigger risk of holding excess stock should one of our vendors terminate their contract with us or go into administration. Excess stock has historically not been a problem for House of Baukjen as we tend to purchase small quantities of product and re-stock if it sells well, as opposed to placing large orders in the first place. If we were to find ourselves in the situation of taking back stock that is on one of our largest vendors, we'd see an increase in emissions related to the reverse logistics of taking back the product and potentially have to rent additional storage space to hold this stock (which would also add to our footprint).	Unknown	Unlikely	Low	House of Baukjen is closely monitoring performance of concessions with third-party vendors. We limit the amount of stock that is held in store (by shipping less and more frequently). Our partners are large and unlikely to go into administration. We also have very good relationships with our partners and believe we'd have enough time to adapt should they wish to terminate our contract. We are currently unable to define the cost of response to this risk.