

NISOLO

IMPACT REPORT







OUR VISION

To push the fashion industry in a more sustainable direction—where success is based on more than just offering the cheapest price—a direction that not only values exceptional design, but the original producer and the planet just as much as the end consumer.

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MADE IN ITALY





source | truecostmovie.com



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We are increasingly disconnected from the people who make our clothing, as 97% of items we consume in the US are now made overseas. Producers at the bottom of the supply chain of the fashion industry are some of the lowest paid workers in the world, and roughly 85% of them are women. The human factor of the fashion industry is too big to ignore, as we consistently see the exploitation of cheap labor and the violation of workers', women's, and human rights across the world.

(Andrew Morgan, The True Cost)



Blinded by the allure of cheap prices,
we as a society have chosen to ignore reality,
failing to ask how the price of clothing could
have ever become so low.



Co-Founders Zoe Cleary and Patrick Woodyard in Nisolo's Nashville HQ

The deeper you dig, the more you'll come to realize how broken the fashion industry is today. Yet, there is hope—even for the pragmatist. A fresh group of brands and manufacturers are on the rise, fighting to allow the industry to reach its hidden potential as a positive force for good. Since this movement's recent inception, our team at Nisolo has remained proud to fight alongside these revolutionary organizations. Here's a little bit about the "why" behind Nisolo and where it all began...

As an undergrad, I studied Global Economics & Business and spent a fair amount of my time traveling the globe learning how international business can have a very positive or very negative impact on the world. Shortly after graduating, I moved to Peru where I pursued an opportunity in microfinance with the goal of helping women grow their small businesses. Little did I know, my job was in Peru's shoemaking capital, and I was soon introduced to the centuries-old, fascinating art form of shoemaking. Blown away by the skill that abounded, I was frustrated to learn that the producers I met faced unbearable obstacles to financial wellness and that even ever-so-slightly competing in the global fashion industry was a lost cause for them.

I knew things could be different, and I saw massive potential to drive transformational change in this community by starting Nisolo. I also knew I would need help, and thankfully, I was introduced to my Co-Founder, Zoe Cleary, shortly thereafter. While I found myself alongside these isolated shoemakers on the frontlines of a massively complex global supply chain, Zoe was thousands of miles away working in an NYC office for a multi-billion dollar fashion company that seemed to care very little for the planet or for the people who made the clothes they sold every day.

Viewing from very different angles, we were exposed to the same dirty truth that most consumers, blinded by the allure of cheap prices, are still completely unaware of today: the explosive growth of the global fashion industry has fared well for some, yet has been violently

unjust for most everyone else. The truth is that low wages and poor working conditions are rampant, with 98% of garment workers around the world today not even receiving a living wage. And, the last five years have been some of the deadliest in history, with tragedies such as the Rana Factory collapse and Ali Enterprises fire alone collectively killing 1500 people and injuring thousands more.

Due to exorbitant water usage, the irresponsible disposal of waste, the exponential growth of manmade non-biodegradable fibers such as polyester, and filthy carbon emissions from coal powered factories in the developing world, the planet isn't faring too well either. In fact, the fashion industry is now the second most pollutive industry in the world behind oil.

Recalling that business can have a very negative or positive impact on the world, our motivation comes not only from how bad things have become but from the opportunity at hand. This is an industry that employs hundreds of millions of the world's poorest people. What would the world look like for future generations in these communities if, rather than systematically holding people in a never ending cycle of poverty, proper treatment and a fair opportunity were guaranteed for all producers? I've seen firsthand the impact this has had on our shoemakers and the future of their children. I want to see this happen worldwide.

As consumers, we hold immense power through the demand that we create. There is a reason why the ethical fashion space is experiencing explosive growth. We all want a better industry. And, that's why we encourage you to dig deeper into your favorite brands' supply chains. If they are not visibly demonstrating a move in the right direction, we encourage you to ask them for an explanation or for more transparency where it is lacking.

Ultimately, this is a marathon, not a sprint, but by working together, we believe we can drive monumental transformation in the fashion industry within our lifetime. Now, let's go make it happen!



PATRICK WOODYARD

Co-Founder & CEO



IMPACT
HIGHLIGHTS

117

full time, sustainable jobs created

555

livelihoods supported across our
supply chain

33%

above fair trade wages is what the
average Nisolo producer earns



100%

of Nisolo producers are 18 years or older

\$3.5M

invested into the local economy in Peru
where our main factory is located

100%

of our producers' children are
attending school

100%

of our producers' children attending
university in Peru will be first
generation graduates

CERTIFIED B CORPORATION

Internal impact reports, like the one you are about to read, and company-conducted audits have always been important. In an age where “sustainable” and “ethical” in the fashion industry have become as ambiguous as “organic” in the food and beverage industry, we believe that the importance of third party certification is higher than ever. At Nisolo, we are proud of the fact that we have been internally measuring our social and environmental impact for many years. That said, at a time when greenwashing has reached new heights in our industry, we made sure that one of our primary impact

objectives for 2017 would be to obtain third party certification from a highly respected organization. With that in mind, we’re very excited to share that Nisolo has become a Certified B Corporation!

Hosted by B-Lab, B Corporations (or B Corps for short) are forward thinking, for-profit companies that “meet rigorous standards of social and environmental performance, accountability, and transparency.” B Corps are companies that use the power of business to help solve social and environmental challenges that our world faces today.



WHAT IS B CORP CERTIFICATION?

B Corp certification is similar to fair trade, but determines environmental and social impact beyond product attributes or production processes. Rather, the assessment takes a deep look into a company's leadership, governance, suppliers, employees, communities, etc. in order to determine (and ultimately score) the social and environmental impact an organization has on all of its stakeholders.

Throughout the written assessment and multi-interview certification process, 250 questions are asked such as: "How do you determine a fair wage for your producers? Have you conducted audits with your suppliers to verify safe and healthy working conditions? Are you measuring your company's greenhouse gas emissions?, etc." After answering, one of the best parts about B Corp Certification is that companies have to ensure that they have documented proof for each answer they give. We were impressed by the diligence of the process and look forward to continue learning more from B-Lab and the B Corp community.

WHAT DOES IT MEAN FOR NISOLO?

One major benefit of the assessment and subsequent scoring process is that it shed light on where we are excelling and where we need to better understand the deepest parts of our supply chain and its associated impacts (which you better believe shows up

in our 2018 impact objectives!). As a certified B Corp, we are now better equipped with the tools needed to continuously improve our practices on our journey to meeting and surpassing the highest social and environmental standards in the business.

At Nisolo, we believe that business has a higher purpose beyond solely profit. The beauty of this? We are not alone in this belief. There are currently over two thousand certified B Corporations from more than one hundred industries in over fifty countries—all with one unifying goal: to redefine success in business with a triple bottom line.



WHAT DO YOU AS A CONSUMER DO WITH ALL

OF THIS INFORMATION?

The truth is, while all of this B2B and third party company certification talk sounds wonderful and is definitely helping drive greater sustainability, it's you as a consumer who holds the most power over the future direction of the fashion industry. Like it or not, your dollars and where you choose to spend them are a lot more powerful than our words or B-Lab's words for that matter. Please spend them wisely. And, the next time you are looking to make a purchase, we highly encourage you to check out the directory on bcorporation.net where you can search by company or by industry to identify B Corp certified brands that are striving to do things the right way, with all stakeholders in mind.



THIRD PARTY CERTIFICATION

In addition to becoming a certified B Corporation, we conducted a third party audit of our factory in Peru through Société Générale de Surveillance SA (SGS), the world's leading inspection, verification, testing and certification company. We scored a 94 out of 100 possible points in areas ranging from health and safety, wages, working schedule, proper management of chemicals and hazardous materials, and management's attitude toward social compliance and ethical treatment of employees.

MODES OF PRODUCTION

Take an inside look and see what we're doing to challenge the status quo of the fashion industry.



OUR FACTORY

To serve as a model for the industry, we built our own facility from the ground up where all producers receive, at a minimum, the following: beyond fair trade wages, healthcare, and a healthy working environment.



PARTNER FACTORIES

We champion other ethical factories that uphold the same standard of ethics as Nisolo. This includes guaranteeing the benefits provided to our producers we mentioned above and more.



INDEPENDENT ARTISANS

We work closely with small, independent artisans to help scale their businesses, support their entrepreneurial efforts, and to ignite change and opportunity within their own communities.



TRUJILLO, PERU

Peru's shoemaking capital and home to our factory





OUR FACTORY

Trujillo is Peru's shoemaking capital and third largest city. Shoemaking is an artform that has been passed down through generations, and we take pride in sustaining its long-held traditions.

TRUJILLO, PERU

77

PRODUCERS

361

LIVELIHOODS
SUPPORTED

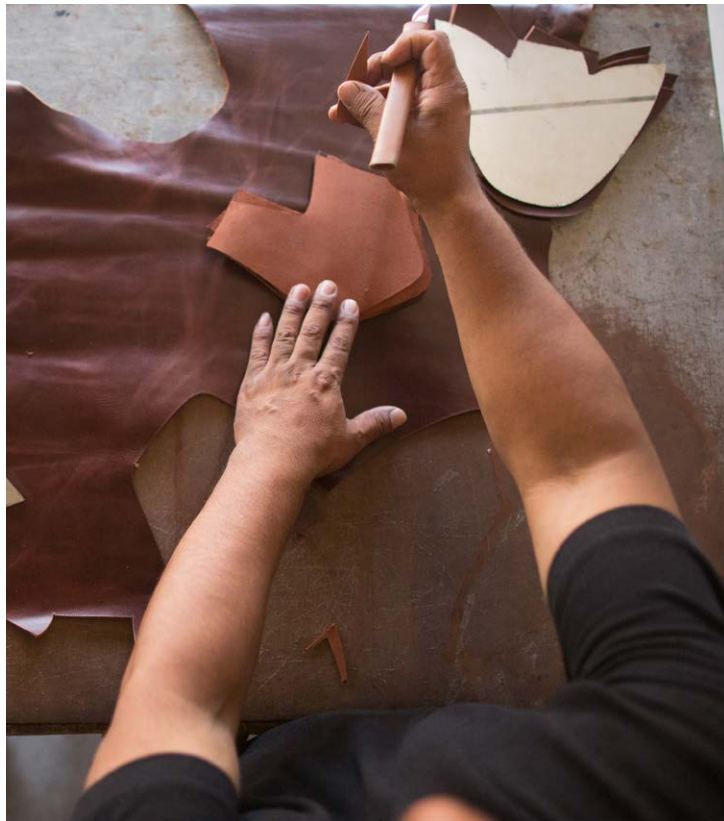


SHOES



ACCESSORIES





WAGES

The average salary of Nisolo producers is 33% higher than fair trade wage requirements. The average annual income increase for all producers is 82%. Women in particular have felt significant impact, reporting an annual income increase of 125% since joining Nisolo compared to previous employment.

THE EFFECTS OF A FIXED SALARY

BANK ACCOUNTS

Due to our in-house financial literacy training program, 100% of Nisolo producers now have a bank account. Two years ago that figure was 10%, as the majority of employees had never had a bank account prior to working for Nisolo. Through a bank account, producers have access to banking services they had never had before, such as secure loans, allowing them to stay away from dangerous and exploitative loan sharks, and can save in a more secure location. This changes the game for people like Panfilo, one of our producers who recently had a loan approved to build his home which has always been his dream.

SAVINGS

Producers are more likely to start saving as a result of working with Nisolo. 49% of producers are currently contributing a portion of their monthly income to long-term savings, and we are working hard to increase this number.

SALARY ADVANCE PROGRAM

All producers can solicit a salary advance for costs related to health, education, and emergencies. The average interest rate for a bank loan in Peru is 20% and loan sharks charge even more. Offering salary advances helps producers with an immediate need and reduces the risk of accumulating unhealthy debt.



NISOLO

NISOLO



ON CONTRACT EMPLOYMENT

Where we operate, 75% of employment takes place in the informal economic sector (i.e. selling goods in the marketplace, working project to project for different employers, paid informally in cash without a contract, etc.) All employees work on contract, guaranteeing a stable salary with benefits and consistent work. More than half of Nisolo producers had never previously held a job in the formal economic sector.



LOCAL ECONOMY

To minimize our carbon footprint, we strive to source locally whenever possible. Additionally, by sourcing raw materials locally and working with nearby tanneries, we have invested over \$3.5M back into the local economy.



HEALTHCARE

All producers and their dependents have free access to company-paid healthcare. That said, we have recently discovered that the level of care is not yet where we would like for it to be, and after assessing the need with our producers for additional coverage, we are researching private plans for supplemental care.



TIME OFF

All producers receive at least 15 days of paid time off per year. This is one reason why providing formal employment to all our producers is important.



TRAININGS + PROGRAMS

We offer free, weekly livelihood trainings that range from personal financial management and physical and psychological health to interpersonal skills such as conflict resolution and team building communication. We also offer free, weekly English classes to all producers and their family members.



WORKING ENVIRONMENT

Improving the environment of our factory is an ongoing priority; we have a standard process for receiving feedback from producers to assess needs and implement solutions. This has led to enhanced access to technical training and promotional mobility in the factory. Producers receive appropriate protection (gloves, eyewear, masks, etc.) for their role in the production process. We'll be sharing exciting news soon on what we've done to make our working environment one of the best in the world. Stay tuned!



“

My experience with Nisolo has totally changed my life. I used to work 12, 14, even 16-hour days making shoes. I rarely saw my family. After 5 years of marriage and with a two-year-old son, I had to migrate to Argentina since my job in Peru didn't provide me with consistent work and a stable salary. I worked abroad for four years without seeing my family. It was the hardest thing I have ever done, and I often felt alone. A year ago, I came back to see my family and was thinking about returning to Argentina until a neighbor told me about Nisolo. My job making products for Nisolo has improved every area of my life. Now, my family has health care, and my son is receiving a better education than he was before. I also get to spend more time with my family. It's great to work with a company that values family.

FERNANDO

LASTING MACHINE OPERATOR





LEÓN, MEXICO

North America's capital of quality footwear + leather goods





PARTNER FACTORIES

We employ a strict set of standards that all partner factories must meet in order to produce for Nisolo. At a minimum, all producers must be 18 years or older, receive beyond fair trade wages, healthy working conditions, and healthcare. Nisolo staff personally conduct routine factory visits multiple times a year to establish strong working relationships and ensure standards are met.

LEÓN, MEXICO

414

PRODUCERS



SHOES



ACCESSORIES



WHY LEÓN?

León is located in the heart of Mexico—a city with centuries-old ties to leatherworking and shoemaking. Its artisans are known around the world for making some of the highest quality leather goods on the planet. We're excited to learn from established, ethical factories and share our takeaways from building an ethical factory from the ground up ourselves.





WAGES

All producers in our partner factories make a minimum of 27% beyond fair trade wage requirements. In one of our partner factories, entry level producers receive up to 74% more than fair trade wages, while experienced producers receive significantly more. The annual turnover rate is less than 2% across all partner factories.

BENEFITS

- Healthcare for producers and dependents
- Paid time off
- Subsidies for housing
- Technical and livelihood trainings
- Health clinic access
- Paid maternity leave
- Savings group access
- Continued education programs
- Mental health access

HEALTHY WORKING ENVIRONMENT

All producers receive training on a regular basis whether it be local firemen addressing fire safety or machine specialists teaching standard operational procedures. Employees receive appropriate protection (gloves, eyewear, masks, etc.) for their role in the production process. These facilities are air conditioned and optional standing workstations are provided for increased health benefits



NAIROBI, KENYA

Home to the team of independent artisans who make our jewelry collection







INDEPENDENT ARTISANS

Talented artisans around the world often face similar barriers to growth: a lack of knowledge to efficient production methodology, international quality standards and design trends, and access to quality materials, equipment, financing, and lucrative markets. We believe partnerships with independent artisans are one of the best methods for job creation in low-income environments and are also a way to preserve generational craftsmanship. Local, independent artisans and entrepreneurs have a better understanding than we do of the needs within their communities. Our goal for our independent artisan relationships is to provide consistent product orders and free business counseling in order to support local community leaders' efforts of eradicating extreme poverty.





“

I was born in Nairobi (Kenya’s capital), but I grew up in Eldoret (a major city in western Kenya). That’s where I went to school. I knew quite early that I would be in the field of art, around the age of nine. But after I studied and graduated high school in the ’80s, I wanted to study fine art. Back then, in Africa, that was taken as a joke. So I went into accounting and worked for a month at an auditing firm, where I met Alan Donovan (co-founder of African Heritage), who eventually asked me to help run his workshop. And that is how I luckily found myself into art again... to produce and see somebody satisfied is my driving force.

RAYMOND NYAMODI

ENTREPRENEUR + ARTISAN

Nairobi, Kenya

NAIROBI, KENYA
& TRUJILLO, PERU

22

PRODUCERS

78

LIVELIHOODS
SUPPORTED



SHOES



JEWELRY





WAGES + BENEFITS

Our team of independent artisans in Kenya receive 23% above fair trade wage requirements.

SUPPORTING ARTISANS

We hired an operations associate who moved to Kenya in 2016 to work with the team in Nairobi. The mentoring that followed has resulted in increased productivity, better organization of production, and improved inventory management. Additionally, we conducted a baseline impact assessment in early 2017 where we interviewed all of our independent artisans to identify the needs of their families and hear their recommendations for an improved work environment. We found that none had access to healthcare due to misplaced identification documents rendering them ineligible of government assistance. We diligently worked to acquire birth certificates and other official documents required by the government, and as a result, 100% of our independent artisans and their family members now have access to healthcare. We also invested in better health and safety measures, such as uniforms and more protective eyewear.

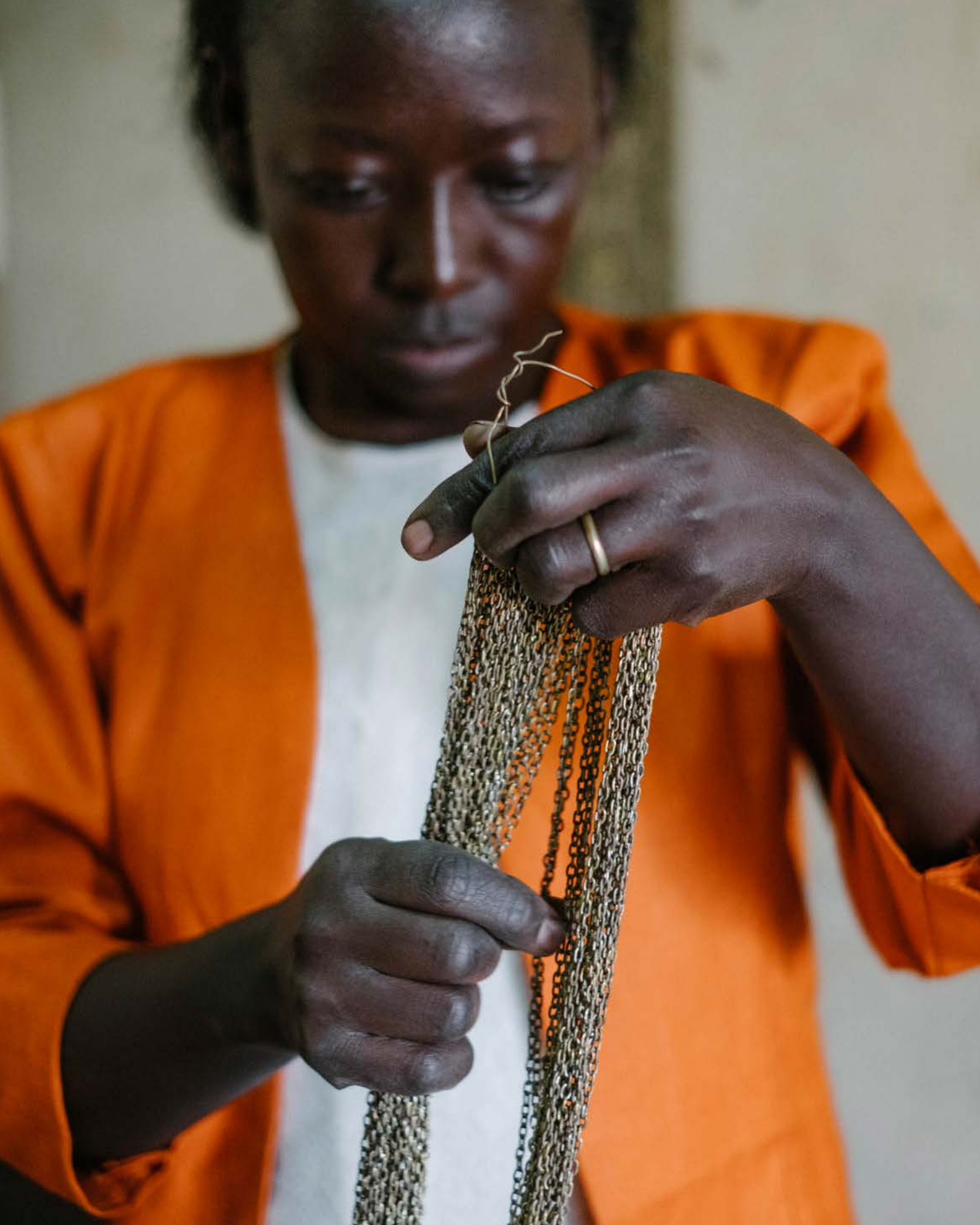


“

I love spending time with my son before I come to work in the mornings. I help him get ready for school and prepare breakfast for him. Though the time is never enough, I am motivated knowing that my work can allow my family to continue staying well.

VIOLET

QUALITY CONTROL ASSISTANT





WORKING IN UNDERSERVED COMMUNITIES

Many of the producers we work with either come from or are living in extreme poverty. Lack of employment opportunities in rural areas have resulted in mass migration to cities worldwide, where low quality homes are constructed based on immediate need. This makes for greater vulnerability of homes and subsequent lack of shelter when natural disasters strike.



Neighborhood in Trujillo, Peru.



PERU FLOOD RELIEF

In 2017, Peru experienced the worst flooding and landslides seen in over 30 years. More than 800 villages, towns, and cities declared a state of emergency. Many lost their lives and over 100,000 people were left homeless. As supplies dwindled and grocery store prices increased, many were left without clean drinking water or food.

While some of our personal friends in Peru lost everything, thankfully, no Nisolo producers were injured. However, many homes faced significant damage. In addition to donating 10% of profits for a week, we were able to raise over \$8,000 in relief funds for our producers, their families, and communities. This money was directed toward food supplies, home repairs, and future emergency preparedness trainings. Thanks to Nisolo's customers and friends, the community is now back on the right track.





ENVIRONMENTAL SUSTAINABILITY

This is an area where we believe we can do better than our current practices. Determining and reducing our environmental impact is an ongoing priority. Most recently, we partnered with a group of MBA students at Vanderbilt University to assess the environmental impact of Nisolo and our suppliers. Learnings from their study were influential in adjusting our sourcing strategy of raw materials, and ultimately deciding to move to a better factory space in Peru where we could implement new environmental priorities.

Currently, in order to minimize our carbon footprint, the majority of our raw materials are intentionally sourced and processed in close proximity of our production facilities. We frequently visit the third party suppliers to our factories, and we are increasingly able to use our purchasing power to encourage more environmentally friendly practices. When possible, we purchase from tanneries that have received certification from The Leather Working Group, the most well regarded third party certification in leather processing.

All Nisolo jewelry is made from upcycled materials in Nairobi, Kenya, and our first venture into vegetable tanned leather, a much more sustainable and environmentally friendly tanning process, has come via our new partner factories. Unlike most tanning methods that use chrome and other chemicals (which can create a severe impact on the environment if not properly disposed), vegetable tanning uses natural oils from bark or plant tannins, which reduce the product's environmental impact. We can do better and will do better. Stay tuned for more on this front. We have exciting news to share in the coming months.



“

I stumbled upon Nisolo by chance. I saw they needed work when I walked by their factory one morning... I'm content to be here. Since the moment I started, I began to feel the relief of having a stable job. The fixed schedule helps me as well. I feel like I can improve as a person here. There's opportunity for learning skills and promotion.

ANA ROSA

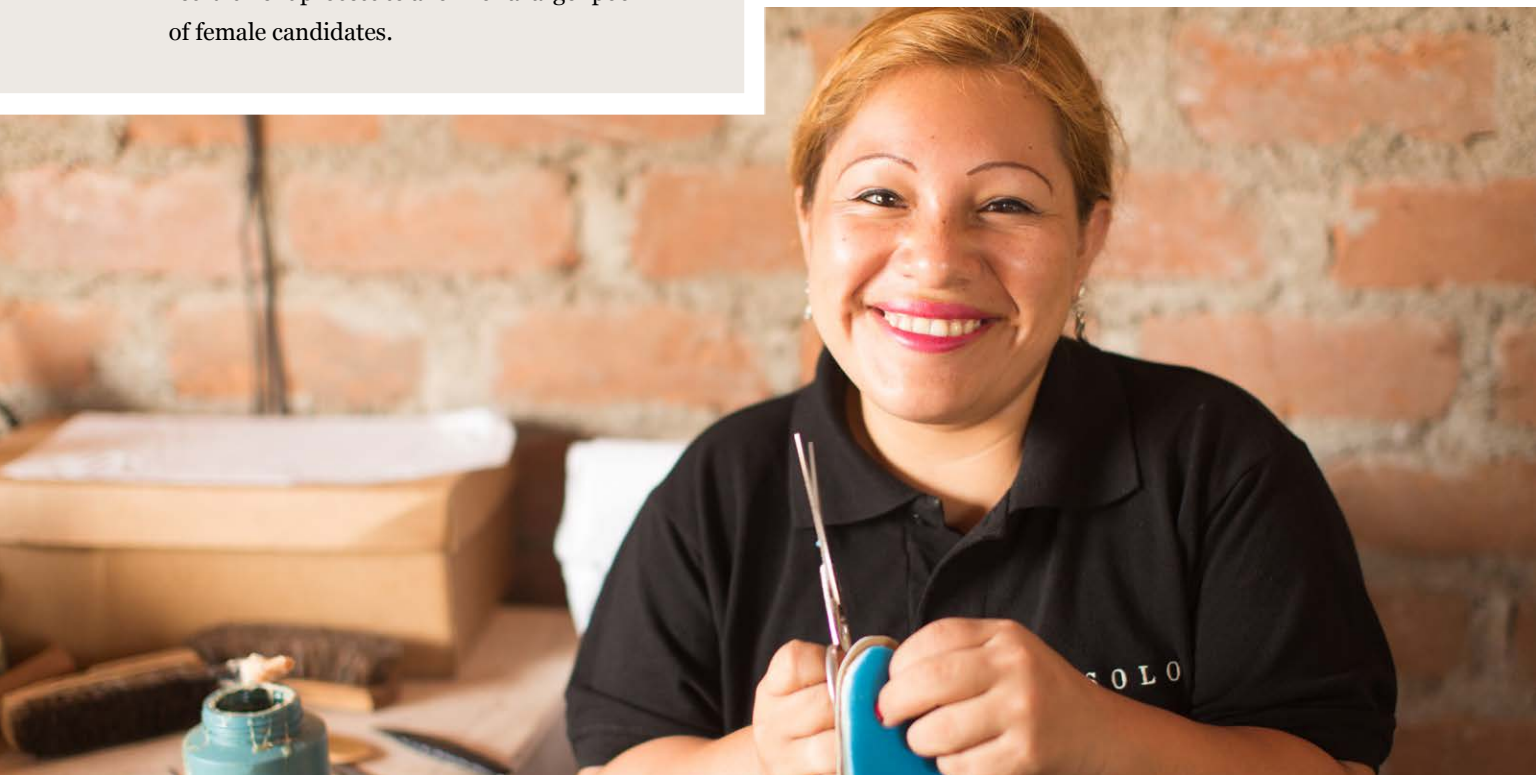
SEWING SPECIALIST

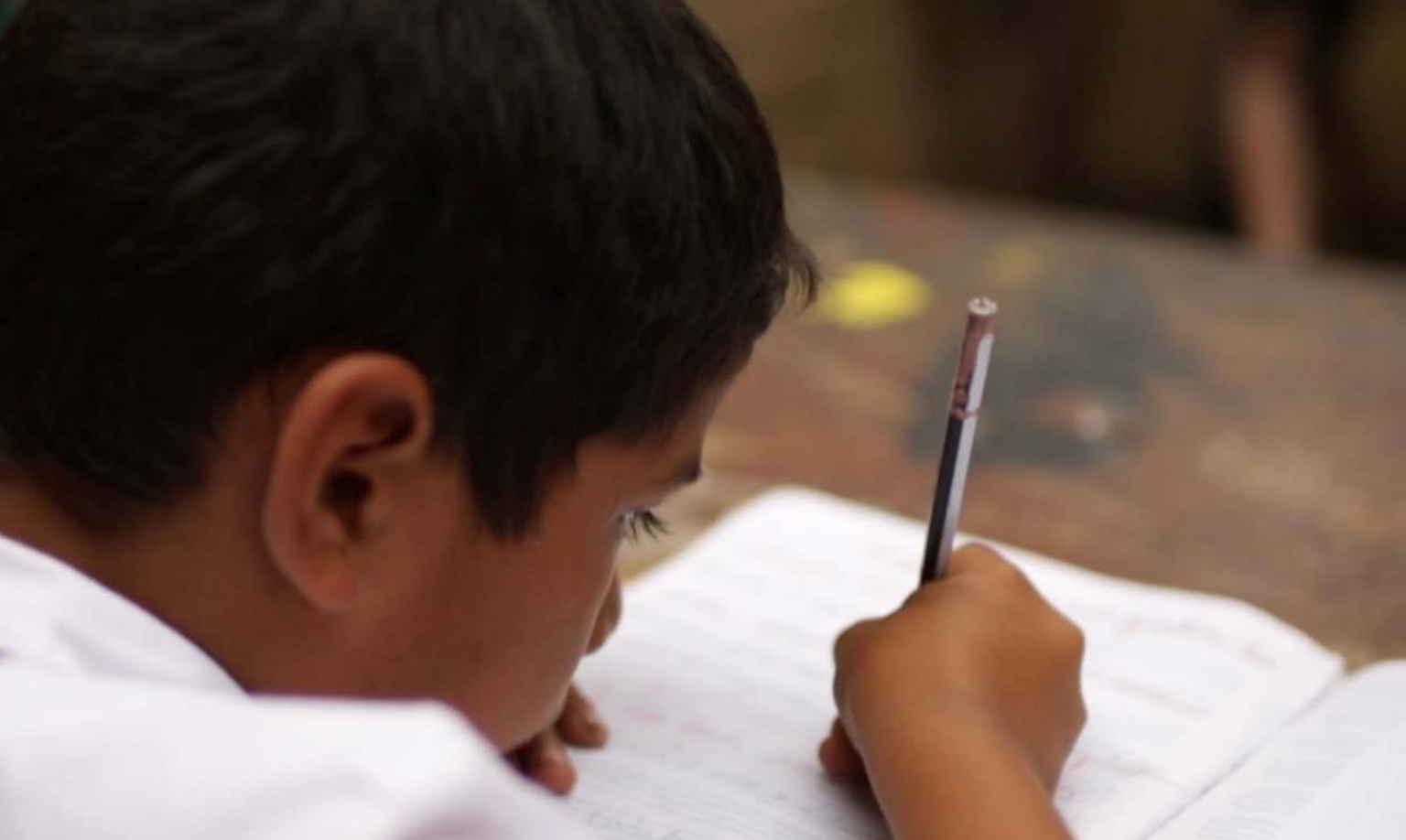


DEFYING GENDER NORMS

Apart from having a female co-founder, 40% of Nisolo's executive team is female. Of our current staff, over 69% are female.

We are proud to be challenging gender norms in a shoemaking industry that is predominantly male. Twenty women currently work in our factory in Peru and five of those are single mothers. It's a goal of ours to soon increase our female filled positions by 10%, and we plan to modify our recruitment process to allow for a larger pool of female candidates.



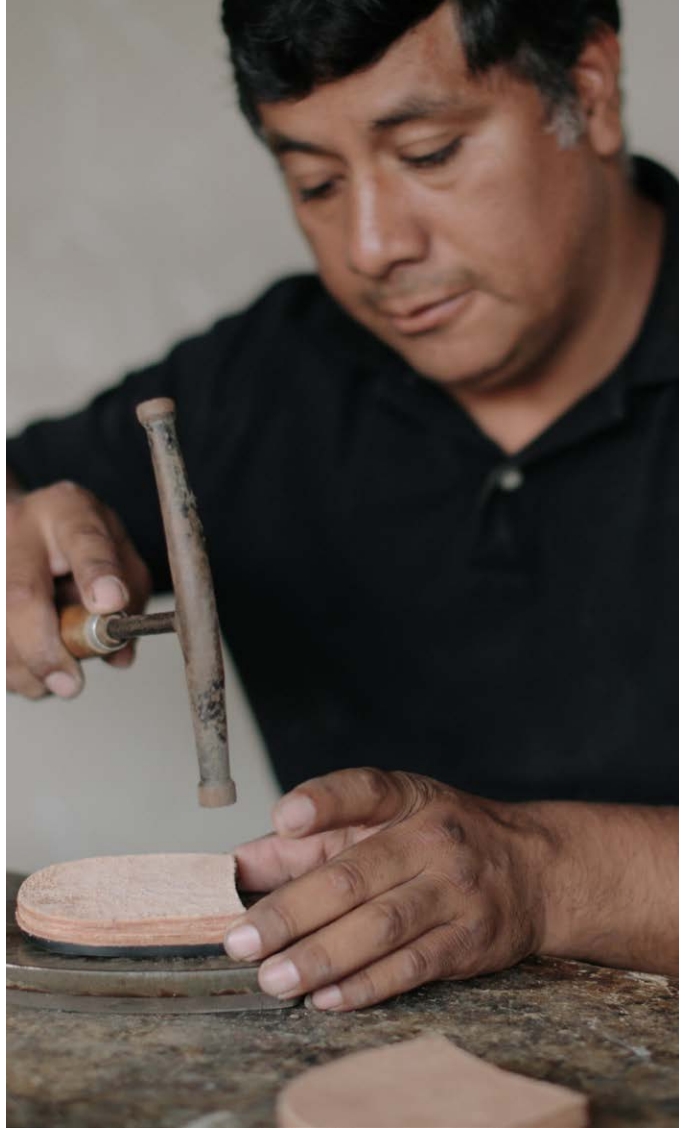


EDUCATION

We believe education is a key pillar of long lasting impact. Sadly, nearly all of our Peruvian producers ended their education earlier than they had hoped for financial reasons. For this reason, we've partnered with two universities in Trujillo to offer our producers discounted rates and opportunities to attend school at night and on the weekend.

Looking ahead at the impact on future generations, we are proud to share that 100% of our producers' children are in school. And, of the children now in university, 100% of them will be first generation graduates!

100% of our producers' children are in school. And, of the children now in university, 100% will be first generation graduates!



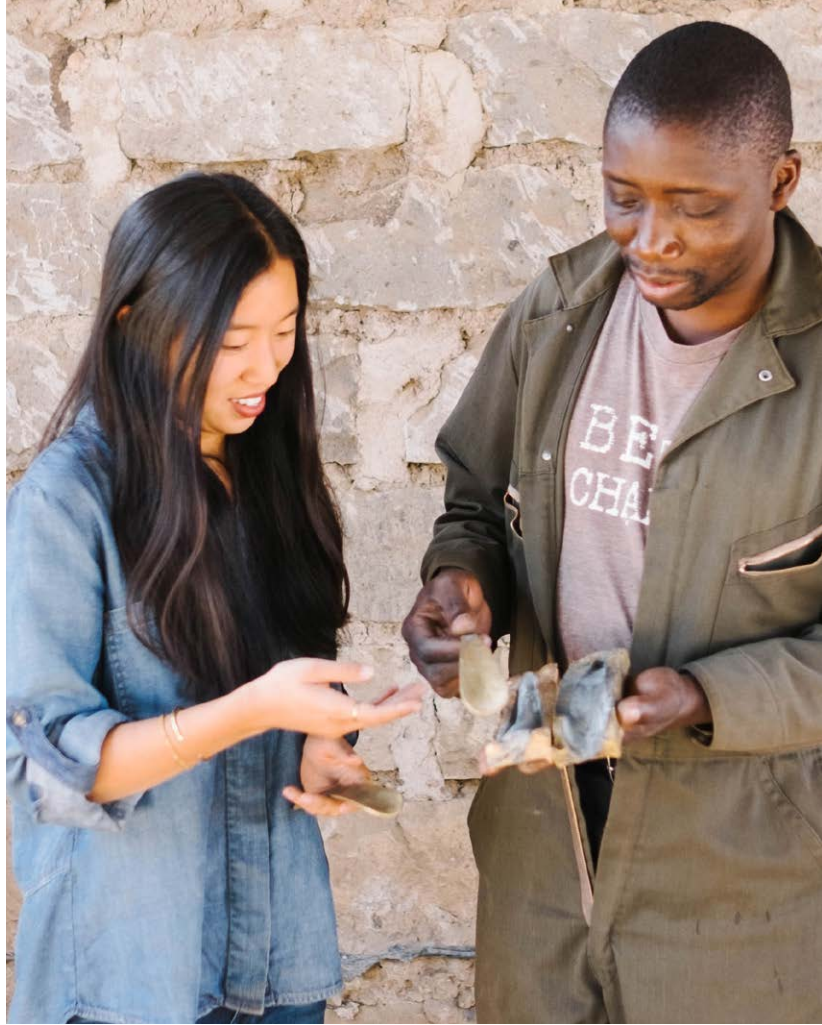
MEASURING IMPACT

We measure the direct impact on the lives of Nisolo producers in Peru by undergoing comprehensive interviews every six months, and comparing results to previous baseline assessments from the last several years. We use an intensive, hybrid impact assessment built with third party experts that includes relevant elements of the Progress Out of Poverty and Human Development Index assessments. We track changes in the following areas: home/land ownership, living conditions, economic well-being, savings and debt levels, access to the formal banking sector, education access for producers and their families, professional development, health and access to proper care, and social and psychological wellness. We have full time staff members dedicated to measuring impact, and to date, we've spent over 700 hours conducting interviews with producers, analyzing the results, and adjusting our impact methodology on an as-needed basis. Additionally, we measure our direct impact by analyzing the effects of our relationship with the third party suppliers we support through the sourcing of raw materials within the local economies where we operate.

WE CAN DO BETTER

By this point, we've focused primarily on Nisolo's accomplishments, but we'd like to take a moment to clarify a couple things. First off, you are the reason this impact report exists. In fact, you're the reason Nisolo as a company exists. Without your purchases, support, and valuable feedback we would not be here today, so thank you.

Secondly, while we are proud of the fact that we are a step ahead of most of the industry in many regards when it comes to social and environmental sustainability, we are still far from having it all figured out. There are many areas for improvement at Nisolo. Here are a few.



GOING DEEPER INTO OUR SUPPLY CHAIN

We want to go even deeper down the supply chain past our primary suppliers when it comes to social and environmental analysis. This means strengthening our relationship with and setting up routine visits to the tanneries, farms, and other third party vendors of our primary suppliers.

We've done a fair amount of this already, but we can go deeper.

IMPROVING OUR OPERATIONAL EFFICIENCY

Operational efficiency is Nisolo's largest area for improvement. We faced major challenges in 2016 that created mass stock-outs and vulnerability for our company. These setbacks hurt our margins and we know we can do better for the financial health of the company, especially if we're to reach our goal of becoming an exemplary factory for the industry. While we're achieving some success from a social and environmental perspective, our operational efficiency must increase to become a true example of a sustainable brand.





A CALL TO ACTION

Let's be real. There is a lot of noise right now coming from within the fashion industry. How do we distinguish what's true versus a marketing tactic when very little information is made available to help us make more informed decisions about how and where we choose to spend our money?

You as a consumer hold immense power over the future direction of the fashion industry based solely on your purchasing decisions. You are half of the equation, whether you like it or not. By demanding high quality and high ethical standards from your favorite brands, that power is enacted, and when joined by others, it becomes a movement impossible to ignore.

Now more than ever, we believe change in the fashion industry is possible within our lifetime. We've seen how the food industry has shifted toward more sustainable practices and the transportation industry has taken a giant leap forward as well. We encourage you to dig deeper into the production practices of the brands you support. Ask questions, do your research, and utilize your purchasing power. In time, you can determine what you value by where you spend your dollar.

In English, Nisolo translates to neither they — nor we — are alone. It's a tribute to the interdependence of relationships. It's a commitment and responsibility as a brand to value our customers, producers, and planet just the same. Additionally, it's a challenge to everyone involved in the process to play their part to help push the fashion industry in a more sustainable direction.





In memory of
Yovanna Grados Moya
1980-2017

On January 24th, 2017, we lost a dear friend and loyal Nisolo producer. Yovanna touched our lives through her sweet smile and the way she supported her family and our team members. Prior to starting with us in 2015, Yovanna sold clothes in the local market, and could never rely on a consistent salary. Her annual income increased 140% as a result of her work ethic and newfound job stability. She quickly put much of her earnings toward her dream of providing her two children, Esteban (12) and Rodrigo (6), with an education.

Yovanna was diagnosed with organ failure, and shockingly passed before she was able to seek the attention she needed to get well. While she's not able to see her dream become reality with her own eyes, Yovanna would be proud to know that both of her boys will be continuing their education just like she had wanted thanks to the support of the Nisolo community. We know her spirit will live on through Esteban and Rodrigo.

Rest in peace, Yovanna.

**Intentionally designed.
Ethically made. Fairly priced.**

niso.com