

N I S O L O

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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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

I studied Global Economics & Business as an undergrad and spent a fair amount of my free time learning about 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 the 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 these producers faced unbearable obstacles to financial wellness and that even ever-so-slightly competing in the global fashion industry was a lost cause.

Knowing a good shoe when I see one, I saw the potential to drive positive change in this community by starting Nisolo. I 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 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 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 fairing too well either. In fact, the fashion industry is now the 2nd most pollutive industry in the world behind oil.

While we are still very far from having it all figured out, we started Nisolo to serve as a fashion brand that would care for the planet and producers just as much as the end consumer. This report will detail some of what we've accomplished in the last few years thanks to our amazing community of customers and supporters. And, rooted in the firm belief that progress alone should never be the finish line for Nisolo or anyone else, we'll just as importantly share a bit about where we believe we can do better.

Our end goal is to play our part in pushing the fashion industry in a more sustainable direction. 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 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?

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

PATRICK WOODYARD
CO-FOUNDER & CEO

IMPACT HIGHLIGHTS

157

*full time,
sustainable jobs
created*

761

*livelihoods
supported across
our supply chain*

27%

*above fair trade wage
requirements is what
the average Nisolo
producer earns*

100%

*of Nisolo producers
are 18 years
or older*

\$3M

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

100%

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

MODES OF PRODUCTION

From building our own factory to championing other ethical factories and partnering with independent artisans, take an inside look into 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, 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, guaranteeing beyond fair trade wages, healthcare, and a healthy working environment.



INDEPENDENT ARTISANS

We work closely with small, independent artisans to help scale their businesses and support their entrepreneurial efforts to ignite change and opportunity from 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 as an artform has been passed down through generations, and we take pride in sustaining its long held traditions.

TRUJILLO, PERU

88

PRODUCERS

428

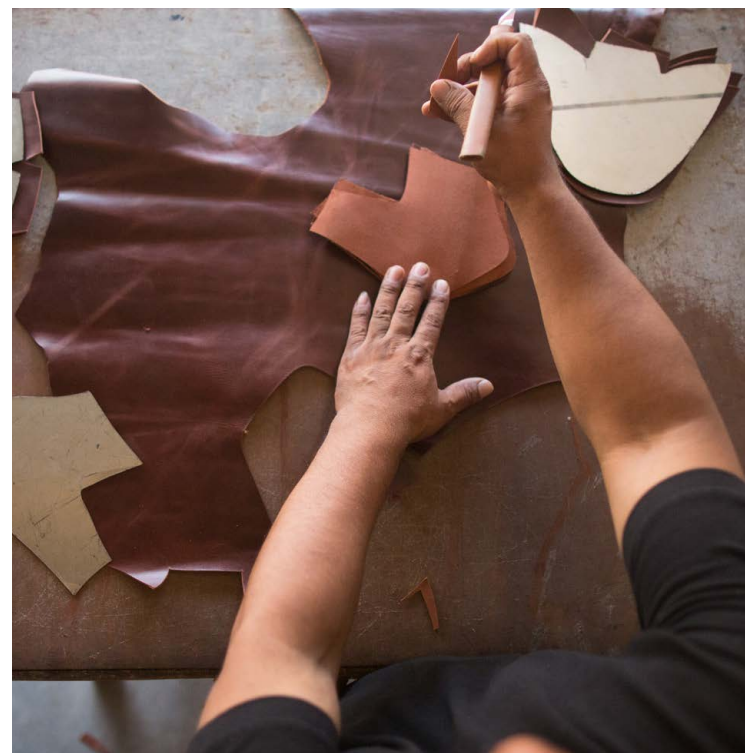
LIVELIHOODS
SUPPORTED



SHOES



ACCESSORIES



WAGES

The average salary of Nisolo producers is 27% higher than fair trade wage requirements. The average annual income increase for all producers is 140%. Women in particular have felt significant impact, reporting an annual income increase of 173% 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 an account, producers have access to banking services they had never had before and can save in a more secure location. For example, one of our producers, Pánfilo, 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. 42% of producers are currently contributing a portion of their monthly income to long term savings.

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.



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.) 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've invested over \$3M back into the local economy. In fact, one of our primary suppliers has been able to triple their annual income as a result of Nisolo's support.



HEALTHCARE

All producers and their dependents have free access to company-paid healthcare. The level of care is not yet where we'd like for it to be, and after assessing the need with our producers for additional coverage, we're 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. In addition, we close down the factory for a full week during Christmas, Fiestas Patrias (Peru's independence celebration in July), and Easter week.



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 employees and their family members.



WORKING ENVIRONMENT

Improving the environment of our factory is an ongoing priority, which is why 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.



FERNANDO

LASTING MACHINE OPERATOR

“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 2 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 4 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.”





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

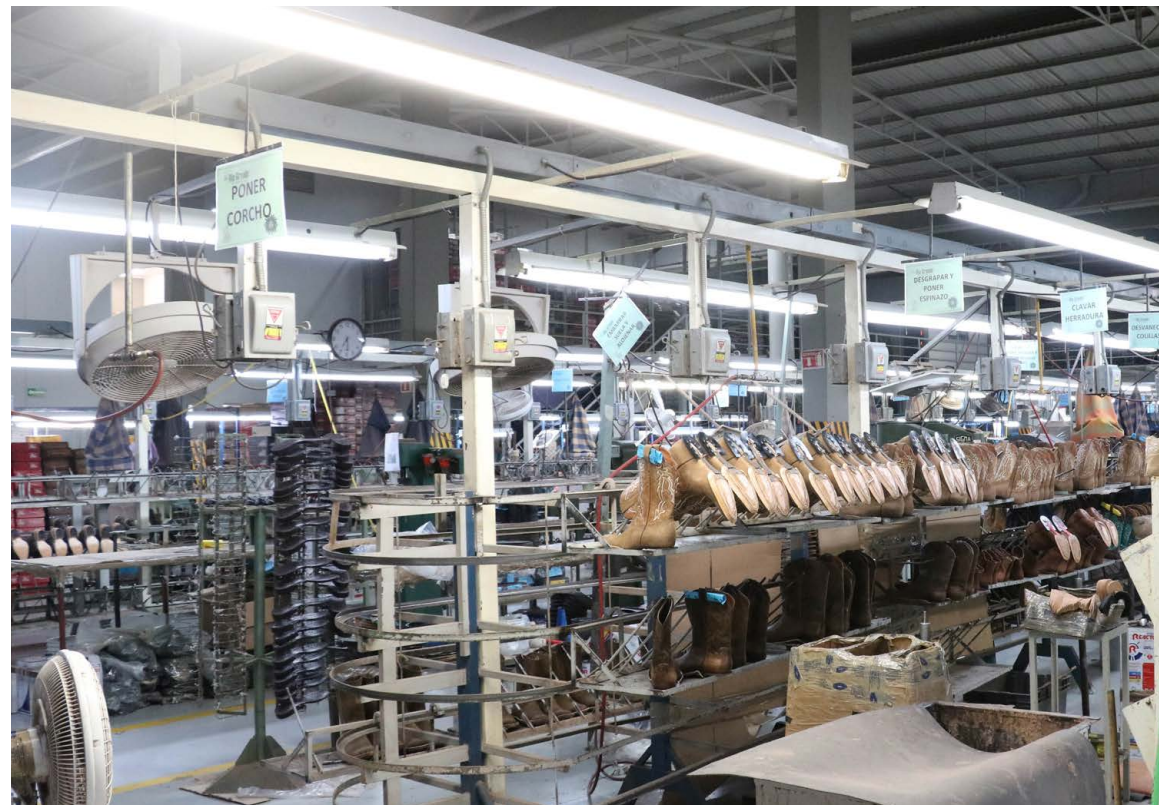


ACCESSORIES



WHY LEÓN?

León is located in the heart of Mexico, 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 as well.



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
- Air conditioned facilities
- Optional standing workstations 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: the lack of knowledge of 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 to be one of the best methods of job creation in low-income environments and also a way to preserve generational craftsmanship. Local, independent artisans and entrepreneurs have a better understanding than we do of the needs of their communities. Our goal for our independent artisan relationships is to provide consistent product orders and free business counseling 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 NYAMOD

ENTREPRENEUR + ARTISAN

“Shoemaking is an art one has in their hands. It’s something that’s become central to our identity here. My father passed it down to me and I’ve passed it on to my son. It’s not common to have something like that. Something that goes across three generations. I’m excited to start my own shop and continue working with Nisolo. We want to continue in Nisolo’s vision of working together to help one another with our work.”

JHON MOSTACERO

ENTREPRENEUR + ARTISAN

NAIROBI, KENYA
& TRUJILLO, PERU

22

PRODUCERS

78

LIVELIHOODS
SUPPORTED



SHOES



JEWELRY



WAGES + BENEFITS

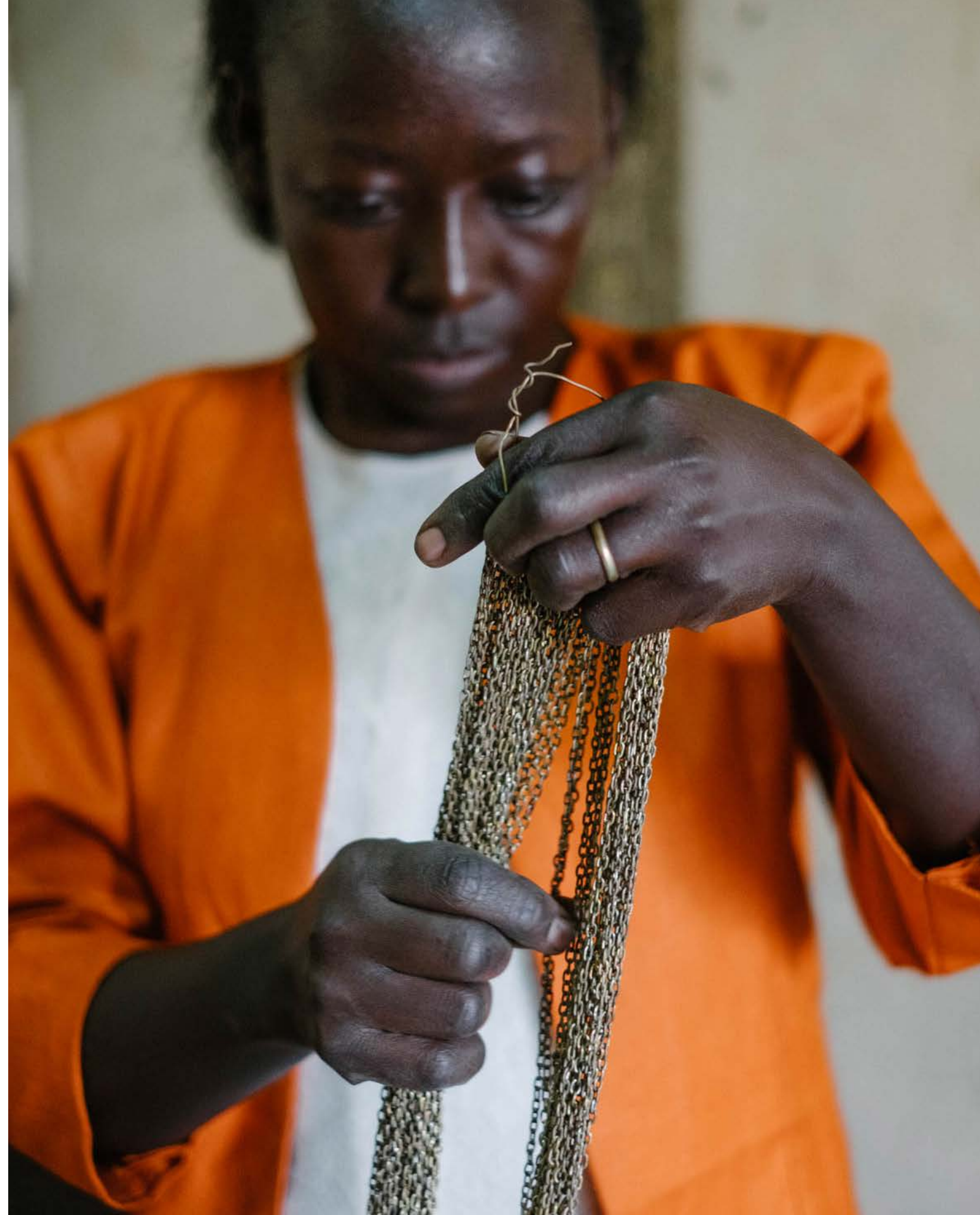
Our teams of independent artisans in Kenya and Peru receive between 23-27% above fair trade wage requirements. Jhon's team of producers in Peru receives free access to Nisolo paid healthcare, a minimum of 15 days paid time off per year, and consistent employment in the formal economic sector.

SUPPORTING ARTISANS

We hired an operations associate who moved to Kenya in 2015 to work with the team in Nairobi. The mentoring that followed has resulted in increased productivity, better organization of production, and improved inventory management. In Peru, John worked as a production manager for years in our factory. Inherently an entrepreneur himself, John shared his dream of starting his own workshop to sell products worldwide. This year, we've helped him launch by providing initial administrative support & guaranteeing monthly purchase orders while he searches for additional clients. We are proud of Jhon and are eager to watch his workshop grow!

“ 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 came 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 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 have partnered with a group at Vanderbilt University to assess the environmental impact of Nisolo and our suppliers. They have already conducted a site visit to our factory in Peru, one of our key tanneries, and other suppliers. We are excited to soon implement their findings and recommendations to further enhance our current initiatives.

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 increasingly, we are 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, reducing the product's environmental impact. We can do better and will do better. Stay tuned for more on this front.



ANA ROSA
SEWING SPECIALIST

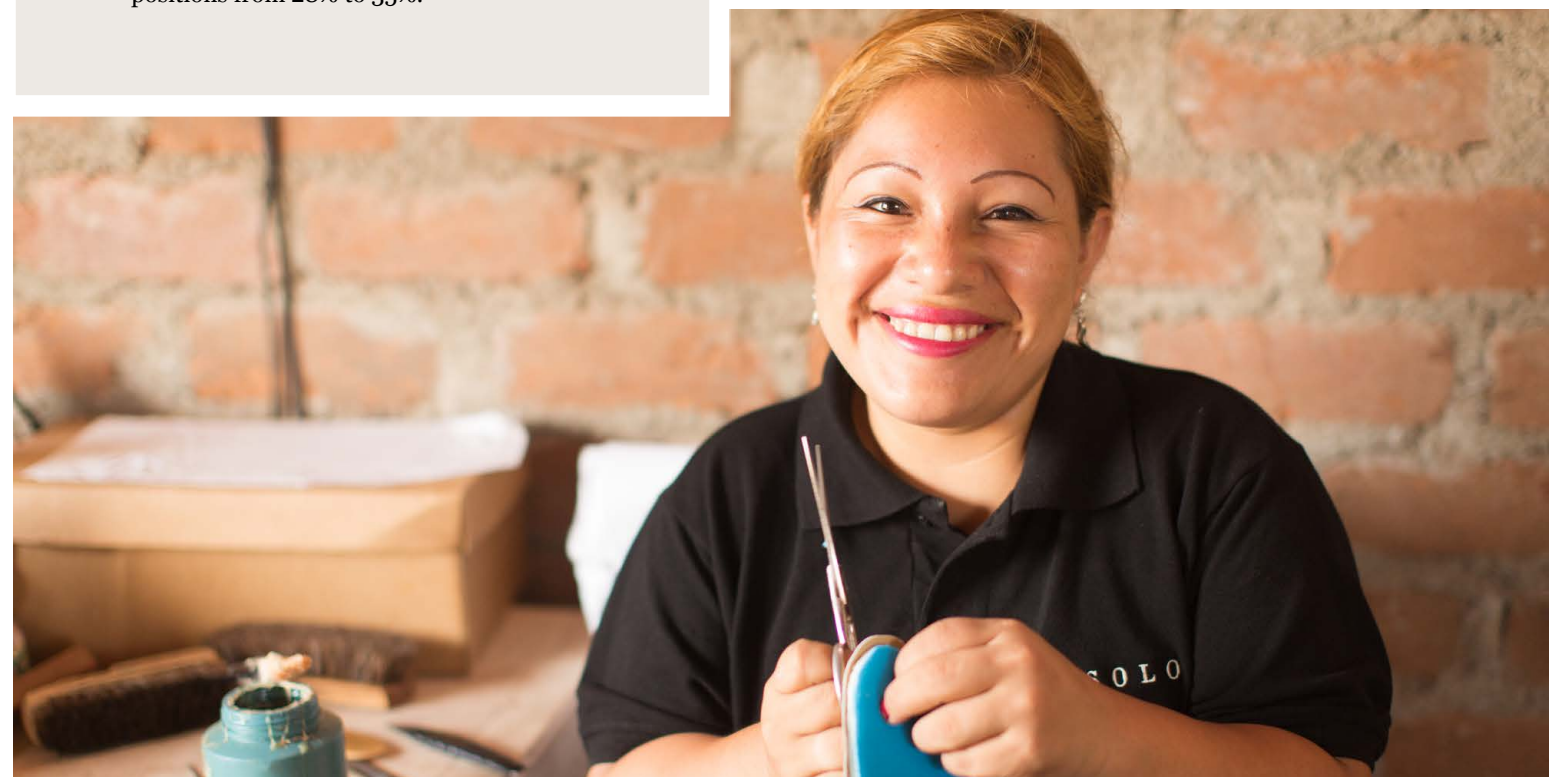
“I stumbled upon Nisolo by chance. I saw they needed work when I walked by their factory one morning... I’m content to be here. Since the moment I started, I began to feel the relief of having a stable job. The fixed schedule helps me as well. I feel like I can improve as a person here. There’s opportunity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

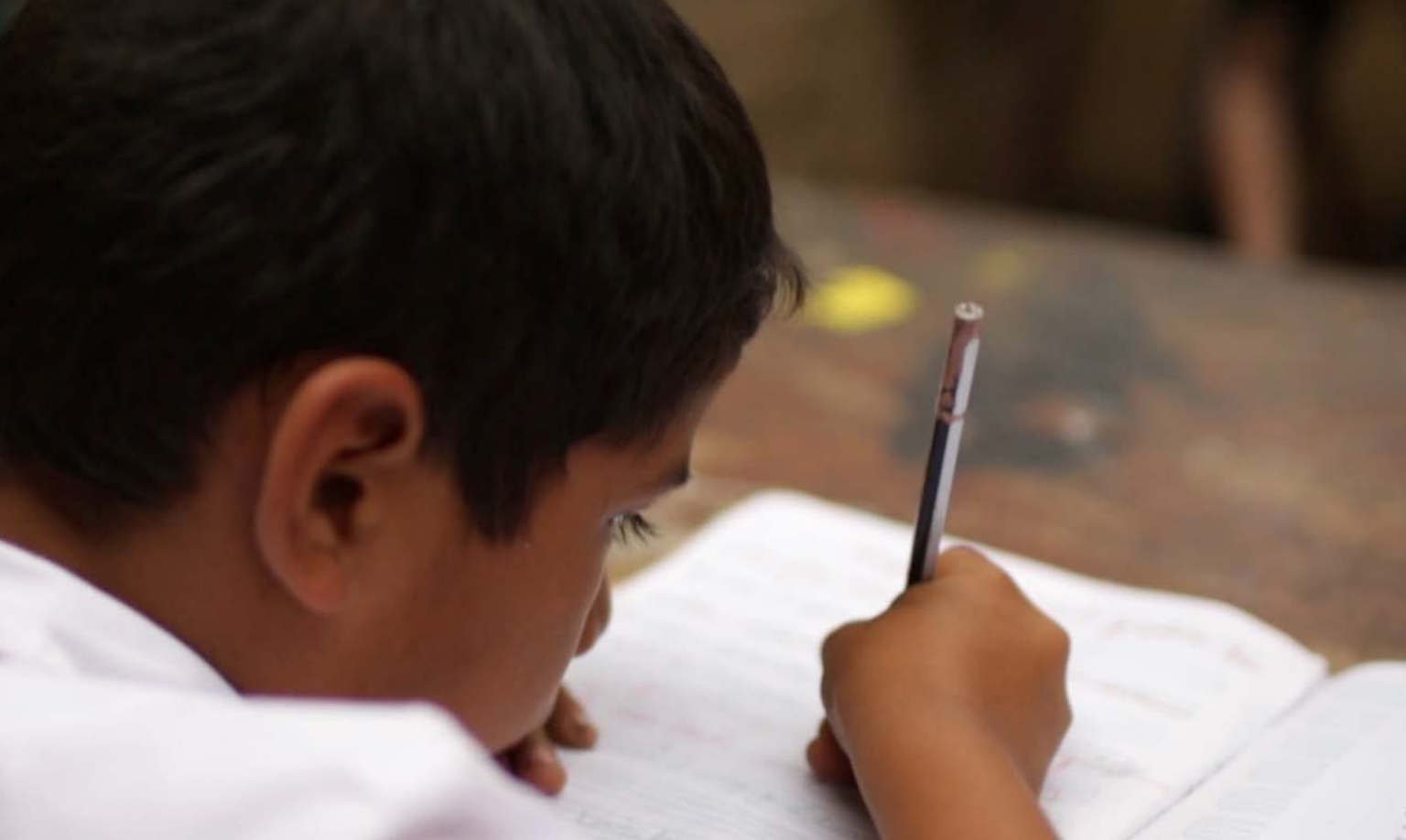


DEFYING GENDER NORMS

Apart from having a female co-founder, 50% of Nisolo’s executive team is female. Of our current staff, over 60% are also female.

In a shoemaking industry that’s predominantly male, we’re proud to be challenging gender norms. Twenty-four women currently work in our factory in Peru and 4 of those women are single mothers. It’s our goal to increase our female filled positions from 28% to 35%.





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 2 universities in Trujillo to offer our producers who want to continue their education a discounted rate and ways to attend school at night and on the weekends.

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

100% of their children are in school, and 100% of those who are in university will be first generation graduates.



MEASURING IMPACT

We measure the direct impact on the lives of the producers of Nisolo products by undergoing comprehensive biannual interviews and comparing results to previous baseline assessments from the last several years. We use an intensive, hybrid impact assessment built with 3rd 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 600 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 3rd 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 wouldn't 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.



1

GOING DEEPER INTO THE IMPACT OF 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 the relationship of and setting up routine visits with the tanneries, farms, and other third party vendors of our primary suppliers.

2

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 set backs 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.

3

BECOMING THIRD PARTY CERTIFIED

Up until this point, we've avoided third party certification for sustainability and positive impact due to its entry cost and by the mere fact that we're already naturally performing most of its requirements. However, we recognize the need to hear from more than just us about our own internal practices, and we believe third party certification is an important part of legitimizing sustainability in the fashion industry. We do plan to become B-Corp certified this year. B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. Additionally, we are working behind the scenes with other brands to dream up something bigger and better than what we've seen on the market for third party certification and accountability. Be on the lookout -- we'll share more information soon.

LOOKING AHEAD

Let's be real. There's 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. Whether you like it or not, you're one half of the equation. 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. Just like with 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.