

IMPACT REPORT

FY 2021/2022

SCOTCH & SODA
AMSTERDAM

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Summary

Designing beautiful clothes that feel good is one thing, but we also imagine a world where we are doing good. One of our top priorities is to run our business with greater sensitivity to people and the planet by making more responsible choices every day. In this report, we disclose our social and environmental performance for the reporting year 2021/2022 and outline the actions that we have taken accordingly.

At the core of our sustainability work lies an annual environmental impact assessment, which we performed in the form of an Environmental Profit & Loss (EP&L). The results of the assessment, translated into a monetary value, help us to take conscious, data-based decisions and to monitor our progress. This reporting year's results show that we have a total environmental damage of €47.1 million, showing a total increase of 36% as part of the overall growth of business in comparison to last year's total EP&L results, and an increase of 1% in environmental impact when compared to the previous reporting year's EP&L material intensity metrics.

The EP&L results show that our biggest impact comes from raw material extraction and production. Our attention is therefore on replacing our fibres and materials with alternatives that have a reduced environmental impact. Our top five most-used fibres are cotton, polyester, forest-based fibres, nylon and wool, which collectively represent 77% of the total fibres used in our collection. To lower our

environmental impact and to reduce biodiversity risks related to material consumption, we created an internal Fibre Classification Guide, which assists us in sourcing so-called responsible fibres. This guide follows industry best practices, research and innovation, and highlights fibres that have a better environmental performance without compromising on quality, durability or functionality.

A product is classified as responsible when the main material of a product is made with a minimum of 50% responsible fibres. In this reporting year's collections, from Fall 2021 to Fall 2022, we increased the volume of responsible garments produced by 80% compared to the previous year, representing 46% of total volumes produced.

We envision an industry with environmental and social justice where resources, materials and products are being reused, repaired and recycled. Through design thinking and industry cross-collaboration, we have been embarking on different circularity projects, following the principles of reusing with our Eternal Blauw Collection, repairing with our Blauw Repair service, and recycling as founding members of the Denim Deal.

The transition to low-impact materials is not limited to our products. We critically review the impact of our packaging materials as well. Our packaging consumption was 1.024.928 kg within the reporting year, of which 81% was paper, 8%

plastic, 1% bioplastic and 10% other materials. We aim to shift away from non-renewable fossil-based resources. In November 2021, we therefore introduced polybags made of compostable bioplastic. Currently, 16,5% of our polybags are made of compostable bioplastic.

On an operational level, we opened our new omni-channel distribution centre in Hoofddorp in the Netherlands in 2022. The centre is WELL Gold-certified, meaning that human health and well-being have been taken into consideration while designing the working spaces. Additionally, the roof of the warehouse is entirely fitted with solar panels for green energy production and consumption. The centre also has electric car charging points, a full LED lighting system, a green wall and a heat pump heating system.

Our operations require the movement of millions of garments across the globe, from the suppliers and manufacturers into the hands of our consumers. The logistics operations are separated into inbound and outbound, depending on whether the transport goes to or from our warehouses. As our environmental assessment, EP&L, has showed us, the transport accounts for 4,5% of our total environmental impact.

The creation of our collections heavily relies on human intervention, especially within our supply chain. The path to

creating a garment can be broken up into four tiers, where each tier represents a different part of the process. This reporting year, we have obtained transparency of where our clothes are manufactured (Tier 1) and where the fabrics are made (Tier 2). Whilst obtaining significant supply chain transparency, we have been able to conduct Human Rights Due Diligence, which resulted in a risk assessment. As a result of the assessment, we have established the Ethical Supplier Code of Conduct and created supportive Ethical Principles and Policies. As one of the fundamentals, to strengthen and excel our ethical trade ambitions, we became a Foundation Stage member of The Ethical Trading Initiative. To ensure access to remedy, we established a grievance mechanism that allows supply chain workers to directly reach out to us in case of infringements.

We strongly believe in doing good. We rely on a local and international community, encompassing our suppliers, logistics partners and the greater community which we are part of. We therefore continue to partner with various educational organisations and charities, supporting them through either financial or product donations.

Lastly, by the beginning of next year, we will launch our long-term sustainability strategy, a roadmap reflecting our biggest ambitions, and a range of comprehensive targets we aim to achieve by 2030.

Sustainability has become an essential part of Scotch & Soda's strategy in the last couple of years, inspired by the values of the free spirit of Amsterdam. One of our top priorities as a team is to run our business with greater sensitivity to people and the planet, by making more responsible choices that reduce our environmental footprint.



I am thrilled that this year we start seeing the positive results of the strategy that we have been implementing. Even if we have a long way to go, we can now measure our impact and follow a clear roadmap for the upcoming years. We are looking forward to sustaining this positive trend, and further decouple impact from sales in the future.

Frederick Lukoff – CEO, Scotch & Soda

Company Key Figures

(JUNE 1st 2021 – MAY 31st 2022)



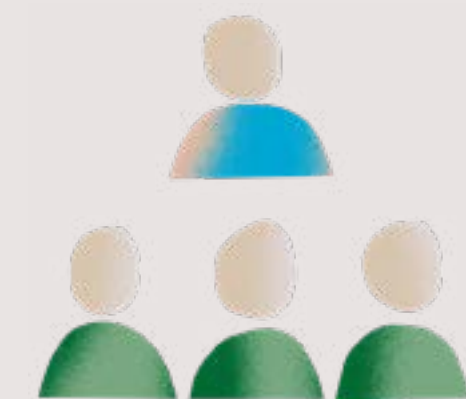
€342.5 million in sales revenue
€47.1 million in environmental damage
€1.01 million in donations



268 branded retail stores



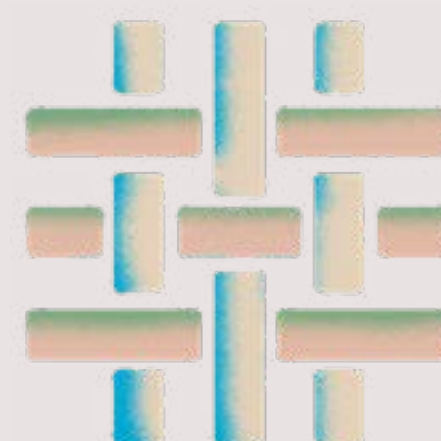
1.687 global employees
57 different nationalities within the global workforce



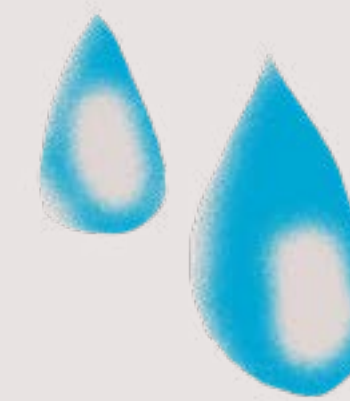
73.254 Tier 1 and Tier 2 supply chain workers
292 Tier 1 and Tier 2 factories



127.614 trees planted to restore biodiversity



3.9 million kg of textile materials used



5.6 million m³ of water consumed



81.8 million kg of Co2-eq emitted in operations



INTRODUCTION

This is our annual Impact Report, where we transparently highlight the environmental and ethical impact and risk we have encountered. We also reflect on the initiatives we have set up and the progress we have made this reporting year.

As we mentioned in last year's report, we are still in the beginning phase of our sustainability journey, laying a firm foundation from which to accelerate. Despite being on a continuous journey, we can conclude that we have made some big steps over the last 12 months, within our own organisation and beyond.

One part of the foundation that we have built is based on a natural capital measurement model, the Environmental Profit and Loss (EP&L), which gives us valuable and precise insight into the impact we have across the full life cycle of our products and the entire value chain. This model looks at greenhouse gas emissions and the use and pollution of water, land and air. With these findings in mind, presented in this report, we are currently working on an extensive reduction strategy that will be shared over the course of 2023.

Another part of the foundation is based on our ethics, expressed in the way we aim to treat people and run our business. Our global supply chain is heavily reliant on human intervention, from raw material production until the last mile of distribution. This year, we have taken the next step in formalising the way we aim to protect and empower the people in our own organisation and those working in our supply chain through an updated Ethical Code of Conduct and comprehensive methods to verify and monitor compliance.

Our daily approach to sustainability is reflected in the way we make our decisions. We avoid to simply follow, but we make sure to carefully research every aspect in order to guarantee transparency and have the desired positive impact for people and the planet. Although we are critically looking at the industry that we are a part of, we do see many positive innovations and collaborative progression happening that will help to shape the future towards the much-needed system shift.

The sustainability awareness within the company has grown. It is great to see how each individual is helping to optimistically shape the future of Scotch & Soda in a direction that we need to go. From product-related departments that are the drivers for material change, to our store staff that are eager to learn and help customers make informed decisions, to the suppliers in our supply chain that support us in this transformation, we all contribute to our journey to zero impact.

We hope you enjoy following our journey.

Yours,

Scotch & Soda

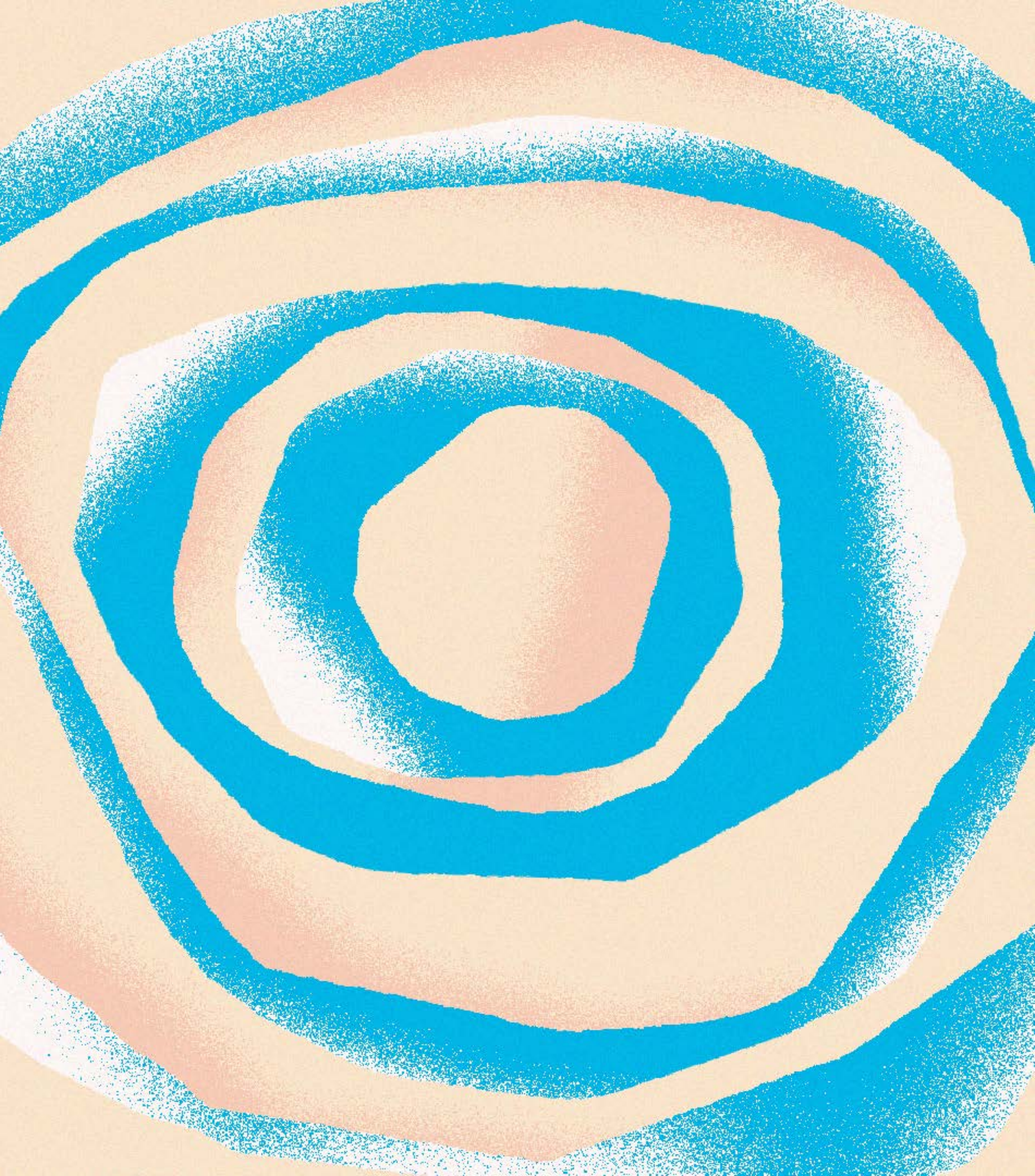




PART 1
OVERVIEW OF RESULTS

The background features a vibrant, abstract design with wavy, layered shapes in shades of blue and green. A faint, light-colored grid pattern is visible, adding a sense of structure to the organic forms. The overall aesthetic is modern and dynamic.

OUR JOURNEY



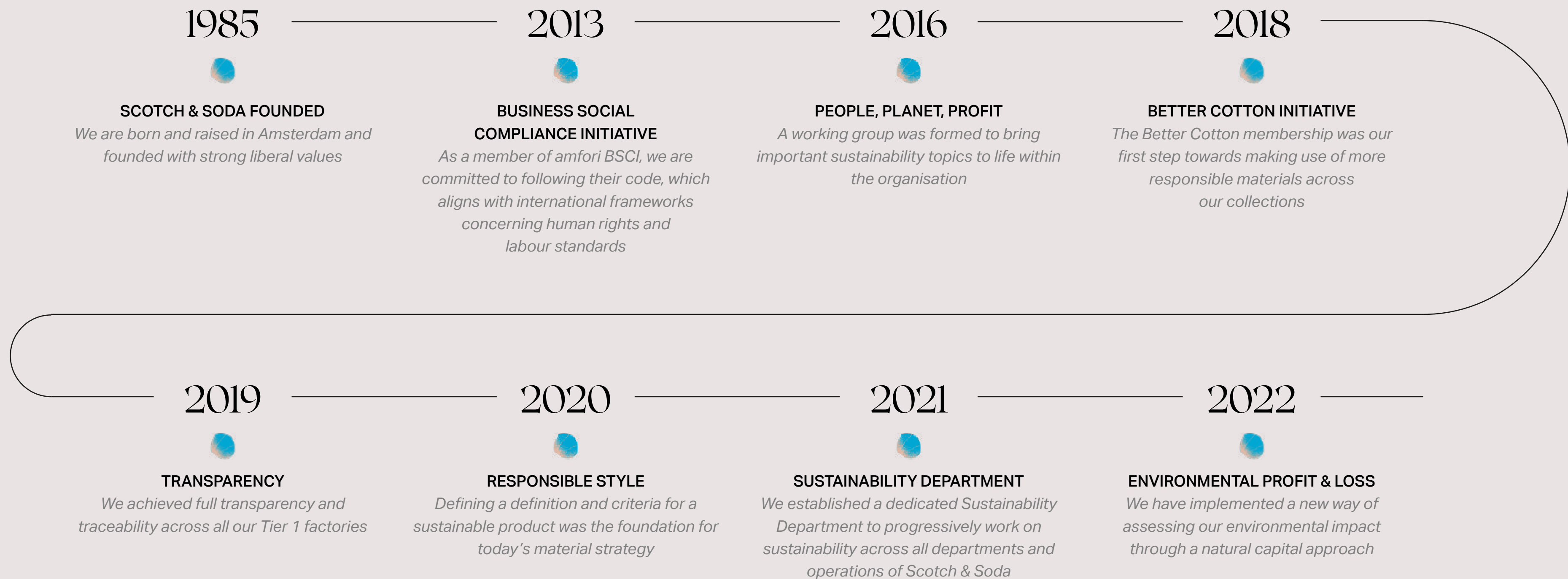
ABOUT US

Scotch & Soda celebrates the free spirit of Amsterdam. Endlessly optimistic, we champion individuality, authenticity and the power of self-expression to create the unique – an attitude reflected in our designs. Designing beautiful clothes that feel good is one thing, but we also imagine a world where we are doing good.

One of our top priorities is to run our business with greater sensitivity to our planet, by making more responsible choices every day that reduce our environmental impact. Because we are born and raised in Amsterdam, founded with strong liberal values, we recognise that each individual brings a unique strength to society that goes beyond race, religious belief, sexual orientation, age, Ethnicity, culture or how a person chooses to identify.

Company Milestones

(1985 – 2022)



This Year's Milestones

(JUNE 1st 2021 – MAY 31st 2022)

June 2021



LAUNCHED OUR SCOTCH & SODA X PLASTIC WHALE BOAT

creating awareness on the importance of keeping our waterways clean

July 2021



SIGNED THE CANOPYSTYLE INITIATIVE

a commitment to protect endangered forests through our material sourcing policy

August 2021



OBTAINED THE RESPONSIBLE WOOL STANDARD (RWS) CERTIFICATION

driving significant change when it comes to animal welfare and land use

September 2021



PUBLISHED OUR VERY FIRST GREENHOUSE GAS (GHG) FOOTPRINT ASSESSMENT

the start of understanding our environmental impact

October 2021



LAUNCHED OUR FIRST DUTCH WOOL PRODUCTS

a valuable resource redirected to our supply chain

November 2021



INTRODUCED TIPA® COMPOSTABLE PACKAGING SOLUTION

the start of a compost journey

December 2021



BECAME A FOUNDATION STAGE MEMBER OF THE ETHICAL TRADING INITIATIVE (ETI)

a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe – the foundation of a comprehensive social strategy

January 2022



SUCCESSFULLY TESTED MICRO-PAK DRI CLAY® BAGS

protecting our goods from moisture in a responsible way

February 2022



COMPLETED THE CONSTRUCTION OF AN ANNUAL NATURAL CAPITAL ACCOUNTING MODEL, THE EP&L

looking at air, water and land emissions

March 2022



ACHIEVED FULL TRANSPARENCY AT ALL TIER 1 AND TIER 2 FACTORIES

enabling a better understanding of the actual social and environmental impact

April 2022



LAUNCHED THE BLAUW REPAIR SERVICE IN OUR AMSTERDAM STORES

facilitating in the extended lifetime of jeans

May 2022



IMPLEMENTED A GRIEVANCE MECHANISM AT ALL TIER 1 FACTORIES

getting in touch with our supply chain workers

OUR MISSION

“ Time is limited and we can't afford to place focus in the wrong direction. We have made measuring part of our everyday strategy, so that we can better understand what needs to be improved. These insights support us in having maximum impact in those areas that need it the most. ”

Jelle de Jong – Sustainability Director at Scotch & Soda

Our Approach

THE MISSION

“The Free Spirit of Amsterdam” is our ethos that can be found in everything we do. This spirit is reflected in the way we feel optimistic about the future, how we pave our own path to make a difference, how we try to bring unity in the world and think beyond boundaries to succeed.

It is our mission to design beautiful clothes that make a person look good and feel good. At the same time, we imagine a world where we are doing good. One of our top priorities is to run our business with greater sensitivity to people and the planet, by making more responsible choices that reduce our environmental footprint.

We are taking a holistic approach to sustainability. We aim to contribute to climate protection through the way we produce our products, by bringing awareness within our community and collaborating with like-minded people.

THE FOCUS

Our focus is determined by the elements that play a vital role in the functioning of healthy natural ecosystems and thus support life on earth: water, soil and air. These three elements, which form the focus pillars of our strategy, are interlinked and should work in harmony with each other as nature’s solution provider for climate protection. Through our environmental impact and risk assessment, the Environmental Profit and Loss (EP&L), it has become evident that with our value chain operations we have a significant impact on those elements.



WATER

Being born and located in Amsterdam, we are surrounded by water – with over 100 km of canals supporting tourism, transport, recreation and cultural events – reminding us every day that water and life are connected. Over the decades, the Dutch have mastered the art of flood protection, water supply and treatment, and are practical forward-thinkers in water management. Because of our roots, water preservation and the care of this resource are important to us.



SOIL

Healthy soil provides us with the majority of our everyday needs and plays a vital role in the enrichment of biodiversity that supplies homes to millions of species and animals. A strong biodiversity provides us with clean drinking water and could function as a natural carbon sink to absorb excessive greenhouse gases. Huge landscapes are being exploited for agricultural and forestry purposes, leaving behind an exhausted soil.



AIR

Air is everything around us and breathes life into all that we are surrounded by. The quality of air is threatened by excessive industrial interventions, impacting the health of humans directly, as well as the livelihood of our planet through climate change over time. Strategies to keep the air clean are therefore needed for climate and health.

THE ENABLER

It is our moral obligation to make a difference through the power of scale that we potentially have in the daily decisions we make. Over time, we can have a positive contribution to climate protection through three key enablers that we have a big influence on: by sourcing better materials with a low environmental footprint, empowering people through awareness and ethical behaviour, and being a driver for collective action in our field of expertise.

Better materials

Our selection of materials has a significant contribution to our overall environmental impact with the depletion of resources and the emission to land, water and air that happens while turning a raw material into a product. Re-envisioning our material strategy by focusing on regenerative farming practices, circulating existing resources and supporting low-impact innovations will allow us to enable the use of better materials.

Empower people

The creation of our products relies on human intervention, both within our own organisation as well as those who work within our supply chain. People, and their well-being, play a central role in the fight against climate change. We want to be a force for good and empower people by respecting human rights, protecting their health and safety, and bringing unity by advocating for diversity, equality and inclusivity.

Collective action

Our community consists of those who work for the brand, those who are connected to the brand and those who want to be part of the brand. We build on long-term partnerships and join forces with like-minded people so that we can amplify each other and make a greater contribution to climate protection than only one human could. Through the voice of our brand, we have the ability to educate, inspire and create awareness to all of them.

THE WAY FORWARD

Over the course of 2023, we will launch our long-term strategy, a roadmap that reflects our biggest ambitions, and a range of comprehensive targets across multiple areas that we aim to achieve by 2030.

Stay tuned to follow our journey.



The background features a series of concentric, wavy bands in shades of green, brown, and pink, creating a layered, organic effect. The text "OUR RESULTS" is centered in a black, monospace font.

OUR RESULTS

Achieving sustainability is not a solo quest in which only the bravest can succeed. It requires a shared vision for humanity, upon which everyone can act.



Working closely with our network of suppliers will ensure that the best environmental data is delivered and, more importantly, that the best sustainability practices are adopted when creating our products.



Camilla Morandi – Sustainability Coordinator at Scotch & Soda

Environmental Impact Measurement

Our business activities have a great impact on the environment, due to resource extraction, energy consumption and their correlated biodiversity impacts. Before we can reduce our environmental footprint, we have to understand what our business environmental impact is.

A key step in our journey to understanding and ultimately reducing our environmental footprint is through conducting an extensive Environmental Profit & Loss (EP&L) analysis of Scotch & Soda's business and supply chain.

The scientific methodology it follows calculates the environmental impact of an organisation and translates it into monetary values. This allows us to compare our monetary profits resulting from our operational and supply chain activities against our environmental costs resulting from reductions in natural capital and increases in environmental impacts.

The current EP&L assessment was performed over the reporting year 2021/2022 (FY 21/22), running from 1 June 2021 until 31 May 2022. This is the second year we calculated

our EP&L, using last year's results as a baseline against which we are measuring our progress. For the full results, head over to page 21.

METHODOLOGY

Together with our partner Sustainalize, we have set organisational boundaries to define the activities and entities to be included in the EP&L calculations. Our environmental analysis accounts for 15 environmental topics that are categorised in six environmental themes. These themes are:

- Greenhouse gas (GHG) emissions
- Air pollution
- Water pollution
- Water use
- Land use
- Land pollution

We have applied the cradle-to-grave methodology to calculate the impact of our business, meaning that every step and process is accounted for. Our analysis includes the environmental impacts associated with sales and production, retail operations, choice of raw material use, user phase and

a product's end of life, and all operations related to the manufacturing and logistics of our products.

CRITICISM TO LIFE CYCLE ASSESSMENT

The fashion industry and most sustainability initiatives rely on Life Cycle Assessments (LCAs) to measure and quantify the environmental impacts of products and supply chains. We are aware of the recent critiques to LCA tools used in the fashion industry. We also acknowledge the limitations that such tools have in portraying the complex environmental and social reality.

Our environmental assessments make use of a complex, multi-source LCA database, which accounts for the impact until the product's end of life. We avoid making use of the LCA results for on-product claims and we are constantly looking for updated scientific methodologies to depict an accurate environmental impact, together with environmental accounting experts.

ABOUT SUSTAINALIZE

In 2021, we partnered with Sustainalize—a new generation of sustainability specialists based in the Netherlands. They support organisations by engineering solutions to various sustainability issues and connecting these to the business strategy, enabling the development of suitable and tailor-made sustainability strategies. As part of the ERM group, Sustainalize also helps organisations identify and understand their impact, by making it measurable, comprehensible and transparent. Lastly, they help organisations engage with their key stakeholders by optimally utilising knowledge of regulations, integrated reporting and communication.

INTERVIEW

NATURAL CAPITAL ACCOUNTING: THE POWER OF DATA

MISHA ELKERBOUT

– Senior Consultant & Team lead Corporate Sustainability & Climate Change

Misha Elkerbout is the data expert at sustainability consultancy Sustainalize, helping organisations gain insight into the environmental impact of their business. It was Misha, together with his team, who supported us with this year’s environmental accounting. To do so, Misha used an Environmental Profit and Loss (EP&L), a powerful instrument that is only used by companies that take the lead in the sustainability transition.

EP&L converts a company’s environmental impacts into monetary numbers. Misha strongly believes in the power of this tool, since it helps companies gain a better understanding of their environmental challenges and opportunities, which in turn helps them to make more conscious decisions that result in a reduced impact on the environment.

But an EP&L is more than a foundation for better decision making. According to Misha, it can also trigger environmental awareness among stakeholders. Why? Because the units in which environmental impacts are traditionally measured sound abstract to many. For example, who really knows how bad a kilogram of CO2 is? By speaking in monetary value, a language is used that is understood by almost everyone – especially in a business environment. As soon as stakeholders understand the environmental impacts of a company, there is a bigger chance that they support the company on its journey to overcome its environmental challenges.

Even though Sustainalize has performed EP&Ls before, the extensiveness of our EP&L was new to Misha and his team. As we decided to assess the environmental impact of all life cycle stages (from the extraction of raw materials

to the disposal of products), an enormous amount of data was needed to calculate the impact of the company and its products. To avoid uncertainties in the EP&L outcome, we – together with Sustainalize – aspired to use as much high-quality data as possible. While most data was collected from Scotch & Soda’s own operations and suppliers, in some cases qualitative data was not available. In this instance, generic environmental data from a database was used.

While the EP&L is slowly being adopted by businesses, it is still a relatively new tool. Performing an EP&L is a comprehensive, time-consuming and costly process, whereby EP&L accounting is currently only being performed by companies that want to drive sustainable business by taking the lead in data-driven decision making. Misha hopes that soon more companies will start to assess their environmental impacts in monetary terms.



Environmental Profit & Loss Results

TOTAL IMPACT

We conducted our first EP&L assessment across the previous reporting year 2020/2021, functioning as today's baseline, with our environmental impact totalling at €34.6 million. Refer to the Appendix for the baseline EP&L results. This comprises both our direct and indirect impacts, i.e., the environmental impacts of activities that support our core operations and manufacturing, as well as dealing with the materials or components that are in our final products. The second and most recent EP&L assessment was done across the current reporting year 2021/2022. It shows an increase in monetised environmental impact of 36%, with a total impact sum of €47.1 million. This increase is due to our growing business, resulting in a 34% growth in produced textile volumes and an increase of other activities (such as distribution, store openings and user impact) that correlate with these higher volumes. With more goods being produced and more stores being opened, the impact of a business increases significantly. Additionally, as explained in the methodology, we have expanded the scope of our assessment to include licensee products and replaced average market data with enriched actual data, which has led to an increased total impact.

Considering the distribution of the impact per tier of operations, the biggest drivers for environmental impact reside in Tier 4, where growing raw material crops and raising animals takes place, with an impact of 56% over the entire value chain, as seen in Figure 1. Tier 2 is the second most impactful stage in our value chain, accounting for 11%. In Tier 2, yarns are processed into fabrics and they can be coloured as well. The energy required for these processes plays a crucial role in the environmental impact. Fossil-fuelled factories will inevitably lead to higher greenhouse gas emissions and air pollution and need to be replaced by renewable energy sources.

The cradle-to-grave approach adopted for our EP&L calculations allowed us to also measure the environmental impacts of the user phase of our products. Calculations have shown that this phase is very impactful and comes with great challenges. The total impact of the user phase is 7% from the total value chain, and is mostly a result of machine washing and tumble drying.

The biggest environmental impact categories in Scotch & Soda operations are greenhouse gas emissions (24%), air pollution (29%) and water use (24%). These impact categories are further highlighted in the chapters that follow.

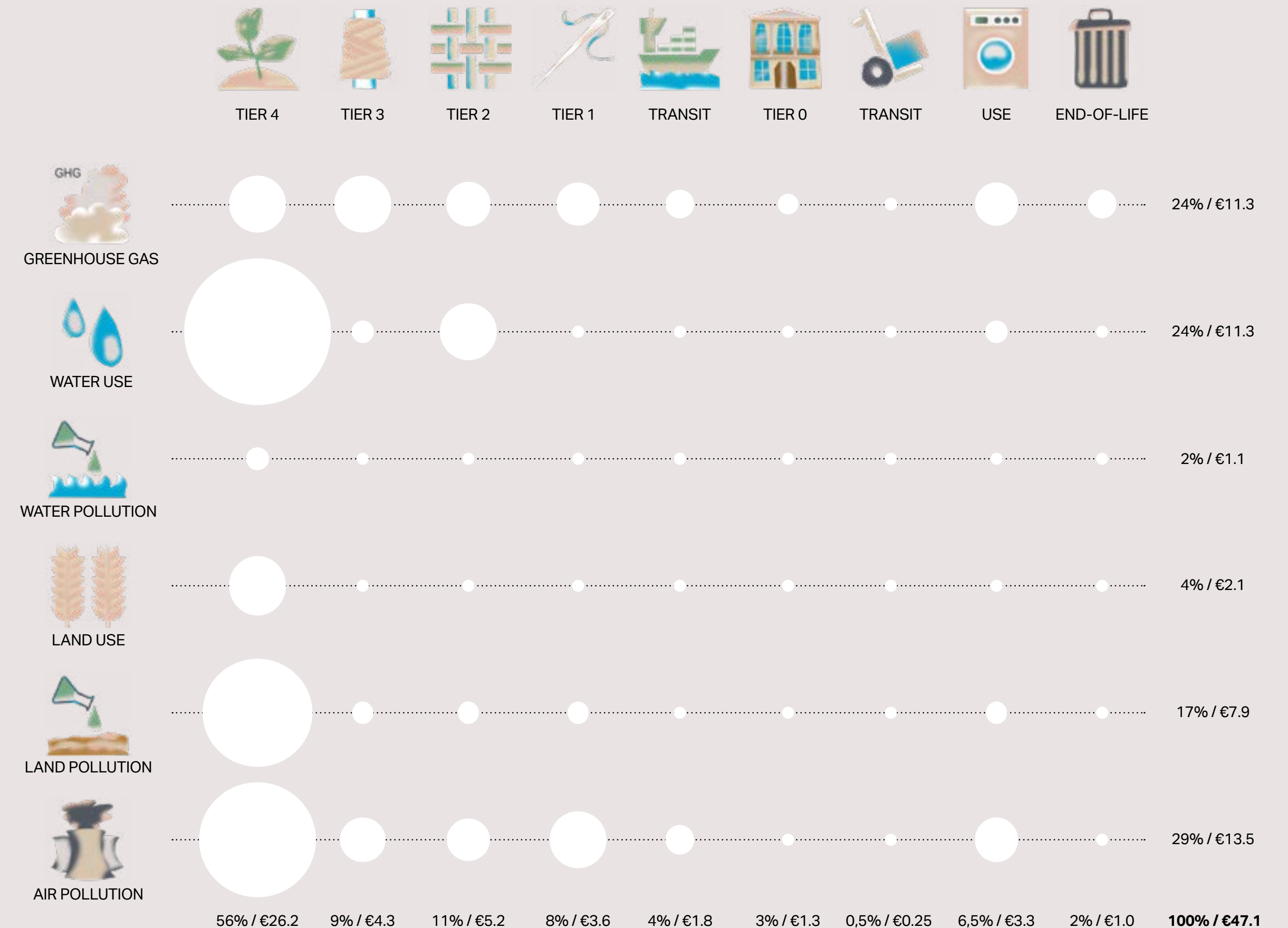


Figure 1. Total EP&L impact per tier and environmental impact category

● The size of the circle indicates the percentual contribution from the total impact
 € The monetised impact is €/million



Impact Intensity

MATERIAL INTENSITY

Looking at the impact value of €47.1 million in depth, the impact per 1 kg of the average material intensity that is used across our products is €12,07, as shown in the lower figure on the left. If this intensity metric is compared to last reporting year's material intensity metrics, it shows that the overall business growth of this reporting year has led to a 1% increase in the environmental impact per 1 kg produced textile with this year's material selection. Despite the absolute EP&L growth of 36%, the material intensity metric proves that the product and material strategy that we currently have in place is not following the same growth trend as the total EP&L impact.

WATER INTENSITY

We also measure the progress of our material sourcing strategy through the Water Intensity metric, looking at the average water consumption per kilogram of material. When compared to last year's Water Intensity metric, we have reduced our average water footprint per kilogram of material with 5% already, as shown on the figure on the right. This reduction can be substantiated by the increased uptake of less water-intensive materials this year.

REVENUE INTENSITY

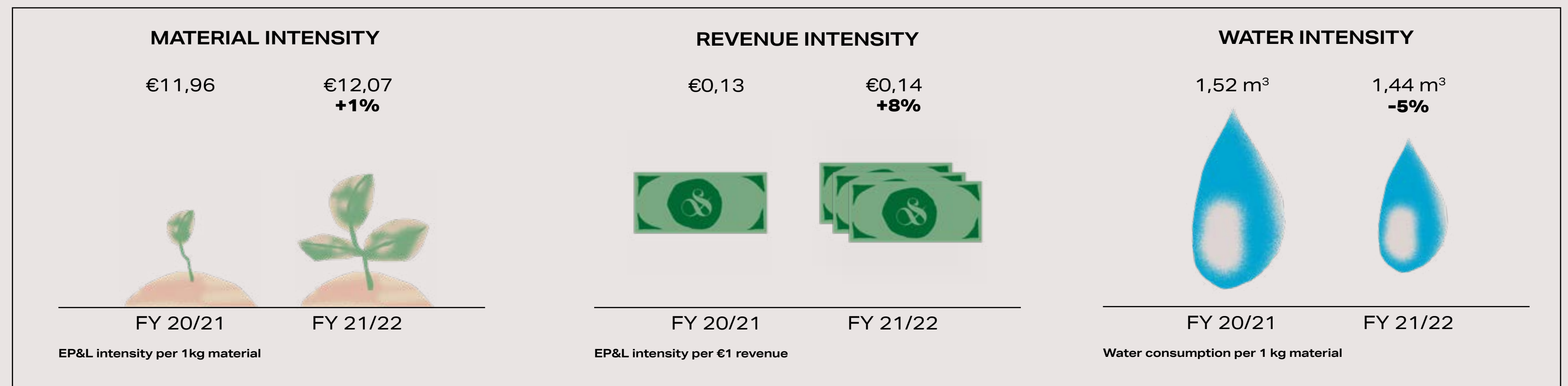
The revenue intensity metric is obtained by dividing our EP&L total over the financial revenue. This metric signifies that Scotch & Soda has an environmental monetary impact of €0,14 per €1 generated in sales, as shown in the lower figure in the center. When comparing this year's revenue intensity metric, based upon the extended scope, with the results from last reporting year, it shows an increase of 8% in environmental impact per €1 revenue.

We aim for these intensity numbers to further decrease over time, by extending and scaling up our current material sourcing strategy, showing proof of decoupling financial and business growth from environmental degradation.

**Year-on-Year
financial turnover
growth
+23%**

**Year-on-Year
produced volume
growth
+34%**

**Year-on-Year
environmental impact
growth
+36%**



Key Impact Categories

GREENHOUSE GAS EMISSIONS

Although fashion produces beautiful clothes and allows us to express ourselves, it is also inherently made by industrial processes. The operations across the supply chain – such as yarn spinning and fabric weaving – are energy-intensive processes, which are often powered by fossil fuels, ultimately contributing to the release of greenhouse gas emissions. These emissions also arise in the stage of raw material production, as well as in the use and end-of-life disposal of garments through incineration and landfills. In line with the globally recognised Greenhouse Gas (GHG) Protocol standard, and as part of the EP&L, we have measured Scotch & Soda’s greenhouse gas footprint across its direct and indirect operations, captured in Scope 1, 2 and 3. The total sum of greenhouse gases emitted across all scopes in the reporting year adds up to 81.823,7 Mt CO₂-eq, an increase of 37% against last reporting year, equalising the total percentual EP&L growth year-on-year. As seen in Figure 2, Scotch & Soda’s greenhouse gas emissions come mostly from Scope 3, which includes raw material production, the creation of products, transportation and the end-of-life treatment of clothes.

The release of greenhouse gas emissions, however, is not completely inevitable, and decarbonisation and electrification of industrial processes would allow to obtain power from renewable sources of energy. Procurement of green energy becomes a central point for lowering the impact of our business, as well as informing the consumers of the impact of the washing and drying of the product.

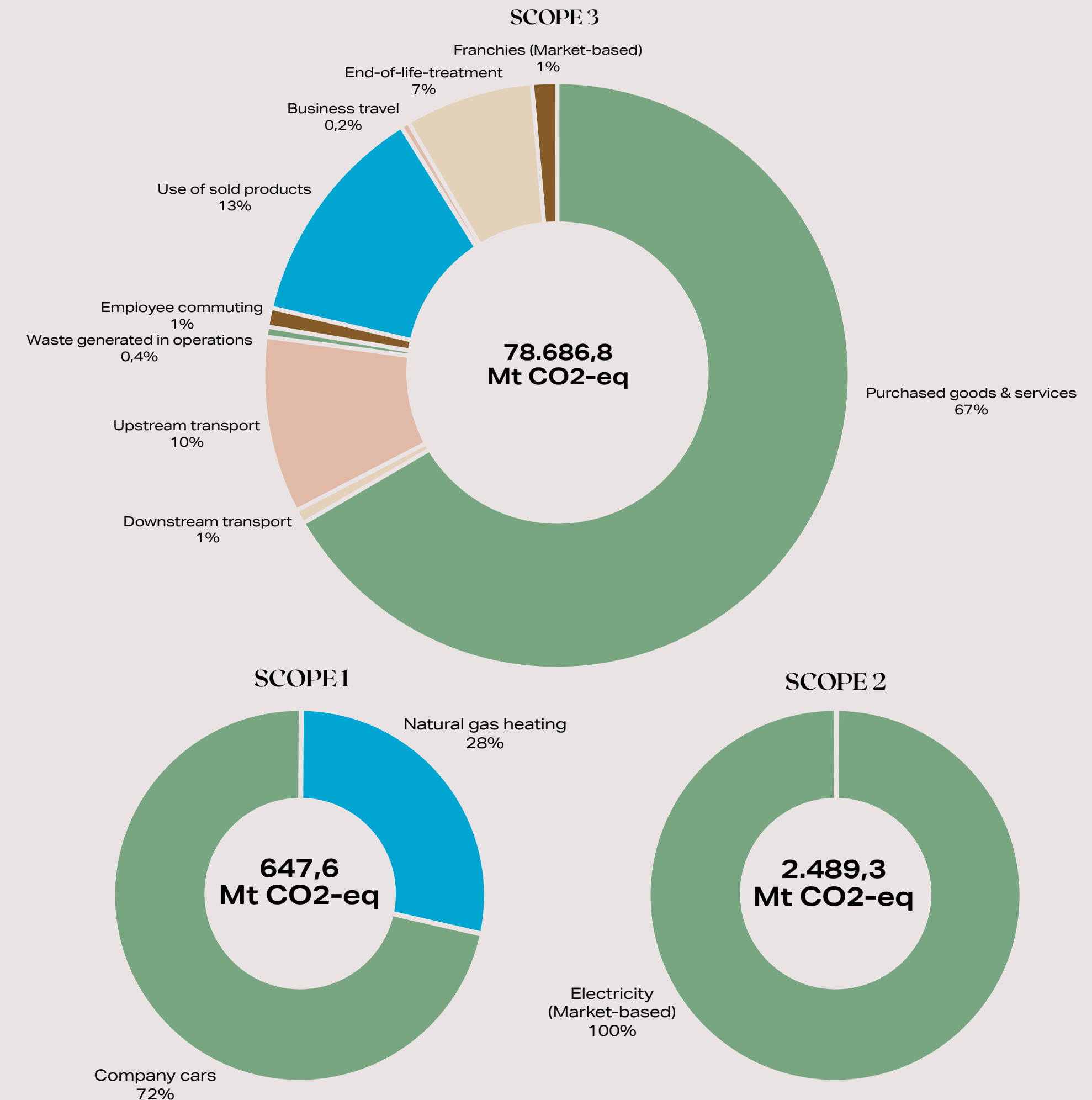


Figure 2. Greenhouse gas footprint in accordance with the GHG Protocol standard



WATER USE

Water is an essential input for the fashion industry. It is used throughout the entire supply chain; from farming crops such as cotton and hemp, to raising animals for wool and leather, to the production of forest-based materials, and washing of fabrics.

The life cycle phase that has the biggest impact on water consumption is Tier 4, with the production of conventional cotton crops being the main driver of this impact, contributing to 44% of the total water use. In fact, growing these kinds of fibre crops, are water-intensive activities. As part of our material sourcing strategy (outlined in the Our Products chapter) it is our ambition to replace conventional cotton with less impactful alternatives from water-abundant areas, such as organic, regenerative or recycled cotton by 2025.

The impact of water consumption, however, depends on geographical location. Extracting water in a dry area can cause very significant damages to ecosystems, ultimately causing biodiversity loss and negatively impacting human health. As cotton is one of the most water-intensive crops, our environmental impact calculations for this fibre have considered the nuances of country-specific information, weighing water use against the water stress in the country where the raw materials are sourced. Our impact increases if the cotton is grown in water-scarce areas, implying that we have a bigger impact on the ecosystem and community than if the same material was sourced in a water-abundant country.



AIR POLLUTION

The fashion industry has a large impact on air pollution. Agricultural activities linked to our raw materials and industrial processes, such as the creation of yarns and fabrics, have the potential to release pollutants into the air.

In our environmental assessment, we measured the emissions of six pollutants, of which particulate matter (PM) formation stood out as the most significant contributor to air pollution for our activities. As the release of these PM particles primarily occur during processes where more energy is consumed, the impact is largest in the parts of the value chain where also most greenhouse gases are emitted for raw material production (Tier 4), garment manufacturing (Tier 1) and during the consumer use phase of our products.



PART 2
TAKING A CLOSER LOOK

The image features a vibrant, abstract background composed of various torn paper scraps. The colors are primarily a bright, saturated blue, a warm orange, and a muted green. The pieces are layered and overlapping, creating a textured, collage-like effect. In the center of the composition, the words "OUR PRODUCTS" are printed in a bold, black, sans-serif font. The text is centered horizontally and vertically, standing out against the colorful, busy background.

OUR PRODUCTS

Materials

With the EP&L assessment results as the foundation for our work in sustainability, we base our material sourcing strategy on the findings of the six environmental impact themes as discussed on page 19, as well as industry standards and scientific research. These findings indicate that Scotch & Soda's biggest impact comes from the extraction and production of raw materials. The choice of the fibres and materials used for each collection therefore becomes a focal point in our action towards minimising our environmental impact.

MOST-USED FIBRES

Our most-used fibres – including conventional versions as well as their responsible counterparts – are cotton, polyester, forest-based fibres, nylon and wool. Collectively, these five material types represent 77% of this year's total material consumption volume of 3.9 million kg, as shown in Figure 3. These materials are also the most impactful in terms of negative environmental characteristics, representing 59% of our overall environmental impact. To reduce our environmental footprint, we are committing to choosing and sourcing increasingly more organic, recycled and other certified fibres to replace conventional ones.

For each of our most-used fibres, we have set commitments to use a more responsible alternative fibre mix, to lower our environmental impact and to mitigate biodiversity risks related to sourcing non-certified, conventional fibres. Read more about our responsible fibre classification on page 101/102.

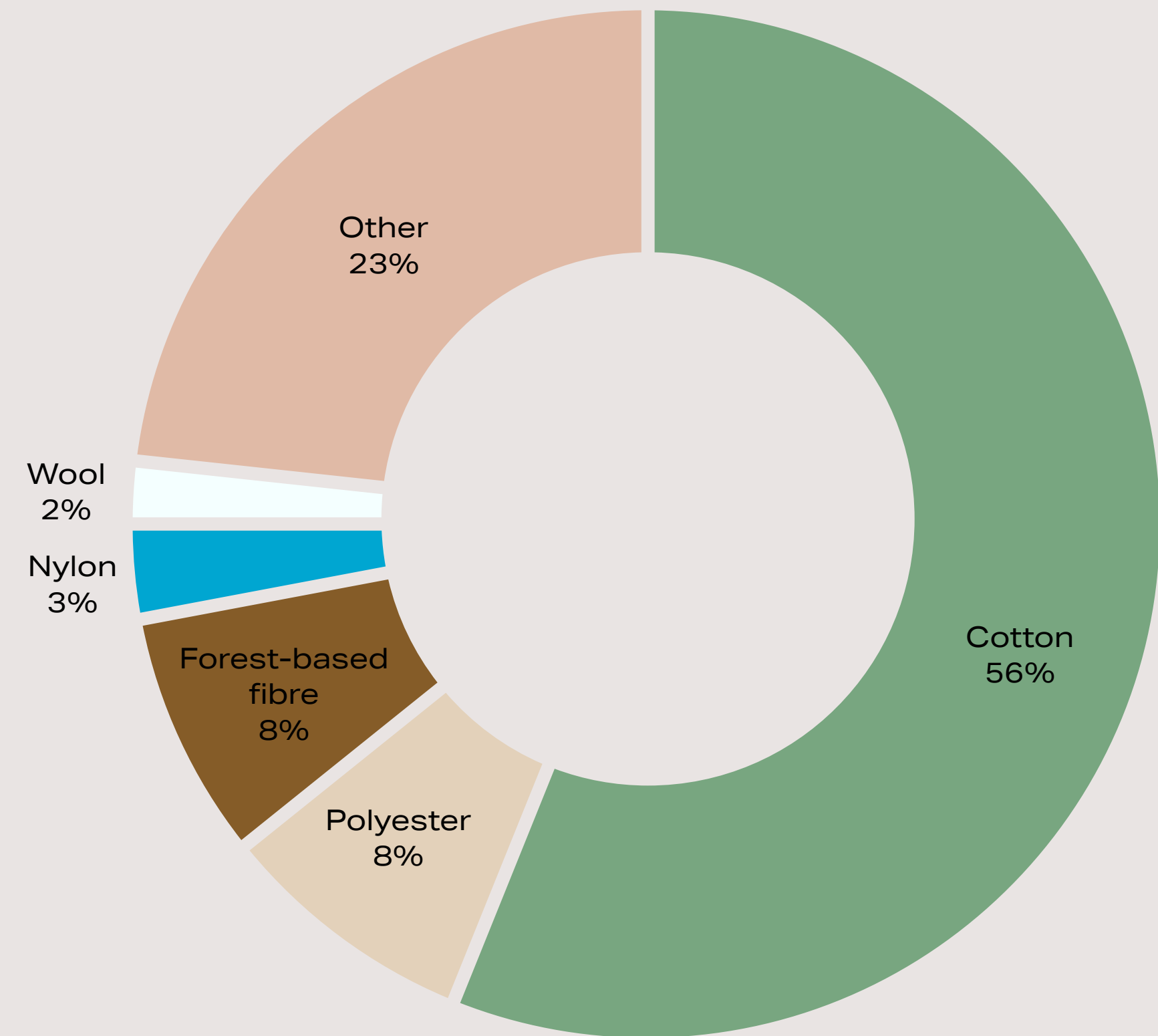


Figure 3. Volume breakdown of the total materials



COTTON

Cotton – a natural fabric known for its breathability, durability and softness – is one of the most important materials in our collections. Despite all its benefits, conventional cotton has a significant impact on the environment, due to the use of pesticides and fertilisers, high water consumption and the soil degradation it causes . We are therefore committed to stepping away from conventional cotton fibres.

Where are we now?

Within the reporting year, we increased our uptake of responsible cotton alternatives to 51%, as shown in Figure 4, from our total cotton consumption of 2.2 million kg.

Where are we going?

Our goal is to replace 100% of our conventional cotton in our collections with organic, recycled, in-conversion or regenerative agriculture cotton fibres by 2025, as shown in Figure 4. These fibres perform better than conventional cotton in several indicators, such as improved soil health, higher water retention rate in soil and no use of pesticides which damage the biodiversity. As a stepping stone, we continue to participate in the use of mass balance cotton from Better Cotton for the garments where we have not been able to improve. We do not, however, consider such cotton as responsible.

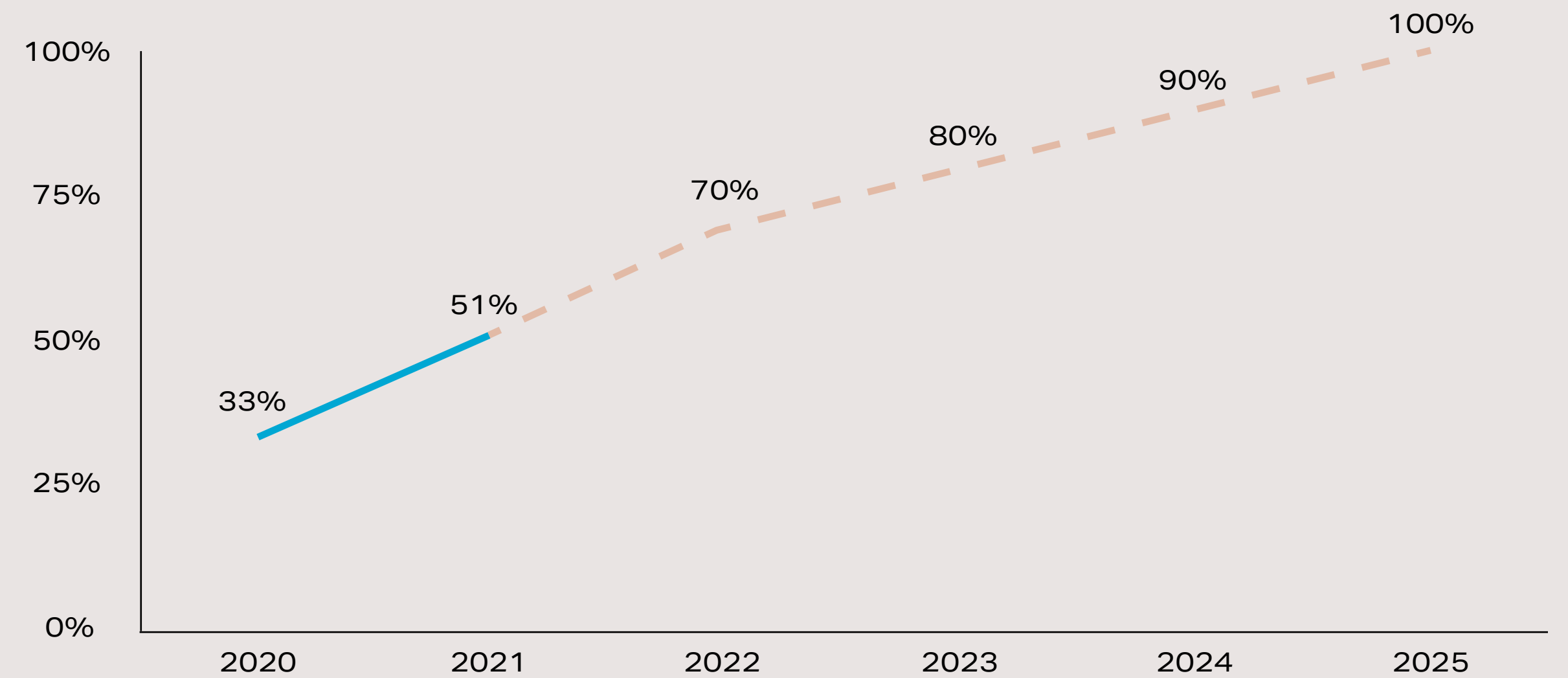


Figure 4. The roadmap for responsible cotton fibre uptake and goal, based on fibre volume





FOREST-BASED FIBRES

Materials such as viscose, lyocell and modal are made from wood pulp derived from trees. The sourcing of conventional, non-certified or non-trademarked versions of forest-based fibres can be a major driver in global deforestation, while their manufacturing is also often considered poor in controlling chemical use during production. This is why we are committed to sourcing more responsible fibre alternatives.

Where are we now?

Since 2020, we have been sourcing more responsible alternatives from parties that can supply forest-based fibres from producers that have a 'green shirt' ranking within Canopy's Hot Button selection. This rating indicates that a producer has been audited and does not source fibres from ancient or endangered forests. Within the reporting year, we successfully increased our uptake of responsible forest-based fibre alternatives to over 46%, as shown in Figure 5, from our total forest-based fibre consumption of 300.000 kg.

Where are we going?

Our goal is to source 100% of our forest-based fibres from a Canopy Hot Button producer with a 'green shirt' ranking by 2022, to be used in our collections by 2025. This commitment is cemented through a partnership with Canopy and their CanopyStyle Initiative programme.

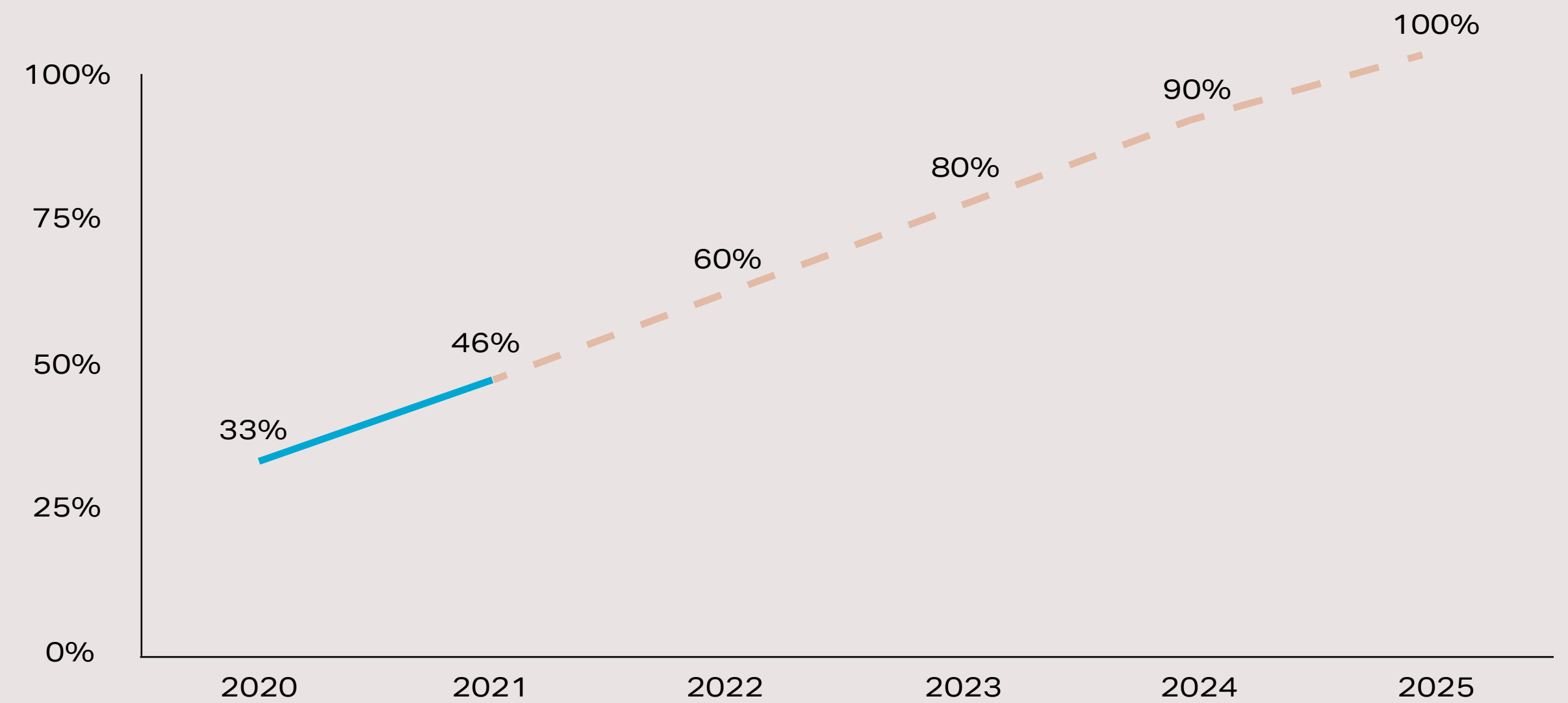


Figure 5. The roadmap for responsible forest-based fibres uptake and goal, based on fibre volume





WOOL

While wool – a natural fibre – is renewable, recyclable and even biodegradable, the farming of sheep and the processing of wool leave a significant environmental footprint, due to the use of chemicals, greenhouse gas emissions – such as methane – and the soil degradation caused.

Where are we now?

Adjusting our sourcing standards for wool fibres was a bigger challenge than we had anticipated. Firstly, we had to focus on getting our suppliers Scope Certification for the required standards, such as the Responsible Wool Standard (RWS) and the Global Recycled Standard (GRS), before we could carry on with any verified responsible qualities. Additionally, minimum order quantities and lead time presented some challenges to adapt responsible wool fibres into our collections on short notice.

Within the reporting year, we increased our uptake of responsible wool fibre alternatives to almost 4%, as shown in Figure 6, from our total wool fibre consumption of 75.000 kg.

Where are we going?

Our goal is to make a positive contribution to climate protection by reducing our environmental impact and waste. We are committed to source at least 50% of our wool from preferred wool fibres – i.e., RWS, organic, recycled and Dutch wool – by 2025.

It is our ambition to accelerate our adoption of responsible wool alternatives in the years to come to be able to achieve our 2025 commitment.

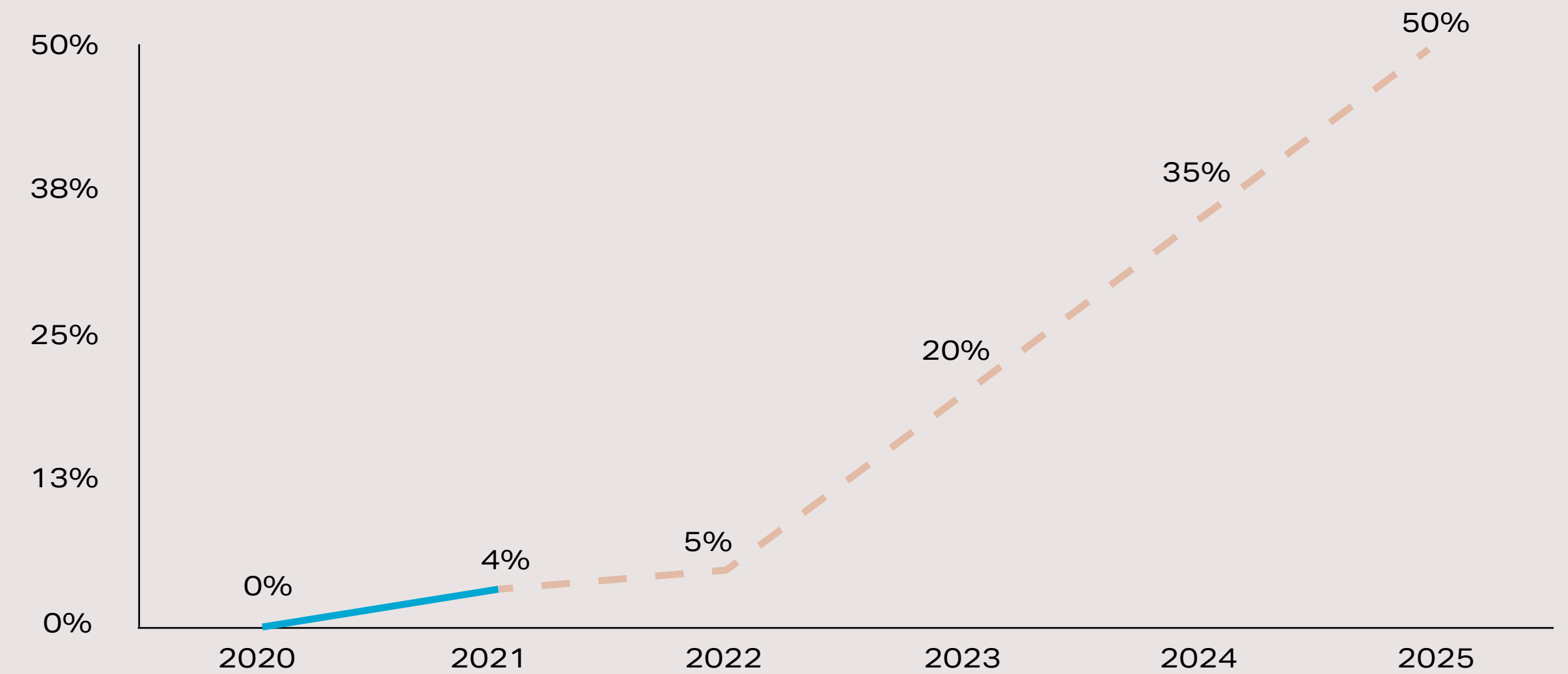
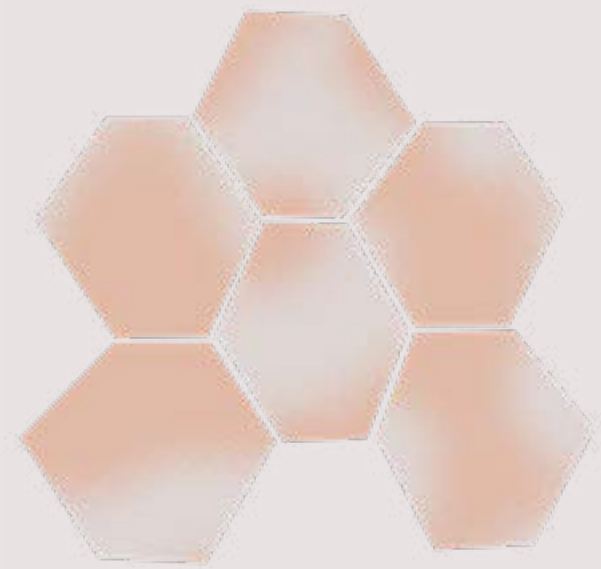


Figure 6. The roadmap for responsible wool fibre uptake and goal, based on fibre volume





POLYESTER

Polyester has become a popular material over the last few decades due to its technical performances and functionality. It is a synthetic fabric that is made of petroleum, a resource that is non-renewable. It also comes with a big environmental threat: microplastic pollution. Just like other synthetic materials, polyester fabrics shed tiny microplastic fibres into the environment. This has a major impact on aquatic life and human health.

Recycled polyester is often made from post-consumer waste polyethylene terephthalate (PET) bottles, diverting plastic waste away from landfills. Ideally, technical fibre-to-fibre innovation will mature to a point where most of the polyester is made from post-consumer waste recycled textiles. But for now, recycled polyester made from PET bottles is still a more responsible choice, avoiding the need for extraction of fossil raw material, and requiring lower energy use and greenhouse gas emissions for its production, compared to conventional polyester.

At Scotch & Soda, we encourage our designers to choose natural materials over fossil-based materials. When using a synthetic materials like polyester, we prefer to adopt a recycled version.

Where are we now?

Within the reporting year, we successfully increased our uptake of recycled polyester to 45%, as shown in Figure 7, from our total polyester fibre consumption of 691.000 kg.

Where are we going?

It is our ambition to use 100% recycled polyester by 2025. During this same time, we are focusing our efforts on finding solutions for the urgent microplastic pollution issue.

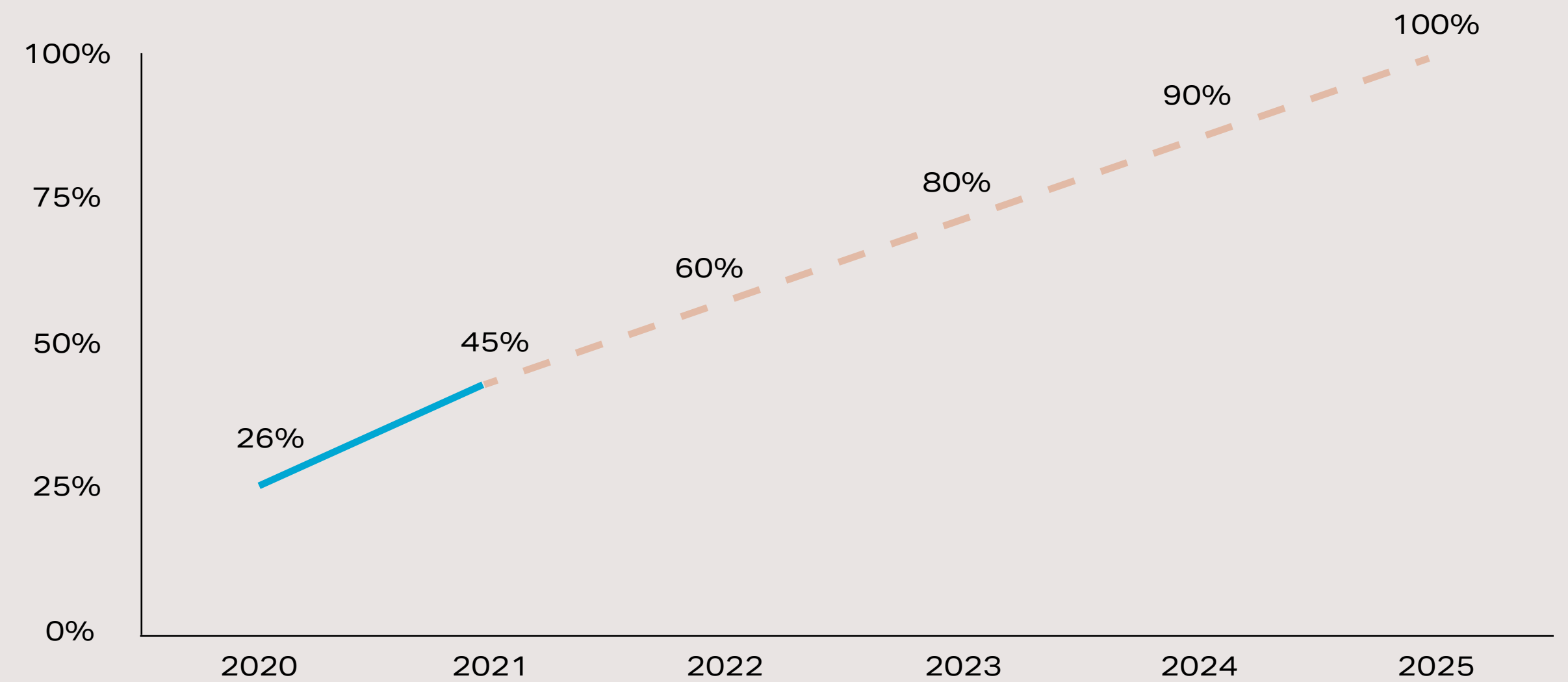


Figure 7. The analysis for recycled polyester uptake, based on fibre volume



NYLON

Just like polyester, nylon is a synthetic material made of petroleum, which has a similar impact on the environment. The current uptake of recycled nylon is much lower to that of polyester. This is due to technical challenges when melting nylon to create a new fibre. Because nylon melts at a low temperature, it does not allow for the complete destruction of contaminants. Recycled nylon is therefore not fully clean and reused. Additionally, there are very few post-consumer waste products entirely made of nylon – which is needed as the raw material for nylon recycling – making it difficult to further upscale this practice.

Where are we now?

Within the reporting year, we were able to increase our uptake of recycled nylon to 9%, as shown in Figure 8, from our total nylon fibre consumption of 122.000 kg.

Where are we going?

Although we have not yet set a commitment on the use of recycled nylon, we do have serious ambitions to increase the uptake of recycled or regenerated alternatives for the following years. Despite the complicated processes to recycle nylon, the energy use, greenhouse gas emissions and water usage are lower when recycling nylon as opposed to creating the conventional fibre. We will focus on the microplastic pollution issue in our sustainability strategy for the years to come, deepening our comprehensive research on this topic.

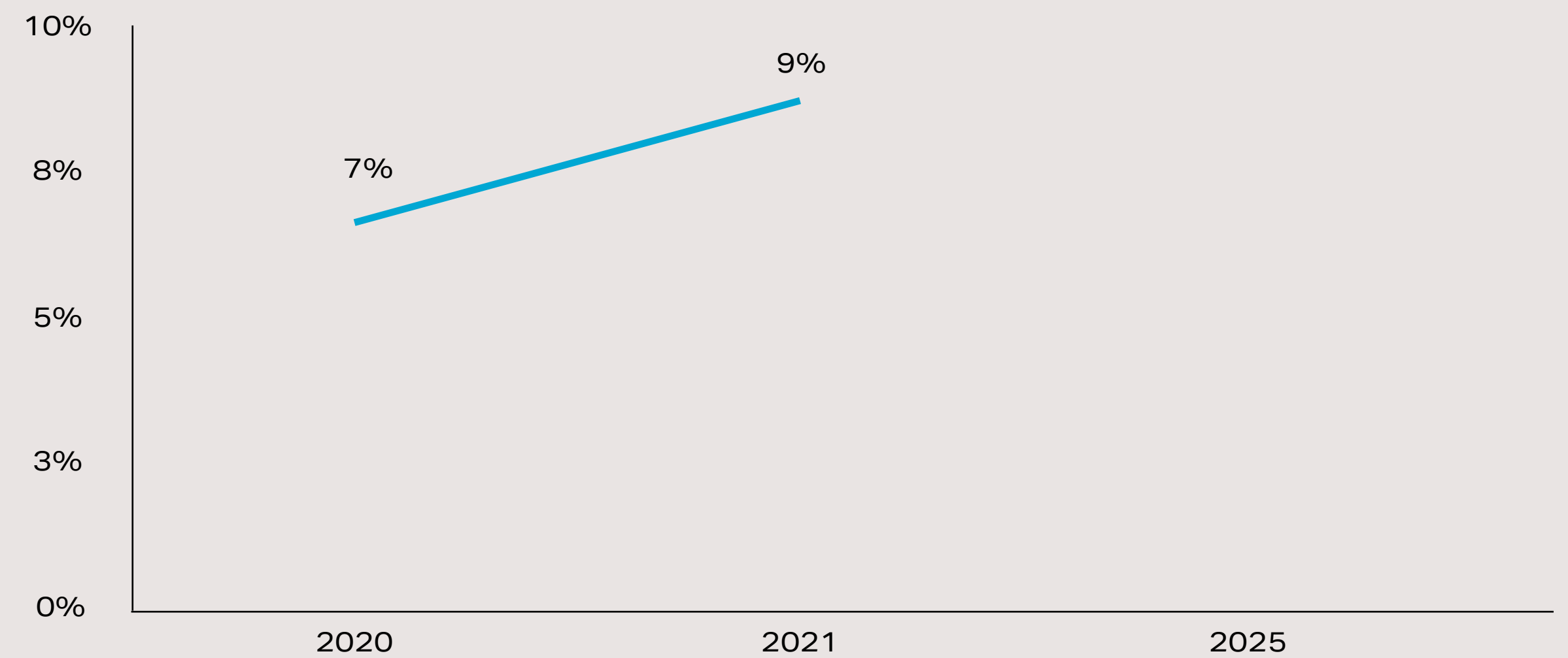


Figure 8. The analysis for recycled nylon uptake, based on fibre volume

ANIMAL-BASED MATERIALS

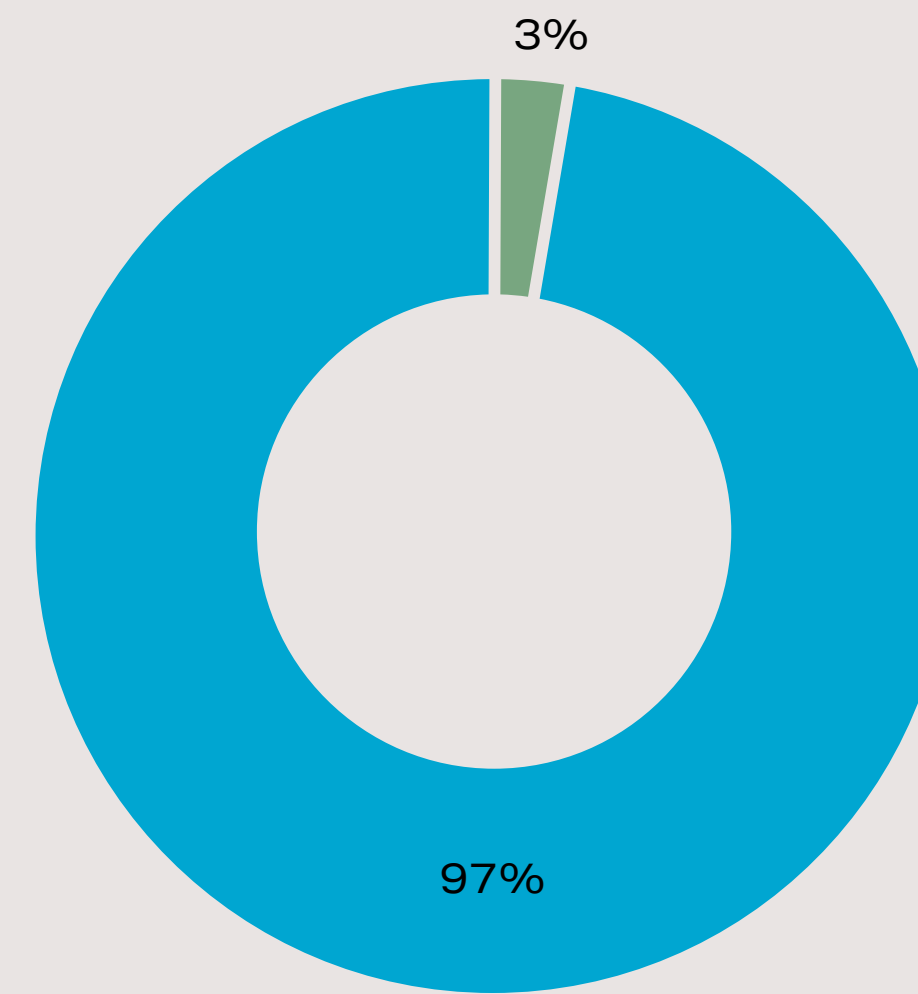
Animal-based fibres are known to be environmental-intensive products, due to the pressuring impacts of animal agriculture, husbandry practices and chemical treatment of animal fibres. On the other side, animal-based materials often offer durability due to their inherent nature.

Where are we now?

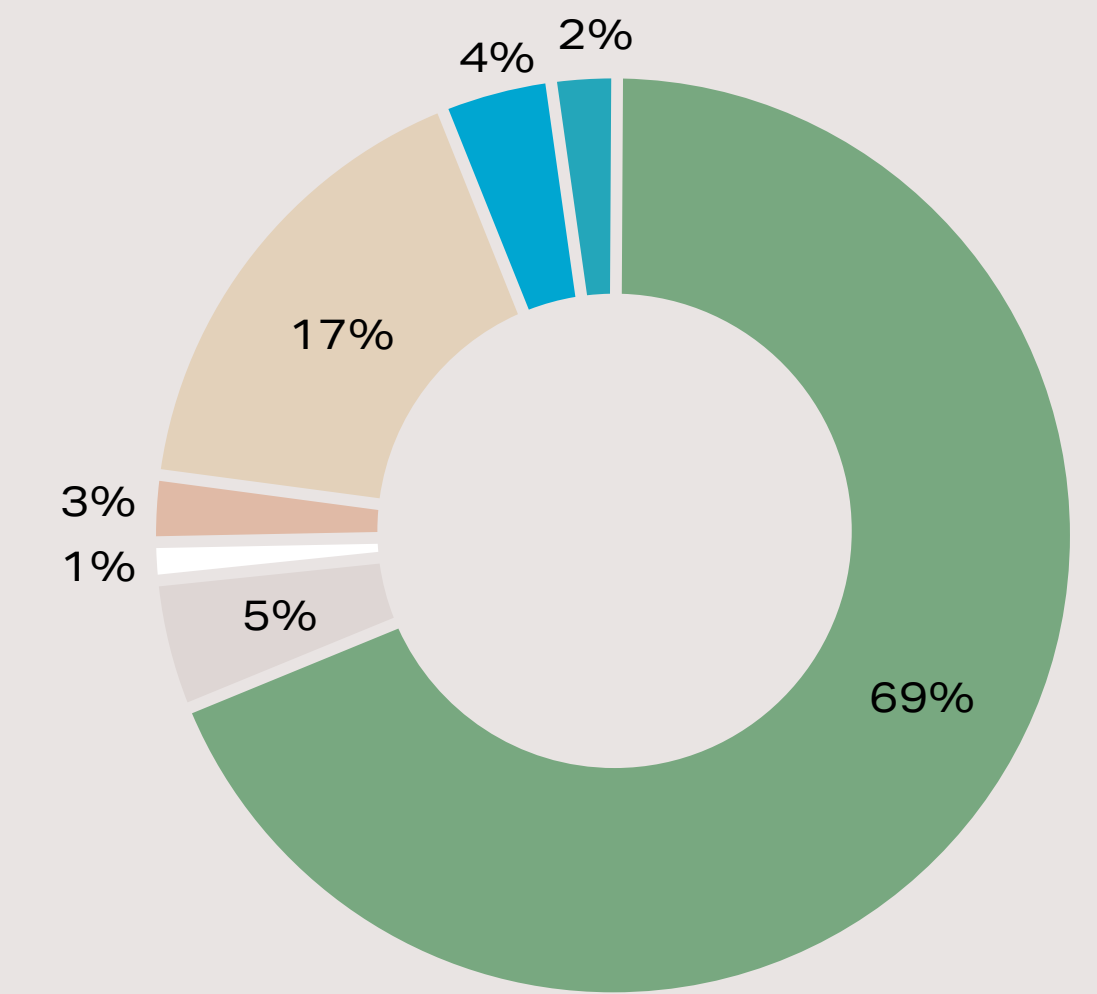
Today, only 3% of Scotch & Soda's material use relies on animal-based materials, as shown in Figure 9, representing 103.000 kg. From this volume, the majority is made up of conventional sheep wool (69%) and conventional cow leather (17%), as shown in Figure 10.

Where are we going?

We aim to choose responsible fibres with lower environmental impacts. This principle has resulted in sourcing practices that shift away from animal-based fibres that are linked to environmental degradation and poor animal welfare policies. This is correctly reflected in the uptake of alternative animal- and non-animal-based materials in our collections, such as down feather alternatives, bio-based leather alternatives, responsible wool, Dutch wool and recycled materials as described in the next page.



- Animal-based materials
- Other materials



- Conventional sheep wool
- Conventional alpaca wool
- Conventional silk
- Responsible wool (including RWS-certified wool and recycled cashmere)
- Conventional cow leather
- Conventional leather from other animal types
- Responsible leather (including recycled leather)

Figure 9. Percentage of animal-based material volumes, calculated over the total material use within the reporting year

Figure 10. Percentage breakdown of animal-based material volumes

Animal-Based Material: Better Alternatives

DOWN FEATHER ALTERNATIVES

As real down feathers are banned from our collections, we have implemented responsible alternatives for our jacket fillings. We use REPREVE® filling, made of recycled polyester. In future collections, we will shift towards using forest-based alternatives from kapok trees, to diminish our polyester consumption and, simultaneously, our microplastic pollution impact. Kapok fibres have great insulating characteristics and do not come from fossil-based materials.

BIO-BASED LEATHER ALTERNATIVES

We are committed to using leather alternatives that are bio-based, with a similar look and feel as real leather, and that do not contain fossil-based components. Despite their vast availability, we do not consider plastics or polyurethane as responsible components to leather alternatives, due to their non-biodegrade nature and reliance on fossil fuel materials. As such, we want to work with only 100% bio-based leather alternatives. At the moment of writing, more fully bio-based leather alternatives are under development and will be implemented in our future collections.

In cases where the man-made or bio-based alternatives do

not perform as well as their animal-based counterparts, we have adopted post-consumer recycled animal alternatives or certified materials that ensure better environmental management. As part of the total volume of animal-based materials, this represents 5% across the current reporting year.

POST-CONSUMER RECYCLED CASHMERE

Post-consumer recycled cashmere is created from preloved and discarded garments. By reusing fibres that would otherwise be considered waste, the lifespan of this valuable material is extended. Recycling cashmere helps lower the demand for virgin cashmere and reduces greenhouse gas emissions and land erosion caused by animal agriculture.

RECYCLED LEATHER

All leather or skin that we source must be a by-product of the meat industry and from farmers that practice good animal husbandry in line with the Five Freedoms for animals as outlined below. For small accessories and trims, we made use of recycled leather. This is leather that comes from used leather and industrial scraps. By choosing this material, existing resources that would otherwise be destined for

landfills or incineration are now used to produce a new item. At the same time, recycling leather helps lower the demand for conventional leather and reduces greenhouse gas emissions and land erosion caused by animal agriculture. During the upcoming reporting year, we will onboard the Leather Working Group (LWG). This membership will allow us to source from tanneries that have committed to saving water, reducing energy and chemical use, and decreasing the environmental impact of leather manufacturing.

RESPONSIBLE WOOL STANDARD

All wool, or any other animal hair product that we use, must be sourced from farmers that practice good animal husbandry, in line with the Five Freedoms of animal welfare as outlined below. Scotch & Soda has recently obtained a Responsible Wool Standard (RWS) certification, which certifies suppliers according to animal welfare and land management requirements, contributing to the creation of a more responsible wool industry.

RECYCLED WOOL

We make use of recycled wool. Recycling wool helps to prolong the lifespan of this valuable material. Utilising the recycled

version of this material contributes to a lower demand for conventional wool and to less greenhouse gas emissions than virgin wool, which relies on polluting animal agriculture processes.

DUTCH WOOL

In 2021, we introduced Dutch wool into our supply chain and final garments. This is a widely available resource in the Netherlands that often goes to waste. Dutch wool comes from sheep that have an important function to the local biodiversity, where it grazes freely and maintains natural reserves and landscapes.

Next-Generation Materials

Material innovation is a very important driver for responsible change. Innovation will support us in stepping away from conventional and environmentally intensive fibres. It will also help us to redistribute the material mix of our top five most-used fibres to shift towards less environmentally intensive fibres.

Where are we now?

In the beginning of 2022, we made use of three new, promising next-generation materials: mycel, PYRATEX® element 1 (nettle) and PYRATEX® element 2 (banana agriwaste) fabrics.

MYCEL

Enthusiastic about the power of nature in innovation and design, this reporting year we have developed 70.000 denim backpatches with a new leather alternative: mycel. This material is made from mushrooms grown in fields in Vietnam. The mushrooms are farmed without using any chemical additives, making it fully biodegradable and compostable. Additionally, mycel is produced by following a manufacturing process that avoids using hazardous chemicals and uses less water and energy than conventional leather manufacturing.

PYRATEX® element 1 (nettle)

The first fabric we used from PYRATEX® is made by blending organic cotton with nettle fibres. Nettle grows wild in the mountain forests of the Himalayas. It has long been used in the ancient textile industry, but lost its position in our modern industry when cotton and silk came to the mass market. Harvesting nettle promotes soil stabilisation, as it allows annual regrowth and strengthening of roots. Himalayan nettle also has a positive social impact, as the areas in Nepal where the nettle grows are high poverty areas. The harvesting of the nettle fibre provides workplaces and supports local farmers with an additional income. We implemented this fabric for 8.000 garments in our collections this reporting year.

PYRATEX® element 2 (banana agriwaste)

The second PYRATEX® fabric that we used is created blending agricultural waste from banana trees from the food industry with organic cotton. The banana plant fibre is an innovative material that needs little water and requires no fertilisers or pesticides in order to grow. These banana plantations are located in three regions of India: Tamil Nadu, Andhra Pradesh and Madhya Pradesh. By repurposing this agricultural waste, the banana tree fibres are saved from the usual tradition of burning agricultural waste, avoiding emitting CO2 from incineration. We implemented this fabric for 3.000 garments in our collections this reporting year.

Where are we going?

In the coming years, we will focus on new innovative solutions for material sourcing and fabric processing. To reduce our reliance on our most-used fibres, we will introduce new innovative materials in future collections, such as material from regenerative agriculture, cotton-in-conversion, bio-based fibres and leather alternatives. This will allow us to upscale our partnerships with innovative material suppliers and drive us towards the achievement of our responsible material commitments.

For our denim pieces, we want to avoid the high-chemical and heavily impactful treatments. Our denim designers and producing partners will achieve the worn denim look we all love, while making use of less impactful techniques and innovative technologies – such as ozone and laser – or pre-working on the fabric characters so that it requires less intense processing steps.

Lastly, in future collections, we will make use of more natural dyes, which are inherently biodegradable, non-toxic and non-allergenic, and offer a better option compared to conventional dye use, for both our planet and human health.

Animal Welfare



At Scotch & Soda, we are committed to the well-being and respectful treatment of animals. We also require that all our animal-based materials are from animals that are treated humanely. We work closely with our suppliers to uphold each of our values and require them to commit and comply to the standards described in our Animal Welfare Policy.

Our ever-evolving Animal Welfare Policy is based on the guiding principles from the World Organisation for Animal Health (OIE) that outline the Five Freedoms animals should experience when under human control:

- Freedom from thirst, hunger and malnutrition
- Freedom from discomfort
- Freedom from pain, injury and disease
- Freedom to express normal patterns of behaviour
- Freedom from fear and distress

Due to high animal welfare risks, we have banned the following materials from our collections:

- Feathers or down
- Fur
- Angora
- Conventional mohair wool
- Virgin cashmere
- Wild caught, endangered or exotic animals
- Farms that practice mulesing
- Animal testing on any of our (cosmetic) products

Garments

STANDARDS & CRITERIA

In order to allow for the creation and monitoring of our responsible goals – and to enable customers to make an informed decision – a selection of Scotch & Soda products has been classified as responsible. This means that the main material has been made with at least 50% responsible classified fibres.

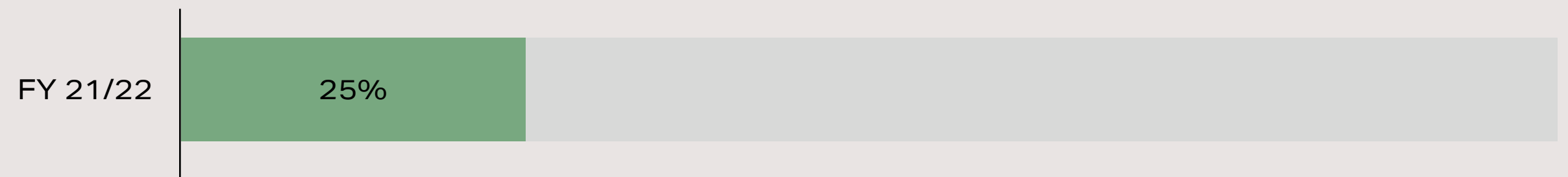
The responsible fibres have been selected as such, following industry best practices, Canopy’s Hot Button ‘green shirt’ ranking 2021 and Life Cycle Analysis (LCA) from Ecoinvent and the Higg Materials Sustainability Index (Higg MSI). The responsible fibres that we use at Scotch & Soda are certified by third-party organisations or they are branded fibres that are ranked ‘better’ and ‘best’ within our responsible fibre classification. For the responsible fibre classification, see the Appendix.

Additionally, we have set specific standards for the following article categories to be classified as responsible:

OUTERWEAR

When the main filling and/or main padding (if any) is made from a 100% responsible fibre.

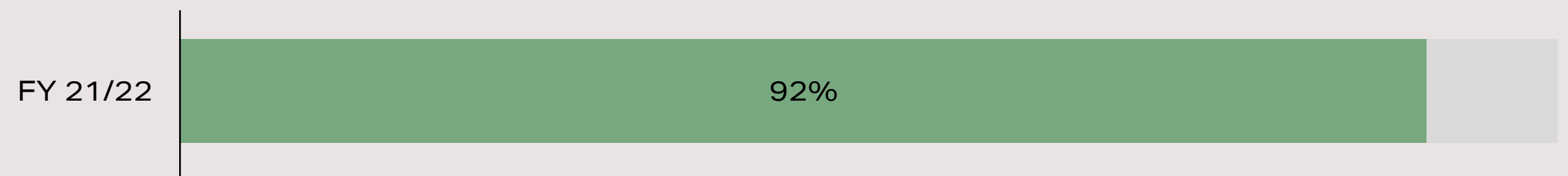
Our current status



SWIMWEAR

When the main materials have been made with at least 50% responsible fibres.

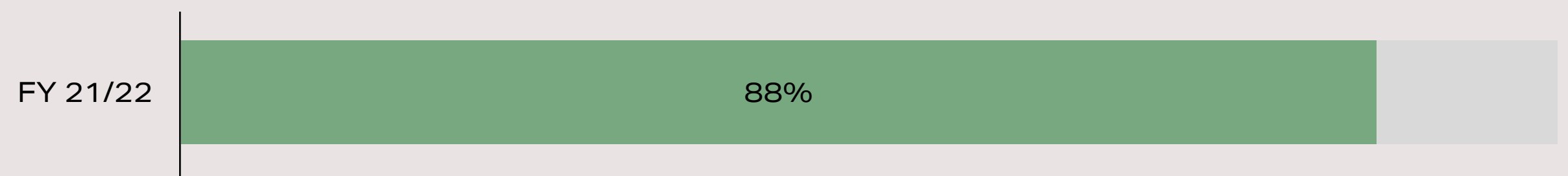
Our current status



FOOTWEAR

When at least one of the main parts (upper, lining, insole or outsole) is made from a minimum of 50% responsible fibres.

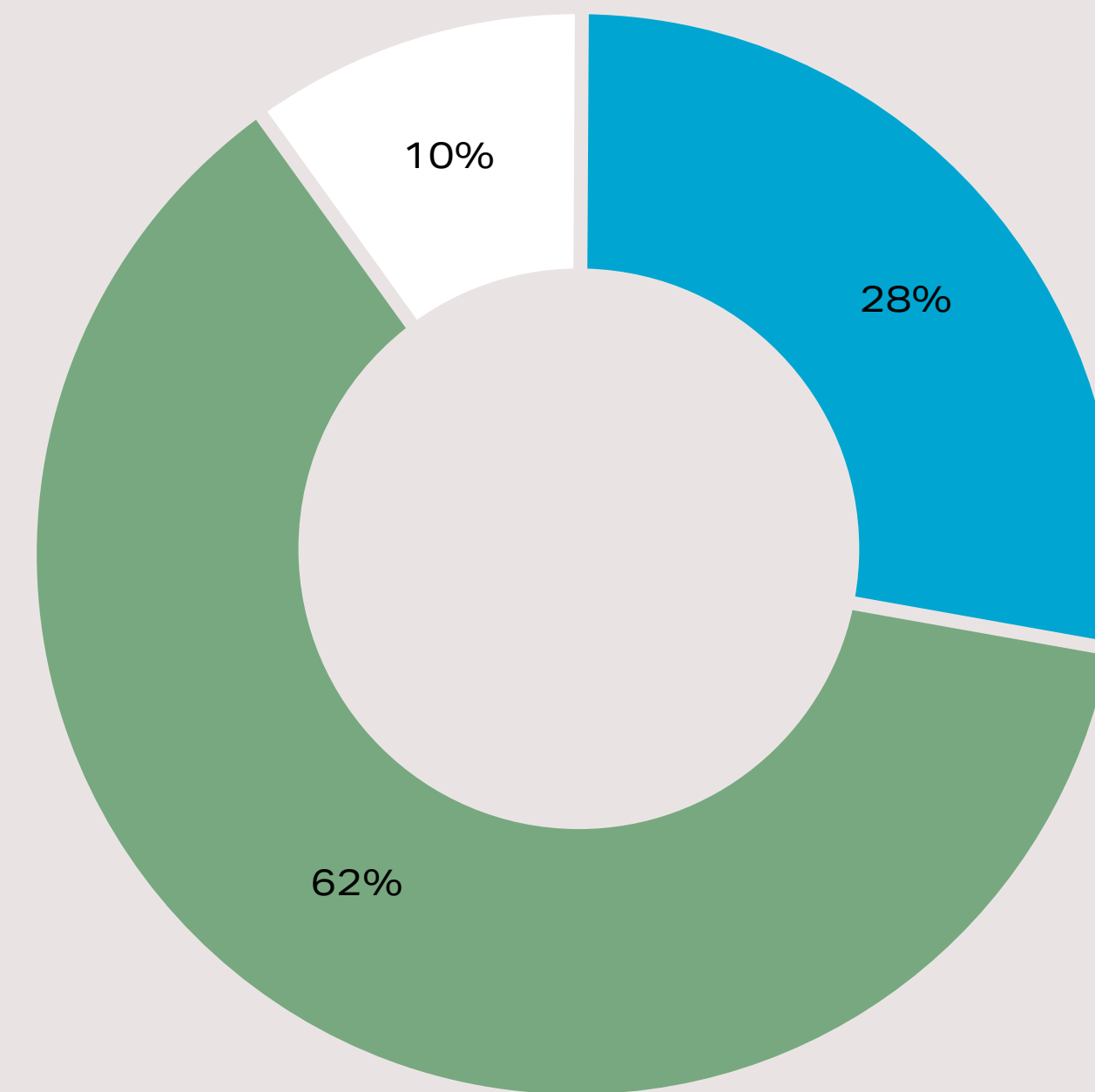
Our current status



DENIM

Our denim design varies from a clean unwashed design to a more worn-out look. This design is often obtained through a heavy chemical treatment, which is harmful to the environment. At Scotch & Soda, we have committed to avoid any high-impact treatments, based on the Environmental Impact Measuring (EIM) scores developed by Jeanologia®. EIM measures the environmental impact of garment finishing, based on four different categories: water and energy needs, chemical impact and impact on workers' health. As shown in Figure 11, the majority (62%) of produced volumes are finished with a medium-impact treatment, followed by 28% that is finished with a low-impact treatment.

We have not yet been able to adopt this methodology for all our denim garments, as it requires all our denim suppliers to adopt Jeanologia® tools and measuring scorecards, which has not fully been achieved yet. In the future, our focus will be to get all our partners on board and to achieve a higher share of low-impact treated garments.



- EIM low impact
- EIM medium impact
- Unknown

Figure 11. Volume percentages of denim garments, categorised by EIM score

About Our Collections

When designing and developing our collections, we push ourselves and our supply chain to create products that last and are made in the most responsible way possible. Every season, we aim to integrate more organic, recycled or other certified responsible fibres. To help our design teams, sourcing teams and suppliers make the desired progression, we have set stringent targets for achieving increasingly more responsible styles in each of our collections.

COLLECTION PROGRESS

In this year's collections, from Fall 2021 to Fall 2022, we successfully increased the volume of responsible garments produced by 80% compared to the previous year, representing 46% of the total volumes produced, as seen in Figure 12.

The challenges in availability of responsible fibres and in longer and more complex global supply chain operations have given us an opportunity to adapt to the ever-evolving world. To circumvent these hurdles and to have a broader choice of responsible material selection, we are constantly on the lookout for alternative materials to fulfil our material targets in the future, which include the use of cotton-in-conversion and regenerated fibres. We have also upscaled our responsible viscose usage as an alternative to cotton and fossil-based materials. Thanks to this strategy, our expected growth for the percentage of responsible garments is in line with the targets: to reach 70% responsible styles and volumes by the end of 2023.

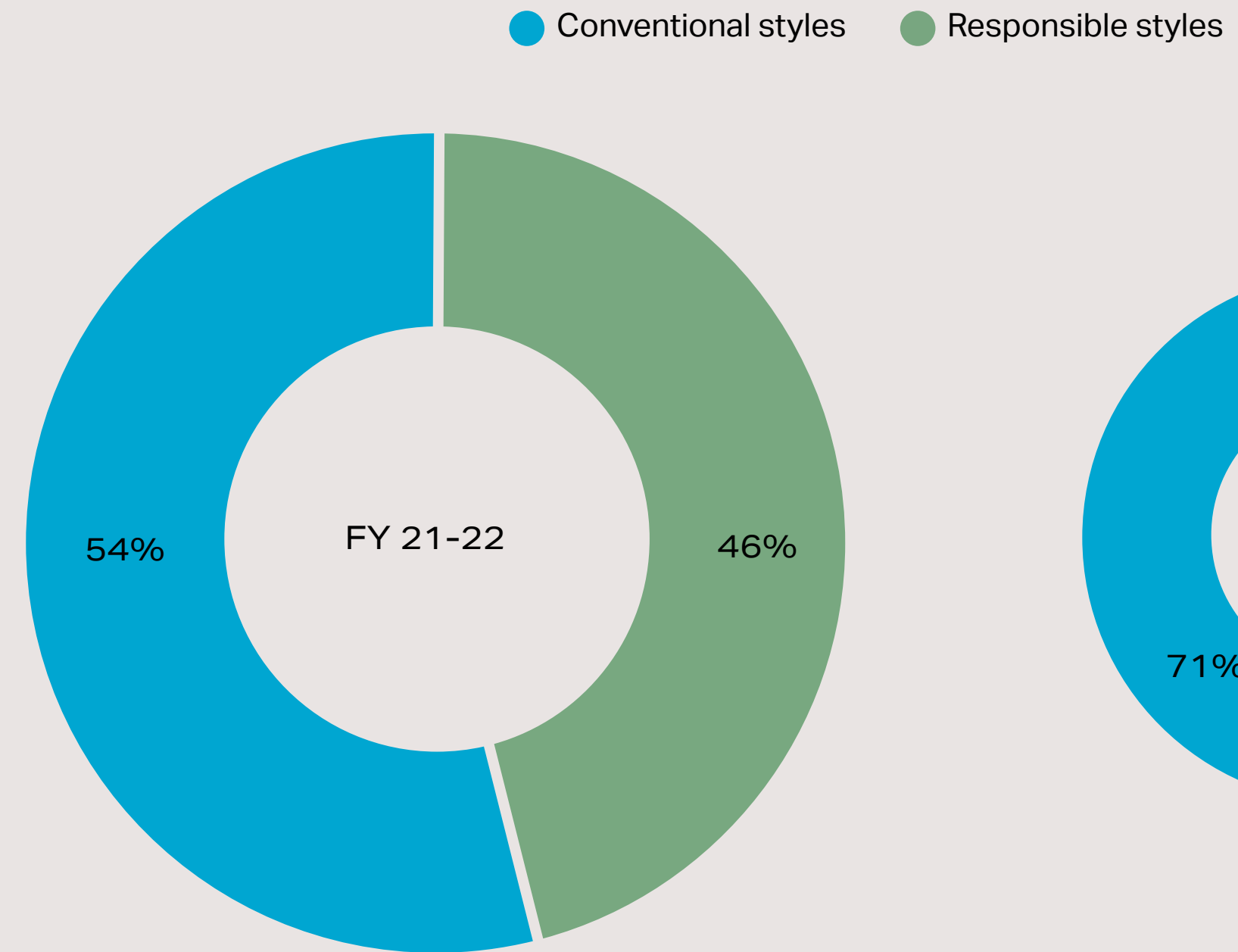


Figure 12. Percentage of produced responsible style volume in reporting year

Figure 13. Percentage of produced responsible style volume in previous year

DESIGN THINKING

Longevity and functionality are key design criteria in the creation of our garments and collections, so that they stand the test of time. Our efforts in creating responsible collections therefore go beyond fabrics and production processes and look towards designing with longevity in mind, creating styles that customers will be able to wear for many seasons to come.

Our designers are involved in sustainability practices since the initial ideation of a garment. Their design process follows these four, easy-to-implement, design principles to create more responsible products.



DESIGN PRINCIPLES

1

A NATURAL OR MAN-MADE CELLULOSIC FIBRE IS PREFERRED OVER SYNTHETIC FIBRES

Synthetics are made from non-renewable materials, such as oil. They are neither sustainable – as they will cease to exist in the future – nor biodegradable, and could potentially cause microplastic pollution across air, water and soil.

2

A RECYCLED FIBRE IS ALWAYS A BETTER CHOICE IN COMPARISON TO ITS VIRGIN COUNTERPART

Using recycled materials reduces the need for virgin materials that would require the extraction of natural resources. In addition, the use of recycled materials will keep waste away from being landfilled or incinerated, leaving a significant environmental footprint behind.

3

WHEN A RECYCLED FIBRE IS NOT AN OPTION, CHOOSE ORGANIC FIBRES OVER THEIR CONVENTIONAL COUNTERPARTS

Organically grown resources ensure a more balanced relation with nature. Organic cotton, for example, is grown from non-GMO seeds and requires less water to grow. These resources also promote healthier soil, due to the prohibition of toxic pesticides and fertilisers, which is beneficial for the surrounding ecosystems.

4

A MONO FIBRE MATERIAL IS BETTER THAN A BLENDED FIBRE MATERIAL

The use of mono fibre materials would allow fibre-to-fibre recycling when a garment has reached the end of its life cycle. A blended fibre – mixed with synthetic fibres in particular – will disrupt the recycling process and eventually end up in landfills or be incinerated. We will soon make the use of mono fibre materials part of our strategy.

Capsule Collections

Our capsule collections are our internal hub for responsible materials and practices. We use capsule collections as a platform to discover and test our new innovative materials, before scaling them up for our main collections.

BORN TO LOVE

With a creative vision that is based on Amsterdam's spirit of unity and a celebration of love and connection, we have created a capsule collection of unique unisex styles called BORN TO LOVE. As part of this collection, we partnered with Studio 189, a fashion lifestyle brand which directly supports African fashion, to create 100 raffia bags. These bags were designed in the Ghanaian capital, Accra, and handcrafted in the town Bolgatanga by a community of women under the female empowerment association ASIGE.



DUTCH WOOL

In collaboration with The Knitwit Stable – a small-scale sheep farm and knitting studio just outside of Amsterdam – we have created a limited-edition unisex cardigan made of Dutch wool. Even though there is an abundance of wool in the Netherlands, the majority is going to waste. This is due to the rise of synthetic fibres and fast fashion, which made wool production less lucrative for Dutch farmers and which, in turn, resulted in the disappearance of almost the entire Dutch wool industry. The Knitwit Stable wants to restore Dutch wool's reputation as a luxury product, while simultaneously taking animal welfare and its environmental impact into account. To reduce their footprint, the studio keeps their production process as local as possible and use responsible processing methods.

TREES FOR ALL

This capsule collection celebrates our ongoing partnership with tree-planting initiative Trees for All. The organisation has been carrying out reforestation projects in Central and South America, Africa and Asia, as well as in the Netherlands, for more than 20 years. The capsule only includes garments made with innovative responsible materials, with the two PYRATEx® materials mentioned on page 35. These fabrics make use of nettle fibres from the Himalayas and banana fibres from agriculture waste, blended with organic cotton to make soft and fun clothes.

Our dedicated Trees for All capsule collection is a prime example of how capsules can be a great platform to try out new fabrics before they are later implemented in our seasonal collections.



Circular Initiatives

RECYCLE: DENIM DEAL

The Denim Deal unites brands, collectors and weavers in the textile industry and stimulates them to work together towards new industry sustainable practices. Each joining brand commits to incorporate at least 5% post-consumer recycled cotton into their total denim fabric volume, which we have accomplished for the second year in a row, as seen in Figure 14. As we have been proud founding members of the Denim Deal coalition since 2020, we also pledged to create 160.000 jeans with at least 20% post-consumer recycled cotton, to contribute to the collective target of 3 million pairs of jeans by the end of 2023. We achieved this goal at the end of 2021.

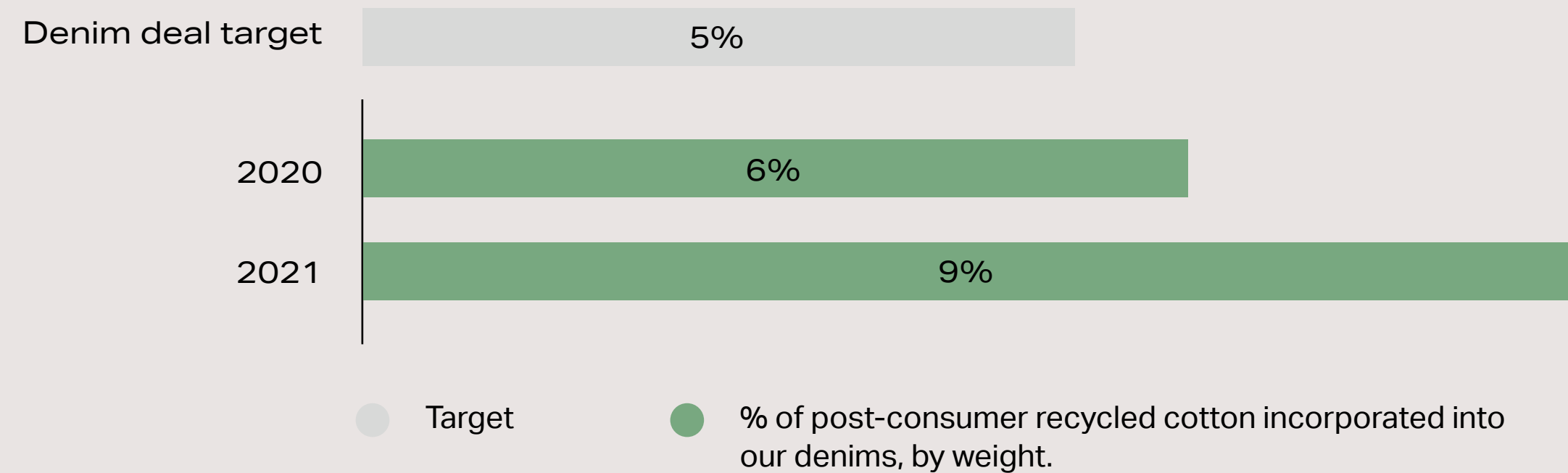


Figure 14. Weight-based percentage of post-consumer recycled cotton cotton incorporated into our total denim volume

REUSE: ETERNAL BLAUW

As part of our commitment to the Denim Deal and our interest in creating a more circular fashion industry, we are working on other projects under the creative lab titled Eternal Blauw. The first project entailed the creation of 100 denim pieces made with materials repurposed from previously cancelled styles. This allowed us to experiment with in-house reutilisation of valuable fabrics and to use the lessons we learnt to upscale these projects in the future.

We are proud to have partnered with Amsterdam Jean School on a second project, leading a challenge where students

remade garments solely from our cancelled styles and prototypes. Both these projects show how creative design can allow for more circular fashion.

We have exciting plans for shaping the future of denim, born out of the collaboration with other denim deal coalition members. We are setting up a pilot to turn pre-loved Scotch & Soda (and other Dutch) jeans into new denim textiles. The newly-created fibre from denim waste will be used to make new garments, closing the circularity loop.



We always remember the brand's mantra – **“Look good, do good, feel good.”**

From a design standpoint, we like to push ourselves to think smarter, for example, only reusing garments that exist for our Eternal Blauw styles.

“ In such cases, having sustainability guidelines makes us more creative and makes us think outside of the box, creating concepts solely to adhere to the best practices. Although circularity principles are clearly presented in limited projects, the process has transformed our mindset for every design that we make. We aim to make beautiful pieces that people keep forever, but we must think circular, trying to find the best solutions for past waste and future recyclability. Our commitment to the use of post-consumer recycled cotton, as part of the Denim Deal, is further inspiring us to select the best fabric options for a circular future. ”

Imogen Nulty – Denim Design Director at Scotch & Soda

REPAIR: BLAUW REPAIR IN AMSTERDAM

Scotch & Soda items are made with high attention to quality and details so that they can be enjoyed for many years. Besides choosing high-quality materials and designing with durability in mind, we recently took a new step to increase the lifespan of our products. In collaboration with the United Repair Centre, we introduced Blauw Repair: a free-of-charge denim repair service.

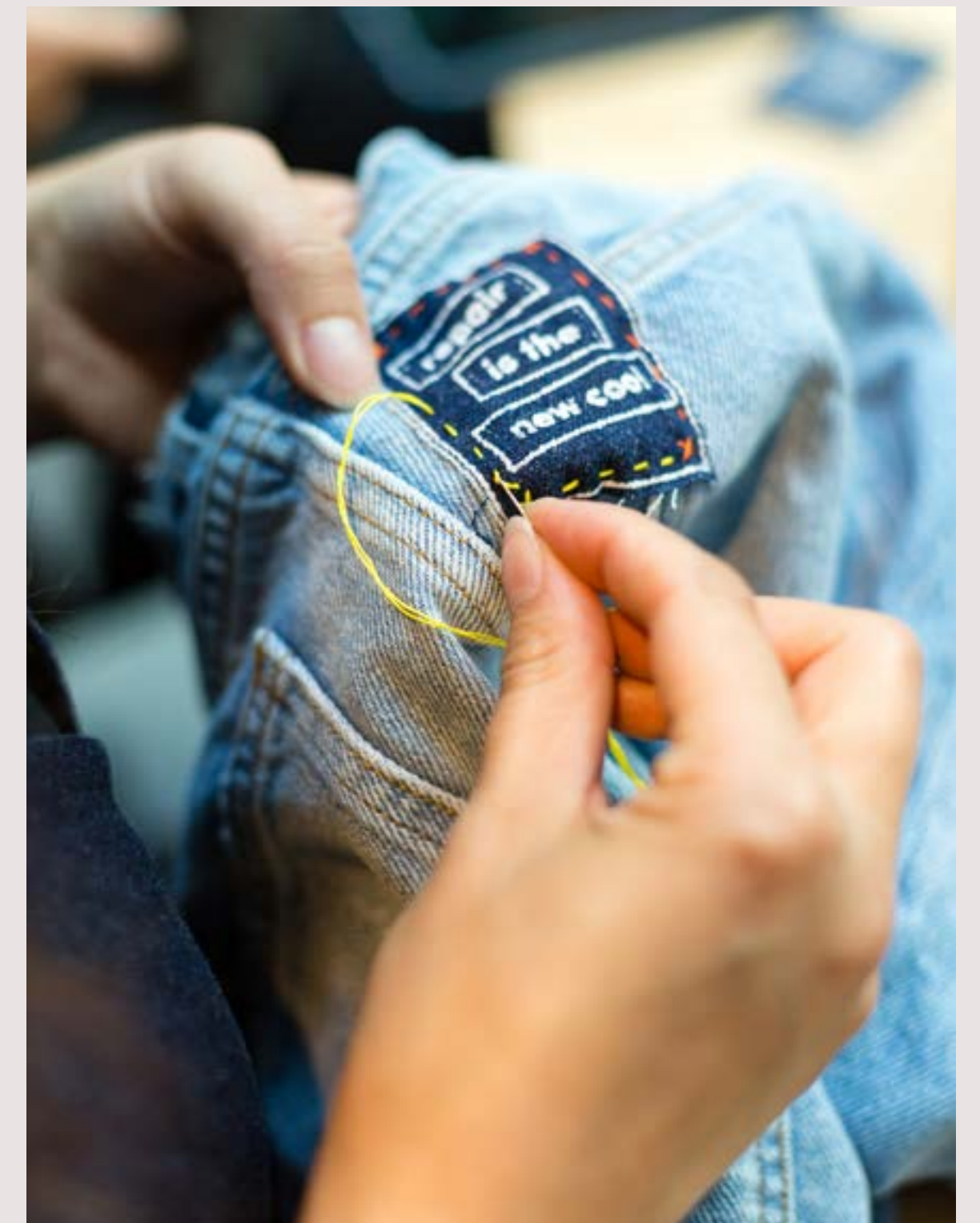
Blauw Repair is in line with Scotch & Soda's circular ambitions. By offering repairs, the lifespan of our items is extended, reducing the overall environmental impact of our garments. We also collect information on the type of repairs that are being performed. Analysing this data helps us to improve our designs.

Customers can bring in any pair of our Amsterdams Blauw jeans in need of repair. After being handed in, the jeans are assessed and, if fit for repair, sent off to the United Repair Centre. This is an initiative by Makers Unite, an Amsterdam-based textile production company that provides training and employment opportunities to creative newcomers with a migration background. The United Repair Centre connects us to talented and skilled tailors, who make sure all repairs are done according to our standards. The process of repair takes up to seven working days. Hereafter, the customer can collect their jeans in-store, fully free of charge.

Since the end of April 2022 until the moment of writing, 95 repairs have been made on customers' jeans, through the Blauw Repair service. Most of the repairs happened in the crotch area of the jeans, which reflects the cycling habits of our Dutch customers. In addition to extending the lifespan of our purchased jeans, this project will also allow us to improve the longevity of our future jeans, based on the actual wear and tear that these denim pieces present. As the service is currently only available in our five Amsterdam stores, we are exploring the possibility to introduce Blauw Repair outside of Amsterdam. By making repair more widely available, we hope to encourage more customers to choose repair over sending their jeans to landfills.



© Barbara Kieboom - United Repair Centre



© Barbara Kieboom - United Repair Centre

INTERVIEW

THE UNITED REPAIR CENTRE: A SOCIAL ENTERPRISE WITH A CIRCULAR MISSION

THAMI SCHWEICHLER

– CEO, Founder at United Repair Centre

Motivated to combat the social inequalities and prejudice that refugees and asylum seekers face, Thami Schweichler founded Makers Unite, an Amsterdam-based textile production company that provides training and employment opportunities to creatives with a migration background.

Born in Brazil and moving to the Netherlands in his 20s, Thami knew that relocating to a foreign country could be challenging. But while Thami found his place in the Netherlands relatively easily, he became aware that not everyone has this same experience. Refugees and asylum seekers who do not have a social network or experience a lack of financial resources, can find integrating into Dutch society especially difficult.

At the Makers Unite design studio, newcomers create and produce sustainable textile products. In this way, the

organisation provides employment to people who often experience a disadvantage in the Dutch labour market. The revenue that is generated is used to fund a talent development programme for newcomers with a creative background. While newcomers are often seen for the sorrow they had to experience, Makers Unite looks at the individual and the talent he or she has. “We want newcomers to feel seen. By focusing on the development of their individual talents, people regain confidence in both themselves as well as in society. This confidence helps them to kickstart their career,” Thami explains.

But while more and more individuals joined his talent development programme, Thami realised that there is still a lack of employment, which cannot be solved by Makers Unite alone. Determined to create more jobs, while being inspired by circular concepts, Thami founded the United Repair

Centre. Here newcomers perform high-quality repairs for apparel brands – among which Scotch & Soda – that want to extend the lifespan of their clothing. Besides its social impact, the United Repair Centre creates a positive environmental impact as repair reduces the overall environmental footprint of clothing. According to Thami, a product’s associated CO2 emission can already be reduced by 27% when wearing a piece of clothing for an extra nine months.

Thami dreams about opening multiple United Repair Centres throughout Europe, but is aware that the success of the organisation is dependent on the number of garments that are brought in. As most consumers are still choosing to buy new items instead of repairing existing ones, changing the way consumers view repair is one of the challenges he needs to face. By collaborating with contemporary brands, the United Repair Centre is trying to change the way repair is being perceived: making repair the new cool.



Industry Partners

MODINT

Modint is the Dutch trade organisation for fashion, textiles, carpet and interior textiles. Their mission is to facilitate a healthy future for the textiles sector. Since 2007, Scotch & Soda has used their expertise in sustainability, innovation and textiles to stay abreast of new developments and legislations to trends and industry insight.



TEXTILE EXCHANGE

In April 2021, we became a member of Textile Exchange, a global non-profit organisation with a membership representing leading brands, retailers and suppliers. Textile Exchange is positively impacting the climate through accelerating the use of preferred materials across the global textile industry. We follow their work by studying and discussing their publications on industry sustainability data, best practices and material innovation and technology.



SUSTAINALIZE

In May 2021, we partnered with Sustainalize, a new generation of sustainability specialists. As part of the ERM (Environmental Resources Management) group, they support organisations by engineering solutions to various sustainability issues and connecting these to the business strategy, enabling the development of suitable and tailor-made sustainability strategies. Sustainalize works together with Scotch & Soda on the EP&L assessment and on the revision of methodologies on synthetic fibres. In the future, Sustainalize will support the brand with setting science-based commitments related to sustainability and climate action.



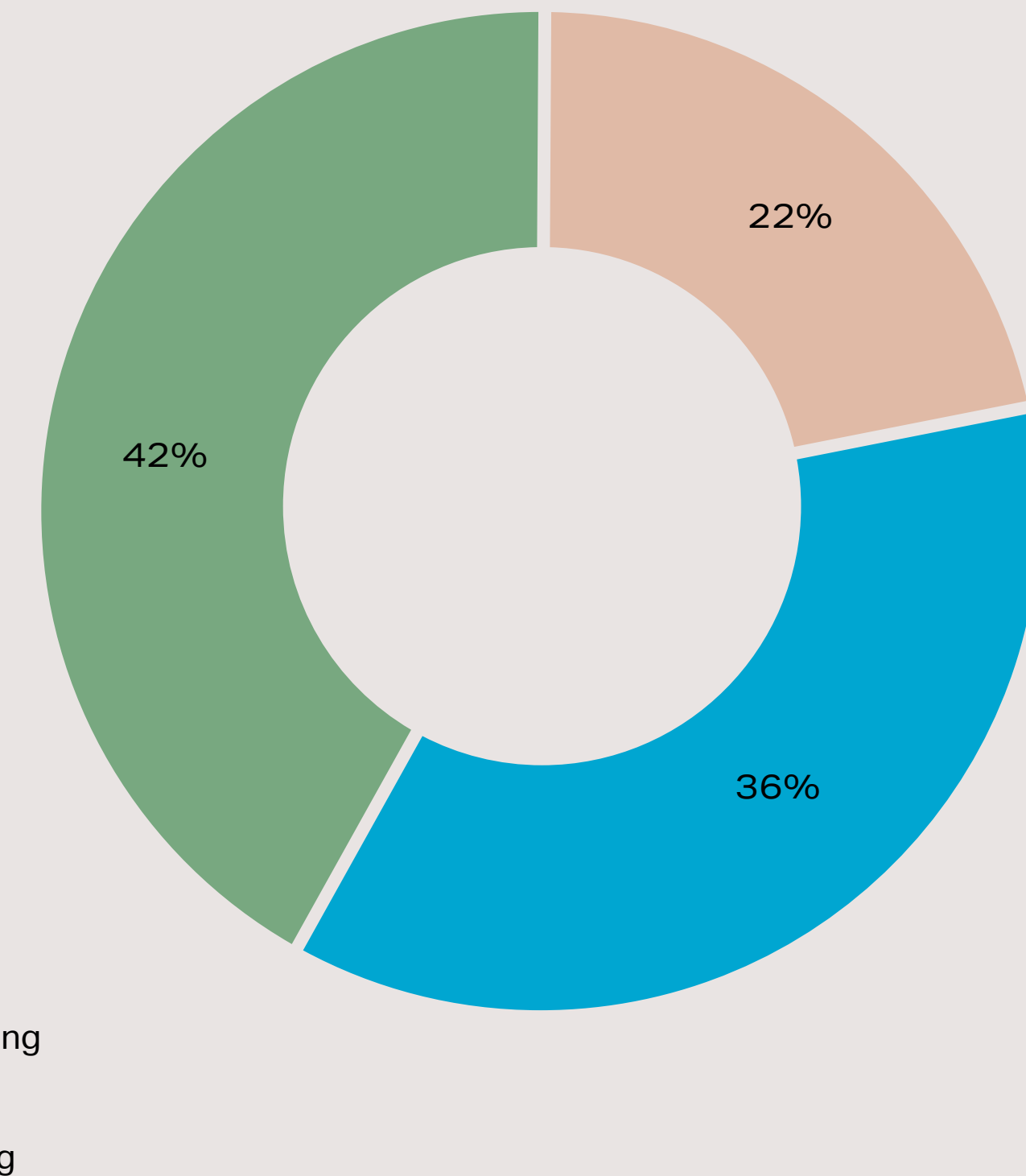
OUR PACKAGING

Packaging Use

Our products travel a long way, between suppliers, warehouses, retailers, stores and end-consumers. To ensure that the quality of the products remain pristine, the garments and accessories need to be protected by packaging. Different types of packaging are required during the stages of transportation: on-product packaging, inbound packaging and outbound packaging

- On-product packaging refers to everything that is directly attached to the final product, which can be found at retail, ecommerce and wholesale level; this includes paper hangtags, tissue papers, polybags, silica gel, barcode stickers and export hangers (for some garments).
- Inbound packaging is all packaging used to transport goods from our global suppliers to our warehouses in Europe, Hong Kong and North America.
- Outbound packaging is used in safely transporting the garments from our warehouse to our retailers, franchisees, wholesalers and final end-consumers.

Our annual packaging consumption totals 1.024.928 kg within the reporting year, of which the majority (42%) accounts for our outbound operations, as shown in Figure 15. We are working on reducing our packaging consumption by eliminating packaging materials where possible.

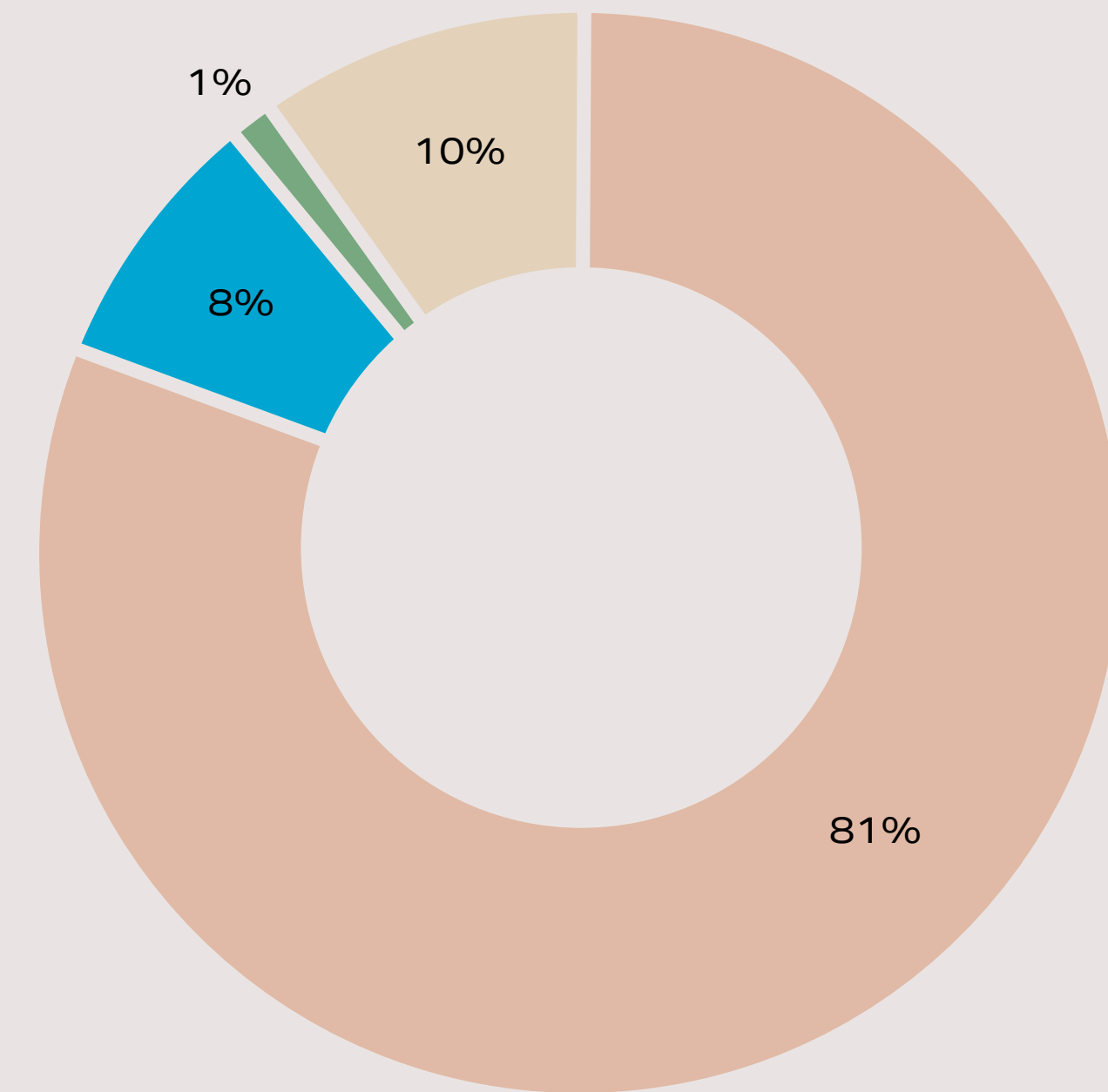


- On-Product packaging
- Inbound packaging
- Outbound packaging

Figure 15. Breakdown of annual packaging volumes per distribution category

Packaging Materials

The majority (81%) of packaging materials used across all different distribution categories is paper, followed by a range of other materials, plastic and bioplastic, as shown in Figure 16. We aim to only use reusable, recycled, recyclable or compostable materials for our packaging. While in the coming financial year we will develop guidelines to steer our material selection and packaging reduction, we have already made some significant changes to our paper packaging, silica gel bags and polybags.



- Paper
- Plastic
- Bio-Plastic
- Other

Figure 16. Total packaging consumption breakdown per material type

PAPER PACKAGING

All our inbound and outbound paper packaging is certified FSC-Mix by the Forest Stewardship Council. This paper is made by using a mixture of materials from FSC-certified forests, recycled materials, and/or FSC-controlled wood. Using FSC-certified products ensures that the materials come from responsibly managed forests that provide environmental, social and economic benefits. Our online orders, which are part of the outbound packaging, are packed in FSC-Mix-certified paper boxes and are fit to be re-used or recycled at the end of their use. These boxes are sealed with paper tape that is printed with water-based ink. Water-based ink is considered an environmentally friendly alternative to conventional ink, as this ink is made with water rather than plastics or polyvinyl chloride (PVC).

Our aim is to have 100% of our paper product packaging being FSC-recycled by 2025. At the moment, our on-product paper packaging is mostly made from FSC-Mix-certified paper* with partial use of FSC-recycled material.

For packaging that cannot be eliminated, it is our aim that it can either be composted, reused or recycled at the end of its use.

*At the time of writing, our range of (home) fragrance products, called BARFLY products, have not been switched to FSC-Mix material due to the remaining stock position of our running packaging. This is something we are still working on to change in the future.

SILICA GEL BAGS

All our products are individually packed with silica gel bags to absorb humidity and to maintain the pristine quality of clothes during transport.

Conventional silica gel bags are commonly packaged in plastic-lined sachets, which are not biodegradable, difficult to recycle and cause an environmental hazard when disposed of. Additionally, silica gel bags make use of desiccant chemicals and may be hazardous to children.

That is why we have developed and incorporated 100% biodegradable Micro-Pak Dri Clay® packs for all the products to be used in our collections by the end of 2023, fully replacing conventional silica bags. These clay packs are packaged in FSC-Mix-certified paper and have a higher absorption rate,

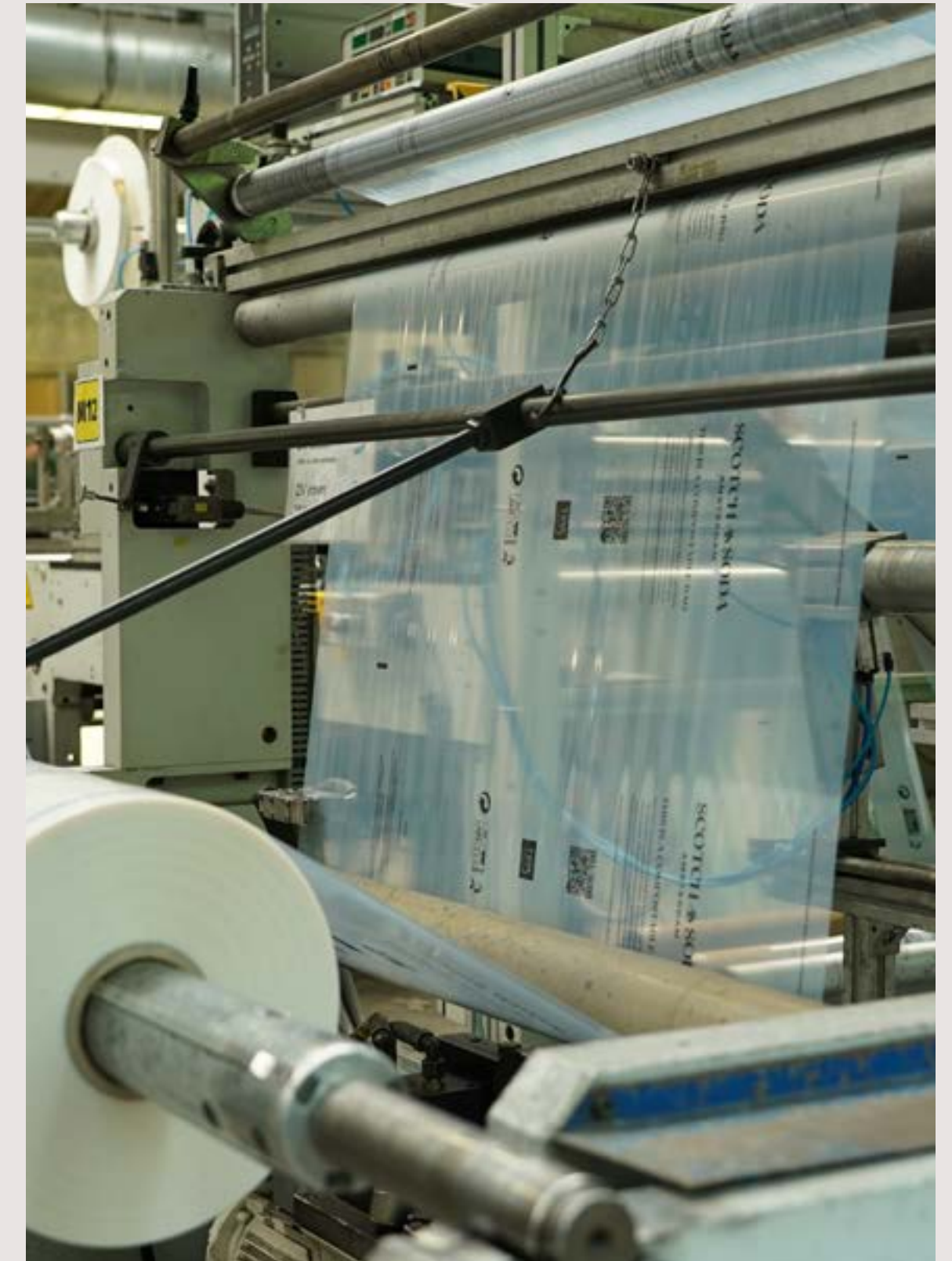
allowing for less product use to obtain the same absorption effect as conventional silica bags.

POLYBAGS

Currently, 16,5% of our polybags are made of compostable plastic from TIPA®. That sums up to 1.48 million polybags used in the reporting year.

TIPA®'s compostable polybag is as strong, durable and protective as a conventional plastic polybag, with one difference: it is fully compostable and will disintegrate within three to six months. The TIPA® bags are produced in Germany and made from 20% bio-based plastic – derived from corn starch and sugar cane – and 80% fossil-based plastic. We are currently working with TIPA® to improve the bio-based contents of these compostable bags.

For the next reporting year, we will increase the amount of TIPA®'s compostable polybags to at least 2.5 million pieces, which will further support our aim to step away from conventional plastic polybags for all product groups by 2025 at the latest.



INTERVIEW

TIPA COMPOSTABLE PRODUCTS: AN INNOVATION THAT MIMICS NATURE'S BEST SOLUTIONS

DAPHNA NISSENBAUM
– CEO, Co-Founder at TIPA

With more than 10 million tons of plastic waste finding its way into our oceans on a yearly basis, plastic pollution is one of today's great environmental challenges. Daphna Nissenbaum, co-founder and CEO of TIPA®, offers a solution that helps to tackle plastic pollution. Her inspiration is nature itself.

TIPA® is a manufacturer of compostable, flexible packaging. The company perfectly illustrates that the answer to large-scale problems can sometimes be found close to home. Daphna, who grew up in Israel – a country where many orange trees grow – explains that TIPA's products are an imitation of nature. "Fruits and vegetables are naturally wrapped in compostable packaging. Just like the peel of an orange, TIPA's packaging – once it completes its function – disintegrates and biodegrades into the soil."

This might sound simple, but TIPA's products are highly complex and are based on deep technological innovation and continuous improvement. While conventional plastic packaging can take up to hundreds of years to decompose, TIPA's packaging breaks down within 180 days. What is left is a little layer of compost that adds value and nutrients to the soil.

TIPA® is not the only company that is motivated to address plastic pollution by offering sustainable packaging solutions. There are many companies that promote packaging made of recycled plastics. Daphna, however, is critical of recycled plastic, especially in the case of flexible packaging. She explains that, when looking at plastic polybags specifically, the recycling rate is around 4%, even in the most advanced markets. The small number of polybags that make it to recycling facilities can only be recycled a limited number of

times and will ultimately end up in landfills. Hereby, recycling is not a viable solution for flexible packaging.

With the food industry as one of the major users of flexible packaging, it is this industry where you currently can find most of TIPA's compostable packaging solutions. For the fashion industry, it is Scotch & Soda, among other luxury fashion brands, who is driving the industry to start composting.



OUR ETHICS

Sustainability requires a holistic approach. We can't talk about sustainability without looking after the people that make our products and giving them a voice.

“ Therefore, we strive to work on full supply chain transparency, together with our partners. We want to know where our cotton comes from and where our garments are made, to ensure safe and healthy working conditions where human rights are respected for all people in our entire supply chain. ”

Margreeth Dronkert – Social Sustainability Specialist at Scotch & Soda

Our Ethics

At Scotch & Soda, we design our garments with great care and an eye for detail. That same love and attention can also be found in the way we produce our garments. Creating responsible fashion starts with the materials and the people and producers who create the finished garment. We are precise in selecting who we work with. We therefore only operate with factories and manufacturers where stringent environmental policies and good working conditions are ensured. Scotch & Soda takes pride in these long-term relationships, some of which have existed for over 20 years. As trusted business partners, they are fundamental to the unique Scotch & Soda design and production process.

SUPPLY CHAIN TRANSPARENCY

The path to creating a finished garment is a complex process, which can be broken up into four tiers. Each tier represents a different part of the process, as shown in Figure 17. Since 2021, we have redefined these tiers. We have since included all relevant garment assembly steps in Tier 1, including the garment processing steps, like garment washing and garment dyeing, which used to be in Tier 2.

PROGRESS



Figure 17: Tier definition and number of production locations

Supply Chain Transparency

The process of mapping the entire supply chain allows us to measure our social and environmental impact and set effective targets for improvement. In Figure 18, we show our transparency progress. We produce our garments in 11 countries. Our main production countries are China, Turkey and India, as visualised on the map in Figure 19, in which the percentage represents the breakdown of production volumes per country by Tier 1 locations. Due to our efforts on transparency and traceability, we will be able, by the next reporting year, to report on production volume breakdown on Tier 1 and Tier 2 level. Our licensed products – including footwear, eyewear and fragrances – are not included in this list.

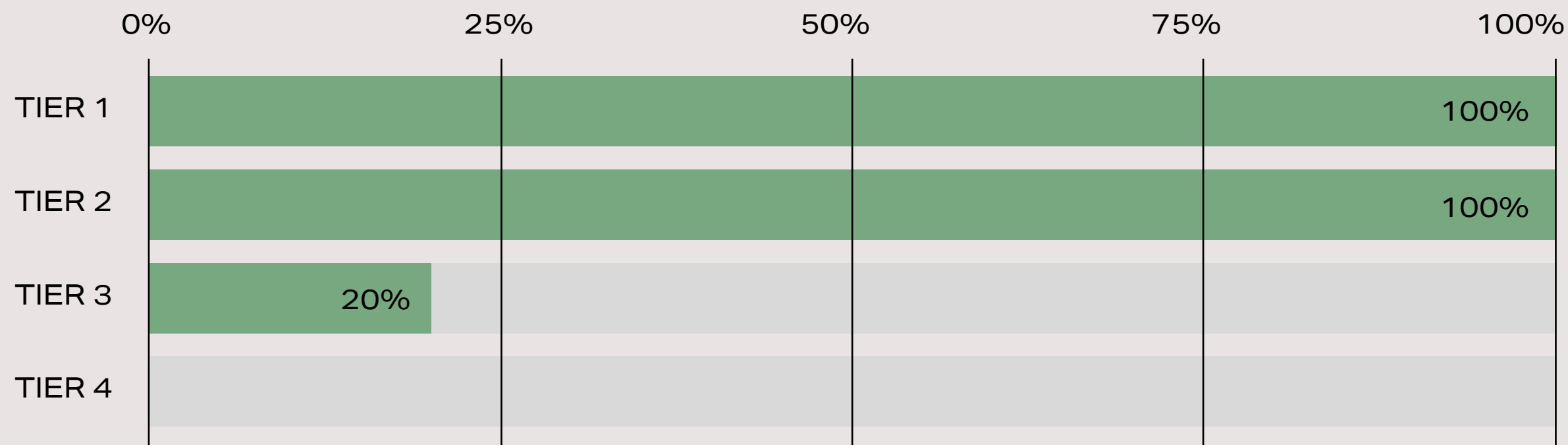


Figure 18. Supply chain transparency progress per tier

● Transparency ● In progress



Radnik, Gurugram, India - Quality Control

WHERE OUR COLLECTIONS ARE MADE

[Click here for a full list of all available factories across our supply chain.](#)

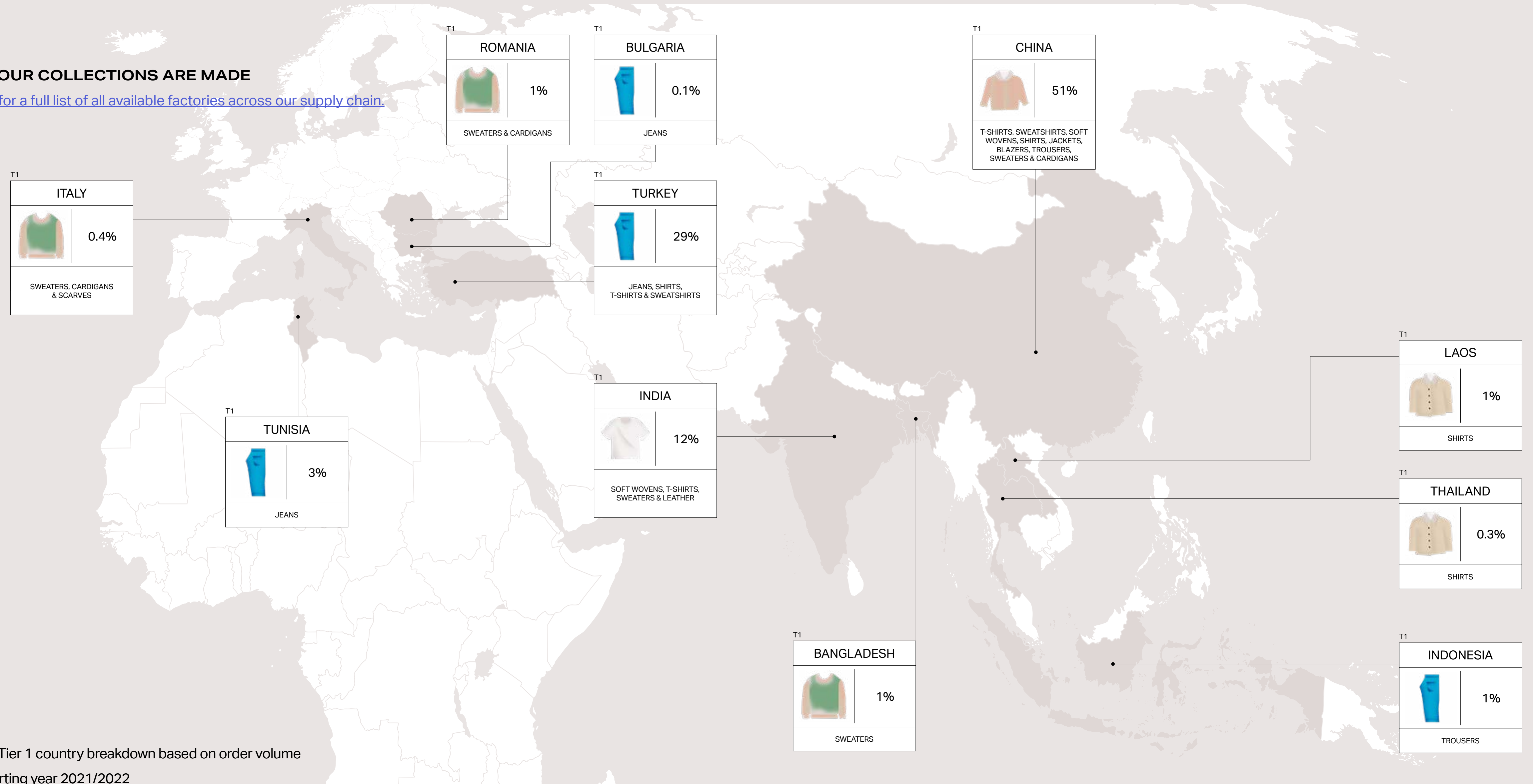


Figure 19. Tier 1 country breakdown based on order volume of the reporting year 2021/2022



Supply Chain Workforce

There is a total workforce of 73.254 supply chain workers at our Tier 1 and Tier 2 factories, of which 44.851 are male and 25.859 are female. A total of 2.544 supply chain workers' gender have not been defined. We can conclude that male supply chain workers at the Tier 1 and Tier 2 factories are slightly more predominant, with an average of 58,6% compared to 41,4% of female supply chain workers. We can conclude that mostly males work at our Tier 1 and Tier 2 locations in India, Turkey and Bangladesh, whereas in Tunisia and China, the workforce is mostly female supply chain workers.

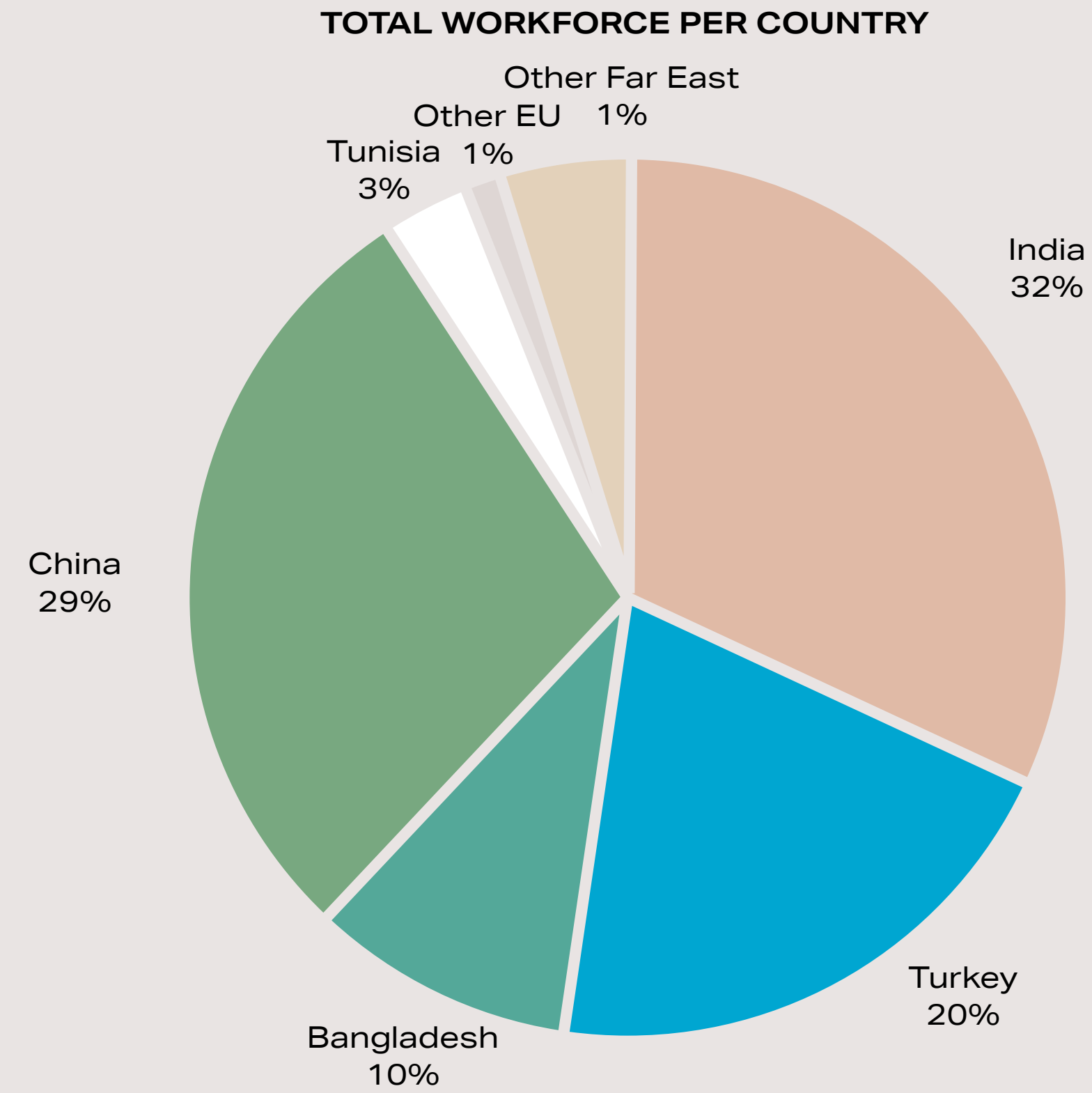


Figure 20. Breakdown of the total supply chain workforce at our Tier 1 and Tier 2 factories

Social Responsibility

DUE DILIGENCE

Due diligence is a certain degree of investigation and understanding of national and regional risk, product-specific risks and, more importantly, the way in which we, as a company, either reduce or increase those risks. Under the UN Guiding Principles on Business and Human Rights and OECD Guidelines, we bear a responsibility to prevent and reduce any adverse impact on people and the environment by our own operations or business relationships in the supply chain. We are committed to carrying out due diligence which we also expect from our supply chain partners. This means acting in an ethical and transparent way that contributes to the health and welfare of society.

To conduct adequate human rights risk due diligence, we carry out a risk analysis based on the OECD guidance for responsible supply chains in the garment sector. This risk analysis allows us to identify, prevent, mitigate and remediate on labour rights issues in our supply chain. As a result of establishing further supply chain transparency and visibility of our activities further down the supply chain, we have started with an analysis of our entire supply chain. With this risk analysis, we also include the potential impact of our business on the entire supply chain, zooming in on our sourcing, design and buying practices. The risk analysis is based on the severity of harm versus likelihood of harm. We have prioritised and investigated what impact Scotch & Soda and related supply chain actors may have on human rights. We then translated this into the Ethical Supplier Code of Conduct and Responsible Business Policy.

We are operating in an ever-changing and evolving environment across the globe, where circumstances rapidly and constantly change. The risk assessment is therefore an ongoing process. We continuously act on these risks: cease, prevent and/or mitigate, starting at the highest risk. We educate ourselves through our ethical memberships (Ethical Trading Initiative and amfori BSCI), consultation of (local) stakeholders and available resources, such as the MVO Risk Checker.

POLICIES AND GUIDELINES

Our value chain is driven by a high number of people contributing and adding value to our business globally. We have an important responsibility to uphold the rights of the workers in our supply chain, directly and indirectly. We aim to bring more unity in the world and to create a fair and safe working environment for each and every individual.

As a result of the conducted risk analysis based on our supply chain data, we have created the Scotch & Soda Ethical Supplier Code of Conduct which outlines the ethics and behaviour we expect from our suppliers and factories we partner with. The provisions in the Ethical Supplier Code of Conduct are minimum – and not maximum – standards. International standards, conventions and recommendations from the International Labour Organisation (ILO), the United Nations Guiding Principles (UNGP) and the ETI Base Code are leading if they are more stringent.

We maintain close relationships with our sourcing offices, located in Hong Kong, India, Italy and Turkey, and production locations across the globe. Together, we take an active role in monitoring the entire supply chain. Engaging and collaborating with (internal and external) stakeholders is vital to our efforts, to promote safe working conditions for all people across our entire supply chain.

To protect those who are most vulnerable to unjust situations, in addition to the Ethical Supplier Code of Conduct, we have created principles and policies which are of supportive guidance from the due diligence process and applicable to specific ethical labour risks:

- [\[Ethical Code of Conduct\]](#)
- [\[Ethical Policies & Principles\]](#)

SOCIAL COMPLIANCE

The factories we work with are frequently visited by Scotch & Soda Quality Controllers, both announced and un-announced. The Quality Controller will perform a social assessment that is based on visible performance of the Ethical Supplier Code of Conduct, including all the principles that we embrace. If it becomes evident that a factory does not fully comply with our requirements, we insist upon the implementation of a remediation plan before proceeding with any production orders. Every Tier 1 production location is obliged to sign the Ethical Supplier Code of Conduct and is annually audited by independent and certified (SAAS) audit firms for compliance. If it becomes evident that a factory does not fully comply with our requirements, we insist upon the implementation of a remediation plan before proceeding with any production order. In doing so, we monitor all factories every year, improving – if necessary – working conditions in Scotch & Soda production factories.

SOCIAL AUDITS AND STANDARDS

Amfori BSCI is our fundamental partner in social compliance. It is our mandatory compliance standard for factories that do not have a social standard in place yet. In addition, for newly partnered factories that already have a social standard in place, we do accept verified social compliance from standards that embrace the same labour right standards as our Ethical Supplier Code of Conduct.

We run a zero-tolerance policy on violating any of the labour principles in our Ethical Supplier Code of Conduct by any of our production locations. The policy includes zero-tolerance on human rights violations: child labour, bonded labour, inhumane treatment, violation of occupational health and safety, unethical behaviour (bribery, intentional misrepresentation in the supply chain, e.g., hidden production sites) and any business behaviour that may endanger the independence of the audit.

Our current acceptance of social standards at Tier 1 and Tier 2 level are: amfori BSCI, SA8000, Sedex, Fair Trade, SLCP (Higg FSLM) GOTS and GRS:



Ningbo Dyon Imp. & Exp. Co. Ltd, Popmode Garment Co. Ltd. Ningbo, China - Quality Control



Radnik, Gurgaon, India - Cutting Section



MetraCo, Bizimköy, Turkey - Printing House

AMFORI BSCI

Amfori BSCI provides companies with a social auditing methodology and report. It does not organise audits itself, but provides a network of external accredited, experienced and independent auditing companies. Their framework aligns with international frameworks concerning human rights and labour standards, including the declaration of human rights, children’s rights and business principles, UN Guiding Principles for Business and Human Rights and OECD Guidelines, as well as the conventions and recommendations of the International Labour Organisations (ILO), which are relevant to improving working conditions in the supply chain. We do not accept an overall audit rating below C or zero-tolerance findings. Audits with a score of A (Very good) or B (Good) are valid for two years. Audits with a C rating (Acceptable) indicate an acceptable level of maturity but requires a plan of remediation within 60 days of the audit date. We aim to have a follow-up audit to assess continuous improvement.

SA8000 STANDARD

The SA8000 standard is based on internationally recognised standards of decent work, including the Universal Declaration of Human Rights, ILO conventions and national laws. SA8000 applies a management systems approach to social performance and emphasises continual improvement – not checklist-style auditing. This standard is valid to us once the certification is released by the authorised third party.

SEDEX

Sedex is a membership organisation that provides one of the world’s leading online platforms for companies to manage and improve working conditions in global supply chains. Sedex Members Ethical Trade Audit (SMETA) is Sedex’s social auditing methodology, enabling businesses to assess their sites and suppliers to understand working conditions in their supply chain. SMETA assesses a site based on their organisation’s standards of labour, health and safety, as well as environment and business ethics. Sedex believes these are key areas for assessing an organisation’s responsible business practices and meeting social compliance. This standard is valid to us once the audit results and findings are released by Sedex and once we have evaluated the audit results and findings based after score card evaluation on our end.

SOCIAL LABOUR CONVERGENCE PROGRAMME

The Social & Labour Convergence Programme (SLCP) provides the tools to capture accurate data about working conditions in global supply chains. This multi-stakeholder initiative replaces the need for repetitive social audits by facilitating data sharing, by implementing a Converged Assessment Framework (CAF) that supports stakeholders’ efforts to improve working conditions in global supply chains. The mission of SLCP is to, together, achieve a brighter future by sharing comparable and verified high-quality data that increases transparency and eliminates audit fatigue to free up and redeploy resources. This standard is valid to us when the audit report is released and once we have evaluated the audit results and findings based after score card evaluation on our end.

GOTS

The Global Organic Textile Standard (GOTS) is a textile processing standard for organic fibres and includes ecological/ environmental as well as social criteria. Certified organisations must adhere to the corresponding international labour conventions of the International Labour Organisation (ILO), United Nations Guiding Principles on Business and Human Rights (UNGPR), and OECD. Certifiers are expected to study, assimilate and consider local and national conditions in their risk assessment, while conducting inspections and audits. This certification is valid to us once the certification is approved and released by the third-party certification organisation.

GRS

The Global Recycled Standard (GRS) is an international, voluntary, full-product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices and chemical restrictions. The goal of the GRS is to increase the use of recycled materials in products and reduce the harm caused by their production. The social requirements of the GRS apply to all operations within the certified organisation. The GRS social requirements are based on the principles of the Global Social Compliance Programme (GSCP). In all instances, the international labour standard, national and/or local legislation or GRS requirement that is the most stringent shall apply to the extent that it does not place them in violation of applicable law. This certification is valid to us once the certification is approved and released by the third-party certification organisation.

SOCIAL COMPLIANCE PROGRESS

We are working in partnership with each supplier and factory to achieve verified social compliance across all Tier 1 and Tier 2 factories by the end of 2022. See Figure 21 for our progress per tier on social compliance. While obtaining visibility across Tier 3 and Tier 4 factories, we are evaluating the social compliance status and will define a time-bound target to align with our social standards.

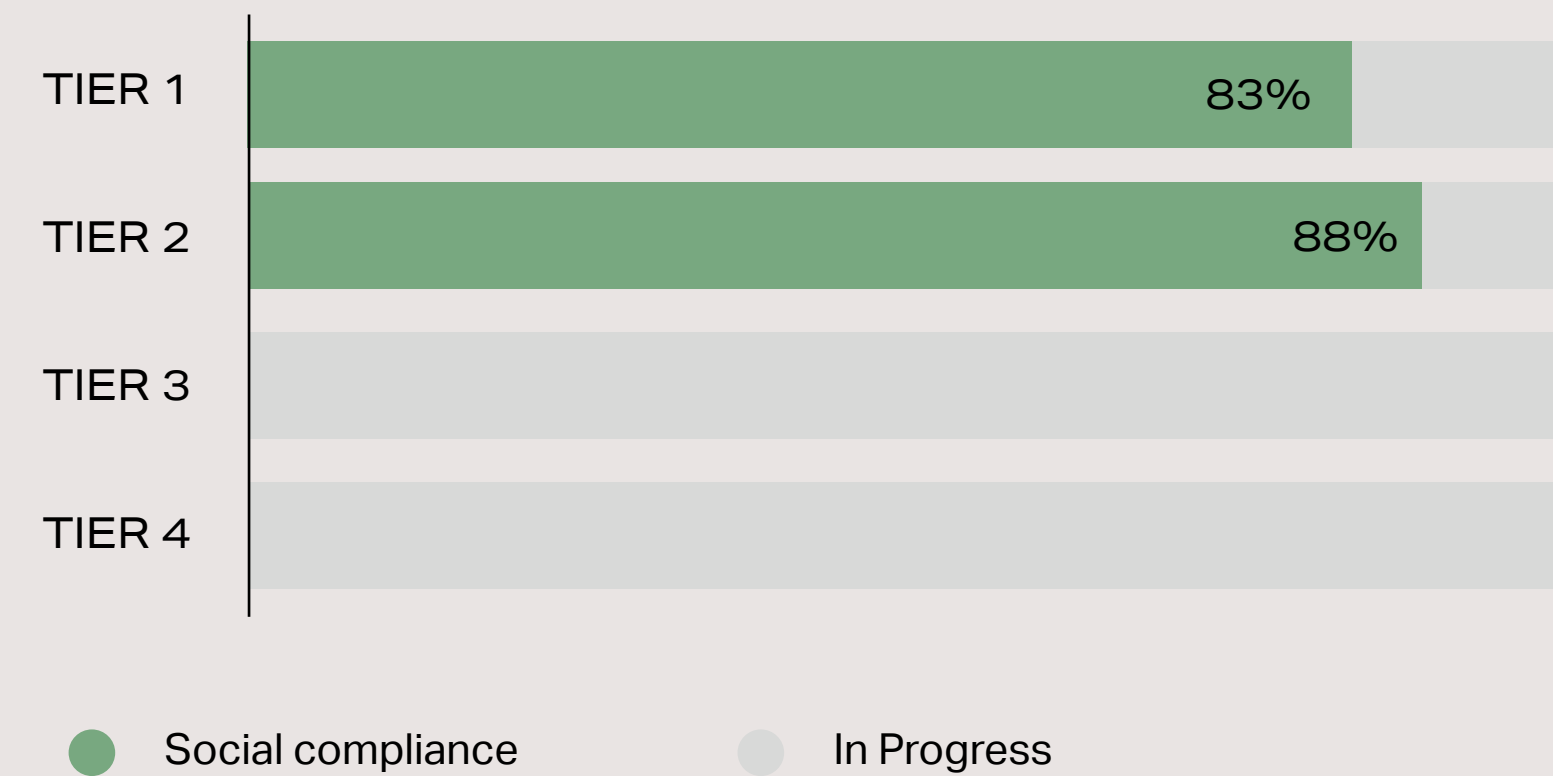


Figure 21. Tier 1 and Tier 2 social compliance progress

* Progress % includes: amfori BSCI, SA8000, Sedex, Fair Trade, SLCP (Higg FSLM) GOTS and GRS.

* These figures represent our active supplier framework. The compliant percentages are volatile and depend on our volume growth, whether new factories are added to our supply chain data base and thus pressuring down the compliant break down.



Access to Remedy

PURCHASING PRACTICES

As Scotch & Soda, we have a shared responsibility with all our business partners, ensuring safe and healthy working conditions for all workers in the supply chain. This means that we also critically look at our practices. It is through our behaviour and practices that we can have among the most profound impacts on human rights. We want to ensure that we contribute to ensuring safe and healthy working conditions to all workers in our supply chain, where human rights are protected and respected. To truly reflect our social and environmental commitments and standards, we are creating the Responsible Business Policy, an internal and mutual agreement based on the OECD Guidelines for Multinational Enterprises: OECD Due Diligence Guidance for Responsible Business Conduct and OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear sector. This document will become available and implemented by the end of 2022. We are also considering joining supportive partnerships to educate us on responsible business behaviour. In addition to that, we want to create an environment where our business partners can share their experience with our practices in a frequent and anonymous manner, potentially through surveys, which we are currently investigating and plan to integrate by the end of 2022.

ACCESS TO REMEDY

The UN Guiding Principles and the OECD guidelines prescribe that we, as a company, bear a responsibility to prevent and respond to labour rights abuses in our entire supply chain and need to ensure that those harmed by corporate actions have access to effective remedy. Therefore, we have established a supporting grievance mechanism that enables supply chain workers at our production locations to report any concerns and rights abuses via a QR code on what is known as the Scotch & Soda Labour Principle sheet.

Supply chains are complex, multi-tiered and span the globe. Our production occurs in developing countries where labour rights policies may not be sufficiently evolved or enforced and workers may not be able to freely negotiate improved working conditions with their employers. Supply chain workers potentially face numerous rights infringements, including severe human rights violations such as modern slavery, sexual and verbal assaults, workplace accidents and gender or Ethnicity

based discrimination. Social audits are a method to measure and discover whether operations are in accordance with the Scotch & Soda Ethical Supplier Code of Conduct, but audits are not a means to an end. Therefore, establishing clear, effective and transparent systems to provide remedy will help ensure that we meet our responsibility to protect workers' rights.

LET'S TALK

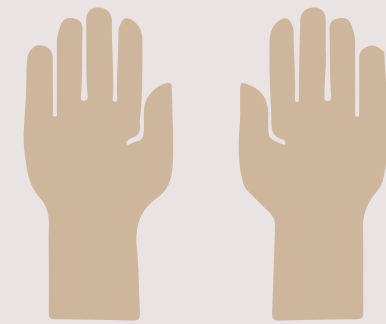
The Scotch & Soda grievance mechanism was activated by September 2022, with prioritising the roll out at Tier 1 level and further in the supply chain onwards. Remediation of any report will take place, where required, with involving any relevant stakeholder(s), such as trade unions and other labour rights entities, worker-led organisations, NGOs and civil society actors. The mechanism will allow all supply chain workers at Tier 1 production locations to consult us via email and to directly address any concerns of labour rights violations. Further expansion, beyond Tier 1, of the grievance mechanism will be considered and activated based on a timeframe yet to be defined.

Supply Chain: Our Code Of Labour



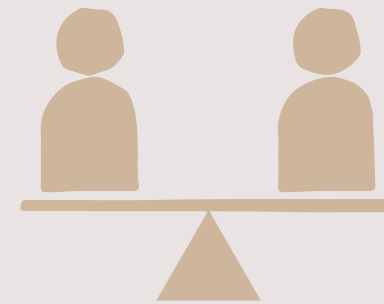
EMPLOYMENT IS FREELY CHOSEN

There shall not be any form of servitude, forced, bonded, indentured, trafficked, or non-voluntary labour.



FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

All supply chain workers have the right to join or form trade unions of their own choosing and to bargain collectively. welfare and land use



NO DISCRIMINATION IS PRACTICED & EQUAL RIGHTS ARE GIVEN TO ALL

Supply chain workers shall not be discriminated, excluded or have a certain preferences, ensuring equal rights twelfare and land use



WAGES: STANDARD OF LIVING

Supply chain workers shall be paid a wage to afford a decent standard of living. Scotch & Soda encourages suppliers and factories to pay a living wage to the supply chain workers to meet this principle.



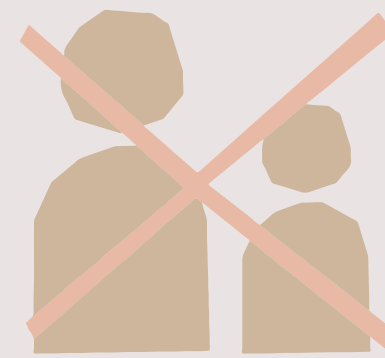
WORKING HOURS ARE NOT EXCESSIVE

Working hours shall not be excessive.



WORKING CONDITIONS ARE SAFE AND HEALTHY

A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and any specific hazards.



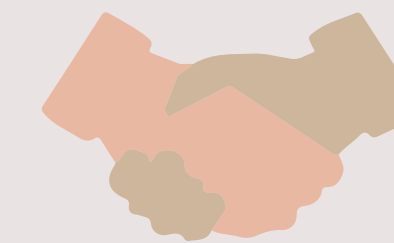
NO CHILD LABOUR

The age of admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years



REGULAR EMPLOYMENT IS PROVIDED

Work must be performed on the basis of a recognised employment relationship established through national law and practice.



NO CORRUPTION

There shall not be any involvement in any form of corruption or bribery.

Industry Partners

Amfori BSCI

In 2013, we became member of the amfori Business Social Compliance Initiative (amfori BSCI), the leading global business association for open and sustainable trade. Amfori BSCI is our primary third-party social audit organisation and is a business-driven initiative committed to improving working conditions in the global supply chain in accordance with our Ethical Supplier Code of Conduct. We believe social auditing is not a means to an end, and we will be investigating further cooperation opportunities with amfori BSCI on areas such as stimulating and supporting our suppliers to participate in training sessions and workshops in the coming year. We strongly believe in the power of on-site training and we want to ensure that our suppliers, but especially the employees inside the factories, have access to this.



THE ETHICAL TRADING INITIATIVE

Founded in 1998, the Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promote respect for workers' rights around the globe. The ETI is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity. Scotch & Soda was accepted as a Foundation Stage Member in December 2021. With the membership, we adopted the ETI Base Code Labour Practice, which aims to establish good practice in ethical trade, and is based on the standards of the International Labour Organisation (ILO). As a company, we biennially report to the ETI on our efforts, performance and results we are achieving. In the coming year, we will continue our efforts to become a full ETI member and engage in member meetings, events and programmes offered by the ETI.



OUR COMPANY WORKPLACE

Our Company Workplace

Born and raised in Amsterdam, Scotch & Soda was founded with strong liberal values, recognising that each individual brings a unique strength to society that goes beyond Race, Colour, Sex, Religion, Political opinion, National extraction or Social origin as defined by the International Labour Standard. We stand for diversity and equal opportunity, and an even playing field. Just as we support and promote the freedom of being yourself without the fear of prejudice, it is our social responsibility for Scotch & Soda to become a more diverse and inclusive space, where people from different backgrounds and identities are more present and feel safe and empowered.

SAFE & HAPPY WORKPLACE

At our headquarters and retail stores in the Netherlands and retail stores in Belgium, we provide an external, confidential counsellor available to employees who experience unsafe or unacceptable behaviour regarding themselves or another person. The counsellor is available concerning any work-related matters or private concerns that become related to work. The counsellor offers the employee support and, where possible, guidance in finding a solution. The counsellor may also provide support in submitting a complaint to HR or the Management Team. The details of the complainant are treated confidentially and protected at all times by the counsellor. At the time of entering service, the employee is provided with the Scotch & Soda Privacy Policy, Scotch & Soda Code of Conduct and the Scotch & Soda Whistleblower Policy.

At Scotch & Soda, a big part of the workforce consists of parents. For this reason, we have established the Happy Parents Committee for our offices in the Netherlands, where parents (to be) are offered external parental coaching. An external nanny service is also available if assistance is needed. We continuously develop, co-create, adapt and act on internal and external developments through additional coaching and training, such as the annual Intercultural Workshop available to all HQ employees.

EMPLOYEE ENGAGEMENT

An anonymous, global employee engagement survey is conducted annually to understand what our employees find important in their work for them to be enthusiastic, motivated and committed. We aim to create a workplace that enables everybody to add the most value in their team and for our customers. We also want to know how we can create a supportive and inclusive work environment for career- and personal growth for our employees.

As one of the results of last year's survey, we have nominated a Performance & Development Manager who – together with their team – created the learning platform and content on the Scotch Academy, which is accessible via our Scotch Daily app. This app is a social- and learning platform that offers store staff the opportunity to connect with each other, find useful (company) information, and train and develop themselves. The Scotch Academy offers learning and development programmes for the entire, global employee population. In addition to the Scotch Academy, we have also initiated and executed customised leadership programmes and coaching to support our talents in career opportunities at HQ level.

DIVERSITY, EQUALITY & INCLUSION

+63%

Of our global workforce is female

+73%

of our US and Canadian workforce represents a Racial and Ethnic Minority

+39%

Of our global management positions is held by women

GENDER

We are working on ensuring a more diverse and equal work environment. The presented split in Figure 22 and Figure 23 is based on assumed gender and represents the data of the calendar year 2021. At this moment, we are in the process of collecting gender data through a survey to ensure inclusion on how the employee would like to be identified.

Our global workforce, consisting of 1.687 employees, is largely represented by female employees 63%, while 37% are male, as shown in Figure 22. This gender ratio is not represented at global leadership level, consisting of 51 people, where 39% are female and 61% are male. Our ambition is to create a more diverse and equal environment where the global workforce ratio is represented at each level of the organisation.*

GLOBAL WORKFORCE - GENDER SPLIT
1687 PEOPLE

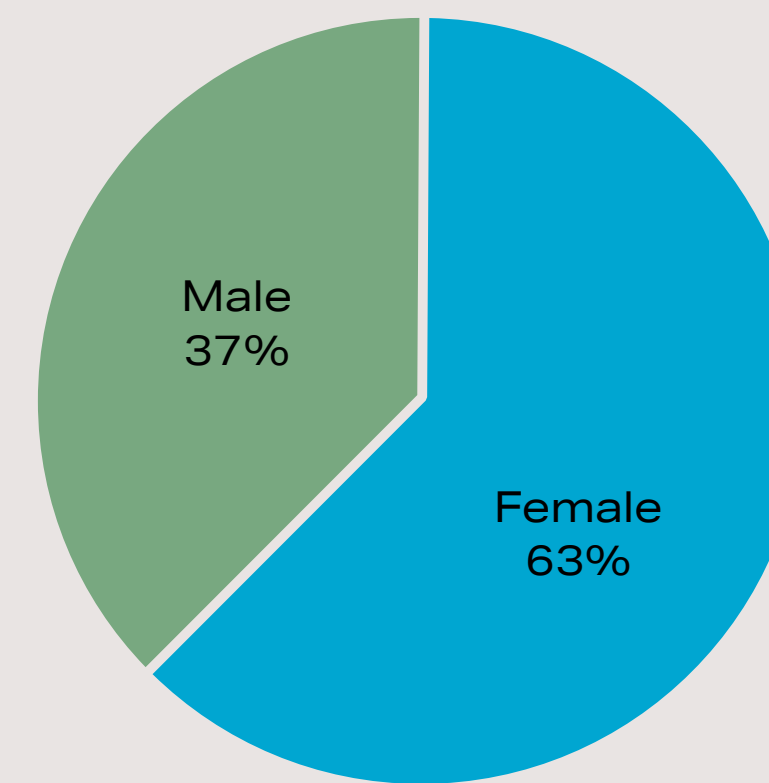


Figure 22. Gender split at global workforce level

GLOBAL LEADERSHIP - GENDER SPLIT
51 PEOPLE

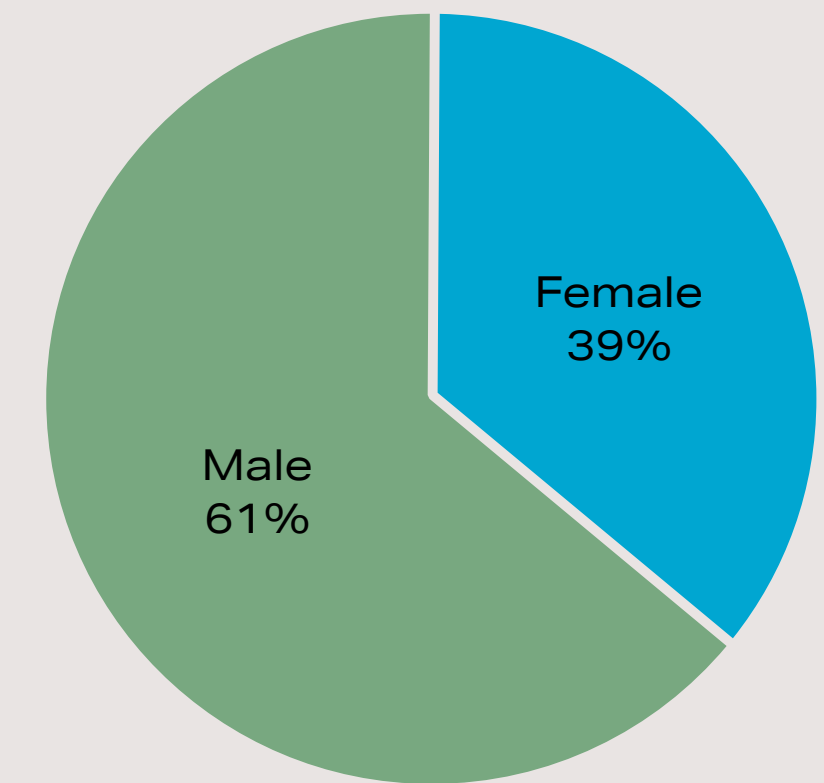


Figure 23. Gender split at global leadership level

NATIONALITY, RACE AND ETHNICITY

We are committed to creating a more diverse workforce that represents a variety of nationalities and backgrounds at all levels of the organisation. The global workforce (excluding the US and Canada) represents a mix of at least 57 different nationalities, as seen in Figure 24. From this, Dutch (46%), German (23%) and French (10%) nationalities are the most predominant.

For our total US and Canadian workforce, we have an Ethnic and Racial Minority representation of 73%, with Hispanic or Latino and Black or African American being the most common ones, as seen in Figure 25. Focussing on these Ethnic and Racial minorities is important to the business and our work culture.*

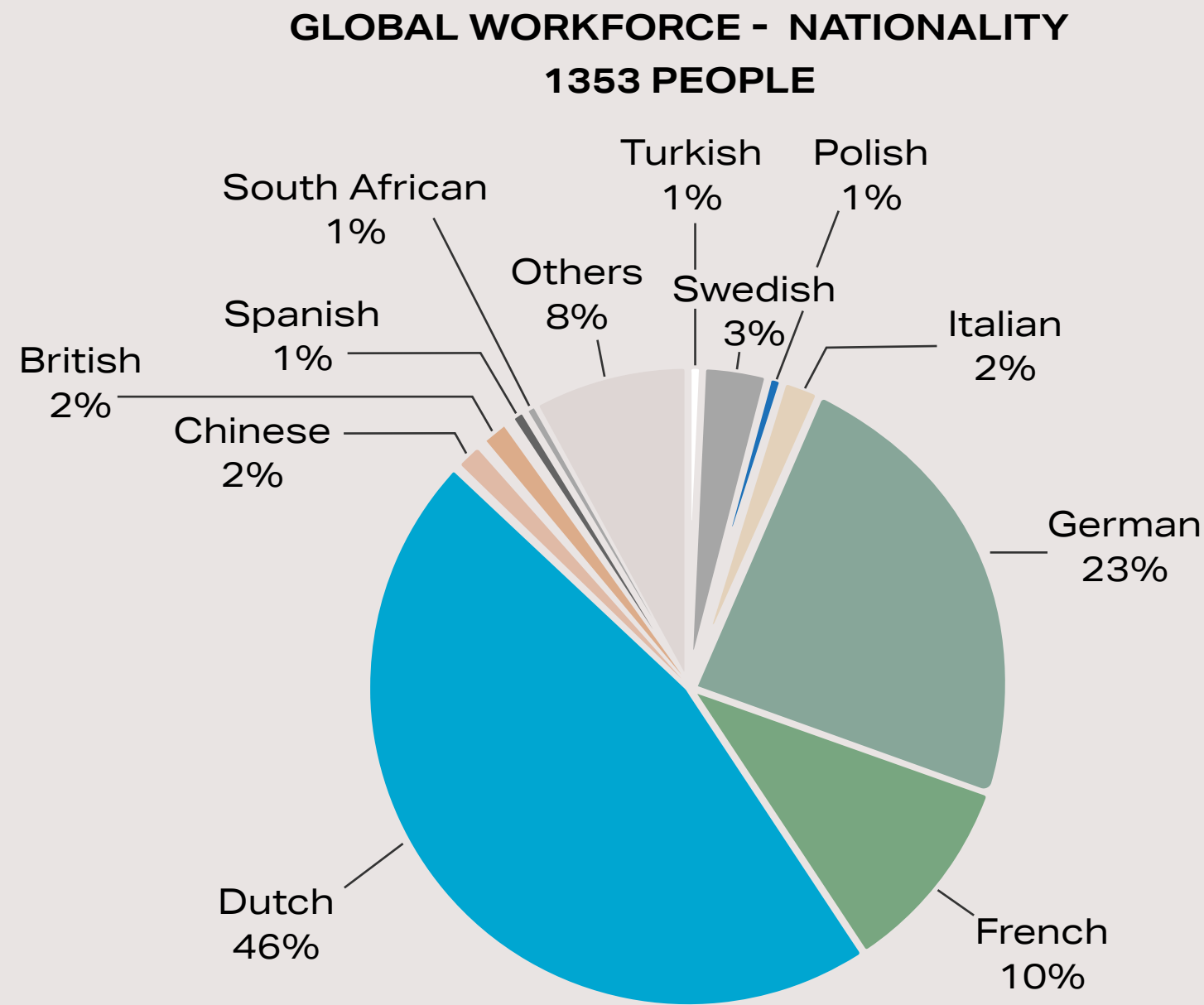


Figure 24. Nationality mix excluding our US and Canadian workforce

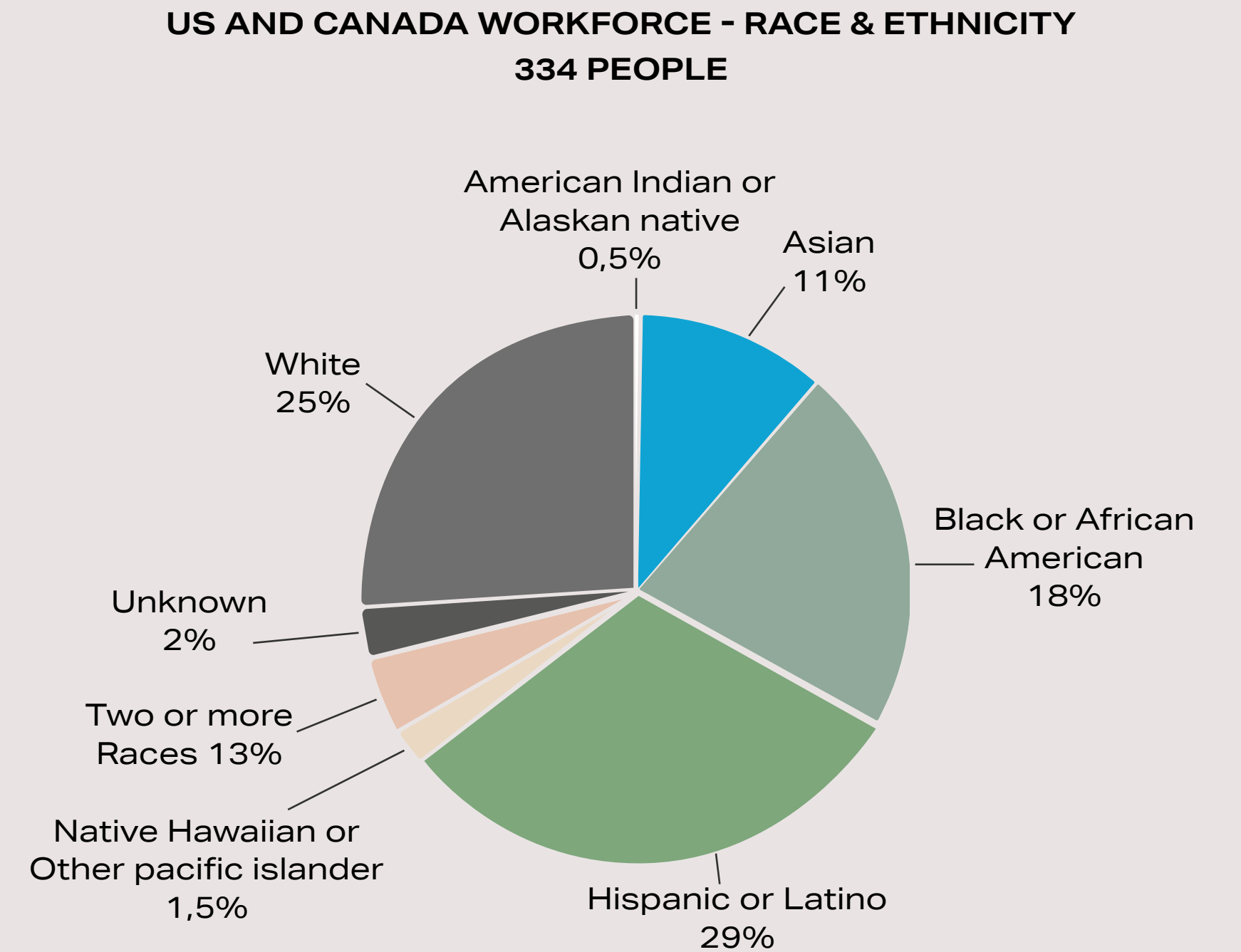


Figure 25. US and Canada workforce - Race and Ethnicity
From the US and Canadian workforce, Nationality is not part of the data collection but instead Race and Ethnicity are administered.

DRIVING CHANGE

Not only do we want to create a more diverse and equal work environment, but we also aim to achieve a 100% equal pay promise by 2023. This involves an equal paycheck, including salary adjustments, on all levels within our organisation.

Also, we want to ensure that all employees in the same role, performing equal work, will receive equal remuneration, unless any difference in pay can be justified.

To increase diversity, our recruitment process is adjusted accordingly. As part of these changes, we will remove hiring bias by making our application process anonymous (removal of mandatory picture, gender, age administration), by creating more inclusive job advertisements, including a commitment that we nurture an inclusive environment for all current and potential employees. We will be launching the succession planning through which we positively steer towards a diverse workforce representation at management level.

Through training sessions on Diversity, Equality and Inclusion (DE&I), we aim to create more internal awareness and understanding on these matters. This training includes how to recruit without bias, how to manage diverse teams as part of the leadership programmes, and DE&I days to increase awareness and understanding. This reporting year, we have strengthened our internal policies with the Scotch & Soda Blueprint, Whistleblower Policy and Code of Conduct. Additionally, we will be working on a tailor-made plan per department to understand the current workforce mix (age, gender, background).



OUR COMMUNITY

Partnerships

At Scotch & Soda, we want to make a meaningful difference. Besides our mission to reduce the environmental impact of our operations and products, we are committed to supporting organisations that help to restore local ecosystems. That is why, each year, we select a variety of charities that we support through donations, events or other types of partnerships.

TREES FOR ALL

In June 2021, Scotch & Soda announced its long-term partnership with Trees for All, a global scope foundation carrying out reforestation projects in Central and South America, Africa and Asia, as well as in the Netherlands for more than 20 years. The initiative is part of Scotch & Soda's ongoing mission to make a positive contribution and to reduce the brand's environmental impact by helping restore local ecosystems on behalf of its customers, in well-defined areas that need it the most. During this reporting year, Scotch & Soda has committed to planting 178.948 trees through its partnership with Trees for All, of which 127.614 trees have already been planted in the following locations:



3.188
TREES

NETHERLANDS: The forests of Het Groene Woud in Brabant are home to many sorts of plants and animals. These loam forests, in particular, have high levels of biodiversity, corresponding to the relatively wet soil that gave rise to them. From both a national and international viewpoint, the scarcity of loam forests makes it vital to expand and protect them. Besides Het Groene Woud, forests have been planted in the provinces of Overijssel and Drenthe. By planting a mixture of climate-proof tree species, resilient forests are created that will increase biodiversity.

10.000
TREES

SPAIN: By restoring the parkland in the Sierra de Maria-Los Veles Natural Park, the habitat of iconic animals has been renewed.

27.864
TREES

VIETNAM: The coast of Central Vietnam is increasingly battered by tropical storms and hurricanes. Its natural dune vegetation has all but disappeared, leaving villages in the hinterland vulnerable to floods as a result. Planting trees can increase soil water absorption, decrease water runoff and helps prevent landslides during floods.

25.425
TREES

UGANDA: As result of former land use, a part of Kibale National Park has been overgrown by elephant grass. By removing the grass and replacing it with seedlings of native species, the rain forest can revive and safeguard the existence of hundreds of species.

21.137
TREES

MADAGASCAR: Madagascar is one of the countries in the world with the most endemic plant- and animal species. The country's overwhelming biodiversity is under severe pressure due to unsustainable land use and climate change.

30.000
TREES

BOLIVIA: Large sections of the Andes Mountain range have been deforested for firewood, small-scale cattle farming and extension of agriculture. Shortage of trees and non-sustainable use of land lead to enormous water deficits in the area. Droughts cause crop failures and these, in turn, lead to endangering the livelihood of the inhabitants.

10.000
TREES

MEXICO: Mangrove forests are indigenous to the Gulf of Mexico and form an important link between land and sea. Unfortunately, though, more and more mangrove forests are disappearing, due to felling and forest fires.

We want to emphasise that this initiative is in no way intended to offset our carbon emissions, but it is a way for us to contribute to the restoration of biodiversity and forests globally. Trees for All's reforestation projects involve local communities and avoid planting non-native species, which would ultimately harm the ecosystem. If you are curious about Trees for All's projects, including the Scotch & Soda ones, you can find them [here](#).



Our headquarter contributed to Tree Planting Day in the Netherlands organized by Trees for All



Our headquarter contributed to Tree Planting Day in the Netherlands organized by Trees for All

PLASTIC WHALE

Because we are born in Amsterdam – a city famous for its canals – water and the preservation and care of this resource is important to us. That is why we decided to partner up with the Plastic Whale Foundation and support them in their mission of achieving plastic-free waters. In the reporting year 2021/2022, we donated over €48,000 to Plastic Whale for raising awareness about plastic pollution.

In June 2021, Scotch & Soda and Plastic Whale launched a special fishing boat named 'The Free Spirit of Amsterdam'. The boat is made with more than 5,000 recycled plastic bottles collected from the Amsterdam canals and its deck consists of 900 plastic bottles caps mixed with golden brass buttons that were leftovers from Scotch & Soda's sample collection. 'The Free Spirit of Amsterdam' is used to take businesses, tourists and schools on plastic fishing trips.

To keep the issue of water pollution top of mind, we encourage our customers to join us on these plastic fishing trips. In March 2022, we took the Plastic Whale boat to Ghent in Belgium and invited influencers and customers on a boat trip on the city canals. The trip was intended to raise awareness of plastic pollution as well as to clean the city's waterways.

Between June 2021 and July 2022, the boat went on a total of 83 trips. These trips resulted in the collection of 1,250 plastic bottles, together with 97 garbage bags, including other types of plastic, and 117 bags with residual waste. Our own customers contributed to the results achieved.



'The Free Spirit of Amsterdam' boat, in collaboration with Plastic Whale

Events

BEACH CLEAN-UP

We hosted four beach clean-up days; one in the Netherlands, two in Belgium and one in France. Taking place on the beaches of Bloemendaal (18 September 2021), Knokke (21 August 2021), Marseille (6 April 2022) and Nieuwpoort (22 April 2022), participants collected more than 250 kg of waste from the natural environment. We took this opportunity to create awareness about plastic pollution and empowered everyone to play their part in daily climate action.

THE POLLINATORS

The Pollinators is a non-profit organisation that is dedicated to the promotion and protection of pollinators and their ecosystems. During the Dutch national sowing day on 22 April, a day that is initiated by The Pollinators, we handed out plant seeds to our employees at one of our offices. People were encouraged to take these seeds and use them in their gardens, to help stimulate the biodiversity through a small act. In 2023, we will promote biodiversity by continuous support of The Pollinators.



Beach clean-up organised by Scotch & Soda

Donations

SUPPORTING UKRAINIAN REFUGEES

At the beginning of 2022, we donated 17.600 items of clothing, with a cost price value of €257.000, to support refugees from Ukraine. The donation was made partly possible with the support of Otrium, our online outlet partner, who helped facilitate the delivery of 3,000 items. The donations were made available to official aid organisations in Amsterdam, including the Ukraine Aid centres and The Red Cross emergency centre.

WARKA WATER TOWER

In December 2021, we donated €11.000 to the non-profit organisation Warka Water. The donation was used to fund a Warka Water Tower, which is a tower that provides an alternative water source for rural populations that struggle to access drinkable water. The tower is designed to collect water from the atmosphere (such as rain, fog and dew). Since it only functions by natural phenomena, such as gravity, condensation and evaporation, and does not require electrical power, the Warka Water Tower can serve communities in isolated regions where there is no water available from wells or that cannot be reached by conventional pipelines.

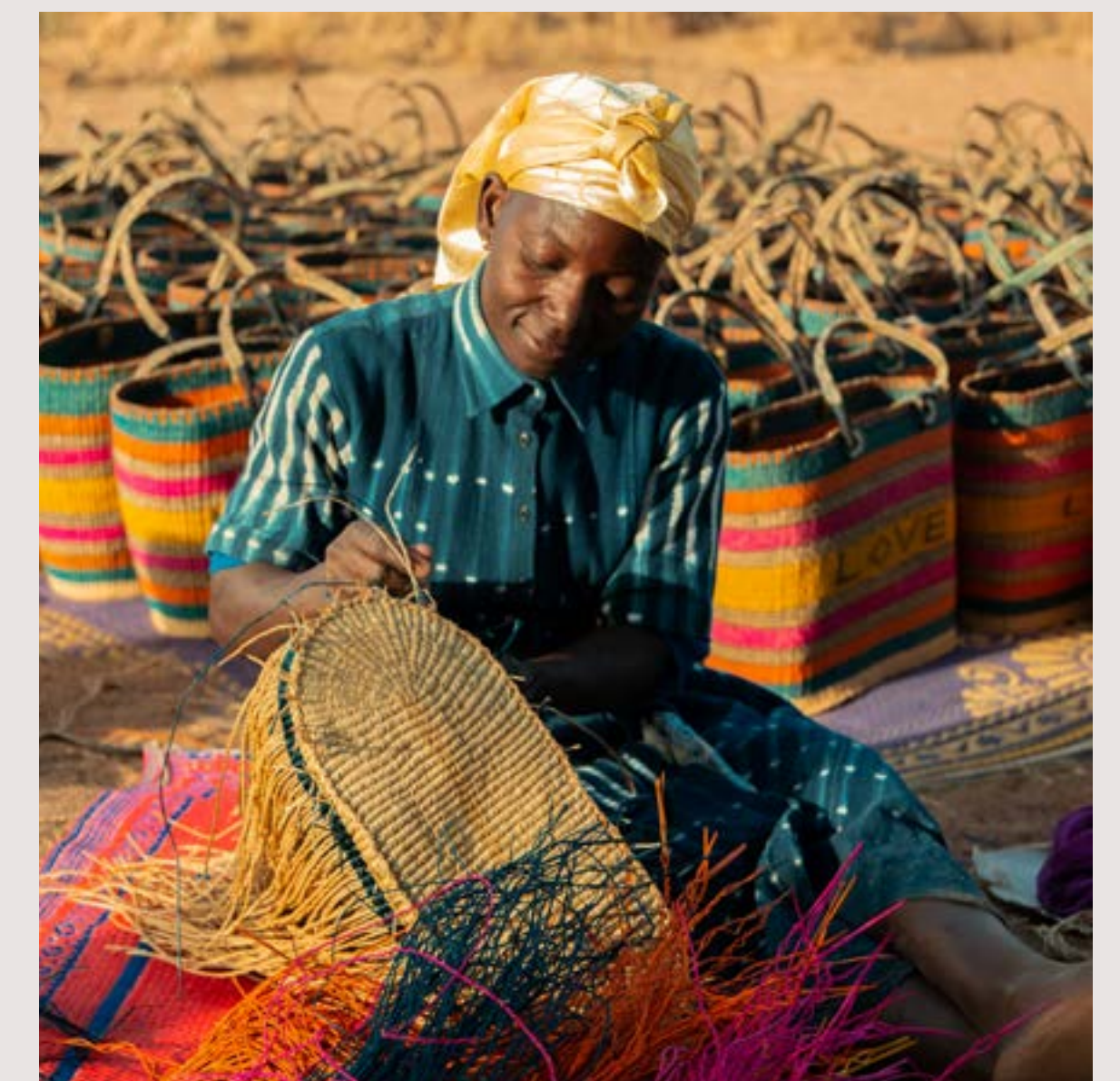
THE HUNGER PROJECT

By donating the proceeds of our Born to Love raffia bags, we supported The Hunger Project on its mission to end world hunger by 2030. The limited-edition bags were made in collaboration with Studio 189, an artisan-produced fashion lifestyle brand and social enterprise based in New York (USA) and Accra (Ghana). They support community-led projects primarily in West Africa and act as a platform to help promote and curate African fashion internationally. The bag sales resulted in a donation of more than €11,000. The Hunger Project is using the donation to support communities through education, microfinance, agriculture and health programmes. By empowering people with skills, knowledge and resources, The Hunger Project wants to turn a future free from hunger and poverty into a reality.

OTHER DONATIONS

Besides the monetary donations mentioned on the left we have supported several other small initiatives, including the following:

- In September 2021, we hosted an in-store event in Chicago whereby a part of our sales was donated to Guitars Over Guns, a local charity that helps students from vulnerable communities to overcome hardship through music education and mentorship.
- We have implemented a PerTazza MADE BLUE Waterbar at our Scotch & Soda office in Amsterdam. For each tabbed glass of water, we donate 100 glasses of water to a developing country via the Made Blue Foundation. During the reporting year of 2021/2022 we have donated a total of 1.000.000 liters of drinking water.



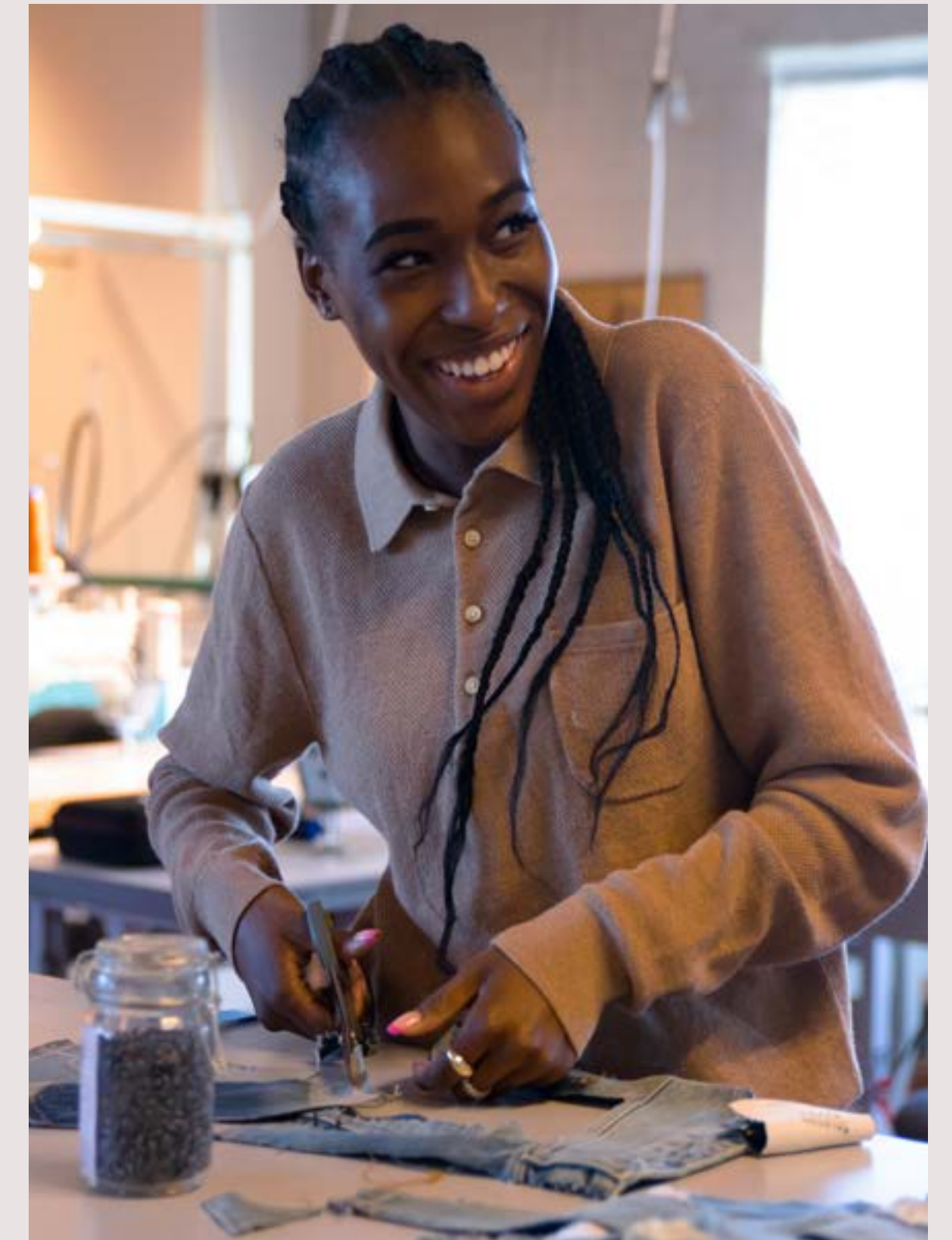
Scotch & Soda collaboration with Studio 189 - Born to Love bags

Education

JEAN SCHOOL

Supporting emerging talent is important to us, especially if their topic of interest is close to our heart. Having been part of the Amsterdam denim scene for over a decade, we partnered up with Jean School – the only school in the world that is fully dedicated to denim development.

By sharing our expertise, we help students from Jean School to learn the craftsmanship of denim design. As part of our partnership, we also collaborated with a team of talented students, who we asked to create ten unique denim styles using unused Scotch & Soda garments and trims. The students had to find creativity in limitations while keeping longevity and sustainability in mind. The result was a range of experimental denim styles of which some were shown at our Berenstraat store in Amsterdam.



Scotch & Soda collaboration with Jean School

INTERVIEW

JEAN SCHOOL: EMPOWERING THE NEXT GENERATION OF DENIM DESIGNERS

MARIETTE HOITINK

– Co-Founder at the Jean School

“How can I change the denim industry for good?” This is the question that Mariette Hoytink asked herself in 2009. As an answer, she co-founded House of Denim, a platform to boost craftsmanship, sustainability and innovation in the denim industry.

With a background in fashion design, a career in fashion buying and as the owner of a successful fashion recruitment agency, Mariette was not new to the fashion industry. But while she was fluent in the fashion language, denim production and its associated environmental impact caught her attention. Together with James Veenhoff, former director of Amsterdam Fashion Week and owner of a strategy agency, she founded House of Denim.

In 2012 – two years after establishing House of Denim – Mariette approached ROC Amsterdam. With educational

institutions being an important source of innovation, Mariette was convinced that an educational programme focused on denim development will help the industry to move forward. Together with ROC Amsterdam, she started Jean School: the first and only school in the world that is solely dedicated to denim design and development.

Sustainability is one of the pillars of Jean School and is fully infused throughout its academic programme. The students are trained with the latest sustainability thinking and are taught topics such as responsible materials and innovative production techniques. Jean School is located in Amsterdam, which is the denim capital of the world. Its students can attend a three-year course or a one-year intensive course, after which they are delivered to the global fashion industry as the next generation of denim experts.

Collaborating with brands is fundamental to the educational programme of Jean School. Since 2019, Scotch & Soda has worked with Jean School and supported students on their learning journey. “We are happy to have Scotch & Soda on board,” Mariette says. “By connecting students with brands, they become more aware of the work that’s being done behind the scenes. A product is made with a lot of creative, technical, digital and commercial effort. By connecting students with the best people in the industry, we inspire our students to make conscious decisions.”

These collaborations with brands are not one-way transactions. The brands themselves can learn from the students and their fresh outlook on sustainability and denim design. With Gen Z having a great interest in circular concepts, such as reuse, repair and recycle, Jean Schools’ students can be a source of inspiration for the brands as well.



The background features a complex, abstract pattern of thick, wavy lines in shades of blue, green, and gold. These lines are set against a light pinkish-beige background. The lines are irregular and organic in shape, creating a sense of movement and depth. The gold lines have a slightly textured, metallic appearance.

OUR OPERATIONS

Buildings

OFFICES

We currently have 15 Scotch & Soda offices around the world, of which 12 also function as showrooms, where collections are presented across seasons. Our creative head office, corporate head office and newest warehouse are located in Amsterdam, the Netherlands, and all our headquarters are powered by renewable electricity.

WAREHOUSE

We operate across four warehouses. Our directly operated European warehouses are located in the Netherlands and our third-party operated warehouses are in Hong Kong, Los Angeles and Toronto.

A new omni-channel distribution centre was recently built in Hoofddorp (the Netherlands), which opened in 2022. This state-of-the-art warehouse of 28.000 m² was designed by Amsterdam-based Dedato architects. The building is WELL Gold-certified, meaning that human health and well-being were taken into consideration while designing the working spaces. Additionally, the roof of the entire warehouse is covered by solar panels for green energy production and consumption. The centre also has electric car charging points, a full LED lighting system, a green wall and a heat pump heating system.

We are also working on making the company car fleet more sustainable. At the moment of writing, our fleet is 65% electric and by the end of 2026, we aim to be 100% electric.



Scotch & Soda warehouse in Hoofddorp, Netherlands



Scotch & Soda warehouse rooftop Hoofddorp, Netherlands - Solar panels

Stores

STORE ENERGY

We aim to reduce our impact across our entire value chain, including the way we operate our stores. We currently have 268 shops across 24 different countries. This includes directly operated retail stores, franchise stores and outlet stores. As most of our stores are housed in historical buildings, it is sometimes difficult to adopt the latest environmental standards due to monumental aspects. Nevertheless, we always try to move the needle towards sustainable solutions. We have equipped all our stores with LED lightning, which uses 75% less energy than traditional lightbulbs and can last over five times longer than conventional options, e.g., incandescent light bulbs.

STORE INTERIOR

Changing the interior of all Scotch & Soda stores does not happen overnight. Our store interior is designed to last at least five years, which means that it can take a while before new ideas can be implemented. When we work on new store features, we focus on integrating more circular principles in the design, by using more reusable, recycled or recyclable materials. A great example of this circular approach is our circular hangers. Since May 2021, all new stores are fitted with hangers made from Fasal®, which is certified by the Recycled Claim Standard (RCS). This is a material made from wood waste, grounded into pulp and mixed with an organic binder. For our circular hangers, we collected old wooden Scotch & Soda hangers and used them to make new ones. The circular hangers can currently be found in 26% of our retail stores, but will be introduced in all Scotch & Soda stores in the next couple of years. Each hanger contains at least 70% recycled wood, of which 10-20% originates from the old Scotch & Soda hangers.

As per our packaging commitment (see page 50), all wooden elements in our store concepts are approved and certified by the Forest Stewardship Council (FSC).

Besides choosing more responsible materials, it is our ambition to increase the procurement of interior materials from countries that sit close to our main selling markets. Today, 70% of our interior materials come from either Turkey or Eastern Europe. By increasing the percentage of materials that are locally sourced, we reduce the impact of transportation.



Scotch & Soda store in Utrecht, Netherlands



Distribution

INBOUND AND OUTBOUND OPERATIONS

Our operations require the movement of millions of garments across the globe, from the suppliers and manufacturers into the hands of our consumers. The logistics operations are separated into inbound and outbound, depending on whether the transport goes to or from our warehouses. As our environmental assessment, EP&L, has showed us, transport accounts for 4,5% of our total environmental impact.

Inbound distributions are all the activities that are needed to transport our products from the last processing factories to our final warehouses. For the inbound logistics, we rely on sea shipments for most of our transported volumes (53%). Most goods originate from the Far East, which makes distribution with container vessels the most accessible solution.

Outbound distribution refers to all the activities that are needed to transport our products from our designated warehouses to the final seller, or in case of ecommerce business, to the final consumer. For the outbound logistics, we rely on ground transportation for most of the distributed volumes (93%).

LAST MILE

In the upcoming months, we will focus on our last mile shipments, aiming to improve their efficiency and choosing more environmentally conscious carriers to diminish our impact on the ever-growing world of ecommerce shipments.

INBOUND LOGISTICS

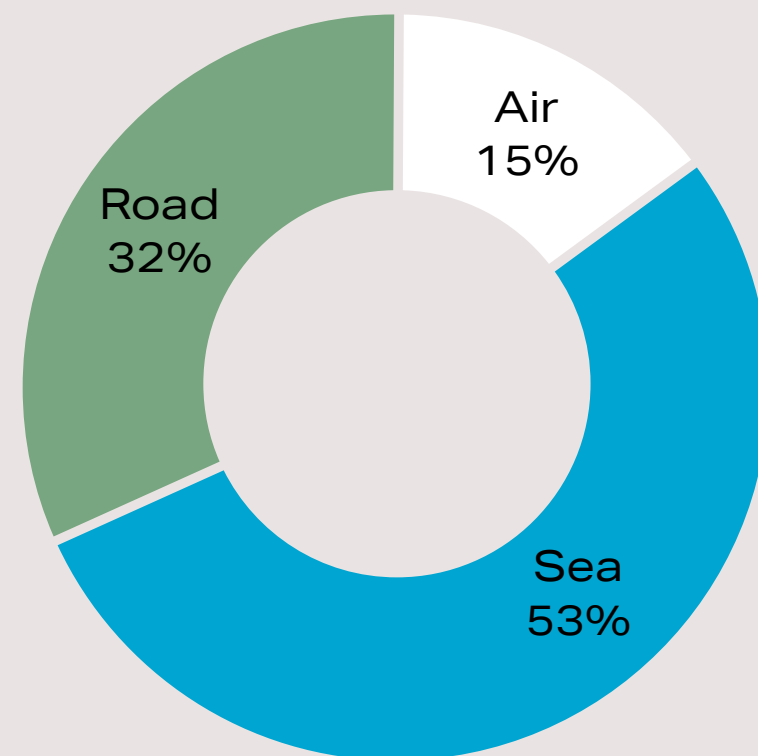


Figure 26. Breakdown of transportation modes for inbound logistics

OUTBOUND LOGISTICS

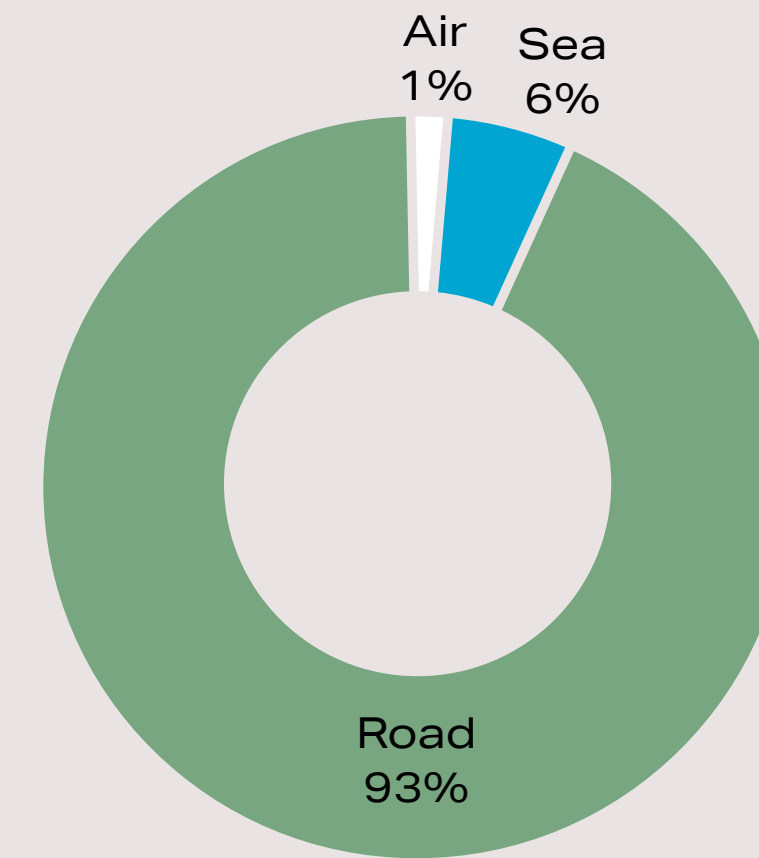


Figure 27. Breakdown of transportation modes for OUTbound logistics

Leftover Stock Management

We know that overproduction is an issue within the fashion industry. We therefore have policies in place to avoid the destruction of clothes at any point of their life cycle. These policies apply in the following phases: at our production locations, ecommerce and retail point of sale, and when clothes are returned by customers.

At our production locations, some of our garments may display minor defects, which are referred to as B-choice items. We have agreements with our suppliers to keep the B-choice stock for the following 12 months, in case we find a proper destination for these goods. If not, the suppliers may sell the remaining pieces in their local market. We discuss this topic with our suppliers bi-annually and encourage them to optimise processes and reduce the number of B-choice items.

When the garments are not sold through our ecommerce space or retail points, they enter a process of off-price sales and outlet sales. Additionally, third-party reseller platforms are involved in the sale of garments at a discounted price. The few remaining pieces that are not sold via these streams are sold to jobbers, who distribute them to physical stores in approved territories.

Sometimes clothes do not match the expectations of the customers and are returned to our warehouse. We do not destroy any returns. We have a quality control process in place that checks all returned items on their physical properties. If the quality is still pristine, we reintroduce these clothes back into our central stock. If the quality of the returned item does not fit our standard, the clothes are sold at a discounted price internally and the remaining pieces will be available for jobbers to sell.



PART 3
THE WAY FORWARD

Going Forward

We are climate optimists.

“ Together we can make a difference. Join us on our mission. ”

Scotch & Soda

This reporting year we have continued to build and reinforce our foundation whilst approaching sustainability in a holistic way. We have been measuring our impact through a natural capital measurement model, the Environmental Profit & Loss, from which objectives for the coming years will be set. We recognise that social inclusion in this measurement model is essential to approaching sustainability from a truly holistic perspective and will be seeking advice from industry experts to learn, develop and keep moving forward.

Do you have ideas on how we can improve? Would like to join us on our sustainability journey?

Reach out to our team via sustainability@scotch-soda.com

APPENDIX

Glossary

ACCOUNTABILITY

Identification, assessment and measurement of the impact of business activities on people and the environment worldwide.

ANIMAL-BASED

Materials derived from animals, e.g., wool and leather.

BIO-BASED

Polymers or fibres that are wholly or partially derived from biological origin, e.g., corn.

BIODEGRADABLE

A substance that is capable of decomposing over a period of time by micro-organisms under natural conditions (aerobic and/or anaerobic).

CARBON DIOXIDE EQUIVALENT (CO₂-eq)

A metric measure used to compare the emissions from various greenhouse gases (GHGs) based on their global warming potential (GWP).

CIRCULARITY

To reduce waste and pollution by keeping materials, products and resources in use for as long as possible, through iterative cycles of recovery and regeneration.

CODE OF CONDUCT

The policy that lays out the company's principles, standards and the moral and ethical expectations of employees and third parties.

COMPLIANCE

This term refers to social and environmental compliance, meaning how a business protects the health, rights and safety of supply chain workers, as well as how it manages natural resources and how it assesses environmental risks.

COMPOSTABLE

Under specific conditions (heat, humidity, oxygen and the presence of micro-organisms), an item will break down into CO₂, water and a nutrient-rich compost within a specific time frame.

CONVENTIONAL MATERIAL

A material that is made of non-organic, non-recycled fibres. Conventional materials are often discussed in comparison to their responsible counterparts.

CRADLE-TO-GRAVE

The full life cycle assessment from resource extraction (cradle) to the user and disposal phase (grave).

DIVERSITY

The recognition of and respect for the differences between individuals, communities and cultures. These may include, but are not limited to, differences in race, Ethnicity, culture, religious beliefs, gender, sexual orientation, marital status, age, physical abilities, health issues, political views, value systems and socio-economic status.

DOUBLE MATERIALITY

Assessment to understand what the most important and impactful environmental, social and governance issues are to a company, including the effect of finance and corporate activities on climate change.

DUE DILIGENCE

The process through which companies can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts in their practices.

ECOINVENT

A Life Cycle Inventory (LCI) database containing over 16,000 datasets spanning a wide array of products, services and processes. These datasets are used in the calculation of our Life Cycle Analysis (LCA).

ENVIRONMENTAL PROFIT & LOSS (EP&L)

A natural capital measurement approach that was pioneered by the global luxury group, Kering. The EP&L methodology calculates the environmental impact of an organisation and translates it into monetary values. This allows a comparison between the organisation's profits resulting from its operational and supply chain activities, and its costs resulting from reductions in natural capital and increases in environmental impacts.

EQUALITY

"All human beings are born free and equal in dignity and rights," as defined in Article 1 of the 1948 Universal Declaration of Human Rights.

ETHICAL CODE OF CONDUCT

A document consisting of ethical principles and standards that guides the behaviour of a supplier and factory. Also referred to as the Code of Conduct or the Code.

ETHICS

Minimising and reducing the potential negative impact on and harm to people and the planet.

ETHNICITY

A grouping of people who identify with each other on the basis of shared attributes that distinguish them from other groups. Those attributes can include common sets of traditions, ancestry, language, history, society, culture, nation, religion, or social treatment within their residing area.

ETHNIC MINORITY

A group within a community which has different national or cultural traditions from the main population.

FACTORY

A manufacturer or a business that takes part in (one of the) manufacturing process(es) of the supply chain, falling under the overarching umbrella of the supplier.

FIBRE CLASSIFICATION GUIDE

An internal framework that we use to determine whether a fibre is responsible. We consider fibres that are in the 'best' and 'better' category as responsible, based on environmental criteria. We built this framework based on industry best practices, Canopy's Hot Button 'green shirt' ranking 2020, Life Cycle Analysis (LCA) from the Ecoinvent database and the Higg Materials Sustainability Index (MSI).

FOREST-BASED

All materials derived from trees, e.g., lyocell.

GREEN ELECTRICITY

Power that is generated using sources such as wind, hydro and solar.

GREENHOUSE GAS (GHG)

A gas that contributes to the natural greenhouse effect. The Kyoto Protocol covers a basket of six greenhouse gases (GHGs) produced by human activities: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

GREENHOUSE GAS (GHG) PROTOCOL

Comprehensive global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.

GRIEVANCE MECHANISM

A formal complaint process that can be used by individuals and supply chain workers who are being negatively affected by business activities or those of suppliers and factories.

HIGG INDEX

An apparel and footwear industry self-assessment standard for assessing environmental and social sustainability throughout the supply chain.

HIGG MATERIALS SUSTAINABILITY INDEX (MSI)

A tool developed by the Sustainable Apparel Coalition to measure and score the environmental impacts of materials.

INCLUSION

The need to embrace human diversity and ensure that multiple voices and perspectives are covered in both a micro and macro platform. Nurturing an environment where multiple narratives and forms of aesthetic expression can flourish side by side.

LABOUR PRINCIPLES

Fundamental principles and rights at work.

LIFE CYCLE ANALYSIS (LCA)

A process of evaluating the effects that a product has on the environment over the entire period of its life, thereby increasing resource-use efficiency and decreasing liabilities.

MAIN MATERIAL

Materials that make up the majority of the weight of a garment.

MAN-MADE CELLULOSIC FIBRES

Fibres derived from wood pulp, such as viscose, lyocell and modal.

MATERIALITY ASSESMENT

An assessment to understand what the most important and impactful environmental, social and governance issues are to a company.

MICROPLASTICS

Plastic particles less than 5 mm in size. They exist as a result of microfibre pollution from washing synthetic clothing and the decomposition of plastic waste. Microplastics are a major source of ocean pollution and negatively impact biodiversity. It is estimated that as much as 20-35% of all primary source microplastics in the oceans are from synthetic textiles.

MONO-FIBRE MATERIAL

A fabric that is made solely of one material, e.g., 100% organic cotton, 100% polyester, 100% viscose.

MULESING

The process of removing folds of skin from the tail area of a sheep, intended to reduce flystrike.

MULTI-STAKEHOLDER INITIATIVES (MSI)

Frameworks for engagement between businesses, civil society and other stakeholders, such as governments.

NATIONALITY

A member or citizen of a particular Nation.

NATURAL CAPITAL

An extension of the economic notion of capital (manufactured means of production) to environmental goods and services. It refers to a stock (e.g., a forest) which produces a flow of goods (e.g., new trees) and services (e.g., carbon sequestration, erosion control, habitat).

NATURAL FIBRES

Fibres that are either cellulose- or plant-based (e.g., cotton, hemp, linen) and protein- or animal-based (e.g., wool, silk, leather, down).

NEXT-GENERATION MATERIALS

These materials have the shared characteristics of being highly functional and performative, with special attention to sustainability.

POST-CONSUMER WASTE

Waste that is generated after a product has reached its target user. Examples include used and worn-out clothing and accessories, but also valuable new items that were purchased and discarded without having ever been used.

PROXY DATA

Data that is used to study a situation, phenomenon or condition for which no direct information is available.

RACE

A categorisation of humans based on shared physical or social qualities into groups generally viewed as distinct within a given society.

RESPONSIBILITY

When we use the term 'responsibility', we refer to our corporate social and environmental responsibility.

RESPONSIBLE FIBRES

Fibres that fall in the 'better' and 'best' categories of our Fibre Classification Guide. The responsible fibres we use at Scotch & Soda are certified by a third-party organisation or are branded fibres that are ranked within our responsible fibre classification.

RESPONSIBLE STYLE

Garments with a defined minimum percentage of responsible fibres.

REPORTING YEAR

This document covers reporting year 2021/2022. The Scotch & Soda reporting year runs from 1 June to 31 May of the following calendar year.

SCOPE

A company's carbon emissions can be divided across Scope 1, 2 and 3. Scope 1 and 2 reflect carbon emissions a company creates in its own operations (directly and indirectly) and Scope 3 reflects those in the company's wider value chain.

STAKEHOLDER

Any individuals or communities, whether internal or external to an organisation, that may affect or be affected by a business' actions.

SUPPLIER

The contractual business partner in the supply chain. A supplier can be responsible for an administrative, manufacturing or procurement role.

SUPPLY CHAIN

All the processes, organisations and individuals involved in turning raw materials into finished products and delivering them to customers.

SUSTAINABILITY

Refers to the way of life in which humans and natural systems co-exist in balanced and non-destructive ways that enables continuous prosperity and well-being for all.

TIER

Categorisation and definition of suppliers and factories based on their type of process within the supply chain.

TRACEABILITY

The possibility to trace the entire journey of a product, from its origins to finished product, across the entire value chain.

TRANSPARENCY

Transparency requires companies to publish information on their social and environmental work. It often includes the disclosure of the list of factories where manufacturing takes place. Transparency is the first, necessary step to ensure safe and healthy working conditions for all workers, as well as to monitor the entire value chain and their environmental impact.

VALUE CHAIN

The full range of activities that come with creating products, from design through delivery to the customer and the product's end of life.

WHISTLEBLOWER

An external counsellor who reports any misconduct to Human Resources.

ZERO TOLERANCE

Refusal to accept certain behaviour, typically by strict and uncompromising application of the law and the Ethical Code of Conduct.



Environmental Profit & Loss

FY 20/21

EP&L BASELINE YEAR RESULTS (2020/2021)

The results presented in Figure 28 is the outcome of the first Environmental Profit & Loss conducted by Scotch & Soda, across reporting year 2020/2021. The results have been backward engineered with the latest methodology updates, as explained in the following chapters.

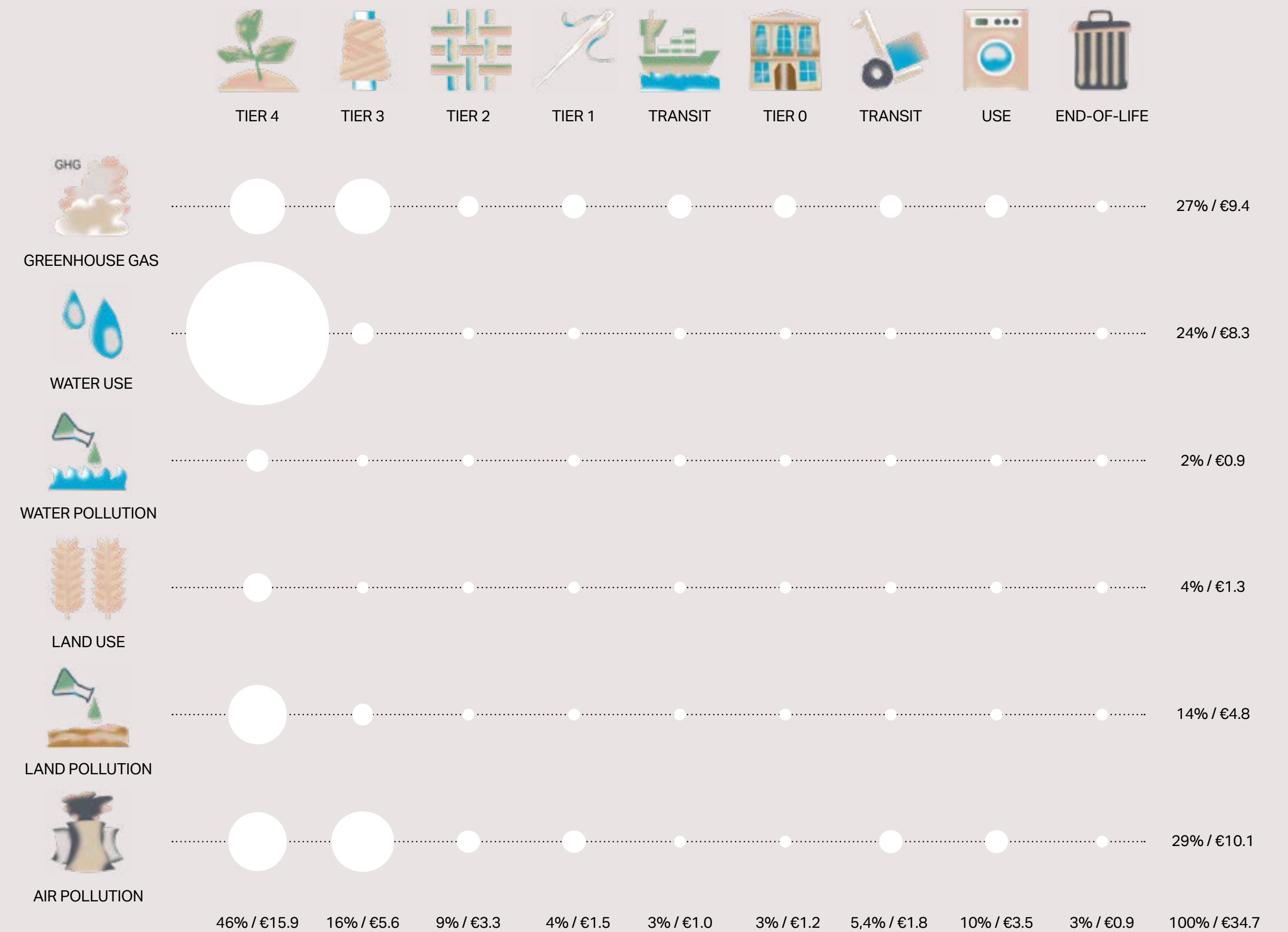


Figure 28. The total EP&L impact distribution calculated for baseline year 2020/2021

● The size of the circle indicates the percentual contribution from the total impact

€ The monetised impact is €/million



EP&L Methodology

This chapter will detail how Scotch & Soda's EP&L assessment was conducted and the way in which the Life Cycle Assessment (LCA) methodology was applied to establish a foundation and how this foundation was translated into an EP&L using the monetisation methodology.

LCA AS A FUNDAMENT

As a basis for conducting the EP&L of Scotch & Soda, we used the Life (LCA) methodology. This is used to assess the environmental impact of a product or process throughout its entire life cycle. This process is divided into different phases, which starts with the extraction of raw materials, followed by the production, distribution, final use and end of life. Throughout this life cycle, outputs are generated that have a certain impact on the environment. The environmental impact of these outputs is calculated within various impact categories or midpoints (e.g., climate change, acidification). As a final step, these impacts (e.g., total CO₂-eq) are converted to damage costs or endpoints using valuation techniques to prepare for the EP&L.

During the production process of any product, substances are emitted into soil, water and air. These emissions and wastes can have an impact on various environmental themes or midpoints. NO_x (nitrogen oxides) gases, for example, are usually produced from the reaction between nitrogen and oxygen during the combustion of fuels. They can cause smog and form particulate matter which impacts human health (i.e., the endpoint), but NO_x also causes eutrophication. This implies that ecosystems get too many nutrients, which impacts the growth of certain organisms and, in turn, impacts biodiversity.

The Scotch & Soda model relies on the internationally recognised Ecoinvent database for data on the outputs or emissions generated by the products and processes applicable to Scotch & Soda. ReCiPe is a method to approach the impact assessment through midpoints. A midpoint looks at individual environmental problems, such as climate change and acidification. The ReCiPe midpoints characterisation model was chosen to convert these emissions (e.g., emission of 1 kg methane) to specific burdens in an environmental impact or midpoint category (e.g., global warming in CO₂-eq). The model therefore includes the 15 midpoints of ReCiPe to classify emissions.

VALUATION

With its EP&L, Scotch & Soda aims to better understand the externalities (side-effects of production and consumption that affect the welfare of others without them receiving financial compensation for their loss of welfare) related to its operations so that it can mitigate these negative impacts. To determine this loss of welfare, three endpoints were evaluated: ecosystems services, building and materials, and human health. Each of these can be expressed in monetary terms to allow for comparison and EP&L reporting. The actual monetary value of these endpoints is obtained from the CE Delft environmental pricing handbook.

ECOSYSTEM SERVICES

Ecosystems contribute to human prosperity in a multitude of ways. Known as ecosystem services, this contribution consists of all the various products and services supplied by the natural world and benefiting our lives (e.g., agriculture, tourism, water purification). Biodiversity loss leads to loss of ecosystem functions and resilience. In ReCiPe, it is assumed that the diversity of species is an adequate proxy for ecosystem functioning. The relationship between emissions and the extinction of species is quantified. Potentially Disappeared Fraction (PDF) expresses the annual loss of species in a given area. This unit is used to monetise the effect of loss of ecosystem services. The cost of environmental damage as expressed in PDF is valued at 0,635 per PDF per square metre per year.

EP&L Methodology

BUILDING AND MATERIALS

Pollution can affect the quality of man-made capital goods, leading to higher maintenance costs. For this study, the impact of acidification, which leads to accelerated erosion of calcareous building materials (gypsum, cement and concrete), iron and steel (reinforced concrete) and zinc gutters is taken into account. Value: €0,60 per SO₂-eq

HUMAN HEALTH

Human health impacts are broken down into morbidity (i.e., illness) and mortality (i.e., premature death) with a distinction made between acute and chronic mortality. Health impacts are usually expressed using a physical indicator expressing the number of life years (mortality) or certain quality of life (morbidity) lost. The indicator used for this study is DALY – Disability-Adjusted Life Years (number of years of life lost due to impaired health) – which is monetised into Value of a Life Year (VOLY). Value: €70,000 per VOLY

METHODOLOGY NOTES

To calculate the environmental impact in the different midpoint indicators, additional conversion factors had to be added to the greenhouse gas emission factors that were already present in the model for the CO₂ footprint analysis. For most materials, conversion factors from the Ecoinvent database could be used. The greenhouse gas emission factors for most materials were also obtained from this database. Some materials were modelled using different sources, including the Higg Index Material Sustainability Index (MSI). As this source does not recognise all 15 impact categories considered in the EP&L model, emission factors from comparable materials in Ecoinvent were added as proxies for the missing environmental categories.

Ecoinvent conversion factors were also added for fuel combustion and transport-related processes. The greenhouse gas emission factors of Ecoinvent differ sometimes from the greenhouse gas emission factors used for the CO₂ footprint analysis, that were obtained from the Department for Environment, Food and Rural Affairs (DEFRA) in 2020. Still, the Ecoinvent conversion factors were taken to maintain internal consistency between the 15 environmental indicators. Air transport and travel are exceptions here, as the Ecoinvent conversion factors do not consider radiative forcing, which significantly increases the impact on climate change and is therefore important to consider.

EP&L Methodology

MONETISATION THEORY

To monetise and compare environmental impact categories, damage costs must be estimated. In the damage-cost approach, an estimate of the so-called demand function for environmental quality is made. This function hinges on how much people are prepared to pay to improve their quality of life; how much of their income they are willing to sacrifice for an additional unit of quality of life (i.e., their demand). This is referred to as the willingness-to-pay (WTP). Estimation of WTP can be approached in various ways. For the EP&L of Scotch & Soda, two methods were used:

- a. Valuation based on revealed preferences

With methods based on revealed preferences, observed market behaviour in an existing, complementary market is used to indirectly derive the WTP in a non-existent market. In the Netherlands, this is usually done by analysing house prices using hedonic pricing. By comparing house prices at locations exposed to noise nuisance, for example, with prices in quieter locations, an implicit value for the damage due to noise nuisance can be derived, provided due correction is made for other impacts.

- b. Valuation based on stated preferences

WTP can also be derived through stated preferences obtained via questionnaires, interviews or other methods. The most popular method is the Contingent Valuation Method (CVM), in which respondents are asked directly in a questionnaire what they are willing to pay for a given item, described precisely in the research scenario. Based on consumers' response to how they would react in a hypothetical situation in which the supply of the item in question varies, an implicit value for that item is derived.

MIDPOINT MONETISATION

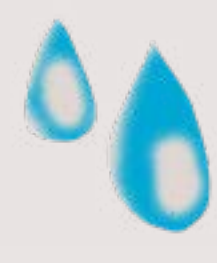
We then use a combination of environmental pricing frameworks to convert our environmental impact at midpoint level to monetised impact. To do so, we use the CE Delft environmental pricing handbook for all midpoints except for climate change, for which we use the social costs of carbon from the Interagency Working Group (IWG). For water use, we use water stress rankings from Aqueduct and the water shadow prices from the Corporate Bonds Water Credit Risk Analysis Tool (CBWCRAT) developed by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Natural Capital Declaration (NCD) and the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU).

ENVIRONMENTAL IMPACT CATEGORIES

We have categorised the 15 midpoints into six environmental impact categories to enable a clear reporting structure. The six environmental impact categories are; greenhouse gas, water use, water pollution, land use, land pollution and, air pollution. The the distribution of the midpoints per environmental impact category is shown below, represented with the units of measuring, the indication of environmental change and the impacted areas that are used to monetise the impact.



GREENHOUSE GAS



WATER USE



WATER POLLUTION



LAND USE



LAND POLLUTION



AIR POLLUTION

EMISSIONS OR RESOURCE USE (UNIT)	CO2-eq	m3	P-eq, N-eq	M2a	SO2-eq, 1,4DBc	PM10-eq
INDIVIDUAL ENVIRONMENTAL EFFECTS (MIDPOINT INDICATOR)	Global Warming Potential	Water Depletion	Freshwater Ecotoxicity, Freshwater Eutrophication, Marine Ecotoxicity, Marine Eutrophication	Agricultural Land Occupation, Urban Land Occupation	Terrestrial Acidification, Terrestrial Ecotoxicity	Particulate Matter Formation, Photochemical Oxidant Formation, Ozone Depletion, Human Toxicity, Ionising Radiation
ENVIRONMENTAL CHANGE	Climate change	Water shortages	Water quality reduction	Ecosystem service reduction	Ecosystem quality reduction	Increase in pollutant concentrations
MONETISED IMPACT AREAS (ENDPOINTS INDICATOR)	Human health, Buildings, Ecosystems	Human health, Ecosystems	Ecosystems	Ecosystems	Human health, Buildings, Ecosystems	Human health, Buildings, Ecosystems

Figure 29. Distribution of midpoints and endpoints in calculating the environmental change



Methodology updates

FY 21/22

YEAR-ON-YEAR COMPARABILITY

The EP&L is quite a recent concept from past decade, applied by a limited number of other organisations so far. For this concept to become even more accurate and precise, it is important to keep improving the quality of conversion data and incorporating the latest developments from the business and industry year-on-year.

New LCA studies, inflations, updates in monetisation of impacts or adding additional business units will affect the comparability of year-on-year results. To avoid such variations and to guarantee year-on-year comparability of results, we re-calculate the previous year's results, using the most accurate methodology tools available. This is visible in the total sum of the EP&L, the greenhouse gas footprint and the intensity comparisons.

Over the past year, and based on last year's outcomes, we have increased the accuracy of this year's EP&L. We made updates in the following pivotal parts in the EP&L methodology:

1. The conversion factors chosen;
2. The scope of the EP&L;
3. The calculation approach.

In the paragraph below, we briefly elaborate on the most material changes in these aspects of the methodology which increase the accuracy of the overall EP&L.

THE CONVERSION FACTORS

Compared to last year, we have updated the conversion factors with the best available latest data. The biggest update was to use the latest Ecoinvent database (3.8 vs 3.7.1), DEFRA dataset (2022 vs 2021) and CO2 emission factors (2022 vs 2021).

For some materials, we have changed the reference database for conversion factors. We have switched from the Ecoinvent database to Higg Index Material Sustainability Index (MSI) for some materials (most visible in leather and viscose) to better assess the impact of these materials, as Ecoinvent has limited insights in the cradle-to-grave environmental impact of these materials.

THE SCOPE

We have increased the scope of the EP&L to include a larger part of the business. This includes licensee footwear, eyewear and fragrances. Also, we increased the granularity of the scope for some materials to include a bigger variety in products (e.g., a differentiation between knitted vs woven).

THE CALCULATION APPROACH

For some aspects of the EP&L, we changed the calculation methodology. The most significant change was made to the outbound and inbound transport of goods. Last year we used EEIO (a spend-based method to account for emissions), whereas this year we used more detailed data on the type of transport, weight of transport and distance travelled.

Greenhouse gas (GHG) footprint

FY 21/22

GHG FOOTPRINT RESULTS (2021/2022)

The results presented in Figure 30 is the greenhouse gas footprint outcome of Scotch & Soda across the current reporting year (2021/2022), and is conducted in accordance with the GHG Protocol standard.

SCOPE 1	kg Co2-eq	SCOPE 2	kg Co2-eq	SCOPE 3	kg Co2-eq
NATURAL GAS HEATING	184.109	ELECTRICITY (MARKET-BASED)	2.489.266	PURCHASED GOODS & SERVICES	52.337.087
COMPANY CARS	436.481	ELECTRICITY (LOCATION-BASED)	1.764.245	- Garment	49.992.451
				- Packaging	1.604.826
				- License products*	396.740
				- Store interior	342.571
				UPSTREAM TRANSPORTATION	7.648.245
				- Inbound distribution	5.180.451
				- Sample courier.	2.467.794
				DOWNSTREAM TRANSPORTATION	679.784
				- Outbound distribution	679.784
				WASTE GENERATED IN OPERATIONS	284.826
				BUSINESS TRAVEL	185.310
				EMPLOYEE COMMUTING	933.498
				USE OF SOLD PRODUCTS	9.900.012
				END-OF-LIFE TREATMENT	5.636.962
				FRANCHISES (*Market-based)	1.081.122
	647.590		2.489.266		78.686.846,30
TOTAL (Market based)					81.823.701,93

Figure 30. The greenhouse gas (GHG) footprint calculated over reporting year 2021/2022 in accordance with the GHG Protocol standard

GHG Methodology

ORGANISATIONAL BOUNDARIES

As a part of the EP&L methodology, we have followed the GHG Protocol standard for calculating our greenhouse gas footprint. By setting organisational boundaries, an organisation defines the activities and entities to be included in the greenhouse gas footprint. The organisational boundary is set in accordance with the corporate GHG Protocol. Scotch & Soda consolidates its greenhouse gas emissions via the operational control approach, meaning it accounts for 100% of emissions from operations over which it has operational control in Scopes 1 and 2 (seen in Figure 30). These scopes involve the emissions belonging to locations where it has the full authority to introduce and implement its operating policies at operational level. It is important to emphasise here that having operational control does not necessarily mean that a company has authority to make all the decisions concerning an operation. Following the operational control approach, the (non-franchise) retail locations, offices, warehouses, and leased vehicles are considered to be within the organisational boundary of Scotch & Soda.

SCOPE 1

Direct greenhouse gas emissions occur from sources that are controlled by the company, e.g., emissions from fuel combustion in boilers and vehicles. For Scotch & Soda, these are:

- Combustion of natural gas (for heating) at the (non-franchise) retail locations, offices and warehouses
- Combustion of fuel in leased vehicles over which Scotch & Soda has operational control

In accordance with the GHG Protocol, Scotch & Soda is required to report on Scope 1 emissions.

SCOPE 2

Scope 2 emissions are indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by Scotch & Soda. Scope 2 emissions physically occur at the facility where the energy is generated. For Scotch & Soda, this relates to:

- Electricity consumption at the (non-franchise) retail locations, offices and warehouses
- District heating consumption at the (non-franchise) retail locations, offices and warehouses
- Electricity consumption of electric lease vehicles

In accordance with the GHG Protocol, Scotch & Soda is required to report on Scope 2 emissions (location-based and market-based).

GHG Methodology

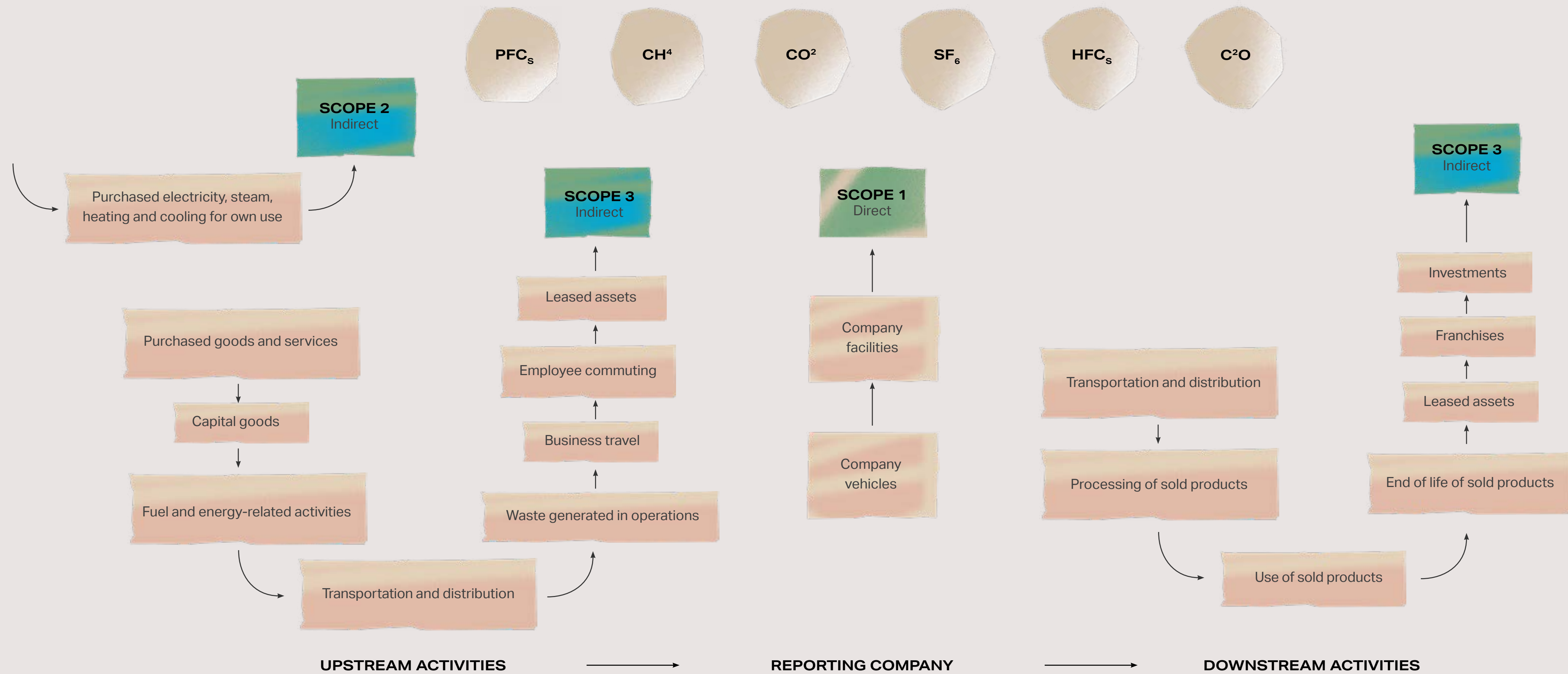
SCOPE 3

Where Scope 1 and 2 emissions are direct and indirect within operational control of an organisation, Scope 3 emissions result from activities performed by other entities in the organisation's value chain, occurring upstream or downstream in the value chain. These emissions are therefore outside the organisational control of the reporting company. A company's Scope 3 inventory does not include any emissions already accounted for in Scope 1 or Scope 2 by the same company. Scotch & Soda reports on absolute Scope 3 emissions relating to:

- Purchased goods and services (including purchased materials for garment production and retail store interior, energy consumption of factories and packaging. It also includes licensee products and non-garment-related purchases, such as IT equipment, canteen supplies and marketing gifts)
- Upstream transportation (the transportation of garments from factories to Scotch & Soda and between Scotch & Soda entities)
- Waste generated in operations (the cut-offs generated by the factories during the production process of the garments)
- Business travel (the greenhouse gas footprint of air and train travel by Scotch & Soda employees for business purposes)
- Employee commuting (the impact of Scotch & Soda employees commuting to work)
- Downstream transportation (the transporting of Scotch & Soda garments to customers and courier activities needed for sampling)
- Use of sold products (the washing and taking care of Scotch & Soda garments by consumers after purchase)
- End-of-life treatment of sold products (the impact of waste treatment after the garments have been disposed of as waste)
- Franchises (the greenhouse gas emissions pertaining to the natural gas combustion and electricity consumption of Scotch & Soda franchised stores)

Figure 31. Greenhouse gas (GHG) scope system explained

Scope system explained



GHG Methodology

CALCULATION METHODOLOGY

Scope 1, 2 and 3 emissions are calculated by making use of supplier-specific activity data where possible. Market average products, materials and/or processes (i.e., activity data) are used in cases where no supplier-specific activity data was available. Most conversion factors are derived from the database of Ecoinvent. The cut-off model of Ecoinvent is recognised as one of the most extensive life cycle inventory databases and is commonly applied all over the world. Ecoinvent (v3.7.1) is the latest version of the database that provides conversion factors for thousands of products and processes. Other sources of conversion factors include the Department for Environment, Food and Rural Affairs (DEFRA), Higg Materials Sustainability Index (MS) and other studies. In the next sections, we will detail the calculation methodologies per scope. The cut-off model of Ecoinvent dictates that the primary production of materials is always allocated to the primary user of a material. Consequently, secondary (i.e., recycled) materials bear only the impacts of the recycling processes. For example, recycled paper only bears the impacts of wastepaper collection and the recycling process of turning wastepaper into recycled paper. It is free of any burdens of the forestry activities and processing required for the primary production of the paper.

SCOPE 1

– As mentioned before, the Scope 1 greenhouse gas emissions for Scotch & Soda consists of the fuel combustion in lease vehicles and natural gas consumption for heating purposes in facilities (i.e., retail stores, offices and warehouses) where Scotch & Soda has operational control. Figure 32 provides an overview of how each source of emissions was converted into CO₂ emissions. For locations where no heating data was obtained, the natural gas consumption was estimated using extrapolation based on their floor size and the average natural gas consumption of the other stores.

SCOPE 2

– Both the market-based approach and a location-based approach are used to calculate the emissions relating to Scope 2. Where the location-based approach considers the CO₂ intensity of the national or regional electricity grid to convert electricity consumption into greenhouse gas emissions, the market-based approach (ideally) considers the actual energy mix purchased from the energy supplier. In absence of supplier-specific information, the market-based approach uses the emission factor from a national or regional residual mix. This is still preferred over grid mixes, as residual mix emission factors avoid double counting of the emission attributes of contractual instruments. Figure 32 details the calculation methods per emission source for Scope 2. For locations where no electricity data was obtained, the electricity consumption was estimated using extrapolation based on their floor size and the average electricity consumption of similar locations.

SCOPE 3

– The approach for calculating the Scope 3 emissions varies per category. In Figure 32 we provide a condensed overview of the methodology used to assess each category. Some relevant methodological notes for some categories have been added to Figure 32.

GHG Methodology

METHODOLOGY NOTES

PURCHASED GOODS & SERVICES

As demonstrated in the annual report, the impact of Scotch & Soda's purchased goods and services is categorised in four tiers. Each garment has its dedicated supplier that performs activities belonging to a certain number of tiers. Some factories execute processes of Tier 1 only, whereas others cover Tier 1 and Tier 2 processes or even Tier 1 to Tier 3 processes. Since the performance of each activity and process can differ per factory, the extent to which factory data could be used to assess the impact of garments varied per garment. Therefore, the impact per garment is assessed first before consolidating. For each garment, average material and process data was used to model the tiers not covered by the factory supplying that garment. When no factory data was available, market average material and process data was used to model the impact of all four tiers.

EMPLOYEE COMMUTING

As no data is available currently on how Scotch & Soda's employees commute to work, various country-specific studies on the commuting behaviour of people have been used to assess this category. The methodology differentiates between retail, warehouse and office employees, as these groups of people likely show different commuting behaviour. The impact of COVID-19 on commuting behaviour has been considered as well.

USE OF SOLD PRODUCTS

Various studies have been used to determine the life span of various garment categories, as well as the number of times products are cared for by consumers (i.e., washed, ironed, bleached, tumble dried, dry cleaned or dried naturally). With the number of wears and average care behaviour of consumers determined per product category, the impact of each care method was assessed with a different set of sources. Based on the product category and care labels Scotch & Soda has on the majority of its garments, the impact of the use phase could be assessed for each garment.

SOURCE OF EMISSIONS	ACTIVITY DATA SOURCE	CALCULATION METHOD	CONVERSION FACTORS SOURCE
NATURAL GAS COMBUSTION	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum M3 GAS PURCHASED PER ANNUM PER COUNTRY * COUNTRY SPECIFIC CONVERSION FACTOR	DEFRA – CONVERSION FACTORS 2021; CO2EMISSIEFACTOREN.NL
PETROL VEHICLES	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum LITER OF PETROL USED PER ANNUM * CONVERSION FACTOR FOR COMBUSTION OF 1 LITER OF PETROL GREENHOUSE GAS (GHG) EMISSIONS = \sum KILOMETERS DRIVEN IN PETROL VEHICLES PER ANNUM * CONVERSION FACTOR FOR DRIVING PETROL VEHICLE P/KM	DEFRA – CONVERSION FACTORS 2021
DIESEL VEHICLES	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum LITER OF DIESEL USED PER ANNUM * CONVERSION FACTOR FOR COMBUSTION OF 1 LITER OF DIESEL GREENHOUSE GAS (GHG) EMISSIONS = \sum KILOMETERS DRIVEN IN DIESEL VEHICLES PER ANNUM * CONVERSION FACTOR FOR DRIVING DIESEL VEHICLE P/KM	DEFRA – CONVERSION FACTORS 2021
ELECTRICITY (MARKET-BASED)	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum KWH PER ANNUM * CONVERSION FACTOR SPECIFIED IN ENERGY CONTRACT OR NATIONAL RESIDUAL MIX	ASSOCIATION OF ISSUING BODIES (AIB), ECOINVENT V3.7.1
ELECTRICITY (LOCATION-BASED)	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum KWH PER ANNUM * EMISSION FACTOR OF NATIONAL GRID	ecoinvent V3.7.1
ELECTRIC VEHICLES	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum KWH PER ANNUM * CONVERSION FACTOR FOR COMBUSTION OF 1 KWH OF ELECTRICITY GREENHOUSE GAS (GHG) EMISSIONS = \sum KWH PER ANNUM * CONVERSION FACTOR FOR DRIVING ELECTRIC VEHICLE P/KM	DEFRA – CONVERSION FACTORS 2021
PURCHASED GOODS & SERVICES: MATERIALS & PACKAGING	SCOTCH & SODA DATA, MARKET AVERAGE DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum WEIGHT OF PURCHASED MATERIAL PER ANNUM * CONVERSION FACTOR OF THAT EXTRACTION/PRODUCTION AND PROCESSING THAT MATERIAL	ecoinvent V3.7.1, HIGG INDEX – MSI, VARIOUS LCA STUDIES
PURCHASED GOODS & SERVICES: FACTORIES	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum ENERGY PER ANNUM * EMISSION FACTOR OF ENERGY SOURCE	ecoinvent V3.7.1
UPSTREAM TRANSPORTATION	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum TON/KM DRIVEN PER ANNUM * CONVERSION FACTOR FOR GOODS TRANSPORTATION IN TON/KM	ecoinvent V3.7.1
WASTE GENERATED IN OPERATIONS	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum CUT-OFF WASTE GENERATED IN FACTORIES PER ANNUM * EMISSION FACTOR OF WASTE TREATMENT PER WASTE TYPE	ecoinvent V3.7.1
BUSINESS TAVEL	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum KM FLOWN PER DISTANCE RANGE CATEGORY * CONVERSION FACTOR PER DISTANCE RANGE CATEGORY	DEFRA – CONVERSION FACTORS 2021
EMPLOYEE COMMUTING	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum KM TRAVELLED PER MODE * CONVERSION FACTOR PER MODE IN PERSON/KM	DEFRA – CONVERSION FACTORS 2021
DOWNSTREAM TRANSPORTATION	SCOTCH & SODA DATA, MARKET AVERAGE DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum TON/KM DRIVEN PER ANNUM * CONVERSION FACTOR FOR GOODS TRANSPORTATION IN TON/KM GREENHOUSE GAS (GHG) EMISSIONS = \sum INVOICES OF LOGISTIC SERVICE PROVIDER RE OUT-BOUND TRANSPORT IN EUROS PER MODE * CO2 INTENSITY PER EURO PER MODE	ecoinvent V3.7.1, QUANTIS TOOL WIOD, LOGISTIC SERVICE PROVIDERS ANNUAL REPORTS
USE OF SOLD PRODUCTS	SCOTCH & SODA DATA, MARKET AVERAGE DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum KWH REQUIRED TO TAKE CARE OF GARMENTS PER ANNUM * AVERAGE EMISSION FACTOR OF GLOBAL GRID	ecoinvent V3.7.1
END-OF-LIFE TREATMENT OF SOLD PRODUCTS	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum WEIGHT OF GARMENTS DISPOSED OF AS WASTE PER ANNUM * EMISSION FACTOR OF TREATING THIS WASTE PER WASTE TYPE	ecoinvent V3.7.1
FRANCHISES	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = \sum M3 GAS PURCHASED PER ANNUM PER COUNTRY * COUNTRY SPECIFIC CONVERSION FACTORS GREENHOUSE GAS (GHG) EMISSIONS = \sum KWH PER ANNUM * CONVERSION FACTOR SPECIFIED IN ENERGY CONTRACT OR NATIONAL RESIDUAL MIX	DEFRA – CONVERSION FACTORS 2021, CO2EMISSIEFACTOREN.NL ASSOCIATION OF ISSUING BODIES (AIB), ECOINVENT V3.7.1

Figure 32: GHG emission calculation methodology



Fibre Classification Guide

BEST	BETTER	GOOD	CONVENTIONAL	BAD / NOT TO USE
<p>RECYCLED COTTON GRS, RCS</p> <p>REGENERATIVE COTTON REGENAGRI</p>	<p>ORGANIC COTTON GOTS, OCS</p> <p>COTTON-IN-CONVERSION GOTS, OCS</p>	<p>BETTER COTTON</p>	<p>CONVENTIONAL COTTON</p>	
<p>RECYCLED WOOL</p> <p>POST-CONSUMER RECYCLED CASHMERE GRS, RCS</p>	<p>RESPONSIBLE WOOL (INCL RESPONSIBLE MERINO)</p> <p>RESPONSIBLE ALPACA WOOL</p> <p>RESPONSIBLE MOHAIR RAF (RWS, RAF, RMS)</p> <p>ORGANIC WOOL GOTS, OCS</p> <p>DUTCH WOOL</p>	<p>ALPACA WOOL</p>	<p>VIRGIN WOOL</p>	<p>ANGORA</p> <p>CONVENTIONAL MOHAIR</p> <p>VIRGIN CASHMERE</p> <p>PRE-CONSUMER RECYCLED CASHMERE</p>
<p>CANOPY'S GREEN RANKED VISCOSE AND MODAL, SUCH AS:</p> <ul style="list-style-type: none"> - TENCEL™ LYOCELL (LENZING™) - TENCEL™ REFIBRA™ (LENZING™) - BIRLA EXCEL (BIRLA) - NAIA™ VISCOSE (EASTMAN) - NAIA™ RENEW (EASTMAN) 	<p>CANOPY'S GREEN RANKED VISCOSE AND MODAL, SUCH AS:</p> <ul style="list-style-type: none"> - TENCEL™ MODAL (LENZING™) - ECOVERO™ VISCOSE (LENZING™) - SPUNSHADES (BIRLA) - LIVA REVIVA (BIRLA) - LIVAECO™ VISCOSE (BIRLA) - LIVAECO™ MODAL (BIRLA) - ENKA® VISCOSE (ENKA) - REVISCO™ (TANGCELL) 	<p>FSC® CERTIFIED BAMBOO</p> <p>FSC® CERTIFIED VISCOSE</p> <p>FSC® CERTIFIED MODAL</p>	<p>CONVENTIONAL MODAL</p> <p>CONVENTIONAL VISCOSE</p> <p>BAMBOO VISCOSE</p>	
<p>FLOCUS™ KAPOK</p> <p>ORGANIC HEMP GOTS, OCS</p>		<p>KAPOK</p> <p>CONVENTIONAL HEMP</p>		

Fibre Classification Guide

BEST	BETTER	GOOD	CONVENTIONAL	BAD / NOT TO USE
ORGANIC LINEN GOTS, OCS	ORGANIC SILK GOTS, OCS	CONVENTIONAL LINEN RAMIE	CONVENTIONAL SILK	
RECYCLED SILK GRS, RCS	ORGANIC SILK GOTS, OCS	PEACE SILK	CONVENTIONAL SILK	
REPREVE®				DOWN
RECYCLED LEATHER GRS, RCS	LWG LEATHER		CHROME FREE TANNED LEATHER (CONVENTIONAL)	
RECYCLED POLYESTER GRS, RCS		SORONA®	CONVENTIONAL POLYESTER	
ECONYL®	RECYCLED ACRYLIC	POLYLANA®	CONVENTIONAL ACRYLIC	
RECYCLED NYLON GRS, RCS			CONVENTIONAL NYLON	

Figure 33. Fibre types classified in order of impact/use preference.

This fibre classification guide has been built using industry best practices, Canopy's Hot Button 'green shirt' ranking 2021, and Life Cycle Analysis (LCA) from Ecoinvent and the Higg Materials Sustainability Index (Higg MSI).

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