

# SUSTAINABILITY PROGRESS REPORT

FY 2020/2021

SCOTCH & SODA  
AMSTERDAM

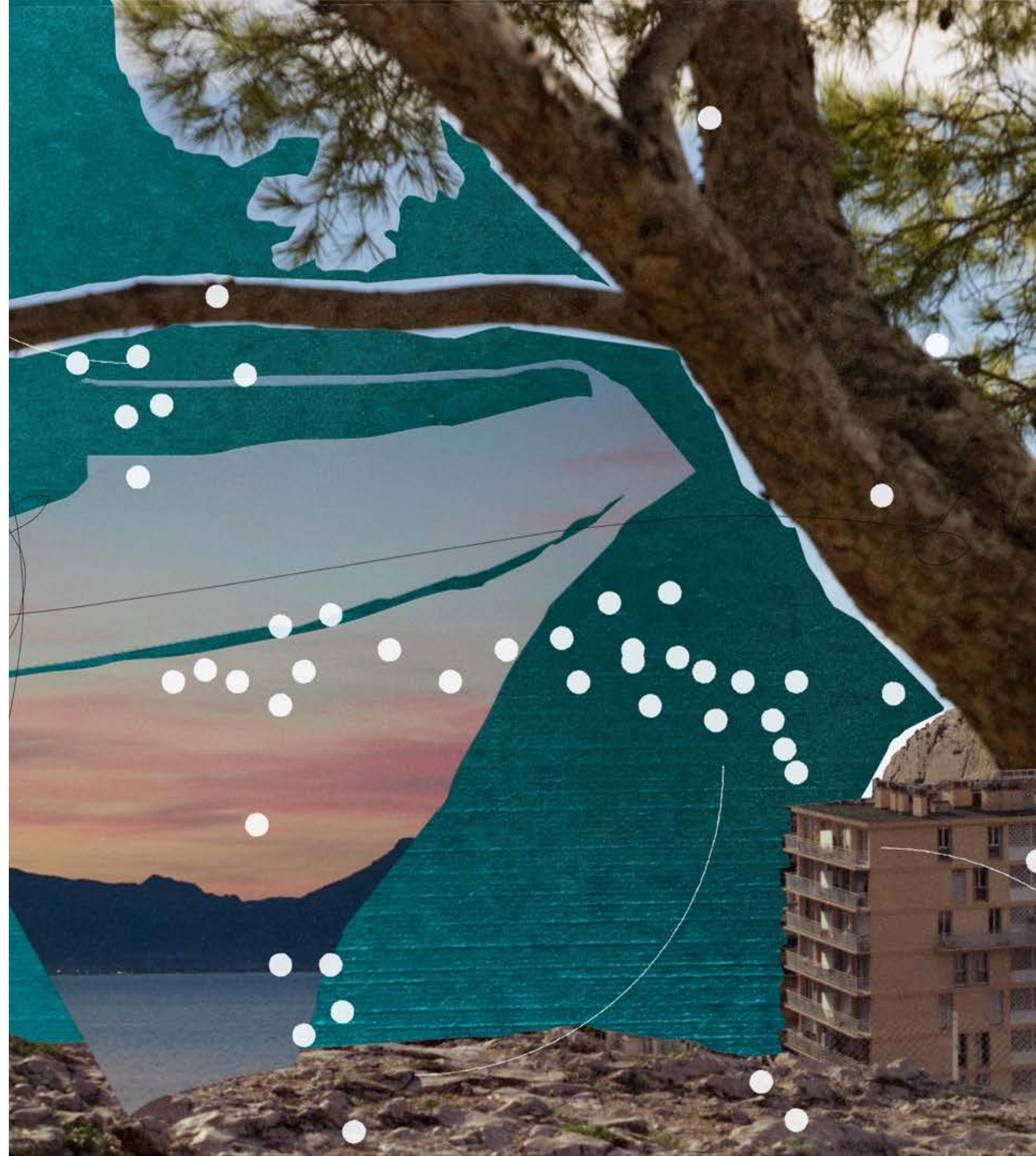


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# GLOSSARY

The following terms are used throughout the document.

## BIO-BASED

This term is used in reference to polymers or material fibres. This refers to polymers or fibres that are wholly or partially derived from biological origin, for example corn.

## BIODEGRADABLE

Capable of decomposing over a period of time by microorganisms under natural conditions (aerobic and/or anaerobic).

## CARBON DIOXIDE EQUIVALENT (CO<sub>2</sub>-eq)

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

## COMPOSTABLE

Under specific conditions (heat, humidity, oxygen and the presence of microorganisms), the item will break down into CO<sub>2</sub>, water and a nutrient-rich compost within a specific time frame.

## 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 LCAs.

## ENVIRONMENTAL PROFIT & LOSS (EP&L)

This is a natural capital measurement approach that was pioneered by The Kering Group. 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.

## FIBRE CLASSIFICATION GUIDE

An internal framework that we use to qualify 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, and Life Cycle Analysis (LCA) from Ecoinvent and the Higg Materials Sustainability Index (MSI).

## FINANCIAL YEAR

The Scotch & Soda financial year runs from June 1<sup>st</sup> to May 31<sup>st</sup> of the following calendar year. This document reports on financial year 2020/2021 (FY2020/2021), which runs from June 1<sup>st</sup> 2020 until May 31<sup>st</sup> 2021.

## 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

The Greenhouse Gas (GHG) Protocol establishes comprehensive global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.

## GREEN ELECTRICITY

Green electricity is electricity that is generated using sources such as wind, hydro and solar. In the Netherlands, we can request that the electricity we consume be taken from 'green sources'.

## HIGG INDEX

The Higg Index is an apparel and footwear industry self-assessment standard for assessing environmental and social sustainability throughout the supply chain.

## HIGG MSI

The Higg Materials Sustainability Index (MSI) is a tool developed by the Sustainable Apparel Coalition to measure and score the environmental impacts of materials.

## LIFE CYCLE ANALYSIS (LCA)

Life Cycle Analysis is 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

Main materials are materials that make up the majority of the garment.

## MULESING

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

## 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).

## PROXY DATA

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

## RECOMMERCE

Recommerce or reverse commerce is the selling of previously owned or used products.

## RESPONSIBILITY

When we mention the term 'responsibility', we are referring to our corporate social responsibility.

## RESPONSIBLE FIBRES

Responsible fibres are considered 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 STYLES

Responsible styles are garments with a defined minimum percentage of responsible fibres.

## VALUE CHAIN

This term describes the full range of activities that come with creating products, from start to finish.

# SUMMARY

*Our sustainability mission outlines our goal to make a positive contribution to climate protection, reducing our environmental impact and waste. This is our first report, covering the financial year of 2020/2021. It outlines the actions taken to date and the current footprint of the brand, measured using greenhouse gas (GHG) emissions. This report will act as a baseline for subsequent years, with a full Environmental Profit and Loss to follow by the end of 2022.*

***In summary, the report findings are as follows:***

*The outcome of this initial analysis shows a total greenhouse gas (GHG) footprint of 56,531,374 kg CO<sub>2</sub>-eq across all three emission scopes. The vast majority comes from our value chain. When looking at the greenhouse gas (GHG) emissions across the tiers of our value chain, we can conclude that the majority occurs in Tier 3 followed by Tier 4, with 34% and 28% respectively.*

*An internal fibre classification guide informs our sustainable material choices, with the following certifications acquired – GOTS, OCS, GRS and RWS certification – in the reporting year of 2020/2021. Our top 5 most-used fibres, in order of volume, are cotton, polyester, viscose, wool and nylon, and they represent 92% of the total fibres used in our collection, while accounting for 22,127,029 kg CO<sub>2</sub>-eq. Our materials practices promote a shift away from the conventional versions of these 'top 5 materials', favouring responsible alternatives as well as promising innovations (such as REPREVE® and ECONYL®).*

*Since 2019, products have been classified as 'responsible' under the condition that the main material has been made with at least 20% 'responsible' fibres. Across the financial year 2020/2021, we have increased our collection share in responsible styles offered from 10% for Fall 2020 to 42% for Fall 2021. This achievement was based on a product criterion of 20% responsible fibre content. To drive scalable change and impact, we have decided to increase the threshold from 20% to a minimum of 50% 'responsible' fibres from our Summer 2022 collection onwards.*

*With regards to garment trims, the majority have been transitioned to their responsible counterparts, while viable innovations for rubber and leather are currently in development. Garment finishing entails development across two areas: water usage – and a reduction of that, using Jeanologia™ technology – and chemicals, which sees compliance across our Restricted Substance List (RSL). From Spring 2022, we will pro-actively track the impact of denim garments using the EIM (Environmental Impact Measurement) scorecard from Jeanologia™, and only put into production styles that are low and medium impact.*

*Over the reporting year, we have set up a dedicated 3D design team to reduce the number of physical samples currently being produced. Next to Scotch Select, the rental model launched in the US in 2019, we are researching opportunities in other recommerce business models.*

*We procure 1.7million kg of packaging annually, comprising plastic at 39% and paper at 61% of the total volume. To shift the reliance away from non-renewable fossil-based resources, we have introduced a compostable polybag, which will be used for Spring '22 garments produced in Turkey, Tunisia, Italy and Eastern-Europe as a first step towards fully replacing conventional polybags.*

*Across our supply chain, we have managed to attain 100% visibility into the geolocation of our Tier 1 and 2 suppliers, which we have published on our website, and we hope to reach this same level of transparency for Tier 3 and 4 by 2022. Social compliance along this same supply chain is at 90% in Tier 1 and 80% in Tier 2, while for Tier 3 and 4 this is still under evaluation.*

*On an operational level, offices and warehouses located in the Netherlands currently run on 'green' electricity, while third-party warehouses and offices in other countries still need to make this switch. Our stores are often located in historical buildings, making retrofitting in accordance with environmental standards difficult due to their protected 'monument' status. Our newest store in the Mall of the Netherlands, however, is aligned with the BREEAM certification of the mall. Our store interiors include wood from FSC-certified sources and 90% of them use LED lighting.*

*Distribution is divided into inbound and outbound transportation. The biggest takeaway is the exponential increase in the impact that air freight has on our inbound transportation: where only 14% of our volume is transported to our distribution centres by air it accounts for 82% of the greenhouse gases (GHG) that's emitted within inbound transportation.*

*While we are working towards increasing our sustainability measures in our supply chain, we are also looking internally at our people. The results of an internal analysis revealed an imbalanced gender split in global management skewed towards men, resulting in a goal to level this out. The implementation of an equal opportunity hiring is scheduled to be introduced in financial year 2021/2022.*

*Lastly, we have supported a number of organisations either financially or non-financially, while also engaging in industry collaborations, such as the Denim Deal – which focuses on increasing the uptake of recycled cotton in our denim garments – and Textile Exchange, to further develop, learn and build towards our sustainability goals.*



# 1. INTRODUCTION





# INTRODUCTION

*The year 2020/2021 was a year unlike any other. The reality of the global pandemic required a new way of working for all of us. With all its limitations came the opportunity to work differently, to re-think processes and establish where we are now and set priorities for the future. It created the opportunity to make sustainability a priority throughout all our own operations, to really understand where we are to date and focus on setting strategies to reduce our environmental and social footprint across the value chain, with the goal of making a positive contribution to climate protection.*

*Driven by a dedicated sustainability team – set up in 2021, with experience in production, supply chain, materials and circularity – our objective is to move forward in our sustainability mission whilst communicating our progress in a clear and transparent way by setting measurable goals and objectives. This starts with the publication of our first Sustainability Progress Report – financial year 2020/2021 – which shares our current position.*

*We start by reflecting on our sustainability journey since Scotch & Soda was founded in 1985, up till the point where we are today. Subsequent chapters outline our social and environmental footprint, the progress we are making in adopting best practices and our approach to materials. They also map and measure the impact of our supply chain, measured using the key metric of greenhouse gas (GHG) emissions.*

*This report is a first step. It's a baseline to set goals and track progress, allowing us to be transparent in our journey to sustainability. Our next steps are already in progress: we're measuring the entire environmental footprint of Scotch & Soda – not just looking at our carbon emissions but taking accountability for all environmental elements that are affected by air pollution, water consumption, water pollution, land use and waste generation. It's our aim to share a full Environmental Profit and Loss, based upon a natural capital accounting approach, by next year's report – financial year 2021/2022.*

*We are at the beginning of a challenging yet rewarding journey, one which we'll keep sharing with you as we move forward.*

## **WHO ARE WE?**

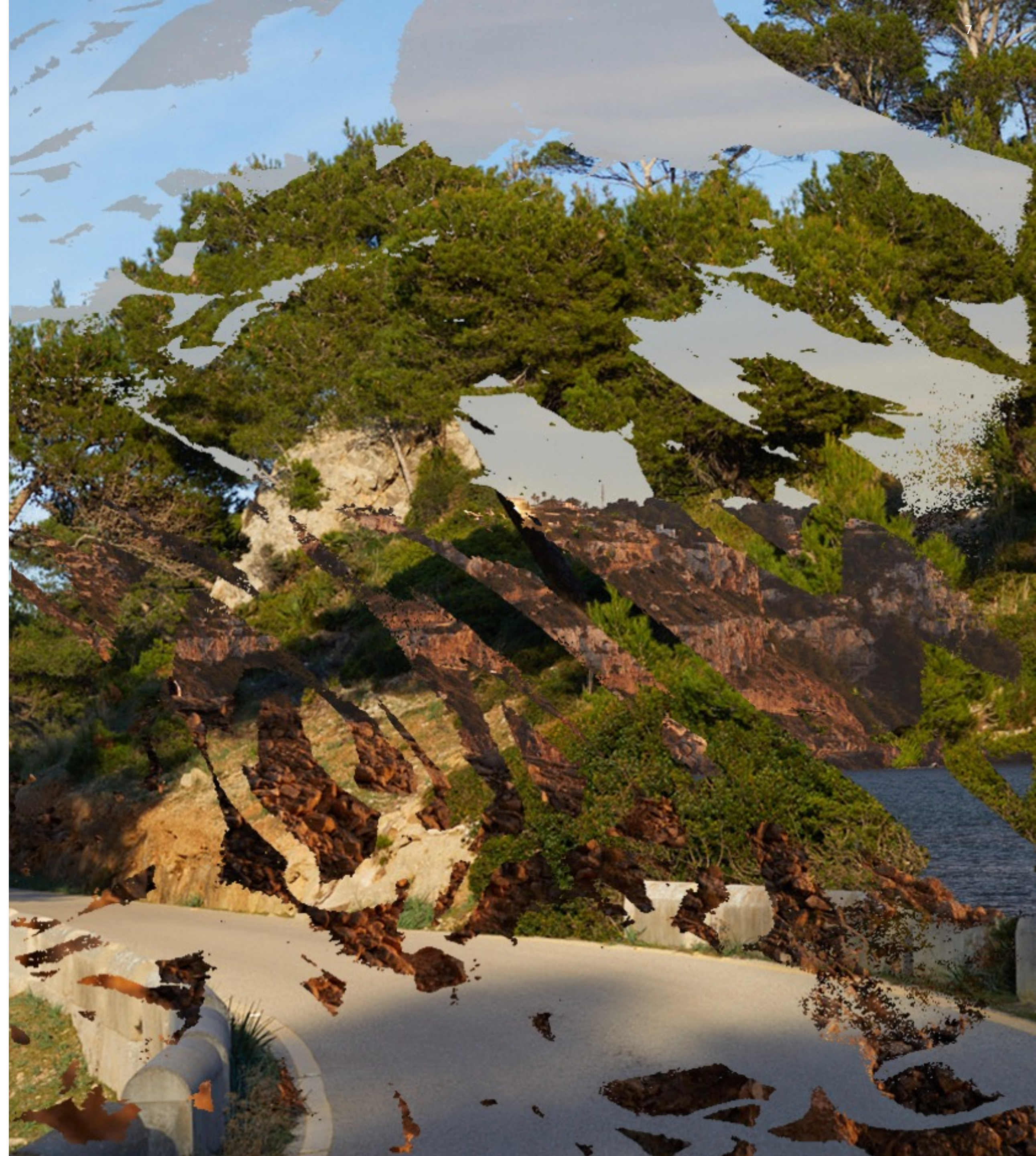
*Scotch & Soda celebrates the free spirit of Amsterdam. Endlessly optimistic, we champion individuality, authenticity and the power of self-expression to create the unique – an attitude reflected in our designs.*

*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.*



# 2. OUR JOURNEY





# MILESTONES

1985 – 2020

2013

**BUSINESS SOCIAL COMPLIANCE INITIATIVE**

*As a member of amfori BSCI, we are committed to follow the amfori BSCI code that aligns with international frameworks concerning human rights and labour standards.*

2018

**BETTER COTTON INITIATIVE**

*This global not-for-profit organisation exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.*

2019

**TRANSPARENCY: TIER 2 FACTORIES**

*In addition to mapping our supply chain, we achieved full traceability across Tier 1 and Tier 2, and published a full list on our website of all factories we work with directly.*

2019

**UNISEX GARMENTS**

*Celebrating individuality, authenticity and the power of self-expression, we dropped our first unisex capsule.*

2020

**GLOBAL ORGANIC TEXTILE STANDARD**

*We became a GOTS-member which enabled us to carry more organic cotton styles with a completely verified chain of custody.*

1985

**SCOTCH & SODA FOUNDED**

*We are born and raised in Amsterdam, and founded with strong liberal values.*

2016

**PEOPLE, PLANET, PROFIT**

*To bring the topic 'sustainability' more to life, we brought in-house talent from various departments together to share knowledge, ideas and initiatives on how to shape the future of the company in harmony with the planet.*

2018

**TRANSPARENCY: TIER 1 FACTORIES**

*With the mapping of our Tier 1, we made a valuable start to a transparent and traceable supply chain.*

2019

**SCOTCH & SODA RENTAL**

*In North America, we launched an integrated Scotch & Soda rental platform, a clothing subscription service that offers hundreds of carefully crafted styles to rent, intentionally increasing the number of wears.*

2020

**RESPONSIBLE TRIMS**

*80% of the trimmings we use on our garments, like labels and hangtags, are made from what we consider a responsible material, like FSC-mix paper, and recycled polyester.*

2020

**RECYCLED FIBRES**

*We set the standard to develop swimwear styles and outerwear filling using only recycled fibres, visible in our collections as of 2021.*



# THIS YEAR'S MILESTONES

JUNE 2020 – MAY 2021

JUNE 2020

**CLEVERCARE**

*We became an official partner of Clevercare and with that raised awareness for our customers on how to reduce their environmental impact while laundering their clothes.*

AUGUST 2020

**PAPER HANGER: ALTERNATIVE**

*We commissioned a third-party organisation to find an alternative solution for the single-use plastic transport hanger. The outcome was not yet fit for implementation. We continued our research for the right solution.*

OCTOBER 2020

**THE DENIM DEAL**

*We became a signatory of the Denim Deal, and committed to the use of post-consumer recycled content in our denim products.*

DECEMBER 2020

**PLASTIC WHALE**

*As an Amsterdam brand, surrounded by the historical waterways, we teamed up with Plastic Whale to create awareness around the plastic pollution of our waters.*

FEBRUARY 2021

**OUR MISSION**

*We re-defined our sustainability mission, which set the foundation for a further strategy roll-out.*

APRIL 2021

**PARTNER-UP**

*For us to move forward with our sustainability ambitions, we signed up with Textile Exchange, Higg Index and several product certifications (e.g. GRS, OCS, RWS).*

JULY 2020

**LENZING™ ECOVERO™ VISCOSE**

*With a growing number of styles made from viscose fibres, we sourced for fabrics made from LENZING™ ECOVERO™, which were implemented on a selection of styles across the Winter 2020 season.*

SEPTEMBER 2020

**POLYBAG: COMPOSTABLE**

*We continued our development of a polybag alternative with TIPA, partly made from bio-based polymers and suitable for home-composting. This solution is to be expected in stores by the end of 2021 for a selection of the collection.*

NOVEMBER 2020

**DIGITAL PROTOTYPING**

*We invested in the education of digital prototyping software: our aim is to reduce the number of samples produced, and the logistic activities that come along with that.*

JANUARY 2021

**RESPONSIBLE STYLE**

*We decided to increase the sustainable style threshold from 20% to 50%, visible throughout from our Summer 2022 collections.*

MARCH 2021

**SUSTAINABILITY DEPARTMENT**

*We put a dedicated sustainability team in place to progressively work on sustainability across all departments and operations of Scotch & Soda.*

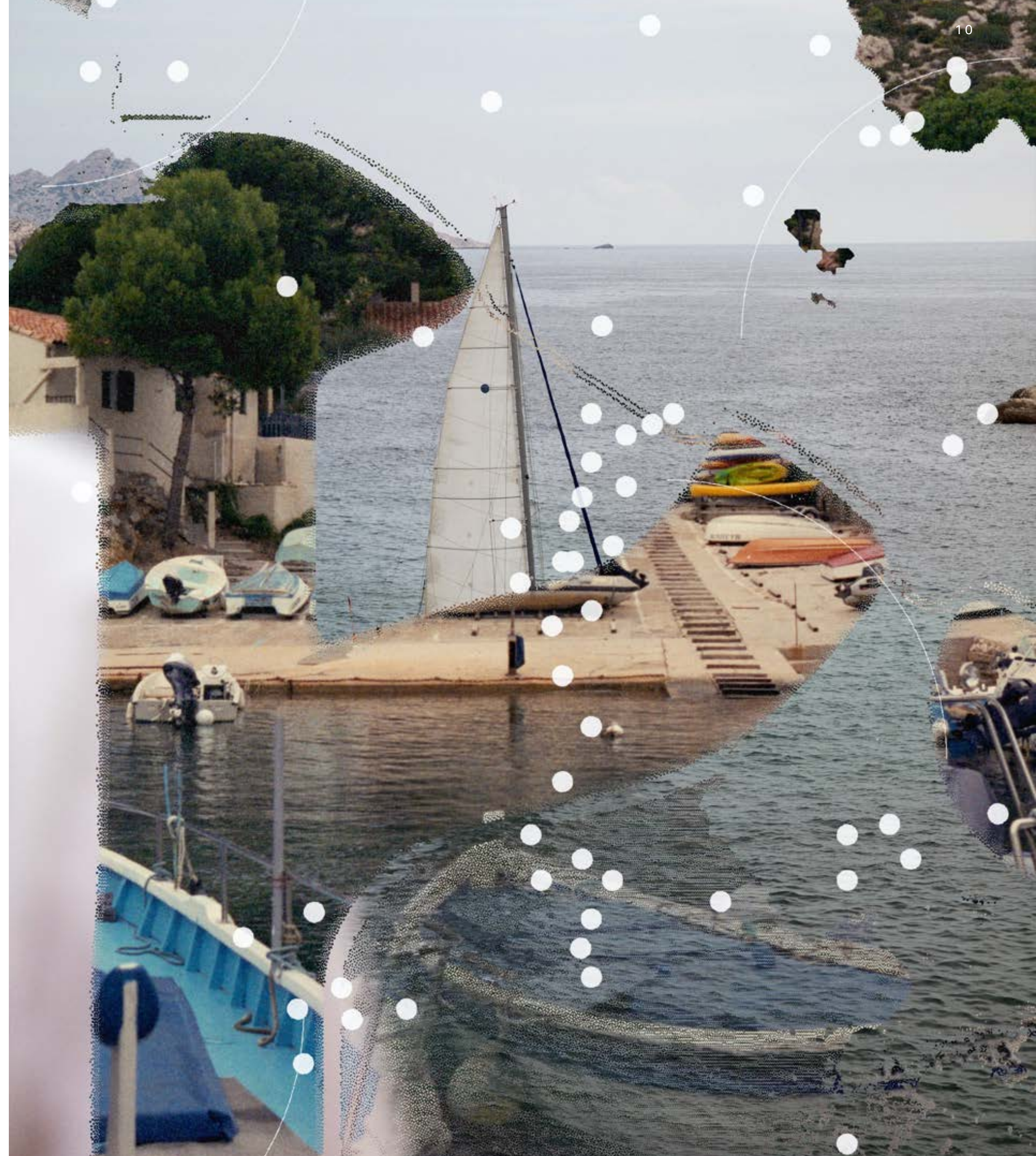
MAY 2021

**MEASURE**

*We teamed up with Sustainalize, a strategic partner that will support us in measuring our environmental footprint, which will help us in setting measurable goals and targets.*



# 3. OUR IMPACT





# MEASUREMENT

## WHAT DID WE MEASURE?

*As a fashion brand, we consume natural resources and leave a significant footprint behind in the form of waste and pollution. It's our mission to run our business with greater care for the planet. In order to do so, it is vital to understand the full extent of the impact we have on the environment through our daily operations. This insight will allow us to make informed decisions to significantly reduce the negative impact we have on the environment across our entire value chain and beyond.*

### **GREENHOUSE GAS (GHG) FOOTPRINT**

*A key step in our journey to climate protection is conducting an extensive greenhouse gas (GHG) footprint assessment across the entire value chain – from raw material extraction until the use and end-of-life stage of Scotch & Soda products. The greenhouse gas (GHG) assessment identifies which emission sources contribute most to our greenhouse gas (GHG) footprint and where in the value chain these emissions mainly occur. For the areas on which we don't yet have visibility – for example our Tier 4 and Tier 3 factories, or in instances in which data quality was not detailed enough – we have made use of proxy data of materials and processes from life cycle inventory databases (like Ecoinvent) to obtain environmental impacts.*

*The greenhouse gas (GHG) footprint results add context to the greenhouse gas (GHG) footprint assessment, performed over financial year 2020/2021 (FY2020/2021), running from June 1st 2020 until May 31st 2021. This is the first time Scotch & Soda has calculated its greenhouse gas (GHG) footprint and this will function as the baseline year for future greenhouse gas (GHG) footprints. It's important to note that this baseline has been conducted during a global pandemic, resulting in skewed results of – for instance – our volumes of clothing produced and our business-related travel. Scotch & Soda aims to repeat the greenhouse gas (GHG) footprint assessment on a yearly basis. This assessment and methodology are performed in partnership with Sustainalze, a new generation of sustainability specialists that support organisations in identifying and understanding their impact by making it measurable, comprehensible and transparent.*

### **GREENHOUSE GAS (GHG) PROTOCOL – CORPORATE STANDARD**

*In line with the greenhouse gas (GHG) protocol, Scotch & Soda reports on 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. It is important to emphasise here that having operational control does not necessarily mean that a company has authority to make all decisions concerning an operation. In addition, Scotch & Soda is reporting over its full scope 3 emissions. The greenhouse gas (GHG) footprint measures the total greenhouse gas (GHG) emissions caused by the direct and indirect activities supporting a company. These emissions are broken into three categories – scope 1, 2, and 3 emissions:*

- **Scope 1:** Emissions come directly from the company's operations and vehicles.
- **Scope 2:** Emissions come from the generation of purchased energy, like the electricity used to power our offices and retail stores.
- **Scope 3:** Emissions include all other activities that take place beyond the company's direct operations, largely related to the supply chains where Scotch & Soda products are manufactured.

*The calculation methods and sources used for Scotch & Soda's greenhouse gas (GHG) footprint are listed in the Appendix.*

### **NEXT STEPS**

*In line with the greenhouse gas (GHG) footprint assessment, Scotch & Soda has started to map its overall environmental impact by taking a natural capital accounting approach, a so-called Environmental Profit & Loss (EP&L), which will generate detailed and complete insight into the consumption and pollution, and our dependence on natural ecosystems: land, water and air. We have set the ambition to publicly report our full EP&L results for the first time by October 2022, in line with our financial year reporting of 2021/2022.*



# IMPACT PER SCOPE

## KEY TAKEAWAYS FROM THE RESULTS PER SCOPE

Although the greenhouse gas (GHG) footprint will not solely define our goals and objectives for the future, it does give us a clear picture of the areas of impact when it comes to the global warming potential of our operations as of last year. This chapter, called 'Our Impact', will present the high over results from a scope perspective, as well as the value chain perspective. Our total emissions – measured across our direct and indirect operations in financial year 2020/2021 – equate to 56,531,374 Co<sub>2</sub>-eq.

Our key takeaways per scope are listed below:

### PURCHASED GOODS & SERVICES

The total of purchased goods & services account for the overall majority of greenhouse gas (GHG) emissions across Scotch & Soda's total greenhouse gas (GHG) emissions footprint. This majority of 58% is caused by the selection of materials used to create our garments. Our material sourcing policy and the adaptability of our supply chain define the matter of influence that we could have on this impact over time.

### USER PHASE

The use of sold products accounts for 15% of our total greenhouse gas (GHG) emissions across Scotch & Soda's total greenhouse gas (GHG) emissions footprint. This is the impact caused by the product's lifetime and the frequency of product care performed by the user of the product. The selection of durable qualities and the prescribed methods of product care define the matter of influence we could have on this impact over time.

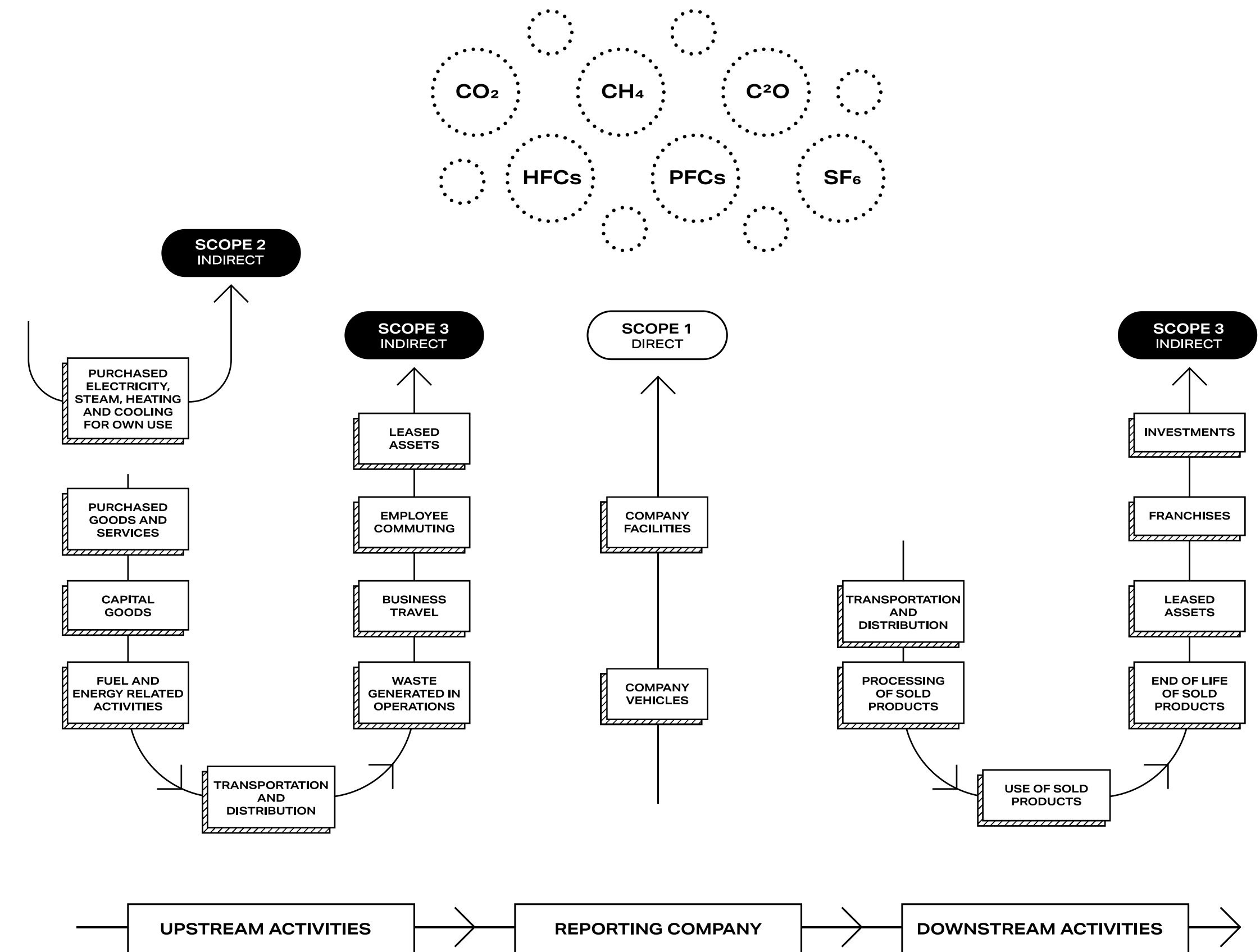
### DISTRIBUTION

Distribution of our inbound and outbound transport combined accounts for 15% of our total greenhouse gas (GHG) emissions across Scotch & Soda's total greenhouse gas (GHG) emissions footprint. This is the impact caused by the transportation of goods that leave the last processing factory (Tier 1) and are shipped to one of Scotch & Soda's distribution centres. Depending on the geographical location of the country of origin, the goods are shipped by sea, road or air.

Our factory location policy and the availability of transport methods define the matter of influence that we could have on this impact over time.

See the next pages for a more in-depth view of the results of the key drivers of greenhouse gas (GHG) footprint across the three scopes.

## SCOPE SYSTEM EXPLAINED



SCOPE 1, 2, 3 EMISSIONS VISUALISED



# IMPACT PER SCOPE

## GREENHOUSE GAS (GHG) FOOTPRINT RESULTS PER SCOPE: FY2020/2021

SCOPE 1	kg CO <sub>2</sub> -eq	SCOPE 2	kg CO <sub>2</sub> -eq	SCOPE 3	kg CO <sub>2</sub> -eq
NATURAL GAS HEATING	1,396,561	ELECTRICITY (MARKET-BASED)	596,222	PURCHASED GOODS & SERVICES	33,036,901
COMPANY CARS	296,006	ELECTRICITY (LOCATION-BASED)	2,264,995	- GARMENT	30,751,430
				- PACKAGING	2,105,215
				- LICENSE PRODUCTS*	35,667
				- STORE INTERIOR	142,918
				UPSTREAM TRANSPORTATION	3,357,810
				- INBOUND DISTRIBUTION	3,357,810
				WASTE GENERATED IN OPERATIONS	66,049
				BUSINESS TRAVEL	10,802
				EMPLOYEE COMMUTING	595,616
				DOWNSTREAM TRANSPORTATION	4,816,935
				- OUTBOUND DISTRIBUTION	3,527,778
				- SAMPLE COURIER	1,289,158
				USE OF SOLD PRODUCTS	8,355,715
				END-OF-LIFE TREATMENT	2,176,684
				- GARMENTS	1,709,299
				- PACKAGING	467,914
				FRANCHISES	1,826,090

**TOTAL** (\*MARKET-BASED)

**56,531,374** kg CO<sub>2</sub>-eq

THIS DATA IS CALCULATED IN ACCORDANCE WITH THE GREENHOUSE GAS (GHG) PROTOCOL CORPORATE STANDARD, BOTH THE LOCATION-BASED AND MARKET-BASED SCOPE 2 FOOTPRINT ARE CALCULATED. THE MARKET-BASED FIGURE IS USED TO OBTAIN OUR TOTAL FOOTPRINT.  
\*LICENSE PRODUCTS ONLY RELATES TO EYEWEAR, PLEASE REFER TO THE METHODOLOGY IN THE APPENDIX.



# IMPACT PER TIER

## KEY TAKEAWAY FROM THE RESULTS PER TIER

Looking at our results by Tier and environmental impact category allows us to see which parts of our value chain contribute the most to our negative impact on the environment. Today we have completed one environmental impact category: greenhouse gas (GHG) emissions, the results of which are presented on the previous page. In this overview, we focus on the greenhouse gas (GHG) emissions occurring in our garments' value chain. We consider the impact of producing our collections from cradle to gate, excluding inbound transport, as we aim to demonstrate how the different steps in the production process compare to one another. The five tiers together represent 62% of Scotch & Soda's total greenhouse gas (GHG) footprint. Tier 0, Tier 3 and Tier 4 are the top contributors to our greenhouse gas (GHG) emissions. As we continue our journey, we are still in the process of measuring our impact on the other five environmental impact categories: air pollution, land use, water use, water pollution and waste.

Below are key takeaways from the top three greenhouse gas (GHG) footprint contributors:

### TIER 3

Across our value chain tiers, our Tier 3 accounts for 34% of greenhouse gas (GHG) emissions. Tier 3 is the phase in the value chain in which a raw material is being cleaned, carded, spun into yarns, woven/knitted into fabric and dyed into the desired colour or print. All these processes add up to an industry-intensive operation, where lots of energy is consumed to create a fabric.

### TIER 4

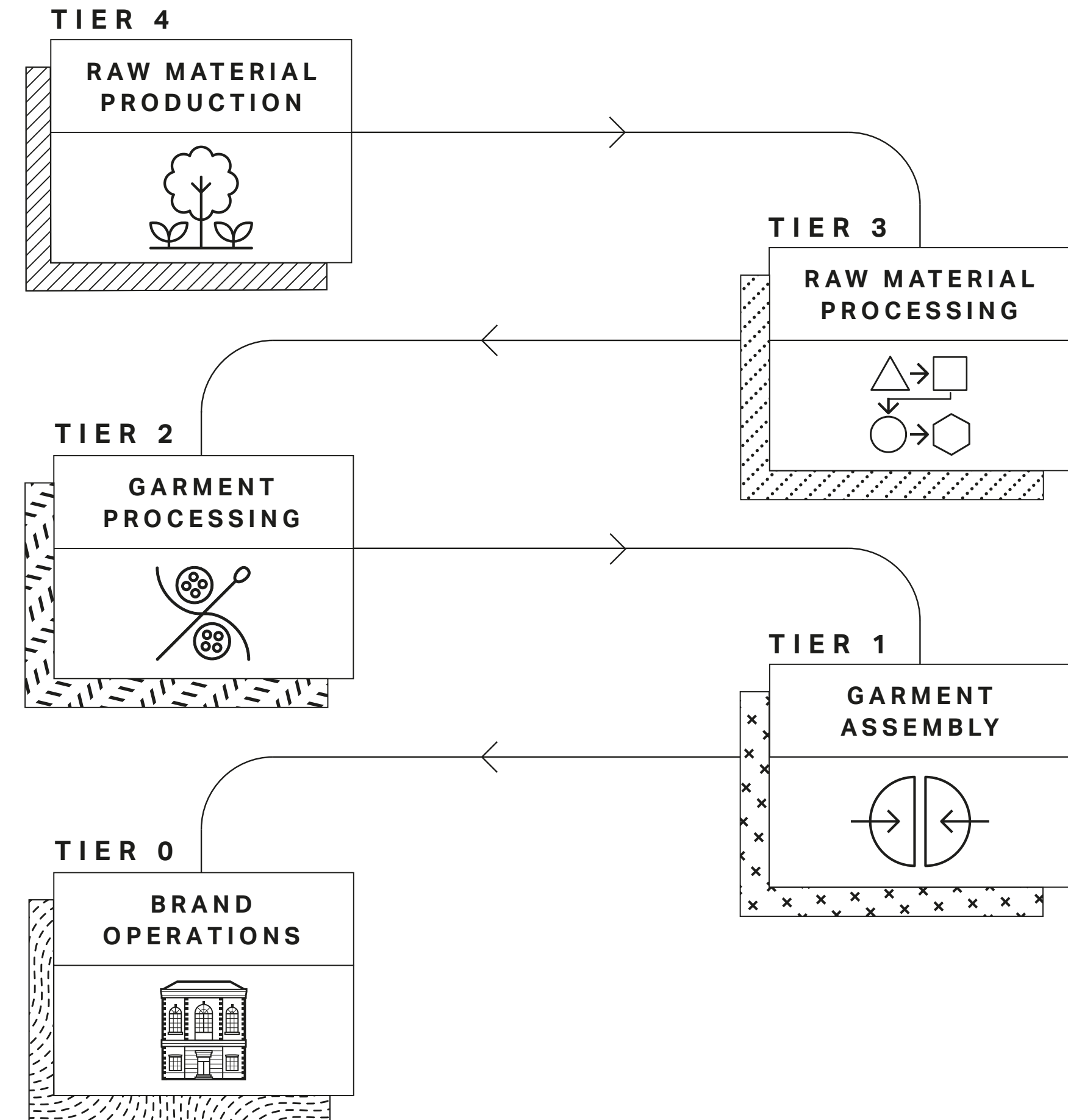
Our Tier 4 accounts for 28% of our greenhouse gas (GHG) footprint across tiers. Tier 4 is the phase in the value chain in which a raw material is produced. The raw material production intensity differs per fibre type. For example, the growth of cotton crops relies on an intensive agricultural operation where lots of energy is consumed to grow a crop and harvest the fibre.

### TIER 0

Our Tier 0 accounts for 14% of our greenhouse gas (GHG) footprint across tiers. Tier 0 is the phase in the value chain with all the brand's own operations within the offices, retail stores and warehouses – such as energy consumption, employee commuting, and business flights.

See the next pages for a more in-depth view of the results of the key drivers of greenhouse gas (GHG) footprint across tiers.

## TIER SYSTEM EXPLAINED

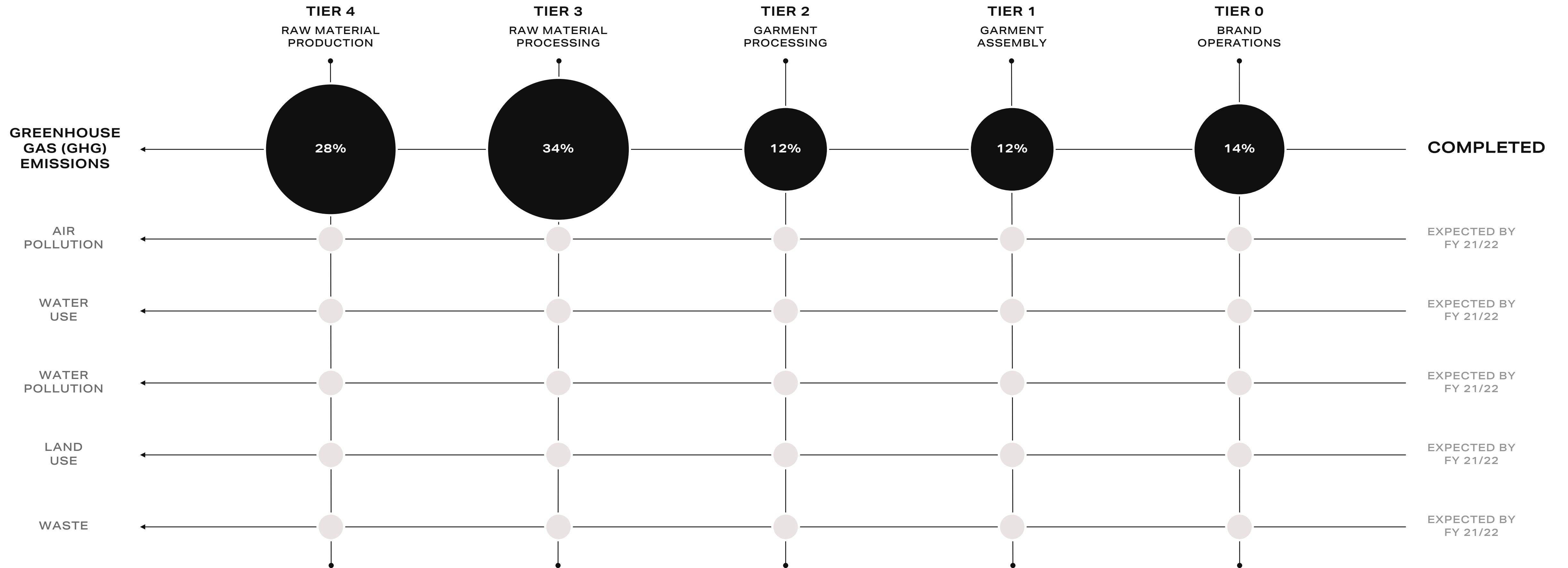


TIER 1 - 4 VISUALISED



# IMPACT PER TIER

GREENHOUSE GAS (GHG) FOOTPRINT BREAKDOWN PER TIER: FY2020/2021





# 4. OUR PRODUCTS





# MATERIALS

## FIBRE CLASSIFICATION

We balance quality, comfort and materials to create garments designed to last. Carefully choosing our materials at the design and sourcing stage is not only vital in creating high-quality and long-lasting products, but also central in our mission to making a more positive contribution and reducing our environmental impact. Every season, we integrate more organic, recycled and regenerated fibres into our collections. These fibres have a lower impact on the environment in comparison to the conventional alternative, making them a better choice.

For example, organic cotton is grown from non-genetically modified organisms (non-GMO) seeds and requires less water to grow. And in the case of recycled fibres, the demand for new virgin fibres decreases and textile waste is kept in use, and out of landfill. All organic, recycled and/or regenerated fibres that we use at Scotch & Soda are certified by third-party organisations or are branded fibres.

See the page on the right to find out which fibre certifications are held by Scotch & Soda.

We have put a Fibre Classification Guide in place to guide ourselves in making better sourcing decisions and being transparent to our customers about what we consider 'responsible'. Fibres that are classified in the columns 'better' or 'best' can be considered a responsible fibre, based on environmental criteria. The fibre ranking is defined by either industry best practices, Canopy's Hot Button 'green shirt' ranking 2020, and Life Cycle Analysis (LCA) from Ecoinvent and the Higg Materials Sustainability Index (MSI). We are closely following up on the industry's standards and keep track of all the latest developments when it comes to material innovation and certification.

See the next page for the Fibre Classification Guide.

### NEXT STEPS

We will continuously update the Fibre Classification Guide according to the latest developments, and continue to research fibre innovations.

## FIBRE CERTIFICATION



Scotch & Soda has been a member of the global organic textile standard (GOTS) since 2020. The global organic textile standard (GOTS) is the world's leading standard for processing textiles made from organic fibres. GOTS certification is an independent assurance on organic product claims, which also includes compliance with specific environmental and social criteria across the entire supply chain.



Scotch & Soda has been a member of the organic content standard (OCS) since 2021. The organic content standard (OCS) is an international, voluntary standard that sets requirements for third-party certification of certified organic input and chain of custody. The goal of the OCS is to increase organic agriculture production.



Scotch & Soda has been a member of the global recycled standard (GRS) since 2021. The global recycle standard is an international, voluntary, full-product standard that sets out 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 use of recycled materials in products and reduce/eliminate the harm caused by its production.



Scotch & Soda has been a member of the responsible wool standard (RWS) since 2021. The responsible wool standard is an independent voluntary standard, developed with the input of farmers, animal welfare experts, land conservation experts, brands and retailers from all parts of the world. The RWS requires all sites involved in the production or processing of wool to be certified. From farming the wool to all processing stages: from trading to sourcing, yarn spinning, fabric making, garment assembling and retailing.



Scotch & Soda joined Better Cotton (previously known as BCI – the Better Cotton Initiative) in 2018. This global not-for-profit organisation exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. Note: Better Cotton is not a physical element of a garment, instead we contribute to the global organisation.



# MATERIALS

## FIBRE CLASSIFICATION GUIDE

BEST	BETTER	GOOD	CONVENTIONAL	DO NOT USE
Recycled Cotton	Organic Cotton	Better Cotton	Conventional Cotton	
Recycled Polyester			Conventional Polyester	
Recycled Wool Recycled Cashmere (Post-Consumer)	Responsible Wool (Standard) Organic Wool Responsible Alpaca Wool Responsible Mohair	Alpaca Wool	Virgin Wool	Angora Conventional Mohair Virgin Cashmere
ECONYL® Recycled Nylon Recycled Nylon			Conventional Acrylic Conventional Nylon	
Canopy's Green Ranked Lyocell: - TENCEL™ Lyocell - REFIBRA™	Canopy's Green Ranked Viscose/Modal: - TENCEL™ Modal - ECOVERO™ Viscose - Liva Reviva - Livaeco - NAIAT™ Viscose - ENKA® Viscose - REVISCO™	Natural Bamboo	Conventional Lyocell Conventional Modal Conventional Viscose Bamboo Viscose	
Organic Hemp		Conventional Hemp		
Organic Linen		Conventional Linen Ramie		
Spider Silk	Organic Silk	Peace Silk	Conventional Silk	
REPREVE®				Down
Recycled Leather (Post-Consumer)	LWG Leather	Chrome Free Tanned Leather	Conventional Leather	Fur

THIS FIBRE CLASSIFICATION GUIDE HAS BEEN BUILT USING INDUSTRY BEST PRACTICES, CANOPY'S HOT BUTTON 'GREEN SHIRT' RANKING 2020, AND LIFECYCLE ANALYSIS (LCA) FROM ECOINVENT AND THE HIGG MATERIALS SUSTAINABILITY INDEX (MSI)



# MATERIALS

## FIBRE CONSUMPTION

Our top 5 most-used fibres, in order of volume, are cotton, polyester, viscose, wool and nylon and represent 92% of a total of almost three million kg fibres used in our collections across this financial year. This calculation includes the main shell, linings, fillings, trimmings and the industrial waste that has been generated while cutting the final garment patterns. It also includes both the conventional version, as well as the 'better' and 'best' version of each generic fibre.

See the page on the right to understand more about the breakdown by volume of our fibre consumption within the top 5 most-used fibres.

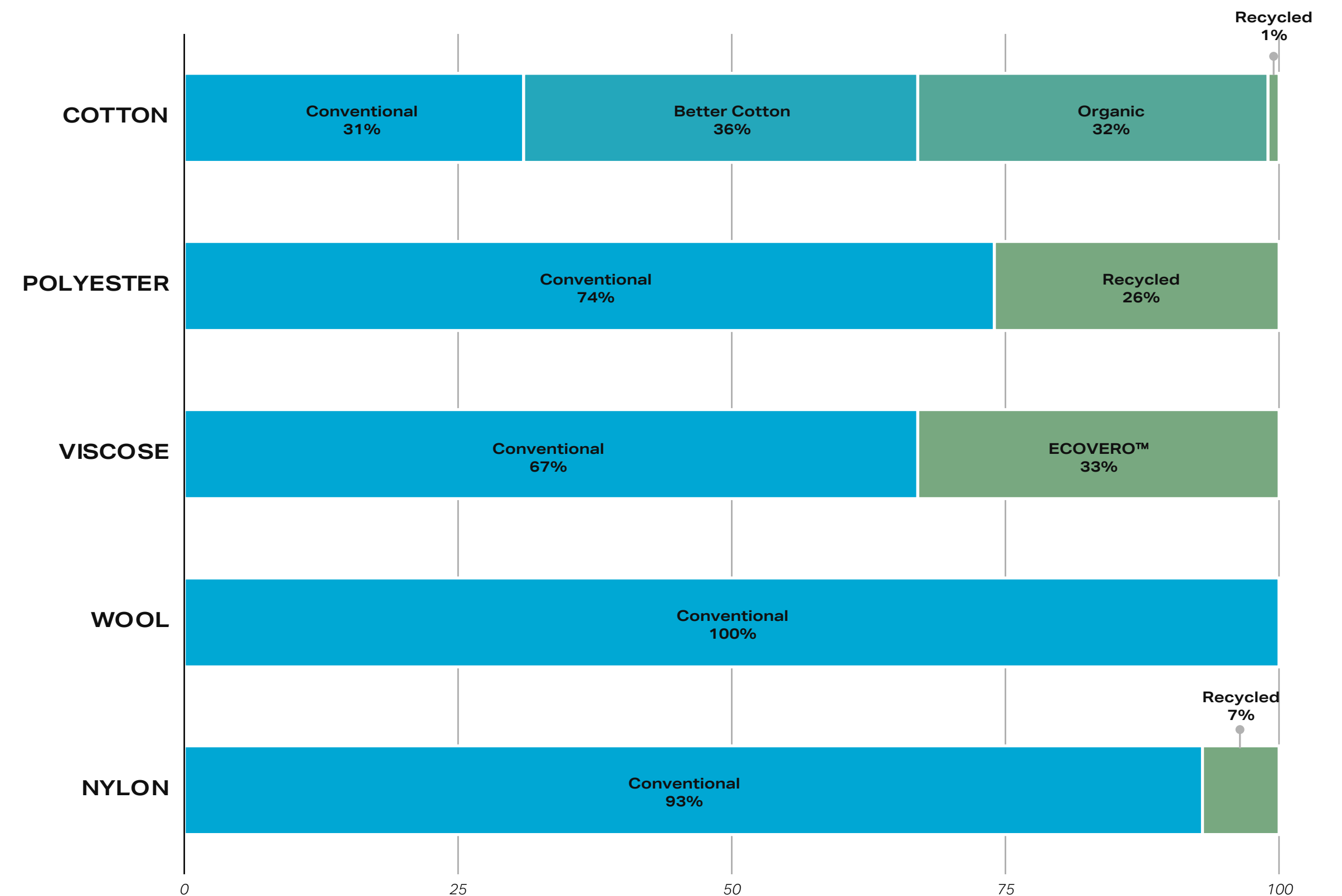
In addition to the consumed volumes, we have also calculated the greenhouse gas (GHG) footprint of our material usage with a total sum of 22,127,029 kg CO<sub>2</sub>-eq. This calculation considers the production of the raw material (Tier 4), and the converting of raw material into a finished fabric (Tier 3). The greenhouse gas (GHG) footprint of each fibre is not equivalent to the share of volume each fibre has. Some fibres are more carbon intensive in its extraction and processing stage than others. These top 5 most-used fibres are responsible for 90% of the greenhouse gas (GHG) footprint from the total fibre volume that we consume. As previously mentioned, we do not have insight into our Tier 4 and Tier 3 factories yet, and have therefore made use of proxy data from life cycle inventory databases (like Ecoinvent) to obtain environmental impacts for these tiers.

See the next page to understand more about the greenhouse gas (GHG) footprint breakdown of our fibre consumption in combination with the volumes that we produced.

It is important to note that the scope of measurement for the environmental impact of the fibres used in our collections includes the stages of raw material extraction as well as the processing of the raw materials into a fabric. The impact is only calculated from a greenhouse gas (GHG) emissions angle, and therefore does not give a full picture of the overall environmental impact. Our next Sustainability report, due FY21/22, will include a full E P&L.

## FIBRE VOLUME

CONSUMED FIBRE VOLUME PER FIBRE TYPE % (kg)



THIS TOP 5 MOST-USED FIBRE BREAKDOWN IS BASED ON THE VOLUMES USED IN OUR COLLECTIONS THROUGHOUT THE FINANCIAL YEAR 2020/2021.

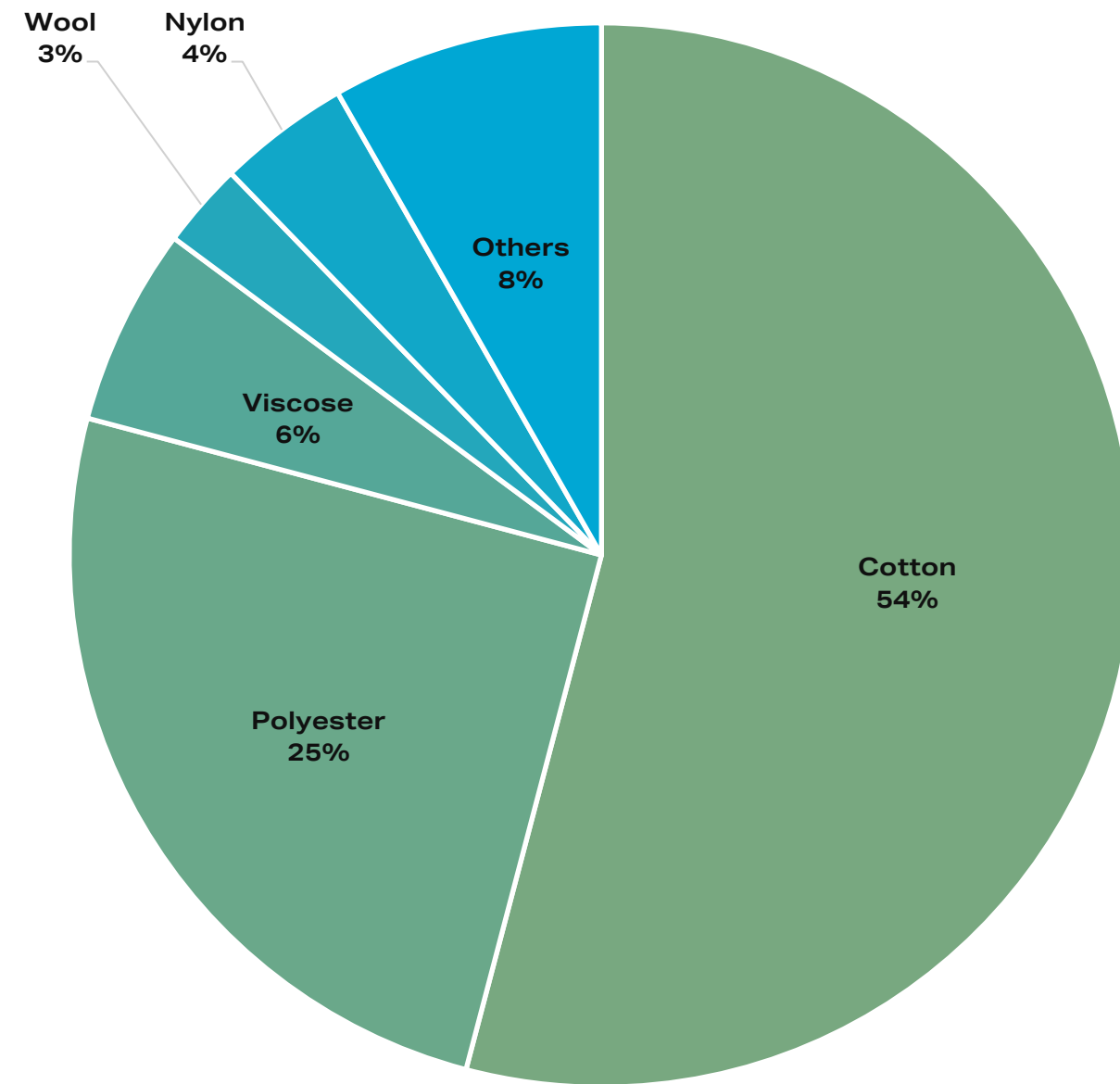


# MATERIALS

## FIBRE CONSUMPTION

### FIBRE VOLUME

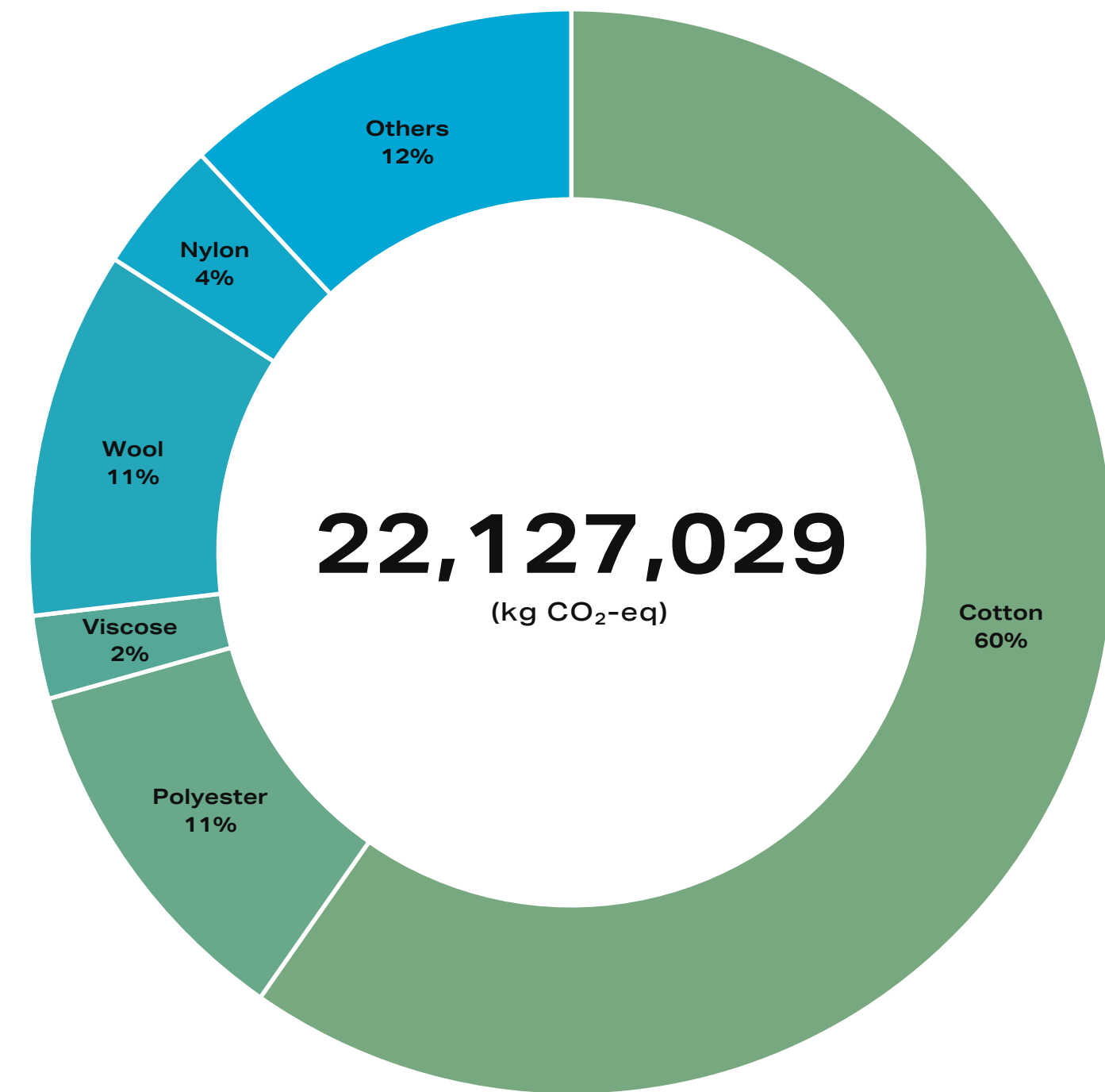
CONSUMED FIBRE VOLUME TOTAL % (Kg)



THIS TOP 5 MOST-USED FIBRE BREAKDOWN IS BASED ON THE VOLUMES PRODUCED WITHIN THE FINANCIAL YEAR 2020/2021.

### FIBRE IMPACT

GREENHOUSE GAS (GHG) FOOTPRINT FIBRE VOLUME TOTAL % (Kg CO<sub>2</sub>-eq)



THE CONVERSION OF MATERIAL DATA TO GREENHOUSE GAS (GHG) EMISSIONS IS DONE USING INTERNATIONALLY RECOGNIZED SOURCES AND DATABASES, INCLUDING BUT NOT LIMITED TO: ECOINVENT, HIGG MATERIALS SUSTAINABILITY INDEX (MSI).



# MATERIALS

## FIBRE COMMITMENT

Aware of our top 5 most-used fibres – cotton, polyester, viscose, wool and nylon – and the greenhouse gas (GHG) footprint of each fibre, we are committed to finding better solutions when compared to the conventional versions of these fibre types. Ideally, we would like to make this change overnight, but unfortunately it takes time and development efforts to make this switch. With the global growing demand for more sustainable fibres in 2020 and 2021, we have experienced scarcity and long lead times in acquiring better fibres – like organic cotton – and technical limitations when it comes to the fabric strength, when high percentages of recycled cotton are used. Therefore, we're committing ourselves – and our supplying partners – to adapting and adjusting our operations by 2025, working towards the below-mentioned goals:

### COTTON

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 – which is why we've committed to replacing all conventional cotton in our collections with organic or recycled cotton fibres by 2025.

### VISCOSE (FOREST-BASED FIBRE)

The conventional non-certified or non-trademarked versions of forest-based fibres can be a major driver in global deforestation and are often considered poor in controlling chemical use during production. We are already sourcing better alternatives, such as those produced by LENZING™ (like ECOVERO™ Viscose), but as this group of fibres is one of the top 5 most-used in our collections, we're committed to going further. Our goal is to source all our forest-based fibres from a Canopy's Hot Button 'green shirt' ranked producer by 2022, evident in our collections by 2025. This commitment is cemented through a partnership with Canopy and their CanopyStyle Initiative program.

### WOOL

The farming of sheep and the processing of wool have a significant environmental footprint, due to the use of chemicals, greenhouse gas (GHG) emissions – such as methane – and the soil degradation caused. At Scotch & Soda, we feel a shared responsibility to care for the ecosystem that supports us. Our goal is to make a positive contribution to climate protection, reducing our environmental impact and waste. Therefore, we've committed to sourcing at least 50% of our wool from preferred wool fibres, such as RWS, organic and recycled wool, by 2025.

### NEXT STEPS

Next to cotton, viscose and wool, we are working on our polyester and nylon commitment and are planning to publish this by the first half of 2022.

## FIBRE INNOVATION

Material innovation is a very important driver for responsible change. Innovation will support us in stepping away from conventional and environmentally intensive fibres, and hopefully redistribute the material mix of our top 5 to materials that are less environmentally intensive. In 2020, we started implementing innovative materials that do not rely on virgin resources, such as outerwear filling made from post-consumer recycled PET bottles, and fabrics made from waste, such as fishing nets recovered from the ocean. It is our goal to implement more fibre innovations throughout our collections rather than only in small-scale capsule collections.

### REPREVE®

A branded recycled polyester fibre made from post-consumer recycled content, including plastic bottles. REPREVE® transforms these plastic bottles which are destined for landfill into a fibre, which we use to fill our jackets. Alongside the benefits of turning waste into a new product, it offers an animal-friendly and down-free alternative to conventional real down filling. REPREVE® filling and/or padding has been applied in 36% of our outerwear volume. The remaining 64% of the outerwear filling and/or padding is made from non-trademarked recycled polyester fibres (12%) or is made from conventional polyester yet to be switched to a recycled version (52%).

### ECONYL®

A branded regenerated nylon yarn made entirely from waste, such as industrial plastic waste, waste fabric and fishing nets recovered from the ocean. The same quality as virgin nylon, ECONYL® makes use of discarded waste materials to create a new fibre, reducing the need to create new virgin fibres from new resources. ECONYL® fabrics make up 22% of our swimwear volume. The remaining 78% of our swimwear volume is made from non-trademarked recycled polyester or nylon.

### NEXT STEPS

Going forward, we will focus our innovative solutions on regenerative resources, such as Himalayan nettle, agricultural waste, such as banana agri-waste, and post-consumer recycled materials to reduce our reliance on our top 5 most-used fibres.

# GARMENTS

## PRODUCT TRIMMING

Scotch & Soda garments are recognised by the unique approach when it comes to woven labels and other trimmings. The unexpected detailing on the inside and out are signature to our garments.

Although it makes up only a small percentage of the entire garment, it's still an important part of it and needs to be aligned with our fibre strategy.

In 2019, we started to transform the development of all our trimmings into a responsible alternative where available, which became visible across stores from our 2020 collections onwards. Most-used trimmings, like paper hangtags, woven brand labels and care labels, have been updated to a better alternative. We came across many challenges while doing so, and are still trying to find solutions for a small selection of trims, like stitching thread, rubber badges, zippers, leather patches and stickers.

Trim categories – responsible:

- Woven labels: recycled fibre
- Care labels: recycled fibre
- Paper accessories: FSC-mix
- Metal accessories: post-consumer recycled metal
- Plastic buttons: post-consumer recycled PET

Trim categories – in conversion:

- Stitching thread: we are piloting the use of recycled polyester stitching thread on strength
- Rubber badges: we are investigating eco-friendly silicone versions to be used for badges
- Leather patches: we are experimenting with post-consumer recycled leather or bio-based alternatives
- Zippers: we are investigating responsible solutions for the slider and puller part of the zipper
- Stickers: we are investigating sticker versions with an eco-friendly adhesive substance
- Others: we are investigating responsible versions of natural materials, such as corozo and coconut

### NEXT STEPS

We have the ambition to update our on-product paper trimmings to a recycled paper alternative (FSC-recycled) from our Fall 2022 collection onwards, which is in line with our CanopyStyle Initiative commitment and policy to reduce our reliance on forests. Next to that, after completing the pilots for the trim categories in conversion, we will formulate a roadmap for implementation.

## PRODUCT FINISHING

The textile industry relies on water and chemical-intensive practices for the dyeing, printing and finishing of garments. These practices allow us to create collections with desirable overall prints, a diverse colour pallet and a refined worn-in look. We realise that these practices might have a negative impact on the environment when not taken care of in a proper way. It is our duty to eliminate any hazardous chemicals, and our goal to find scalable solutions that are not harmful to the environment in each stage of the product's lifecycle.

### WATER

A great deal of water goes into producing denim. With regards to water use during the finishing process of jeans, we've been working with our partners to implement technologies such as e-Flow® – a technology from Jeanologia™ that reduces the need for water in the finishing process – to reduce water use wherever possible. Depending on the desired washing effect applied to the jeans, this technology can help save between 70 to 80% of water. From our Summer '21 collection on, we have started to track the environmental impact of each denim item we make, using the EIM (Environmental Impact Measurement) scorecard by Jeanologia™. This scorecard measures water, chemical and energy consumption as well as worker health in the garment finishing stage of denim production. Additionally to tracking our water consumption on a product level for our denims, we will be mapping our water consumption and recycling operations of our Tier 2 and Tier 3 operations to better understand where we should improve ourselves.

### CHEMICALS

We have a list of over 100 chemicals (including chemical finishes and procedures) that we do not use in the creation of our collections, documented in the Scotch & Soda Restricted Substance List (RSL), which is based on the Modint Restricted Substances List (a Dutch industry organisation). All our suppliers commit to and comply with our RSL list, which ensures that the legislation surrounding the proper use of chemicals and substances is upheld. To ensure compliance, our products are regularly checked by third-party certified testing laboratories. Furthermore, we are looking into scalable solutions to substitute conventional garment dye chemicals, eliminate PFC-coatings on our outerwear and implement durable vegetable dyes for our leather items.

### NEXT STEPS

Starting from our Spring '22 Collection on, we will not only be tracking the EIM scorecard of each denim garment, but also formalise the way we measure so we can take further steps to improve and reduce our impact and exclude any 'high impact process' styles from our collection development. Next to that, by the end of 2022 we want to have implemented at least one solution to substitute conventional dye chemicals.





# COLLECTIONS

## RESPONSIBLE CRITERIA

In order to allow for the creation and monitoring of our responsible goals and enable customers to make an informed decision, a selection of Scotch & Soda products have been classified as 'responsible' under the condition that the main material, which represents the majority of the garment, has been made with at least 20% 'responsible' classified fibres. In order for us to drive scalable change, this year we have decided to raise the bar by increasing this product criteria to a minimum of 50% 'responsible' classified fibres from our Summer 2022 collections onwards. This is in line with the industry's best practices.

In addition, our outerwear products can be classified as 'responsible' under the condition that the main filling and/or main padding (if any) is made from a 100% responsible fibre.

The responsible fibres that we use at Scotch & Soda are certified by a third-party organisation or are branded fibres that are ranked 'better' and 'best' within our responsible fibre classification.

### NEXT STEPS

The Scotch & Soda 'responsible' style criteria will be continuously updated and expanded according to the latest developments in the industry and will be complemented by additional criteria for denim, footwear and eyewear in 2022.

### ALL GARMENTS

THE MAIN MATERIAL IS MADE FROM A MINIMUM OF 50% RESPONSIBLE FIBRES

REFER TO THE 'BEST' OR 'BETTER' FIBRES IN THE FIBRE CLASSIFICATION GUIDE

### OUTERWEAR

THE MAIN MATERIAL IS MADE FROM A MINIMUM OF 50% RESPONSIBLE FIBRES

+

THE MAIN FILLING AND/OR PADDING IS MADE FROM A 100% RESPONSIBLE FIBRE

REFER TO THE 'BEST' OR 'BETTER' FIBRES IN THE FIBRE CLASSIFICATION GUIDE

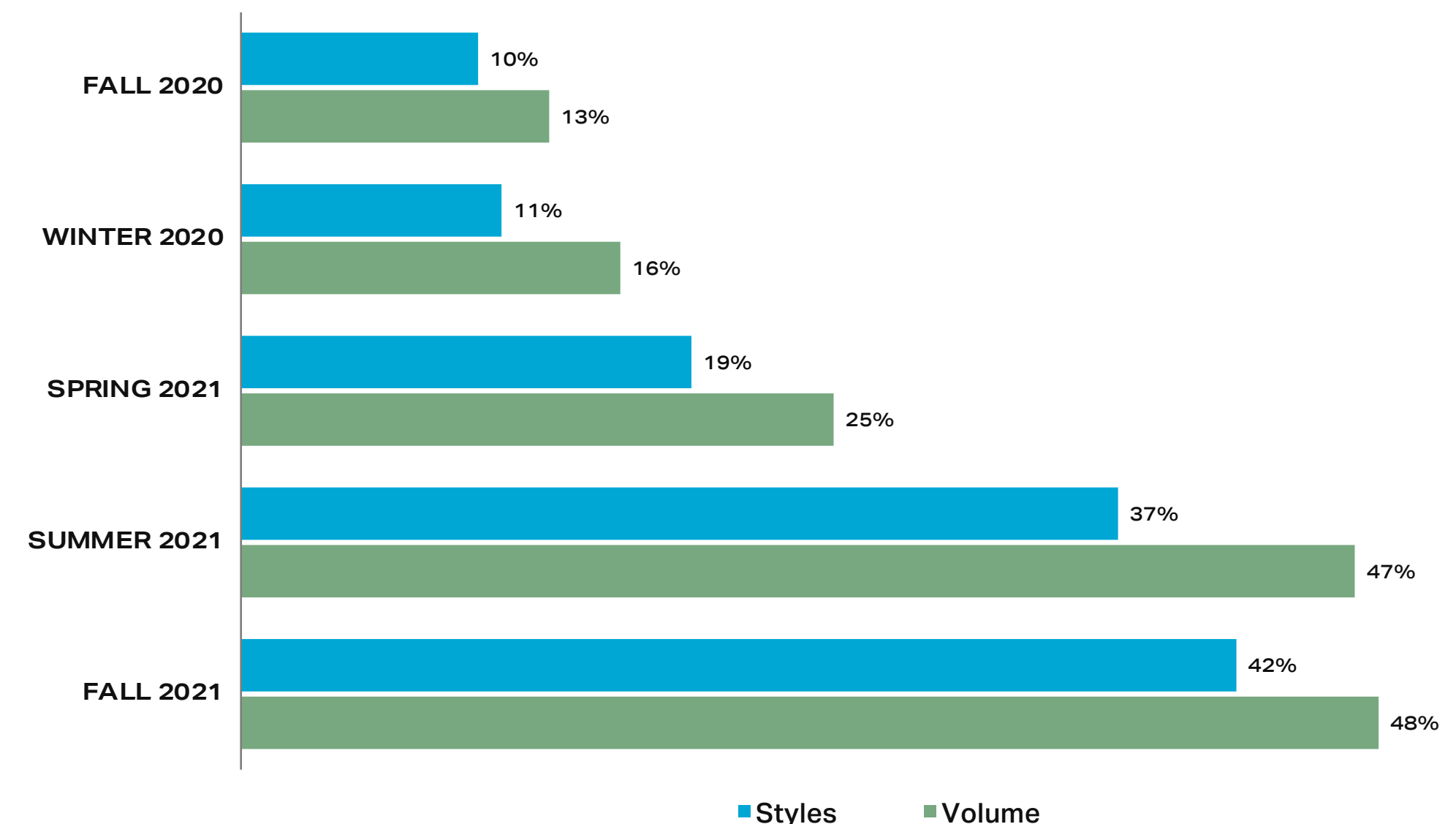
## RESPONSIBLE SHARE

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. Due to technical limitations, material scarcity or cost-price and lead-time challenges, it is not possible to change an entire collection overnight. Every season, we integrate more and more organic, recycled and regenerated fibres into our collections.

This year, we successfully raised our collection share in responsible styles offered from 10% for Fall 2020 to 42% for Fall 2021. In terms of produced garment volumes, we achieved an increase in the responsible share from 13% for Fall 2020 to 48% for Fall 2021. This achievement was based upon a product criteria of 20% responsible fibre content.

### NEXT STEPS

It is our goal to design, develop and produce a collection comprising at least 70% 'responsible' styles by Fall / Winter 2023 collection latest.



NOTE: BOTH FALL 2020 AND FALL 2021 CAN ONLY BE PARTIALLY TAKEN INTO ACCOUNT FOR THE FINANCIAL YEAR 2020/2021.

# COLLECTIONS

## COLLECTION DEVELOPMENT

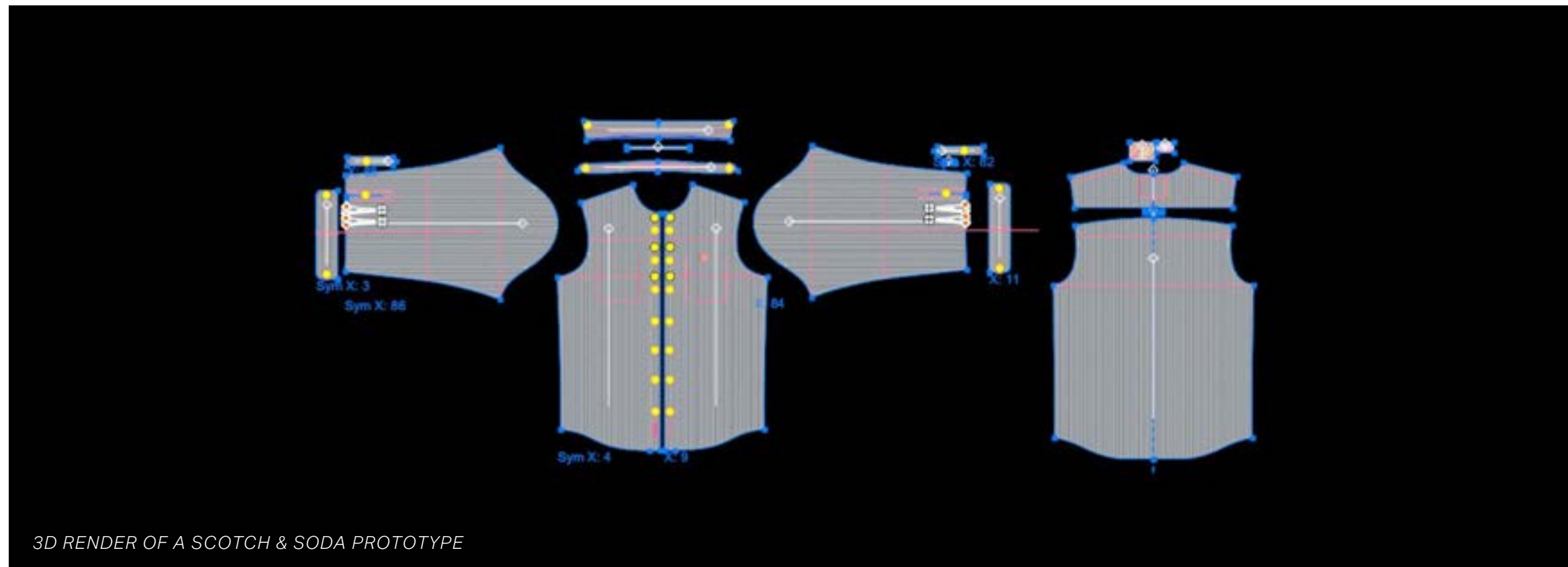
*Developing a collection entails multiple rounds of sampling before it gets finalised. It takes about five rounds of prototyping, sometimes in multiple sizes, before an order can get produced at the desired scale. To ensure the perfect garment is sold to our customers, the prototypes are sent back and forth between our design and development team at our head office and our manufacturing partners. The creation of these prototypes results in direct and indirect waste flows and requires multiple long distance courier activities under high time pressure.*

*2020 made us realise that we could no longer develop these prototype-intensive collections; we were in need of hands-on flexibility and a process that does not put pressure on the environment in the ways that we previously were. By the end of 2020, we made the decision to start implementing 3D-prototyping into our existing processes for the design, development and production of samples, using Browzwear software guided by a dedicated team of 3D specialists.*

*3D design presents a viable solution for this by significantly reducing development lead times. It allows us to be more in touch with what our consumer wants and deliver that product at the right time. Digital 3D design makes it possible to generate sales without physical samples, therefore only producing garments in quantities that consumers will actually buy, potentially limiting over-production.*

### NEXT STEPS

*We are currently training our staff from multiple disciplines in 3D-prototyping. From July 2021 (Fall 2022 collection), we will start incorporating 3D sampling into our official design process, which should already result in fewer physical prototypes.*



3D RENDER OF A SCOTCH & SODA PROTOTYPE





# COLLECTIONS

## COLLECTIONS THAT LAST

*Longevity is a 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 over. We also explore ways to reuse, repurpose and recycle garments, extending their active use phase.*

### ESSENTIALS

*A collection unto itself, our essentials are an ode to timelessness and focus on the essentials of your everyday outfit like jeans, T-shirts and sweaters. These pieces are made from fabric qualities that are thoroughly tested on durability and are designed with wearability and functionality in mind. We've been able to perfect this collection through the power of repetition, creating trusted favourites year after year.*

### PRODUCT CARE

*Looking at our complete value chain, garment care in the user phase alone accounts for 15% of the total greenhouse gas (GHG) footprint. This calculation is based on several global garment-use studies from Mistra Future Fashion and publications from consumption researcher Kirsi Laitala, in combination with our advised care instructions.*

*See the next page for a deep dive into the greenhouse gas (GHG) footprint of the user phase.*

*This goes to show that the consumer has a part to play in the reduction of a garment's greenhouse gas (GHG) footprint, and that we have a responsibility to communicate how best to care for the garment in order to facilitate that reduction. For this reason, we've been partnered with Clevercare since 2020 to help educate consumers on alternative clothing care methods, and thereby increase the longevity of our garments.*



### NEW BUSINESS MODELS FOR EXTENDED USE

*Being responsible encompasses both producing on the side of the brand, and consumption on the side of the consumer. Creating collections that last entails not only producing them from durable fibres, but also offering alternative ways of consuming clothing in such a way so as to extend the active use of the clothing, like renting.*

*Renting clothing gives consumers access to clothing, without necessarily owning it. Engaging in an alternative business model such as rental plays into the durability of our items and confirms the inherent value of our products. By extending the active use phase of our clothing, we lessen the burden we would ordinarily place on extracting virgin resources from the earth for each new piece of clothing, thereby reducing the impact that the garment has.*

*We have been trialling a clothing rental model called Scotch Select in the United States. This subscription rental model gives users access to three Scotch & Soda items for \$99 per month, with limitless swapping allowed. A subscription rental model can contribute towards impact savings if emission heavy handlings like dry cleaning and transportation are limited.*

### WHAT WE ARE LEARNING:

*Rental still needs to come a long way in order to make net positive impact savings. Because rental involves lots of shipping back and forth, as well as repeated laundering, the savings that might have accumulated through lessened resource extraction might be lost.*













### NEXT STEPS

*We are looking into recommerce business models (like resale) that extend the use of our garments, in order to weigh up the true impact savings of our rental programme. We aim to trial the most suitable recommerce business model by the end of 2022.*

# COLLECTIONS

## PRODUCT CARE

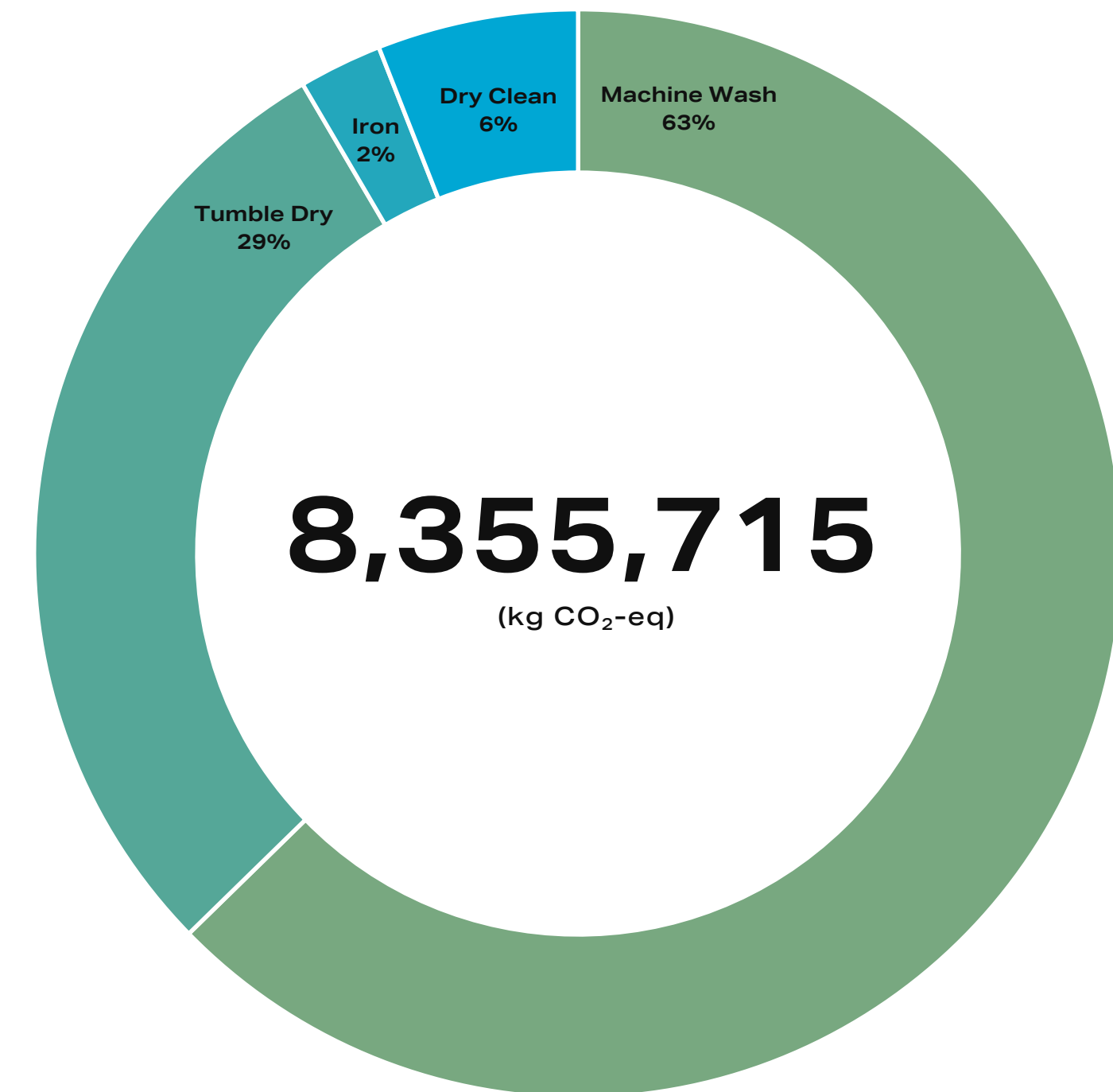
### USER PHASE CALCULATION

	PRODUCT	AVERAGE WEAR FREQUENCY	AVERAGE CARE FREQUENCY	SPECIFIED CARE METHOD
JACKET		<b>140 WEARS</b>	<b>1,4 CARES</b>	  Wash: 30 °C delicate process Dry: tumble dry at low temperature
SHIRT		<b>77 WEARS</b>	<b>38 CARES</b>	  Wash: 30 °C normal process Dry: tumble dry at low temperature
POLO		<b>77 WEARS</b>	<b>38 CARES</b>	  Wash: 30 °C normal process Dry: tumble dry at low temperature
DENIM		<b>240 WEARS</b>	<b>24 CARES</b>	  Wash: 30 °C normal process Dry: tumble dry at low temperature

BASED ON SEVERAL GLOBAL GARMENT USE STUDIES FROM MISTRA FUTURE FASHION AND PUBLICATIONS FROM CONSUMPTION RESEARCHER KIRSI LAITALA AND SCOTCH & SODA PRODUCT CARE DATA

### USER PHASE IMPACT

GREENHOUSE GAS (GHG) FOOTPRINT PER CARE METHOD % (kg CO<sub>2</sub>-eq)



BASED ON SEVERAL GLOBAL GARMENT USE STUDIES FROM MISTRA FUTURE FASHION AND PUBLICATIONS FROM CONSUMPTION RESEARCHER KIRSI LAITALA AND SCOTCH & SODA PRODUCT CARE DATA, CONVERTED WITH VERIFIED CONVERSION FACTORS TO CALCULATE THE FOOTPRINT: ECOINVENT.



# PACKAGING

## PACKAGING CONSUMPTION

Packaging is an important element when it comes to the distribution of our products. We mainly use paper and plastic as packaging solutions across our supply chain in order to help protect and transport the items we produce. The problem with packaging is that it's used for a comparatively short period of time, and often relies on the use of virgin resources (fossil fuels for plastic and trees for paper).

We procure and use 15 million items regarded as packaging on a yearly basis, equivalent to 1.7 million kg of materials. This includes inbound and outbound boxing, polybags, silica gel (for shoes and garments), transport hangers, paper shoppers as well as fragrance and eyewear boxes.

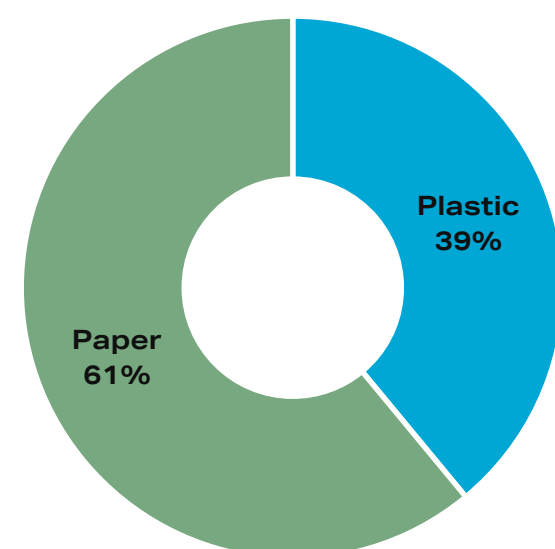
Plastics (such as polybags, silica-gel and hangers) account for 39% of the packaging volumes that we procure and is currently made from non-renewable resources, whereas paper (such as shipping cardboard boxes and paper shoppers) is accountable for 61% of our procured packaging volumes and is made using renewable resources, such as FSC-certified paper.

The greenhouse gas (GHG) footprint of raw materials extraction and processing for the packaging materials consumed account for nearly 4% of Scotch & Soda's total greenhouse gas (GHG) footprint. The end-of-life greenhouse gas (GHG) footprint of the consumed packaging materials account for almost 1% of Scotch & Soda's greenhouse gas (GHG) footprint. Again, it is worth noting that this calculation only provides insight into the greenhouse gas (GHG) impact of packaging and does not account for other environmental impact groups. As mentioned throughout this report, Scotch & Soda will assess the additional categories first before drawing conclusions about material choices and setting targets. Packaging is no exception, as plastic and paper have a considerable impact in other environmental categories.

See below to understand more about the greenhouse gas (GHG) footprint breakdown of our packaging consumption in combination with the volumes that we procured.

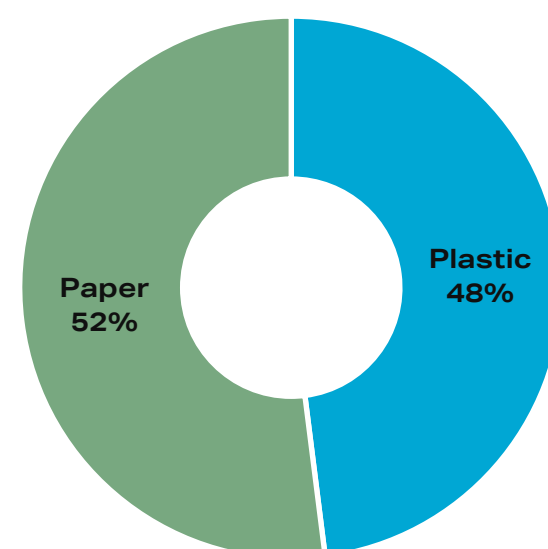
### PACKAGING VOLUME

CONSUMED PACKAGING VOLUME TOTAL % (Kg)



### PACKAGING IMPACT

GREENHOUSE GAS (GHG) FOOTPRINT PACKAGING TOTAL % (Kg CO<sub>2</sub>-eq)  
PRODUCTION + WASTE TREATMENT



THIS PACKAGING VOLUME BREAKDOWN IS BASED ON THE VOLUMES CONSUMED WITHIN THE FINANCIAL YEAR 20/21

## PACKAGING TYPES

### PAPER

Currently, the baseline for our paper packaging is FSC mix, which is paper made 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.

\*Currently, our range of (home) fragrance products, called Barfly products, has not been switched to a FSC-mix material due to the remaining stock position of our running packaging, which is something we are still working on.

### PLASTIC

The polybag accounts for the majority of the plastic packaging we use to distribute our products. The polybag can be considered a single-use, non-regenerative product with a negative impact on the environment in the production phase (it's a fossil fuel operation), as well as its end-of-life phase (it does not biodegrade). In addition to the plastic polybag, we make use of plastic transport hangers for a small selection of styles that require a hang pack in transportation. It is our priority to find a suitable solution that will eliminate single-use plastics where possible and replace those for a better alternative.

### TRIALS FOR PLASTIC ALTERNATIVES

We have conducted internal trials to pilot the use of paper envelopes from our factories to our distribution centres (DCs) and from our DCs to our stores, as an alternative to the single-use plastic polybag. However, this didn't work out quite as well as we had hoped. The paper we trialled could not withstand the handling in our supply chain, leading to garments being damaged during this process. Another, more successful trial was conducted over the past year. We have trialled the use of a biodegradable and compostable polybag supplied by packaging provider TIPA. This solution has the same end-of-life as organic matter while maintaining the qualities of conventional plastics that we rely on like durability, transparency, sealability, printability, and shelf-life.

Next to trialling solutions for our plastic polybags, we have also trialled a solution for our plastic transport hangers. The solution was based on a heavy-duty cardboard hanger, however the outcome is not yet fit for implementation.

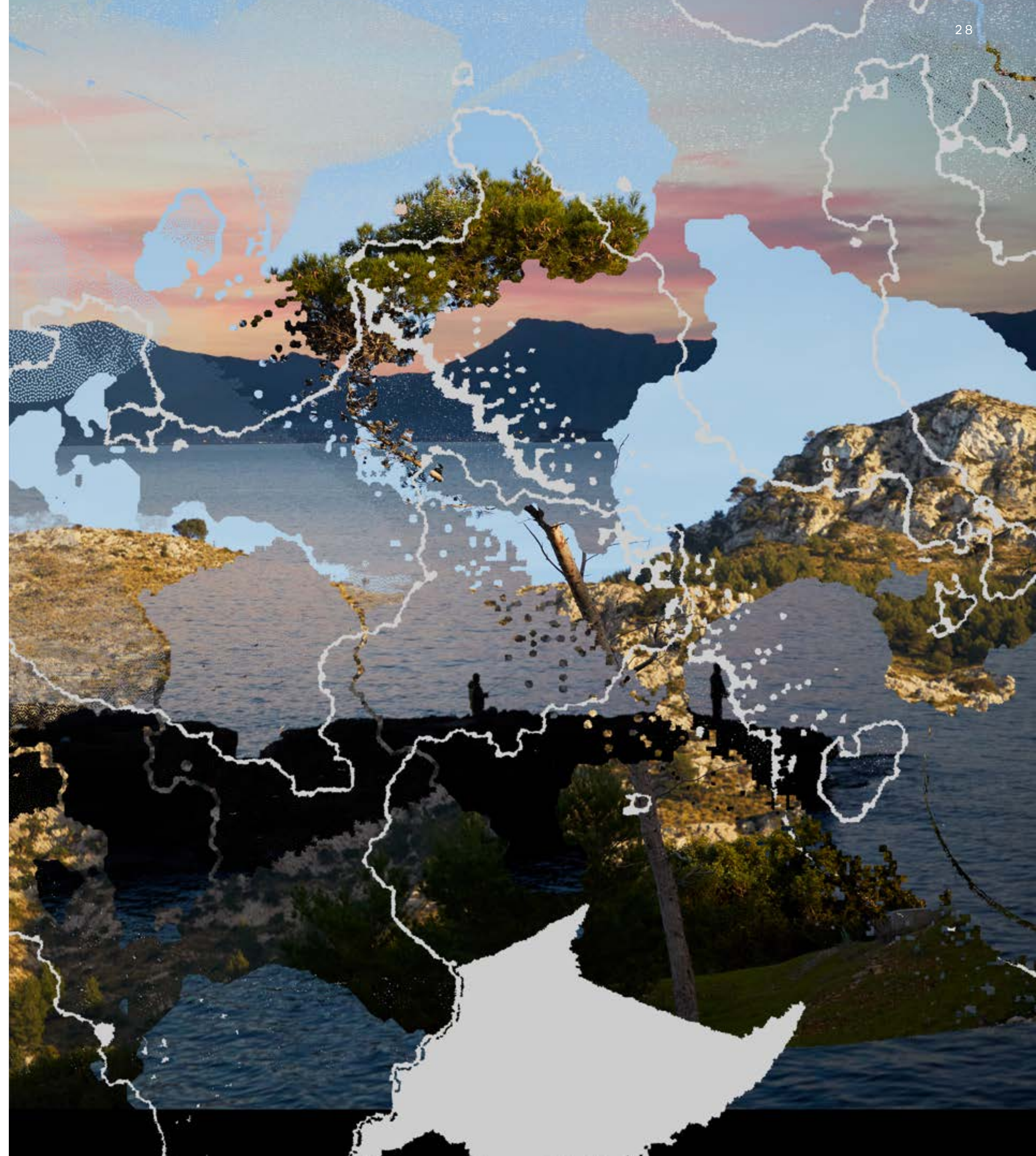
### NEXT STEPS

From our Spring 2022 collection onwards, garments produced in Turkey, Tunisia, Italy and Eastern-Europe will be packed in the TIPA compostable polybags as a first step towards fully replacing conventional polybags. More research into plastic alternatives is being conducted. By the end of 2022, we want to have a reduction and innovation-based packaging strategy in place regarding the areas below:

- Paper: prioritise the use of recycled paper or agricultural residue in our packaging.
- Plastic: fund and support innovations that we believe in that look towards shifting reliance from fossil fuel to regenerative options like agricultural residue.
- Last mile packaging: implement size efficient solutions and trial reusable packaging solutions.



# 5. OUR SUPPLY CHAIN





# FACTORIES

## TRANSPARENCY AND TRACEABILITY

The path to creating a finished garment is a complex process, which can be broken up into four tiers. Each one represents a different part of the process. Tier 1 and Tier 2 include the factories and manufacturers responsible for the production and finishing of materials, as well as the assembly of the final garment. Tier 3 and Tier 4 are the farms that grow the raw materials and the factories that process them into fabrics.

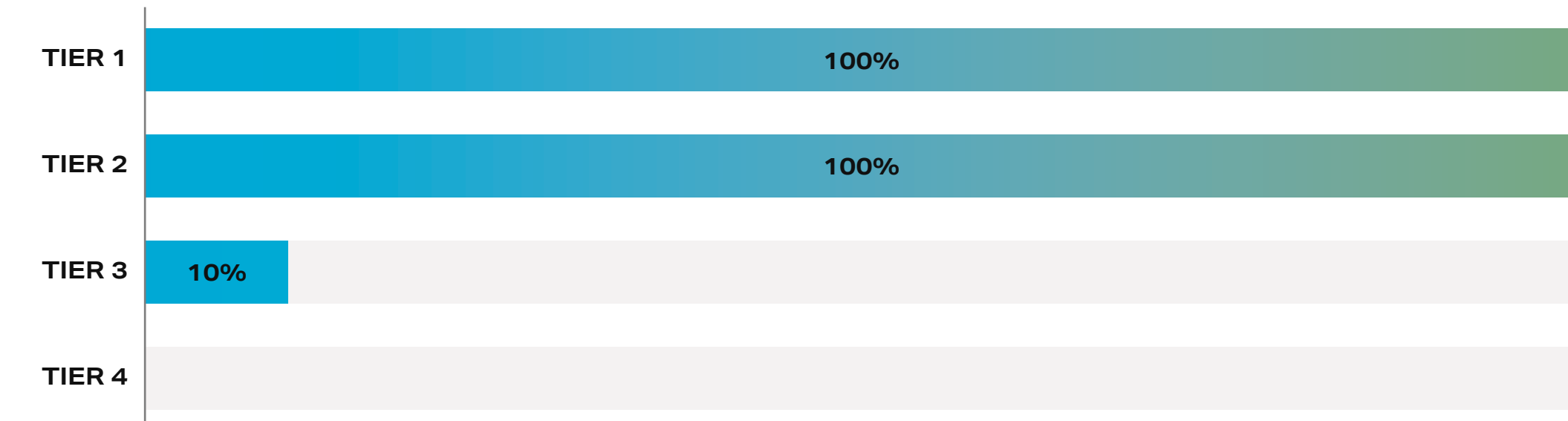
We are precise in selecting who we work with, and so we only operate with factories and manufacturers where stringent environmental policies and good working conditions are ensured. To date we work with 126 Tier 1 factories, of which 90% are socially compliant and 31 Tier 2 factories, of which 80% are socially compliant. Scotch & Soda takes pride in these long-term relationships, some of which have existed for over 20 years.

From the raw materials to the finished garment, our end goal is to be completely transparent about who manufactures our clothes, and where it's done. It's a complex process but we've made progress by mapping all Tier 1 and Tier 2 suppliers. We are also in the process of documenting Tier 3 and Tier 4 of the supply chain, to provide transparency all the way back to the raw materials. The process of mapping allows us to measure our social and environmental impact and set effective targets for improvement.

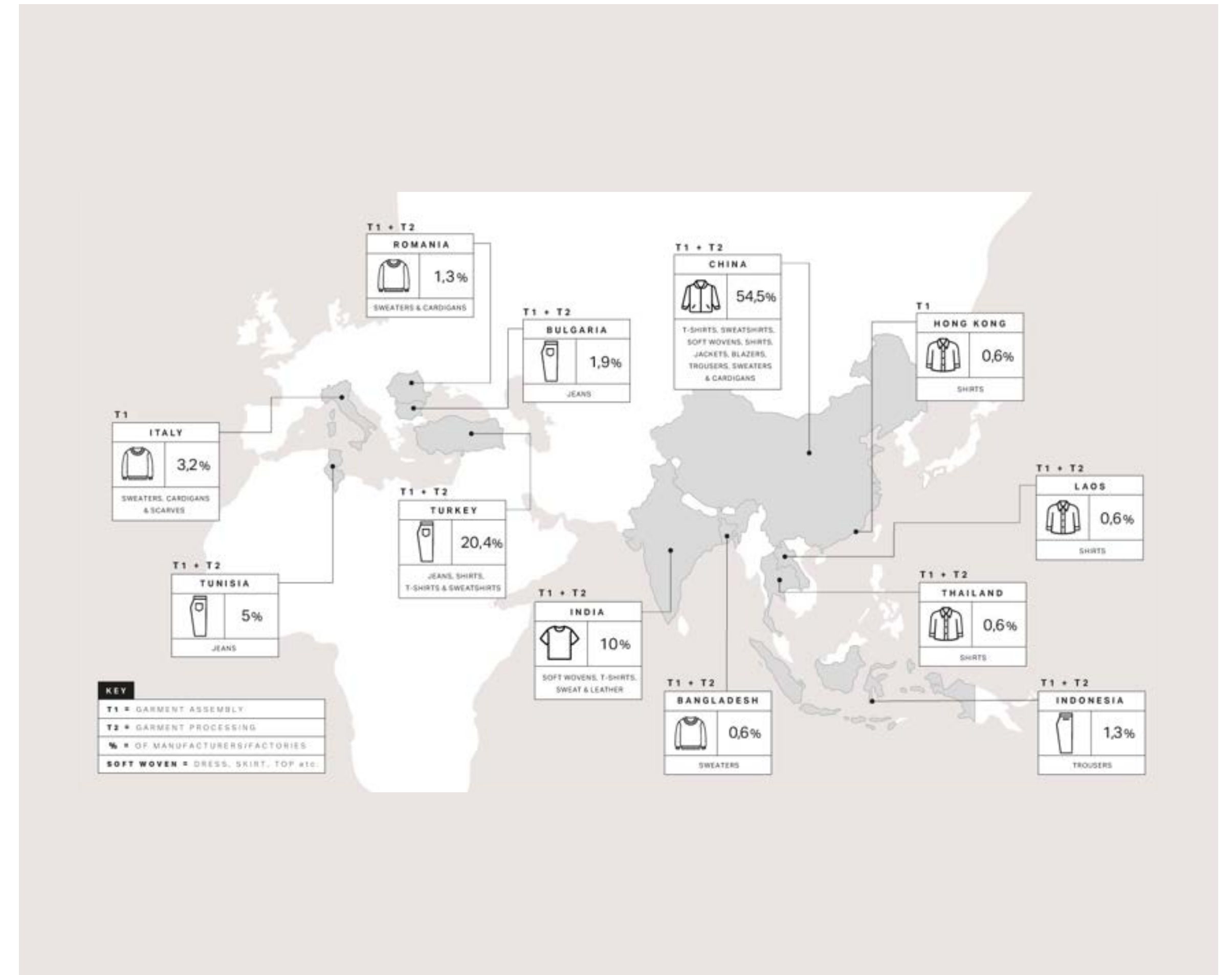
We produce our garments in 12 countries, our main production countries are China, India and Turkey, as visualised on the map on the right, in which the percentage represents the share of factories within our production system. A full list of our 157 Tier 1 and Tier 2 factories is available online. Please note that our licenced products including footwear, eyewear and fragrance is not included in this list.

### NEXT STEPS

We are currently also mapping all Tier 3 and Tier 4 factories and aim to complete this by the end of 2022.



TRANSPARENCY STATUS AS OF FINANCIAL YEAR ENDING 2020/2021: MAY 31<sup>ST</sup> 2021



TIER 1 AND TIER 2 FACTORY BREAKDOWN PER COUNTRY VISUALISED AS OF FINANCIAL YEAR ENDING 2020/2021: MAY 31<sup>ST</sup> 2021

# ETHICAL TRADE

## CODE OF CONDUCT

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, direct and indirectly. We aim to bring more unity in the world, to create a fair and safe working environment for each and every individual.

### AMFORI

In 2013, we became a member of the amfori Business Social Compliance Initiative (amfori BSCI), the leading global business association for open and sustainable trade. Amfori BSCI is a business-driven initiative for companies committed to improving working conditions in the global supply chain and ensuring workers receive a minimum wage.

Their code of conduct 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 are fully endorsed and living by each of the values and principles set out by amfori BSCI, and ask all our suppliers to officially sign the amfori BSCI Code of Conduct before we work with them. The third-party audits make sure that each of the principles outlined in this code of conduct are respected.

### LABOUR PRINCIPLES

The 11 labour right principles that are part of the amfori BSCI code of conduct:

- The rights of freedom of association and collective bargaining
- Fair remuneration
- Occupational health and safety
- Special protection for young workers
- No bonded labour
- Ethical business behaviour
- No discrimination
- Decent working hours
- No child labour
- No precarious employment
- Protection of the environment

### NEXT STEPS

The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. We are currently in the process of applying to become a member of ETI with the hope that by end of 2021 we will be approved by the ETI Board and join the organisation as a Foundation Member.

## SOCIAL COMPLIANCE

The factories we work with are being visited by Scotch & Soda Quality Controllers (QC's) on a high-frequency basis, both announced and un-announced. The quality controller will perform a social assessment that is based on visible performance of the labour right principles that we embrace, such as occupational health and safety, no bonded labour, decent working hours and no child labour. 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.

### SOCIAL THIRD-PARTY AUDIT

The factories we work with have signed the amfori BSCI code of conduct and are annually audited by independent and certified (SAAS) audit firms for compliance with this code. 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.

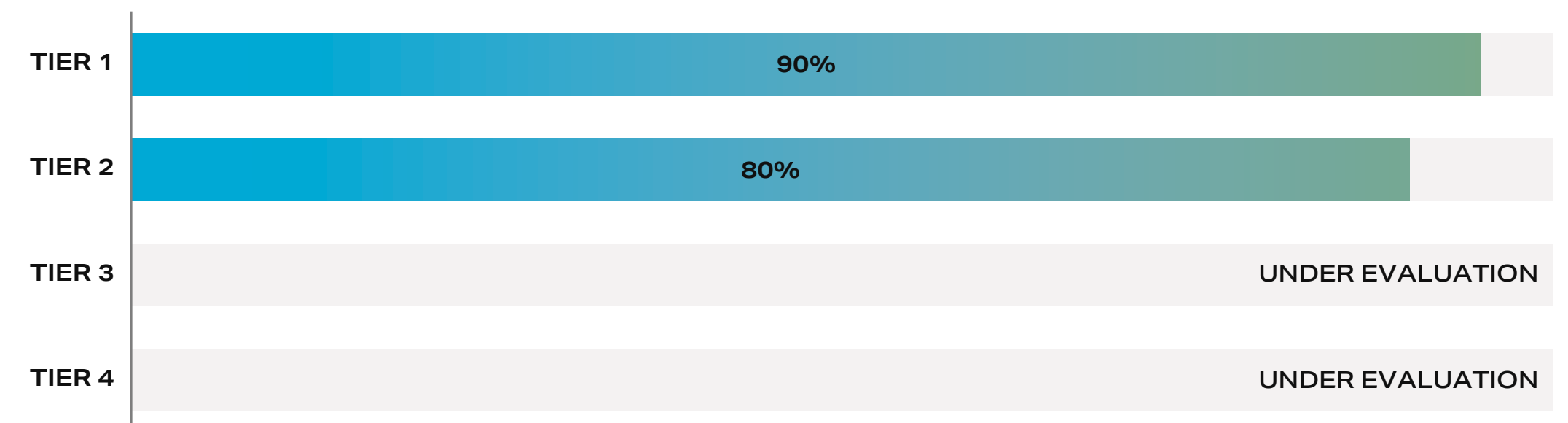
### SOCIAL STANDARDS

Amfori BSCI is our fundamental partner in social compliances, and has been 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 the amfori BSCI code of conduct. The current selection of social standards that we accept from factories are: amfori BSCI, SA8000, Sedex, GOTS, GRS.

See the next page to find out what each social standard comprises.

### NEXT STEPS

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 2021. While obtaining visibility across Tier 4 and Tier 3 factories, we are evaluating the social compliance status and will define a time bound target to align with our social standards.



SOCIAL COMPLIANCE STATUS AS OF FINANCIAL YEAR ENDING 2020/2021: MAY 31<sup>ST</sup> 2021



# ETHICAL TRADE

## SOCIAL STANDARDS



### 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. Also, as part of the amfori BSCI approach, social audits only represent one pillar of activity, complementary to capacity building and strong relations with all stakeholders of the supply chain.



### 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.



### SEDEX

SMETA is Sedex's social auditing methodology, enabling businesses to assess their sites and suppliers to understand working conditions in their supply chain. SMETA (Sedex Members Ethical Trade Audit) assesses a site based on their organisation's standards of labour, health and safety, environment and business ethics. Sedex believes these are key areas for assessing an organisation's responsible business practices and meeting social compliance.



### GOTS

The Global Organic Textile Standard 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 shall be assured. Certifiers are expected to study, assimilate and consider local and national conditions in their risk assessment while conducting inspections and audits.



### 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 use of recycled materials in products and reduce the harm caused by its 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 labor 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.

## ANIMAL WELFARE

Throughout our collections, we make use of materials from animal-origin that are either applied on products, such as wool jumpers, or in trim details, such as leather labels and patches. Only 3.3% of our total material consumption across financial year 2020/2021 is made up of a material that originates from animals, of which the majority comes from sheep wool. As part of our ethical trade approach, we aim to source materials from animal origin with the highest respect to their welfare. We work closely with our suppliers to uphold each of our values, and require them to commit to and comply with each of these standards stipulated in our animal welfare policy.

Our 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, that encompasses both the mental and physical well-being of animals:

- 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

### 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 the animal as outlined by the OIE. In addition, or as a replacement of our leather use, we are actively exploring bio-based alternative innovations with a similar look and feel.

### WOOL

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 by the OIE.

Scotch & Soda has recently obtained a Responsible Wool Standard (RWS) certification in order to lead by example. Our supply chain is monitored so that we can verify both the farming methods as well as the welfare standards at farm level.

### NO FUR

We have banned the use of animal-fur in any of our products.

### NO FEATHERS OR DOWN

We have banned the use of virgin down or feathers in any of our products. As an alternative, we are solely making use of fake-down made from recycled PET bottles or other bio-based loft solutions.

### NO ANGORA

We have banned the use of angora rabbit fibres in any of our products.

### NO WILD CAUGHT, ENDANGERED OR EXOTIC ANIMALS

We have banned the use of wild, endangered or exotic animals in any of our products.

### NO MULESING

We do not accept wool from farms that practice mulesing.

### NO ANIMAL-TESTING

We do not accept animal testing on any of our (cosmetics) products.



# 6. OUR OPERATIONS



OMNI-CHANNEL DISTRIBUTION CENTRE IN HOOFDORP, THE NETHERLANDS BY DEDATO ARCHITECTS  
SCHEDULED FOR COMPLETED IN APRIL 2022



# BUILDINGS

## OFFICES AND WAREHOUSE

### OFFICES

We currently have 15 own operated offices around the world, of which 12 also function as showrooms, where collections are presented across seasons. Our headquarters are located in Amsterdam, the Netherlands. The Dutch offices are lit with LED-lighting and are powered by green electricity, which is electricity produced from renewable energy sources, such as wind, solar and hydro.

### WAREHOUSE

We operate across a few warehouses: our directly operated European warehouses located in the Netherlands and third-party operated warehouses in Hong Kong, Los Angeles and Toronto. The Dutch warehouses are lit with LED-lighting and are powered by green electricity, supporting renewable energy resources.

### NEXT STEPS

We are in the process of building a new omni-channel distribution centre in Hoofddorp, the Netherlands. This state-of-the-art warehouse of about 20,000m<sup>2</sup> has been designed by Dedato architects. Part of the building's facade will include planters and a green wall. The building will also be 'Well Gold' certified, meaning that human health and well-being have been taken into consideration while designing the working spaces.

The warehouse is scheduled for completion by April 2022. See previous page for an impression of the new omni-channel distribution centre.

## STORES

### STORES

We currently have 225 shops across 33 different countries. This includes directly operated retail stores, franchise stores, and outlet stores. From 2016, we started implementing LED lighting in all stores, of which 90% has been completed, including LED exterior logos. LED lighting uses 75% less energy than traditional lightbulbs and can last over five times longer than conventional options, for example incandescent light bulbs. All the Dutch stores are powered by green electricity, supporting renewable energy resources.

The majority of our stores are housed in historical buildings. This makes it difficult for us to adopt the latest environmental standards due to monumental aspects. Nevertheless, we always try to achieve the maximum.

In March 2021, we opened a brand new store in 'The Mall of the Netherlands', an iconic building that has recently been built with the ambition of being as sustainable as possible, visible in the method of storing cold and warm air, the supply of energy and the biodiversity that's supported on the in- and outside of the building with plants and trees. The building is BREEAM-certified, for which the Scotch & Soda store elements were confirmed to be in line with the protocol of BREEAM. BREEAM is an abbreviation for 'Building Research Establishment Environmental Assessment Method' and is a certification method for sustainable buildings with minimal environmental impact.

### INTERIORS

Our sustainability mission extends to our store environments globally. Wherever possible, we work with local companies to build our stores and recycle the existing materials.

All wooden elements in our store concepts are Forest Stewardship Council (FSC) approved and certified.

- 90% of all our stores globally use LED lighting, remaining 10% to be fitted soon.
- All new stores are fitted with hangers made from RCS-certified Fasal®, a wooden compound made from renewable resources and designed to be circular. At the end of their life, these hangers are collected and made into new ones.

### NEXT STEPS

Today, 70% of all the interior materials come from either Turkey or Eastern Europe. It is our ambition to increase the procurement of interior materials from countries that sit close to our main selling markets in the next years to come. A strategic, time bonded plan still needs to be formulated.

# DISTRIBUTION

## INBOUND TRANSPORTATION

Our inbound transportation is the distribution of goods from the last processing factory (Tier 1) to Scotch & Soda's distribution centre in the Netherlands or Hong Kong (Tier 0). The goods are shipped either by sea, road or air, depending on the geographical location of the country of origin and the desired date of delivery. Nevertheless, we always aim to use the mode of transportation that fits the area where the garment has been finalised, and that is economically and environmentally efficient. Looking at the complete value chain, inbound transportation accounts for 6% of the total greenhouse gas (GHG) footprint of Scotch & Soda.

Common transportation mode per production area:

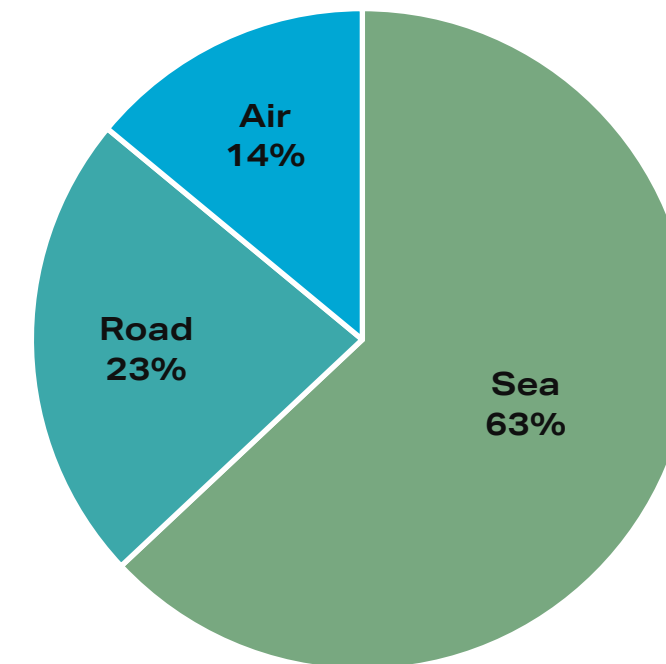
- Eastern Europe: road transportation
- North-Africa: road transportation
- Turkey: road transportation
- Asia: sea transportation

\*Air transportation was only applied for a selection of shipments that required time efficiency.

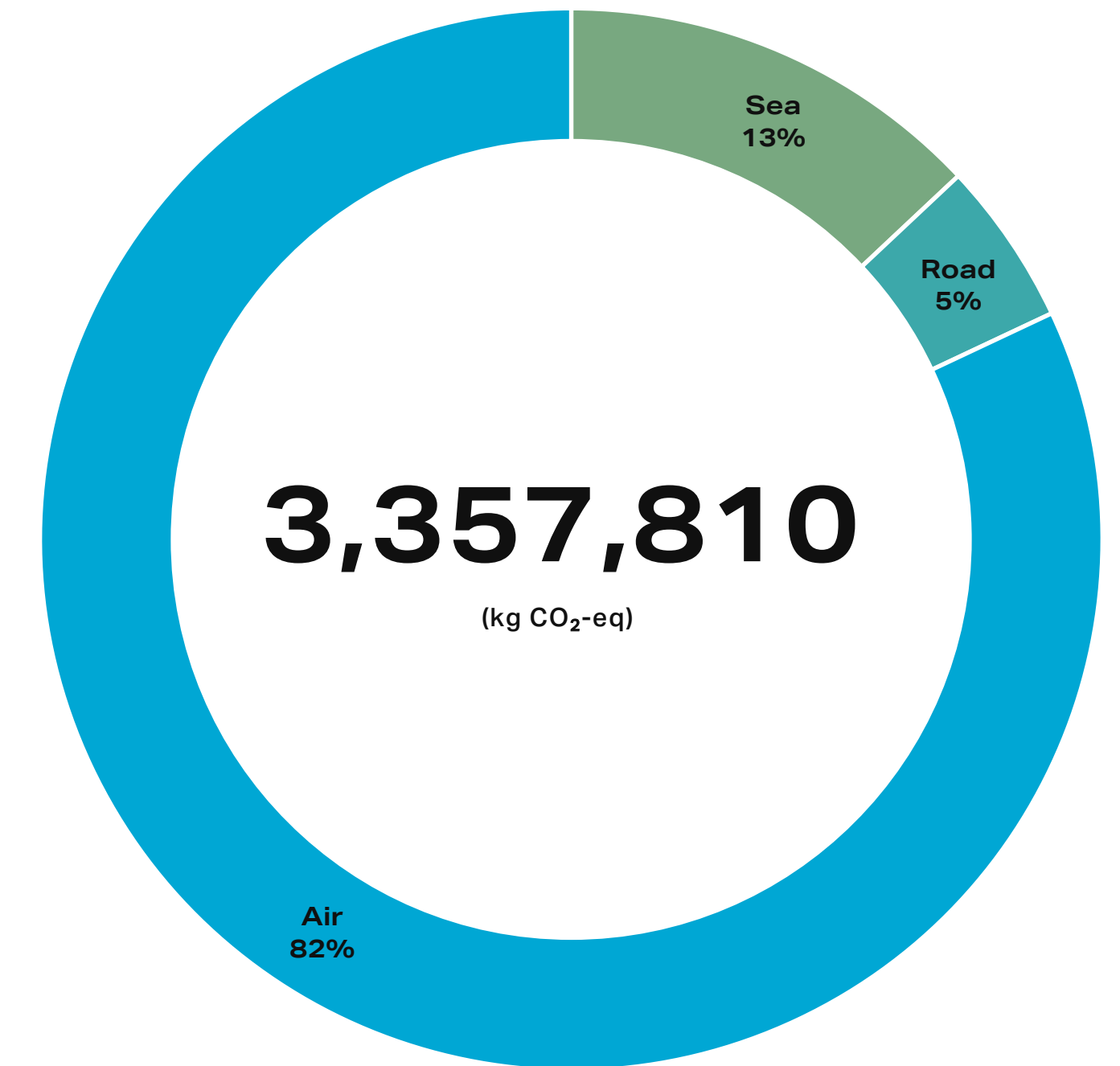
See the pie diagram on the right page to learn more about the volumes we ship per transportation mode, and the greenhouse gas (GHG) footprint that we leave behind.

## INBOUND IMPACT

TOTAL SHIPPED VOLUME PER MODE % (kg)



GREENHOUSE GAS (GHG) FOOTPRINT OF SHIPPED VOLUME PER MODE (kg CO<sub>2</sub>-eq)



CONVERSION OF ACTUAL SCOTCH & SODA DATA TO GREENHOUSE GAS (GHG) EMISSIONS USING INTERNATIONALLY RECOGNIZED CONVERSION FACTORS FROM THE ECOINVENT DATABASE.



# DISTRIBUTION

## OUTBOUND TRANSPORTATION

Our outbound transportation is the global distribution of goods from our distribution centres in the Netherlands, Hong Kong, Los Angeles (USA) or Toronto (CA), either to our own retail stores, wholesale clients or e-commerce customers. The majority of goods are transported by road where possible, and by air where road is not an option due to geographical location. Looking at the complete value chain, outbound transportation accounts for 6% of our total greenhouse gas (GHG) footprint.

Common transportation mode per sales channel:

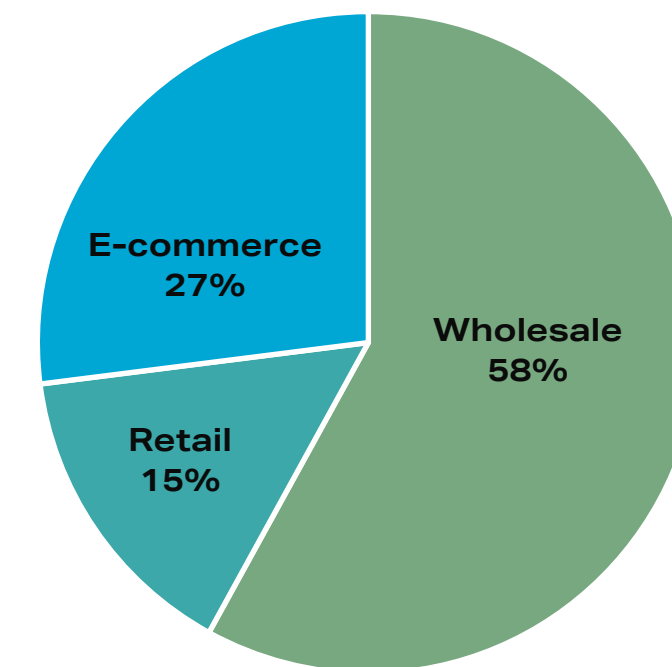
- Retail stores: road transportation
- Wholesale clients: road transportation
- E-commerce customer: road transportation

\*Air transportation was only applied for a selection of shipments that required time efficiency.

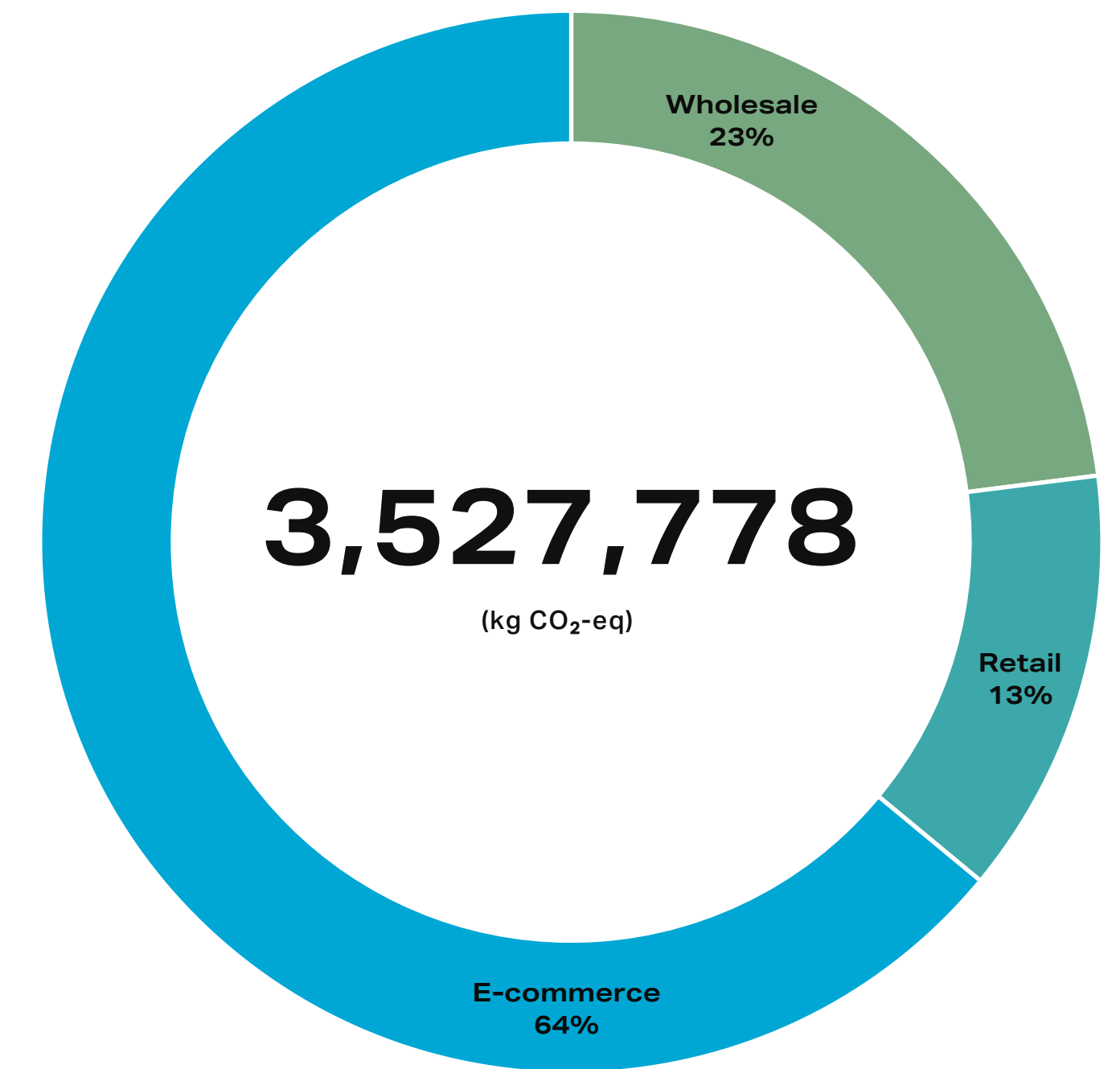
See the pie diagram on the right page to learn more about the volumes we ship per sales channel, and the greenhouse gas (GHG) footprint that we leave behind.

## OUTBOUND IMPACT

TOTAL SHIPPED VOLUME PER CHANNEL % (kg)



GREENHOUSE GAS (GHG) FOOTPRINT OF SHIPPED VOLUME PER CHANNEL (kg CO<sub>2</sub>-eq)



CONVERSION OF ACTUAL SCOTCH & SODA AND PROXY DATA TO GREENHOUSE GAS (GHG) EMISSIONS USING INTERNATIONALLY RECOGNIZED CONVERSION FACTORS FROM THE ECOINVENT DATABASE.



# 7. OUR COMMUNITY





# PEOPLE

## DIVERSITY & INCLUSION

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.

Our mission is to bring more unity in the world, always, and to create a harmonious, balanced, and fair working environment for each and every individual to thrive within.

We recognise that not everyone has the same opportunities, which is why we will focus on fairness, and work towards treating everyone equitably.

To see where we stand today, we conducted an analysis internally to gather insights on the gender split across headquarter and retail staff globally. The total headcount of employees globally is 1538 individuals, with a gender split as highlighted in the pie diagrams on the right.

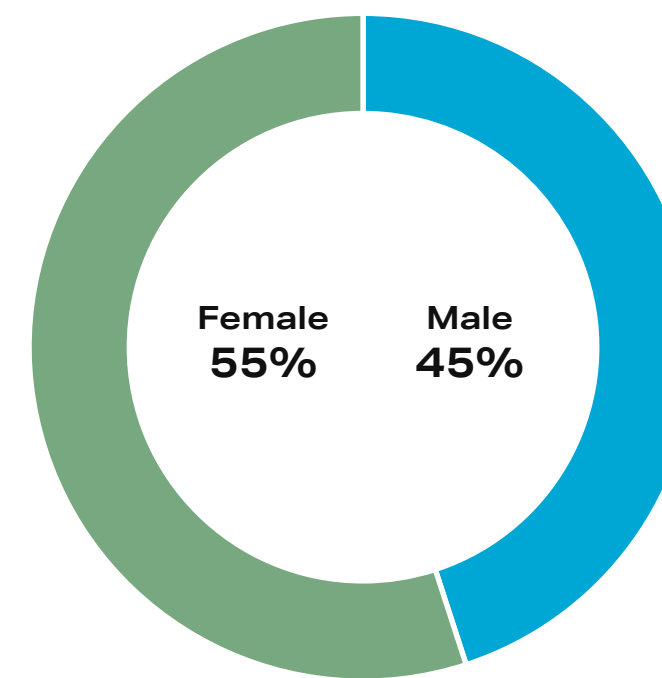
The two key takeaways from this analysis are that the overall gender divide across our global employees is well divided with a minor gender imbalance skewed towards women. Looking into the different employee categories within Scotch & Soda, the global management is skewed towards men. It is worth mentioning that 70% of the positions that became available in this reporting year (2019/2020) within global management were filled by female leaders.

### NEXT STEPS

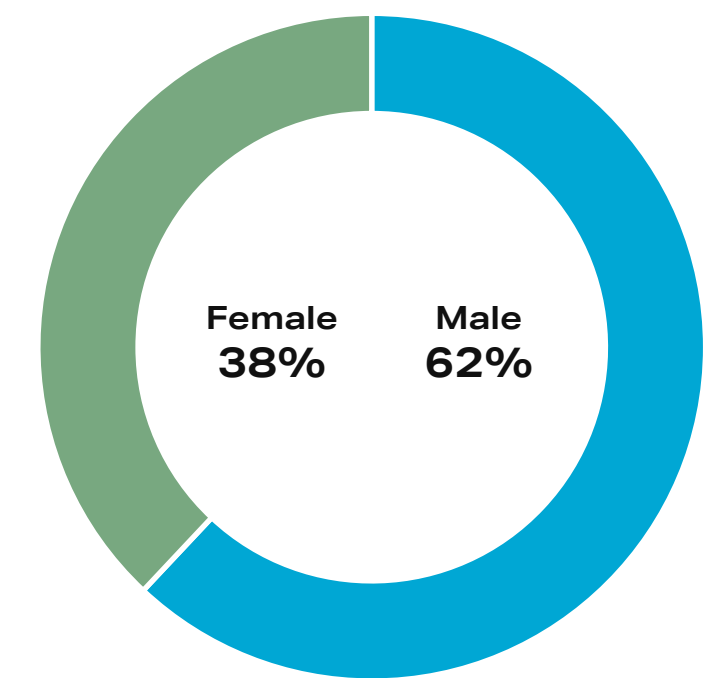
- For us to align with our mission and set measurable goals. We will conduct extended research and analysis to gather further insights into the makeup of our global employees before formulating goals for the coming 5 years.
- Next financial year, we will be working on an equal opportunity hiring mechanism, including for example anonymising resumes.

## GENDER SPLIT

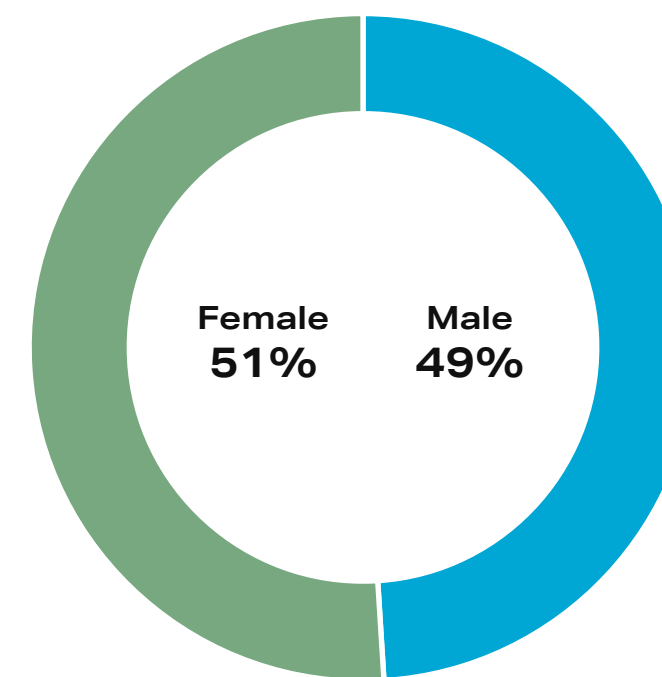
TOTAL EMPLOYEES \*



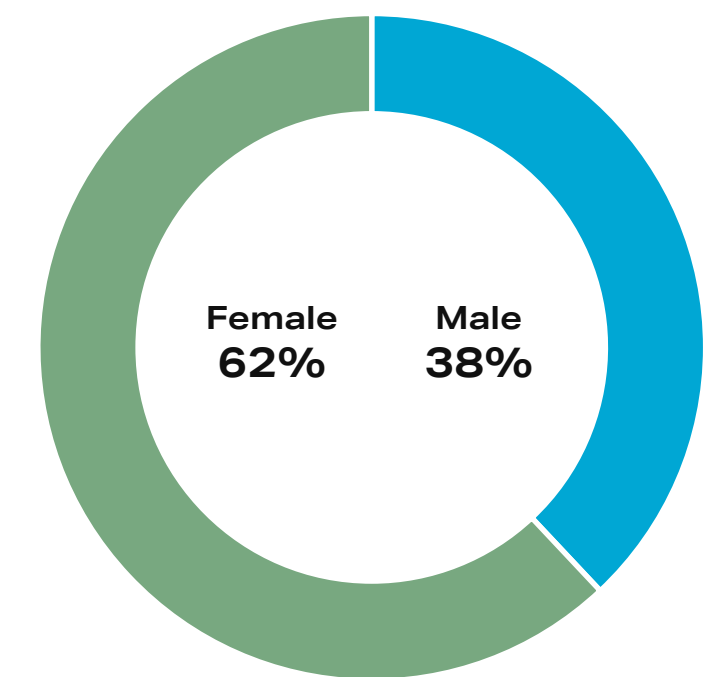
GLOBAL MANAGEMENT



GLOBAL STORE STAFF



GLOBAL OFFICE STAFF



THIS GENDER SPLIT IS BASED ON ASSUMED GENDER

# COMMUNITY

## PARTNERSHIPS

*Transitioning to a sustainable value chain takes a lot of work, and not just on our part. We rely heavily on a local and international community, encompassing our suppliers, our logistics partners, and of course the greater community that we are part of. The nature of work that we are in allows us to generate profit – and we believe in sharing our successes. Every year we work with various organisations across education and charities, supporting them through either financial or product donations.*

*Special organisations to highlight this year are:*

### PLASTIC WHALE

*Amsterdam – our home city – has lived with water for more than 700 years. Sitting below sea level, on the Amstel river, the city is surrounded by water, with over 100 kilometres of canals supporting tourism, transport, recreation and cultural events – reminding us every day that water and life are connected, and that we should look after this precious resource.*

*Water is of great importance to us as a Dutch brand: Amsterdam and the Netherlands as a whole rely on the expert management of water to keep the country functioning. The canals of Amsterdam are often littered with plastic bottles and other waste, which is why we've entered into a three-year partnership with Plastic Whale, to help fish the plastic out of the canals. Together with Plastic Whale, we aim to work towards 'plastic free waters worldwide'.*

### TREES FOR ALL

*Trees for All estimate that ten billion trees are lost with disastrous consequences for people, animals and climate. They have made it their mission to plant new forests worldwide and restore existing ones. The foundation has been running since 1999, planting trees in the Netherlands as well as abroad. They also team up with local communities on projects further away from home, which boosts the farmers' income and ensures tropical forests are restored.*

*Scotch & Soda teamed up with Klarna to launch a campaign with Trees for All. In honour of World Rainforest Day, we committed to planting a total of 10,000 trees across the Carara National Park in Costa Rica and the Bongo District in Ghana. We're happy to announce we've since reached this goal and – together with our tree sign-up program at all directly operated stores – have planted 82,000 trees in total.*

*Following this, we will continue our long term partnership with Trees for All by further supporting the foundation's project in Ghana this year, as well as in other countries in the future, including at home in the Netherlands and also Uganda.*

### THE HUNGER PROJECT

*The Hunger Project is a global non-profit, strategic organisation that believes hunger is about more than food – it's about people. Their goal is to end world hunger by 2030, together. They work towards this by supporting communities through education, microfinance, agriculture and health programmes, empowering people with the skills, knowledge and resources to realise their own vision of a future free from hunger and poverty.*

*Our partnership with The Hunger Project started in May 2020, as a solidarity response to COVID-19, by donating 20% of all face-mask sales. This donation was used to support local communities in Bangladesh in their mission to better protect themselves against COVID-19 through access to medical supplies as well a volunteer seed distribution programme, so that communities and households could prepare themselves for potential future food shortages.*

## DONATIONS

*We engage with a number of charities, whether through a financial donation or product donation. Charities and organisations that we supported this year:*

### NON-FINANCIAL BENEFACTORS:

- *OLVG hospital Amsterdam: gifted 100 Born to Love sweatshirts and discounts for all staff.*
- *OLVG hospital Amsterdam: gifted 500 'I'm smiling' masks for recovered corona patients leaving the hospital and discounts for all staff.*
- *Serve the city Amsterdam: gifted 50 Born to Love sweaters.*
- *Mens en corona: gifted 100 T-shirts to IC staff.*

### FINANCIAL BENEFACTORS:

- *World Health Organisation (WHO): 10% donation of all global online sales of the month of April 2020.*
- *The Hunger Project: 20-50% donation of sales of selected items for three weeks.*
- *Erasmus Hospital Rotterdam: 10% in-store sales donation for three weeks and discounts for all staff.*
- *LGBTQ freedom fund: 10% donation of sales of Off Season items for three weeks.*
- *Women Divers Hall of Fame: lump sum donation.*
- *Voedselbank: donation of HQ personnel lunch money.*



# COLLABORATIONS

## EDUCATIONAL COLLABORATION

### JEAN SCHOOL, AMSTERDAM

Education is an important cornerstone of progress, and we believe in partnering with educational institutions that value progress and development. In 2020 we partnered with the Jeans School in Amsterdam by donating a lump sum to the institution. The Jean School International Course is an initiative of ROC van Amsterdam, House of Denim, and other international players from the denim and fashion industry. Situated in Amsterdam, the one year international course is designed for anyone who would like to specialise in denim.

### ANTWERP MANAGEMENT SCHOOL, ANTWERP

Since 2019 Scotch & Soda has partnered with Antwerp Management School by providing lectures, mentorship and live use-cases with a focus on brand marketing and research to student teams for their final graduation project. This partnership has resulted in some of the highest scoring projects within the respective programs. The Antwerp Management School is the University of Antwerp's autonomous business school. For the past 60 years Antwerp Management School has been at the forefront of innovation, transformation, entrepreneurship and ecosystems, always in the best interest of people and society.

## CROSS-INDUSTRY COLLABORATIONS

### THE DENIM DEAL

In 2020, during the annual Amsterdam Denim Days event, we cemented our commitment to a more sustainable denim production. We joined several other brands and suppliers in a landmark move – the Denim Deal – which is focused on making the post-consumer recycling of textiles the new industry standard. As a group, we have agreed to work as quickly as possible to a standard of 5% recycled textile in all denim garments. We have also collectively pledged to make three million denim garments containing at least 20% recycled textiles, for which Scotch & Soda will contribute at least 160 thousand denim garments.

The Denim Deal is a collaboration between the ministry of Infrastructuur en Waterstaat, gemeente Zaanstad, metropoolregio Amsterdam, Circulus-Berkel, Midwaste, Rd4, Leger des Heils, Reshare, Sympany, Smart Fibersort, Wieland Textiles, Wolkat, Bossa, Çalik Denim Tekstil, Ereks Konf., Gama Recycled, Orta Anadolu, Brightloops, Amsterdam Economic Board, House of Denim, Modint, Nederlands Normalisatie Instituut (NEN), Retail Experts, Kings of Indigo, MUD jeans, Kuyichi, PVH and Scotch & Soda.

### CANOPISTYLE INITIATIVE/ PACK4GOOD

In 2021 we cemented our commitment and partnership with Canopy through the CanopyStyle Initiative, committing to contributing to the protection of the world's forests by adjusting our approach to the purchase of pulp, paper, packaging and forest-based fibres by 2022, visible across our collections in stores by 2025.

Canopy is a non-profit organisation that collaboratively focuses on forest product procurement with the goal of protecting the world's Ancient and Endangered Forests. Canopy works with the forest industry's biggest customers and their suppliers to develop business solutions that protect these last frontier forests.

### TEXTILE EXCHANGE

In April 2021, we became a member of Textile Exchange, a global non-profit 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. Next to developing, managing, and promoting a suite of leading industry standards (such as GRS, GOTS and RWS), they also collect and publish critical industry data and insights that enable brands and retailers to measure, manage, and track their use of preferred fibre and materials, as well as organise communities, allowing all members to share knowledge, best practices and resources with other members.

### SUSTAINALIZE

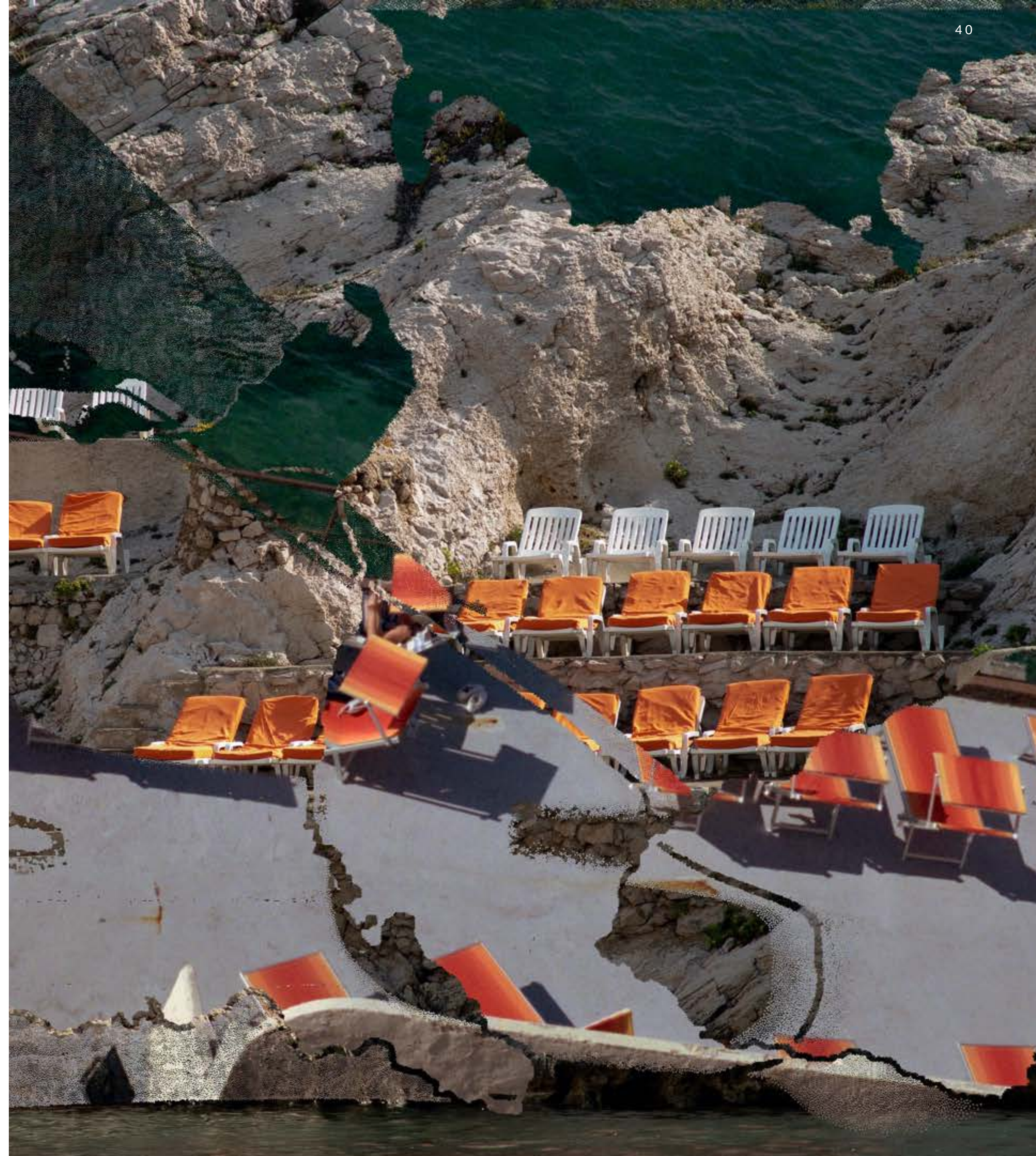
In May 2021, we partnered with Sustainalize – a new generation of sustainability specialists. They support organisations by engineering solutions to various sustainability issues and connecting these to the business strategy, enabling the development of suitable and tailor-made sustainability strategies.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

### NEXT STEPS

In the future, we would like to join more industry working groups focused on actionable results in the circular value chain. We believe in the power of pre-competitive collaboration and know that greater results can be achieved if you work together.



# 8. LAST WORD





# LAST WORD

*The key takeaways that we'd like to share with you:*

*Measurement for us is key, as this will enable us to be transparent in communicating change. We have started measuring our impact, with a key impact metric: greenhouse gas (GHG) emissions. What will follow from this initial analysis is a full Environmental Profit and Loss, based upon a natural capital accounting approach, measuring our impact across other key environmental impact metrics, like water, land use and air pollution. Only once we have the entire picture of our impact will we set objectives.*

*Next to measuring our impact comes the monitoring of what our sustainability efforts have been to date. This report is a progress report and serves to give insight into the processes and projects within our company that aid towards our journey to becoming more sustainable.*

*Finally, we recognise that sustainability is a journey and we're working on building strong foundations, exploring new innovations, and seeking advice from industry experts to learn and develop and keep on moving forward.*

*Thank you,*

*Scotch & Soda*



# 9. APPENDIX





# MEASURE

## BOUNDARIES

### ORGANISATIONAL BOUNDARIES

By setting organisational boundaries, an organisation defines the activities and entities to be included in the greenhouse gas (GHG) footprint. The organisational boundary is set in accordance with the corporate greenhouse gas (GHG) protocol.

Scotch & Soda consolidates its greenhouse gas (GHG) 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 (see Figure 1). In these scopes are the emissions pertaining from locations at which it has the full authority to introduce and implement its operating policies at the operation level. It is important to emphasise here that having operational control does not necessarily mean that a company has authority to make all 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.

### OPERATIONAL BOUNDARIES

#### SCOPE 1

Direct greenhouse gas (GHG) emissions occur from sources that are controlled by the company, for example, 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 greenhouse gas (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 greenhouse gas (GHG) protocol, Scotch & Soda is required to report on scope 2 emissions (location-based and market-based).

#### SCOPE 3

Where scope 1 and 2 emissions are direct and indirect emissions 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 as scope 1 or scope 2 by the same company.

Scotch & Soda reports on absolute scope 3 emissions relating to:

- Purchased goods & services (including purchased materials for garment production and retail store interior, energy consumption of factories, and packaging)
- 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 (GHG) 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 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 as waste)
- Franchises (the greenhouse gas (GHG) emissions pertaining to the natural gas combustion and electricity consumption of Scotch & Soda franchised stores)

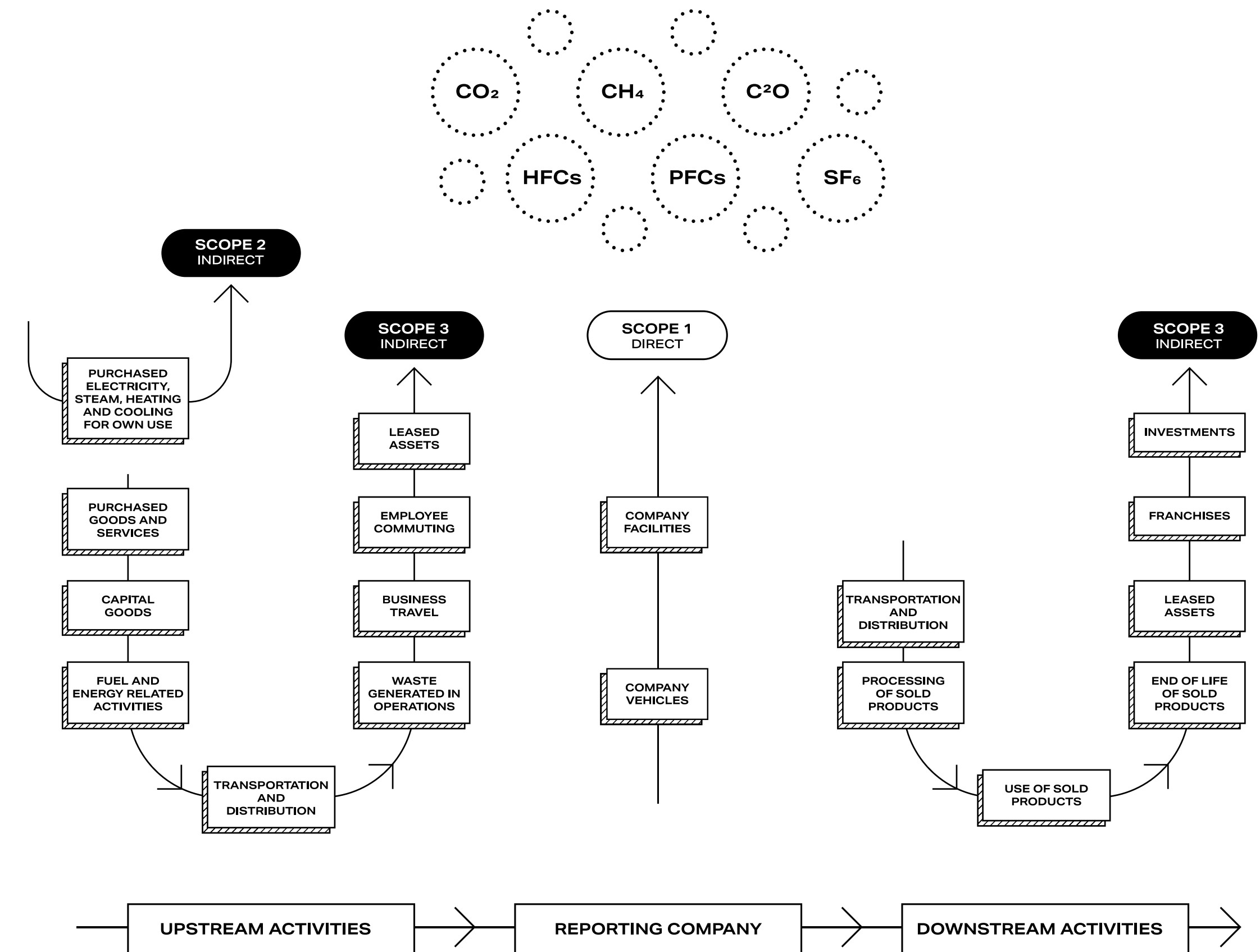


FIGURE 1: SCOPE 1, 2, 3 VISUALISED



# MEASURE

## 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 (v3.7.1). 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 DEFRA, Higg Materials Sustainability Index (MSI) 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 (GHG) emissions for Scotch & Soda consist 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 2 provides an overview of how each source of emissions was converted to CO<sub>2</sub> 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 CO<sub>2</sub> intensity of the national or regional electricity grid to convert electricity consumption into greenhouse gas (GHG) 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. Residual mix factors are still preferred over grid mixes as residual mix emission factors avoid double counting of the emissions attributes of contractual instruments. Figure 2 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 2 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 2.

### METHODOLOGICAL NOTES

#### PURCHASED GOODS & SERVICES

As demonstrated in the annual report, the impact of Scotch & Soda's purchased goods & 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 just Tier 1 whereas others cover Tier 1 and Tier 2, or even Tier 1 to 3. As the activities factories perform 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 currently no data is available 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.

#### DOWNSTREAM TRANSPORTATION

As currently no outbound transport data is available on the distance driven and weight transported, the downstream transportation category is calculated based on spend. The total costs of outbound transport are converted to CO<sub>2</sub> emissions using the CO<sub>2</sub> intensities (in CO<sub>2</sub> / Euro) of various logistics service providers, as well as the world-input-output database.

#### 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 the care labels Scotch & Soda has available on the majority of its garments, the impact of the use phase could be assessed for each garment.

#### EXCLUDED

Scotch & Soda footwear products, which are produced and distributed by a third-party licensee, have not been included in this year's greenhouse gas (GHG) footprint. The quality of material data was not sufficient enough to make a realistic calculation. Next year's assessment will include this product group as well.

SOURCE OF EMISSIONS	ACTIVITY DATA SOURCE	CALCULATION METHOD	CONVERSION FACTORS SOURCE
NATURAL GAS COMBUSTION	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ 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 = Σ LITER OF PETROL USED PER ANNUM * CONVERSION FACTOR FOR COMBUSTION OF 1 LITER OF PETROL	DEFRA – CONVERSION FACTORS 2021
		GREENHOUSE GAS (GHG) EMISSIONS = Σ KILOMETERS DRIVEN IN PETROL VEHICLES PER ANNUM * CONVERSION FACTOR FOR DRIVING PETROL VEHICLE P/KM	
DIESEL VEHICLES	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ LITER OF DIESEL USED PER ANNUM * CONVERSION FACTOR FOR COMBUSTION OF 1 LITER OF DIESEL	DEFRA – CONVERSION FACTORS 2021
		GREENHOUSE GAS (GHG) EMISSIONS = Σ KILOMETERS DRIVEN IN DIESEL VEHICLES PER ANNUM * CONVERSION FACTOR FOR DRIVING DIESEL VEHICLE P/KM	
ELECTRICITY (MARKET-BASED)	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ 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 = Σ KWH PER ANNUM * EMISSION FACTOR OF NATIONAL GRID	ECOINVENT V3.7.1
ELECTRIC VEHICLES	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ KWH PER ANNUM * CONVERSION FACTOR FOR COMBUSTION OF 1 KWH OF ELECTRICITY	DEFRA – CONVERSION FACTORS 2021
		GREENHOUSE GAS (GHG) EMISSIONS = Σ KWH PER ANNUM * CONVERSION FACTOR FOR DRIVING ELECTRIC VEHICLE P/KM	
PURCHASED GOODS & SERVICES: MATERIALS & PACKAGING	SCOTCH & SODA DATA, MARKET AVERAGE DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ 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 = Σ ENERGY PER ANNUM * EMISSION FACTOR OF ENERGY SOURCE	ECOINVENT V3.7.1
UPSTREAM TRANSPORTATION	SCOTCH & SODA DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ 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 = Σ 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 = Σ 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 = Σ KM TRAVELLED PER MODE * CONVERSION FACTOR PER MODE IN PERSON/KM	ECOINVENT V3.7.1
DOWNSTREAM TRANSPORTATION	SCOTCH & SODA DATA, MARKET AVERAGE DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ TON/KM DRIVEN PER ANNUM * CONVERSION FACTOR FOR GOODS TRANSPORTATION IN TON/KM	ECOINVENT V3.7.1, QUANTIS TOOL WIOD, LOGISTIC SERVICE PROVIDERS ANNUAL REPORTS
		GREENHOUSE GAS (GHG) EMISSIONS = Σ INVOICES OF LOGISTIC SERVICE PROVIDER RE OUTBOUND TRANSPORT IN EUROS PER MODE * CO2 INTENSITY PER EURO PER MODE	
USE OF SOLD PRODUCTS	SCOTCH & SODA DATA, MARKET AVERAGE DATA	GREENHOUSE GAS (GHG) EMISSIONS = Σ 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 = Σ 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 = Σ M³ GAS PURCHASED PER ANNUM PER COUNTRY * COUNTRY SPECIFIC CONVERSION FACTORS	DEFRA – CONVERSION FACTORS 2021, CO2EMISSIEFACTOREN.NL
		GREENHOUSE GAS (GHG) EMISSIONS = Σ KWH PER ANNUM * CONVERSION FACTOR SPECIFIED IN ENERGY CONTRACT OR NATIONAL RESIDUAL MIX	ASSOCIATION OF ISSUING BODIES (AIB), ECOINVENT V3.7.1

FIGURE 2: DATA SOURCE

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