



TWOTHIRDS

2022 ECO REPORT

The following pages contain information and data accurate to the year 2022.
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FOREWORD

Welcome to the 2022 Eco Report.

As an independent fashion brand, TWOHIRDS tries to make changes that ripple out across the wider world. The big news from 2022 is that we're now part of a broader movement, helping those ripples to become waves. Our founder reflects on securing B Corp™ certification for the first time. We offer a deep dive into what it means, before unpacking materials, transparency, footprinting and more!

B CORP™

A Sense Of Belonging

The Overview

2022 ended with a huge success for TWOHIRDS: we became a certified B Corporation™. This means we are 1 of around 6,000 businesses worldwide who meet the rigorous social, environmental, and legal standards that shape the B Corp movement.

TWOHIRDS made the choice to become a certified B Corp knowing that it paves the way to a fair, regenerative economy that puts people and nature first. The B in B Corp stands for “**Benefit For All**”, a value we can get behind in our desire to protect the ocean.

The certification process took 18 months, involving countless internal meetings and some critical reflection about our own assumptions and sustainability approaches. In the following interview, our founder and CEO Lutz Schwenke, provides his take on the story so far.

Our Founder Says



Why B Corp?

—We have always been a company with an intrinsic purpose going beyond one-size-fits-all approaches. Furthermore, it was important for us to substantiate our claims with a third-party certification that is a movement instead of tied to one specific industry. B Corps are exactly that: they stand for an alternative way of making business, for purpose, for the intrinsic drive to make change happen. And they stand for the desire to always improve further, to not stand still.

What was the most exciting part of the certification process?

—Sometimes we are so into a specific topic, for example increasing the use of recycled materials, that we almost lose sight of the bigger picture. During the certification process you realise again just how complex a holistic approach to sustainability can be. The process taught us to zoom out and consider our impact more holistically.

What have you learned about TWOHIRDS?

—We have learned many things about TWOHIRDS. We have seen where we are currently performing well and where we need to improve. And we learned about the limits of the certification. Specifically, we consider the PRE-ORDER system to be one of our most sustainable actions. Avoiding overproduction is basically

pointing the finger at the elephant in the room of the fashion industry. It was a crazy moment when we realised that there was no adequate impact model for us in the B Corp Assessment that would reflect this approach. So, on the one hand we were super happy that we were able to obtain the certification even without the PRE-ORDER system, on the other hand we made it clear to ourselves that we will never stop pushing boundaries because it's not formally recognised by someone else. The certification is an evolving standard, so we will engage with the B Corp community as an ambassador of the PRE-ORDER system.

After becoming a certified B Corp, how will the journey continue?

—The beauty of this certification is that its aim is to provide a baseline for the beginning. We were not getting certified to show how good we are and leave things here. Instead, we want to improve, adapt to new developments, become more aware of how we can embed sustainability into our strategy and day-to-day operations. We are super excited to connect with this vibrant community of B Corps in Spain and worldwide, and we are looking forward to co-creating meaningful business in the future!

Diving Deeper

A company gets certified as B Corp only when it meets the high standards set by the B Lab™ network. This involves a deep-dive into 5 different impact areas: Workers, Governance, Community, Customers, and Environment. We like that they assess everything a company does; it enables us to reflect and improve in a holistic way.



B CORP™ Impact Areas



Certified



Corporation



Workers.

An evaluation of how we treat our employees, what kind of benefits we offer, what the company policy is towards discriminating behaviour of any kind, and more.

What We Can Celebrate

B Corp recognises the way we internally promote our workers and try to help them grow professionally. Our employment scheme focusing on security and safety for our employees was another reason for our good performance.

How We Can Improve

We can improve our career development opportunities in terms of courses and training, and we can formalise the actions that we are already taking.



Governance.

This impact evaluates the company's overall mission, ethics, accountability and transparency. It asks if we have adopted a social or environmental mission and how well we motivate our team and community to achieve that mission.

What We Can Celebrate

We learned that our decision-making processes and the way we integrate social and environmental considerations in our decisions is already very good.

How We Can Improve

We can better link our social and environmental goals to clear management targets, and we can improve the way we internally distribute who is responsible for those goals.



Community.

That is, our supplier relations, diversity, and involvement in the local community. This impact area evaluates how we are interacting with our business environment.

What We Can Celebrate

The way we evaluate our suppliers (based on social and environmental criteria), and the way we approach working with suppliers in general: through trust, mutual respect, and long-term relationships.

How We Can Improve

Despite showing a high proportion of female workers and managers, we can improve on our diversity and inclusion policies.



Customers.

Measures the impact our company has on its customers and how well we listen to customer demands.

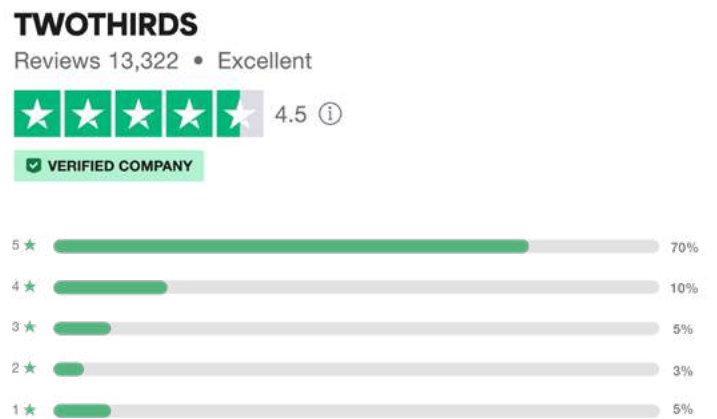
What We Can Celebrate

Our customer feedback process. We love to hear what our customers think, and we distribute this feedback internally. This was well received in the B Corp Impact Assessment.

How We Can Improve

We need to maintain this level of interaction, which is a challenge we happily accept!

TWOTHIRDS Trustpilot ▶



Environment.

This impact area assesses the environmental performance of a company through its facilities, materials, emissions, resource and energy use.

What We Can Celebrate

The materials we use, and how we buy them. In fact, the high share of organic and recycled materials made us really stand out from other companies. Furthermore, our approach to increasing transparency within our supply chain was recognised.

How We Can Improve

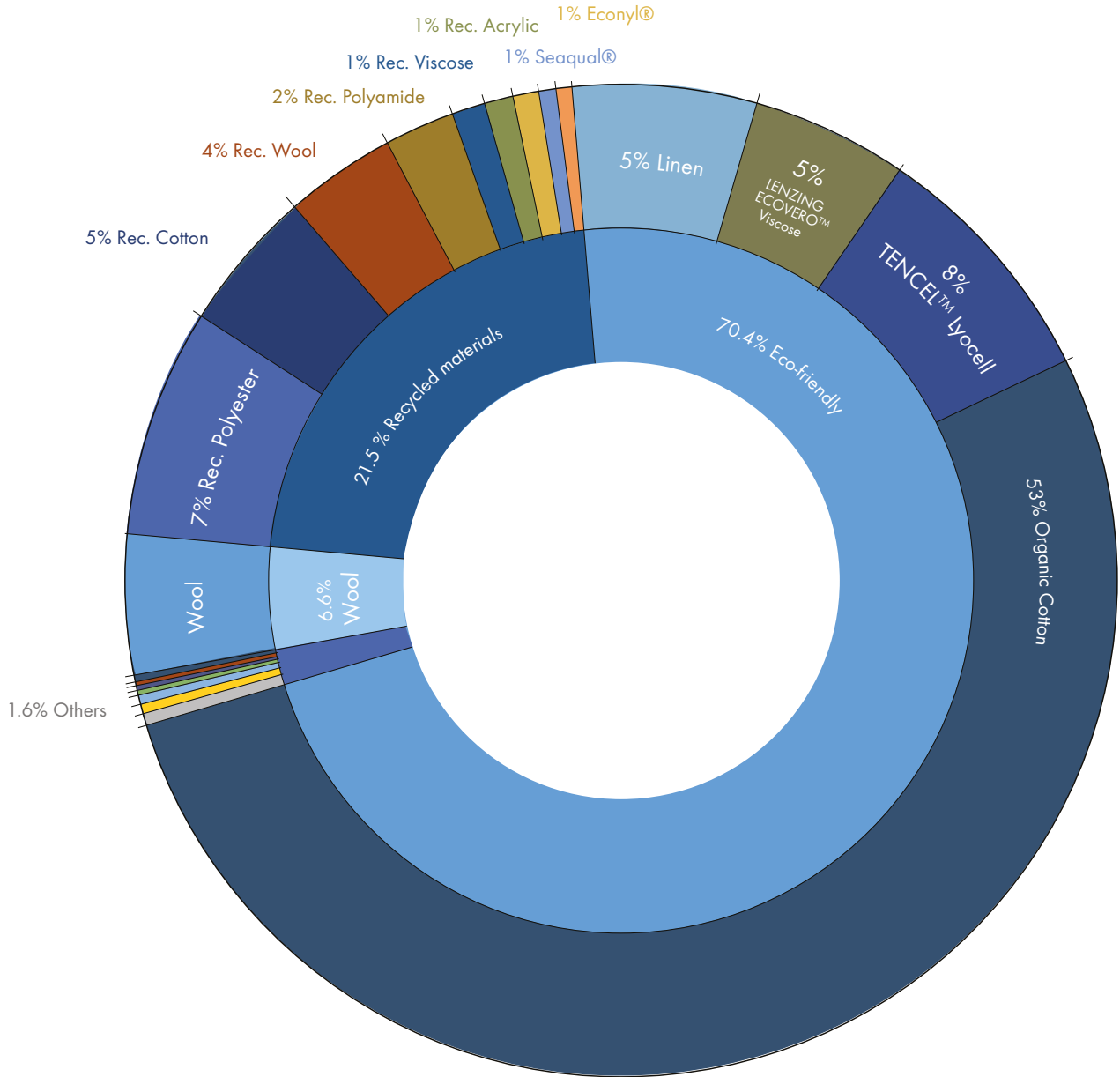
We want the PRE-ORDER system to be included in our impact assessment next time.



INTO THE MIX

Our Materials

INTO THE MIX



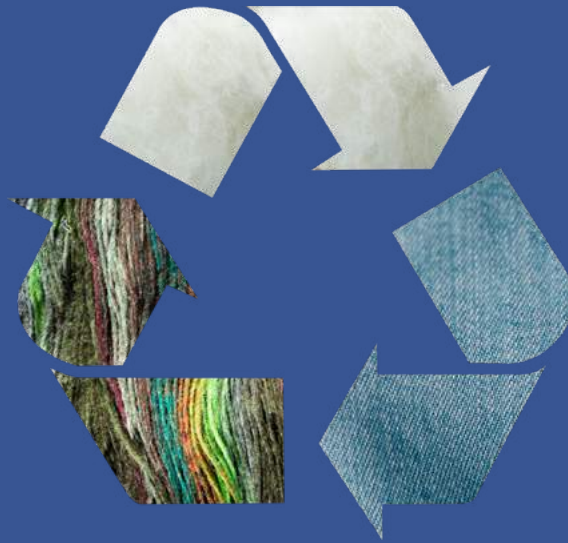
- 53% Organic Cotton
- 4% Rec. Wool
- 8% TENCEL™ Lyocell
- 2% Rec. Polyamide
- 7% Rec. Polyester
- 1% Econyl®
- 6.6% Wool
- 1% Rec. Viscose
- 5% Linen
- 1% Rec. Acrylic
- 5% LENZING™ ECOVERO™ Viscose
- 1% Seaqual®
- 5% Rec. Cotton
- 1% Elastane

Key Changes

While organic cotton remained our most common material (53%), our use of it dropped by about 6% compared to 2021. Organic cotton was followed by TENCEL™ Lyocell at 8% (unchanged), recycled polyester at 7% (a 3.5% rise), and wool at 6% (a 2% fall).

Altogether, the materials we define as eco-friendly made up 70.4% of our material use. This is a 5.6% decrease from our 2021 rate. However, it is more than compensated by an incredible increase in the use of recycled materials (+8.5%), which now stands at 21.5%.

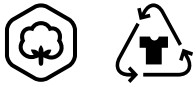
INTO THE MIX



Did you know?

The use of recycled materials is just one way TWOHIRDS contributes to the circular economy. Our durable clothing offers increased lifespans, and we use leftover deadstock fabrics, the only time we draw on regular cotton.

INTO THE MIX



Recycled and Organic Cotton

In 2021 we told you we wanted to use less organic cotton. Why? Because there is so much cotton out there already. This explains the rise in recycled cotton that now makes up around 4.5% of our fabric use. Recycled cotton has already been cultivated, harvested, spun, woven or knitted, and most often, dyed by the time it reaches us. Because recycled cotton avoids new cultivation and dyeing, it is more environmentally friendly than its organic counterpart. Though we did reduce our organic cotton output in 2022, we missed our target of 50%.

- ▼ More TWOHIRDS Ocean Denim now contains recycled cotton.



INTO THE MIX

Limited Editions

Deadstock is an invisible waste generator in the textile industry. It signifies fabric leftover from cancelled or completed factory orders. In 2022, we had two Limited Edition Collections, with 55 different products. We loved them so much that in 2023, we'll include deadstock garments in our regular collections. That way, zero waste becomes the new normal!

INTO THE MIX



INTO THE MIX



More Recycled Materials

2022 was another year of recycling. We built on the previous year's successes to boost the use of recycled materials by 65.5%, going from a total of 13% to 21.5%. This shows our commitment to the circular economy, and making the most out of available resources.

Importantly, most of our recycled natural materials are mechanically recycled, meaning that the process involves no additional chemicals - another win for the environment.

However, the circular economy is not perfect and some materials need additional virgin fibre or recycled synthetic material to create the same outstanding quality we usually use. This can limit the recyclability of the final product, an issue we continue to address with our suppliers.

INTO THE MIX



Recycled Cotton

*Our towels are made from recycled cotton or recycled ocean plastics.

INTO THE MIX

Overproduction Rate

We sold 96.4% of the products we produced in 2022, meaning we have an overproduction rate of 3.6%. This is a huge improvement on the industry average, where it is currently estimated that 20-30% of produced stock is never sold. A lack of transparency from major brands means this baseline has hardly changed over the years.

On paper we have missed our own target of selling 99% of all our clothing. This is likely because, in 2022, we advanced some of our production for early 2023: some of the items we produced were not even meant to be sold that year.

Textile waste is an industry trend ► we refuse to follow.



SUPPLY CHAIN

Trace. Exchange.
Design.

SUPPLY CHAIN

Made In The EU

The values of EU collaboration are stitched into every TWOHIRDS garment. **We place our production in Portugal** to make our PRE-ORDER system possible, and to lay down strong roots from our HQ in Barcelona. In 2022, we made a total of 21 trips to visit some of the 100 Portuguese suppliers that were directly involved in our supply chain.

We know and can identify:

100% of our garment suppliers
and our fabric suppliers
95% of our dyeing suppliers



SUPPLY CHAIN

Crunching The Data

Last year we worked especially hard to set up a data exchange system with our supplier network that would track all the production steps involved in making a garment. We'll use this system to provide more transparency to ourselves and our suppliers.

We will also use it as a tool to measure and verify our carbon footprint using primary data sources (the stuff of dreams for carbon footprinting experts!), while deriving tailor-made sustainability strategies for our suppliers.

Currently we are in the final phase of this data exchange. You can expect some of the results to be presented in the next Eco Report.

SUPPLY CHAIN

Close Collaborators

We went one step further in 2022, as two of our designers moved to Portugal to be able to work even more closely with local production. We consider good communication key to the success of sustainability and quality, and this is our latest effort to push boundaries.



Material Directory

Fantastic fibres and where we find them:



Organic cotton:

Pakistan, India, Turkey, Uganda, Tanzania, China, US, Greece



Linen:

China, France, Italy, Belgium



Wool:

Argentina, Australia, South Africa, New Zealand, England, Uruguay



TENCEL™ Lyocell:

Sustainably managed wood sources from several countries



LENZING™ ECOVERO™ Viscose:

Sustainably managed wood sources from several countries



Recycled Fibres:

Mostly Portugal, France, Uganda, Spain

CARBON FOOTPRINT.

Eco: Logical.

CARBON FOOTPRINT

What's New?

In 2022, we changed our approach to footprinting.

The previous year, we had collaborated with Climate Partner to monitor and offset the greenhouse gas emissions from our company operations and our products. During 2022, we chose to focus exclusively on the first one.

Partly, this is a result of our new approach to data exchange (see the last chapter). The new data and the old data are not compatible, and we're still undergoing a transition. Secondly, we know we need to take responsibility for our own actions. Therefore, we are increasingly looking to invest money within the TWOHIRDS supply chain to improve the sustainability of our suppliers, and therefore, of our products. **This approach - known as insetting - tries to minimise our emissions at the point they occur.**

CARBON FOOTPRINT



We're still a
Climate Neutral company.

What is Climate Neutrality?

The goal is to bring an entity's greenhouse gas emissions to net zero. So that what they release into the atmosphere is equal to (or less than) what is naturally absorbed by the planet. Some have used the term "Carbon Neutral", while we find that Climate Neutrality fits us better. That's because we accounted for all the greenhouse gases we produce - not just carbon dioxide. For the UN definition, see [here](#).

CARBON FOOTPRINT

Becoming a climate neutral company usually works according to the [following logic](#):

①

Measure greenhouse gas emissions.



②

Reduce greenhouse gas emissions.



③

Contribute to projects that help to absorb or avoid greenhouse gas emissions.



④

Report what you have done and make it transparent
(which is what you see here).



CARBON FOOTPRINT

**Measure**

In 2022, we worked on our Corporate Carbon Footprint.

▶ **Corporate Carbon Footprint (CCF)**

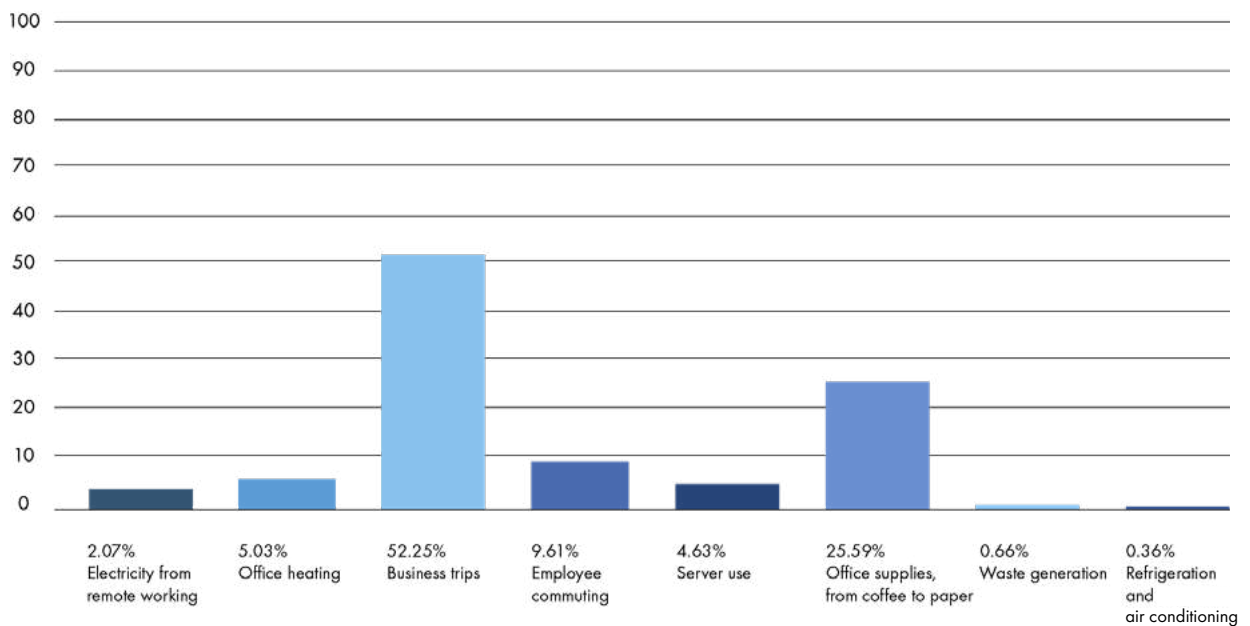
Includes all emissions that occur directly from the decisions of TWOHIRDS. This includes electricity, heating, staff commuting, office supply, and computing on our own locations, as well as business trips of all sorts. Altogether, we produced a total of 59 tonnes of CO₂eq emissions this way in 2022.

CARBON FOOTPRINT

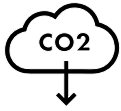
Altogether, we produced a total of 59 tonnes of CO₂eq emissions this way in 2022.

CO₂eq is short for Carbon Dioxide equivalent, meaning several different GHG emissions expressed as one.

Company Footprint By Type



CARBON FOOTPRINT

**Reduce**

Measuring a footprint in and of itself does not improve anything, except giving us the ability to talk about it. We then analyse our emissions and check where and how we can reduce them.

► **Corporate Carbon Footprint (CCF)**

**Electric Transport**

Since the beginning of 2021, our company vehicle is an electric vehicle, which has contributed to reducing the CO₂eq emissions of our vehicle fleet. Furthermore, we collaborate with a local taxi company which operates with electric vehicles.

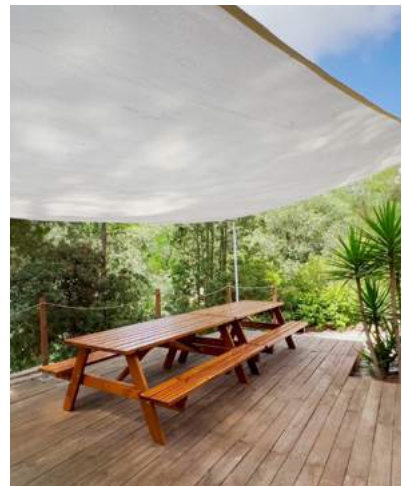
**Electricity Consumption**

We only consume 100% renewable energy in our office, as specified with our provider.

CARBON FOOTPRINT

Small Actions

There are many small actions that show our commitment to becoming not only a more environmentally friendly company, but also a good employer. Our office in Barcelona has a super good coffee machine without pads or filters, purified tap water of the best quality to avoid the use of plastic bottles, and a no-print policy. We also have a small forest in our backyard, aiding carbon dioxide absorption.



CARBON FOOTPRINT

“We have already offset 59 tonnes of carbon dioxide.”



CARBON FOOTPRINT

**Contribute**

Just like the previous year, we compensated for the remaining emissions through an internationally renowned project based in a tropical peat swamp forest close to the sea. The **Rimba Raya Biodiversity Reserve** in Indonesia prevents deforestation for palm oil production and revives degraded areas. 200,000 mangrove seedlings have also been planted close by. These beautiful trees have an enormous capacity to absorb CO₂ from the atmosphere.

By purchasing carbon credits through this project in 2021, we have already offset the **59 tonnes** of carbon dioxide identified by ClimatePartner to cover our company footprint for 2022.



CARBON FOOTPRINT

- ▼ The Rimba Raya Biodiversity Reserve team in Indonesia



THE YEAR IN WAVES.

2022 Wrapped!

THE YEAR IN WAVES

A lot happened last year. For a quick recap of the highs and lows, sea below.

The Biggest Waves Of 2022

- A 65.4% increase in the use of recycled materials.
- Securing B Corp certification.
- The exclusive use of certified organic or deadstock cotton.
- A reduction in our share of organic cotton.
- Pushing the boundaries of supply chain transparency.
- Deepening relations with our core suppliers by basing employees in Portugal, where our garments are made.

The Ones We Missed

- More knowledge on the raw material stage of our fabrics.
- The introduction of new and innovative eco-materials.
- Being the best-in-class regarding environmental evaluation.

Goals for a better future

We often return to the same idea: that TWOHIRDS must keep moving, and keep getting better. In 2023, we specifically want to broaden our focus on the circular economy. While we are proud of the number of recycled materials we are using, we know that it is the durability and longevity of our products that counts. Our main aim is to introduce a program that aims to prolong the lifetime of our garments. This will include the repair and personalisation of TWOHIRDS garments in the most ocean-friendly and fun way.

THE YEAR IN WAVES

“We believe that sustainability is a journey, not a destination. Always eager to innovate, we’ve got high hopes for 2023!”



▲ Lutz Schwenke, Founder of TWOTHIRDS

Thank you for checking in.



TWOTHIRDS