SAITEX

IMPACT REPORT
2022
Saitex is a circular manufacturing system powered by a harmonious relationship between humans, nature, and technology.

Since its inception in 2001, Saitex has been grounded in purpose and driven by a mission to improve social and environmental practices in the apparel manufacturing space. Over the years, the organization has organically evolved from an apparel manufacturer into an ecosystem which currently includes: Saitex Garment manufacturing in Vietnam (2006) & USA (2021), Saitex Mill with its own spinning in Vietnam (2022), STELAPOP upcycling (2019), REKUT (2019), and Atelier & Repairs (2021). All of these entities share the same vision and work jointly to redefine the way we make and [re]use denim.
As a human-centric enterprise we believe that business should be a force for good. The foundation of the enterprise is built on the concepts of **respect, protection, empowerment, and collaboration**. Respect on all levels is crucial to all our relationships. We focus on providing equal work opportunities and celebrating diversity & inclusion. It is our responsibility to protect our associates by assuring fair labor practices and by maintaining a healthy & safe working environment. We value the importance of personal development. Therefore, to empower and to enhance the lives of our associates, we continuously provide training and invest in community well-being. In order to further our efforts, we focus on nurturing internal and external collaboration.

**Highlights:**

As a society, it is our responsibility to support members from marginalized backgrounds and cultivate a sense of belonging, both within and outside the workplace. We are very proud and grateful that our REKUT team had an opportunity to collaborate with two major partners, **Madewell** and **IKEA** to launch their products in 2022.

**DID YOU KNOW?**

That an estimated **1.3 Billion** people globally experience significant disability?

This represents **16%** of world’s population or 1 in 6 of us.
Inspired by nature and regenerative by design, Saitex’ ultimate goal is to create a positive impact. To achieve this, we concentrate on responsible raw material sourcing, water & soil stewardship, clean air & renewable energy. Building products of the future requires clean inputs. This is why we take utmost care when choosing our ingredients such as fibers, chemistry, trims and packaging, as well as how we design our processes. To make this a reality, we work with a trusted network of partners and are continuously engaging with certifying bodies such as bluesign®, GOTS, GRS, regenagri®, OEKO-TEX®, C2CPII and others. Soil and water are bases for all life on earth and this is why we design our operations with respect for these precious resources. Examples of the same can be found in our chemistry choices, facilities designed with an intent for no freshwater input, laundry with closed loop water systems, and regenerative farming. We continuously lobby and invest in renewable energy, planting trees because clean air just like the clean water and soil is essential. Our long-standing systems thinking approach, which encompasses mindful material choices, holistic design in construction of our operations, ongoing environmental and social innovation, collectively converge to serve the transformation to the circular economy.

Highlights:

To attest to our environmental efforts, in 2022 Saitex has been awarded Best for the World in Environment by the B-Corp along with Patagonia Works. In April 2023, according to the Higg FEM verification, Saitex manufacturing Vietnam scored 96 points out of possible 100 for year 2022. Save Trees Eliminate Landfills And Protect Our Planet (STELAPOP) collaboration for 2022 resulted in 30,000 kg of Saitex textile waste getting transformed into replacement for wood to create furniture and objects that are primed for circularity when it comes to both their modular design and their perpetual cyclability.

DID YOU KNOW?

That 1kg of textile waste used for furniture instead of 1kg virgin particle wood-board can save 3.13kg of CO2 on an average?
TECHNOLOGY

Cutting edge innovation and state of the art machinery, merged with human creativity serve as backbone for our operations. These include Industry 4.0 - smart factory, (Speed to Market) STM, transparency & traceability. Our smart factory is powered by applied artificial intelligence, machine learning, deep learning, big data, IOT, RFID, robots, and robotic process automation. In order to serve our customers better, we focus on cloud & edge computing, CAD, and computer vision. Transparency and traceability are intel behind sustainability and circularity. Without them, it is impossible to provide solutions for future optimization and to be held accountable. This is why Saitex has evolved into vertically integrated eco-system. Measurement is pivotal for identifying areas of improvement. Saitex has been actively engaged in conducting Life Cycle Assessments (LCAs) in collaboration with Ecochain since 2019 to comprehensively map-out its operations which has enabled us to gain a valuable insight and make data-based decisions in order to drive further improvements.

Highlights:

Based on our LCA studies, in 2022 we have launched our fabric and product facts in an easy-to-read nutritional label format with the aim to foster transparency regarding our processes and our impacts. Additionally, we hope that our data crunching, will help designers to make better informed decisions.

DID YOU KNOW?

That over 70% of product impact happens at the design phase?
Note:

Considering that our apparel manufacturing facilities in Amata industrial park have been in operations for over 15 years and since our other entities are recently established and are not currently operating at their full capacities, we will defer reporting on them until more stable and reliable data is available. On the following page you will find a more detailed impact overview for 2022 for the Saitex apparel manufacturing facilities in Vietnam.
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<th>SAITEX APPAREL AMATA INDUSTRIAL PARK (VIETNAM) STRATEGIC TOPICS</th>
<th>2021</th>
<th>2022</th>
<th>CURRENT STATE OF AFFAIRS</th>
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<tr>
<td><strong>ELECTRICITY CONSUMPTION</strong></td>
<td>5,609 kWh/garment</td>
<td>3,051 kWh/garment</td>
<td>These numbers are average calculations per garment including electricity used for both garment production and general facility operations. Through consolidation of our facilities and a simplified design requirements on the production, we were able to reduce electricity use by 15.5% on average per garment in 2022.</td>
<td>Our energy sources come from the renewable energy mix, where 42,5% is hydro power from the grid and 0.03% is from solar polar. Our first solar panels that have been installed over 8 years ago are outdated in terms of their overall capacity. Legislation on both national and local law levels has been behind in its transition to renewables. Based on the law, companies in Vietnam are allowed to have only 1MW of solar power/month per facility with up to 4 locations. Issue is that not all our buildings are same size and not all require same amount of energy. Consequently, we are exploring options for transferring solar energy between buildings and within our industrial park. Simultaneously, we are also looking into electricity grid provider NVA, if we can purchase more renewable energy from them. Our investments have been delayed and moved to 2023 and onwards due to Covid related lockdowns. We realize that our ambition for being carbon neutral by 2025 is not going to materialize as envisioned. However, we are working to get there as early as possible, hopefully by 2027.</td>
<td>We have created a plan and documentation for a 20-year commitment to a solar roof project. This would allow us to generate approximately $700,000 of renewable energy per year. Unfortunately, the government has not yet granted the license to the industrial park to proceed. We have spent the last 2 years together with the industrial park lobbying with the government for an update in the regional policy for transition to renewable energy. Please follow the link in chrome for English translation of the national news article to find out more. Once the solar roof plans have a green light, within one year, we will have ten-fold increase in renewable energy from solar, which would bring our renewable energy sources to 52.5% in the near future. In the following three to four years, we expect to be running fully on renewable energy. Simultaneously, through our Higg FEM, we are working on Science Based Target initiative (SBT) for climate action. However, our goal is to go above and beyond the current regulations and targets as early as possible. In our mission, we are always open for collaboration and welcome our partners with their support on solar energy intetsting.</td>
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<td><strong>CO2 TOTAL EMISSIONS</strong></td>
<td>2,73 kg CO2-e/garment</td>
<td>2,39 kg CO2-e/garment</td>
<td>Total number of emissions include all Saitex apparel facilities taking into account: emissions from electricity, steam, gas and petrol use. In 2021, average CO2 emission per garment was 2.73 and in 2022 average CO2 emission per garment was 2.39. Resulting in a decrease of 12,5% kg CO2-e on an average per garment thanks to consolidation of facilities, processes as well as design choices.</td>
<td>We understand that most of our impact comes from the electricity, this is why we are working on solar roof projects and renewable energy purchases from the governmental grid.</td>
<td>Our primary goal is quick adoption of solar roof projects, while consistently enhancing our facility setups and optimizing processes to combat CO2 emissions. By improving ourselves, we help our partners improve their scope 3 emissions which is where the biggest impacts take place.</td>
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<td><strong>CO2 EMISSION OFFSETS</strong></td>
<td>6%</td>
<td>10%</td>
<td>In 2021 we have reduced our CO2 emissions by 6%. 5.97% offsets came from planting additional 34,295 trees and 0.03% to solar energy. In 2022, we decreased the electricity use per garment produced and have planted 34,295 new trees, contributing to CO2 offsets by 9.71%. Solar CO2 reduction for the same year was 0.04%. Additionally, we have purchased 92 certified carbon offsets which contributed to 0.45% CO2 reduction.</td>
<td>As much as we have hoped that solar roof project would have been moving faster, we also see now that this is not the case. For us it is important to address CO2 emission via projects that we have a direct access to. This is why in 2020, we have started our 5-year partnership with Gaia Nature Conservation which was established in 2016 by the Vietnam Union of Sciences and Technologies Associations. Although we have already invested 185,000$ into this project, we are looking into further investments in order to plant more trees than initially planned.</td>
<td>Total Saitex tree planting project investment equals to $185,000 where 136 180 trees will be planted by 2026, covering 75 hectares in regions of Mangrove and Xuan Lien forests. This will generate in total 6279T CO2 offsets. To date, we have invested amount of 997 500, equaling to 110 959 trees already planted, covering 42 hectares and generating 5060t CO2 offsets. Through these tree planting initiatives, we support natural conservation, biodiversity, afforestation, environmental protection and climate change mitigation. Once the regulations on solar power are adjusted, within one year, we expect to reduce our emissions by 10% through 1st phase of solar roof installations as well as to offset additional 14,16% of CO2 by planting more trees. This would mean that Saitex Sewing and Finishing divisions could be 100% carbon neutral as soon as the same is implemented.</td>
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<td>STEAM</td>
<td>GAS</td>
<td>WATER CONSUMPTION</td>
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<td>5.7292 ton/garment</td>
<td>0.0182 kg/garment</td>
<td>0.0638 m³/garment</td>
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<tr>
<td>5.3772 ton/garment</td>
<td>0.0166 kg/garment</td>
<td>0.0567 m³/garment</td>
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**At Saitex, steam is used for various operations, primary in wet garment processing and garment drying. To create steam, we use biomass to warm the water. The steam used for garment drying processes is fully recovered as warm water which is then used for further processing where normally new steam would be needed. Although, our production has increased by 32%, we managed to reduce the need for steam by 6.14% per garment due to simpler design demands.**

By carefully monitoring our consumption, we can better advise our customers on design decisions that can help save resources.

For the future, we are working on garment developments that can be washed in a single step in order to reduce need for steam because recapturing can only be done from drying and not the wet processing. In the longer run, we would like to adjust washing machines to indirect heating systems in order to enable higher percentage of steam recycling. These machine modifications require significant investments which will be prioritized after the solar installations.

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**At Saitex, LPG (liquid petroleum gas) is used only for 3D Processing. Although, our production has increased by 32%, we have managed to reduce gas consumption by 8.8% per garment on an average because we made less styles with 3d design features.**

Currently, in our operations we are using one gas powered oven which we are looking to replace with another technology. For future, we will advise designers on the current impacts of the 3d processing in general.

In addition to oven replacement, once the solar roof project is implemented, this operation can also be powered by solar energy.

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These numbers reflect overall water consumption which includes garment production, employee water use and farming. Although our order numbers have risen from 2021 to 2022 by 32%, we have managed to decrease our overall water consumption by 11% through optimization of our processes and designs that require less water.

Although we have made improvements when it comes to our production machinery and processing, we believe, we could further improve by providing more education to our employees regarding water stewardship.

We are continuously measuring our water footprint and innovating in order to conserve and reuse water.
These numbers reflect overall water discharge which includes garment production, employee water use and farming. Although we had 32% increase in garment orders, we managed to reduce wastewater discharge by 11% through renovation of our wastewater treatment plant. We had to pause our water recycling in order to perform renovations which took 3 months. We see positive results already however, we are continuously monitoring the impacts and we expect to improve further.

Since 2019, our wet and dry garment finishing has been bluesign® certified, a world's first. Additionally, since 2016, Saitex has been set up as a closed loop water facility, where 98% of water gets recycled and re-used and 2% naturally evaporates. We are continuously measuring our water footprint and innovating in order to conserve and reuse water.

Primary sources of waste at Saitex comes from sludge. Although, overall garment production has increased by 32%, we reduced our waste by 25% because we have further upgraded our water and sludge segregation resulting in less waste by volume. Additionally, we have switched to new enzymes and stone wash replacements to further alleviate the sludge burden.

We still have waste that belongs to safe landfill category, primarily sludge. We realize that our past projects of using sludge as a raw material to create building materials was good, but it can only be effective if exponentially scaled. For textile waste, we are working closely with our sister company STELAPOP to transform textile waste into replacement for wood. In both instances, we are actively seeking for partners who can join us in amplifying and commercializing these initiatives for a more significant positive impact.

Our goal is to eradicate waste by repurposing our main waste streams into innovative commercial materials. In addition to creating built environment materials, we are also exploring potential partnership with our industrial zone to utilize our repurposed waste.

Human health and well being are very important to us, this is why Saitex is committed to creating as many green areas as possible within all our facilities. For instance, our new mill premises include Saitex farm projects where 40% of the space is dedicated solely to green area. Currently, 300 baby plants across the fabric mill have been planted. Similarly, at STELAPOP’s small facility, 13% of land is dedicated to green space boasting 180 trees. Saitex agronomists are continuously testing and innovating to naturally enhance soil health. Our objective is to gradually adopt Zero-Budget Farming, utilizing homemade pesticides made from chili, garlic, and rice alcohol, as well as liquid manure derived from compost to nourish our open-air plants.

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<td>APPAREL WASTEWATER DISCHARGE</td>
<td>0.0511 m3/garment</td>
<td>0.0454 m3/garment</td>
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<td>WASTE</td>
<td>2,451,789 kg</td>
<td>1,841,425 kg</td>
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<td>SAITEX FARM</td>
<td>413 kg</td>
<td>3500 kg</td>
<td>Saitex farming is regenerative in nature, it is done on premise through green house, open-air, and hydroponic farming methods. Goal is to produce organic fruits, vegetables and herbs to provide healthy food for workers. On average 50% of food is donated to Saitex workers and 50% is sold on the local market.</td>
<td>Unfortunately, our green house was hit with invasive pests, thus our harvest had a 15% drop in yield during 2022. To prevent this happening in the future, our agronomists are experimenting with plantations at different locations and further developing our own natural treatments.</td>
<td>Human health and well being are very important to us, this is why Saitex is committed to creating as many green areas as possible within all our facilities. For instance, our new mill premises include Saitex farm projects where 40% of the space is dedicated solely to green area. Currently, 300 baby plants across the fabric mill have been planted. Similarly, at STELAPOP's small facility, 13% of land is dedicated to green space boasting 180 trees. Saitex agronomists are continuously testing and innovating to naturally enhance soil health. Our objective is to gradually adopt Zero-Budget Farming, utilizing homemade pesticides made from chili, garlic, and rice alcohol, as well as liquid manure derived from compost to nourish our open-air plants.</td>
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VISITS & AUDITS

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<th>2021</th>
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<tbody>
<tr>
<td>ALTRUISM</td>
<td>8602 persons</td>
<td>8587 persons</td>
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In 2021, we received a total of 13 third-party visits, out of which 11 were audits conducted for social and/or environmental certifications. In 2022, the number of visits significantly increased to 49, averaging approximately one visit per week from various brands. Additional- ly, 17 audits were carried out for social and/or environmental certification purposes. This notable increase of 73% in overall visits and 24% in audits can be attributed to multiple factors. Firstly, most travel restrictions imposed during the COVID-19 pandemic were lifted in 2022, allowing for more visits. Secondly, the onboarding of new customers also contributed to the rise in visits and audits.

Given the unique nature of our processes and operations, existing life cycle assessment (LCA) databases may not fully meet our requirements. Therefore, we are actively collecting data to create a tailored and comprehensive database, and methodologies. We have underestimated how much missing and outdated information is out there and how much time it takes to generate up to date data. While this process is very time-consuming and meticulous, we are determined to continue with our efforts because we can only improve if we can correctly measure.

Our garment facility has been working extensively on LCA studies in collaboration with Eco- chain since 2019 in order to measure and improve our operations. In 2022, we started to implement the LCA studies into our fabric mill as well. Both are ongoing.

Some audits have highlighted weakness in our system which has led to direct action and improved post audit performance. For example: we had to adjust way of calculating bonus and incentive based on actual working hours instead of contract hours which was subsequently rectified.

LIFE CYCLE ASSESSMENTS
ongoing

As a society, we have a collective duty to support members from marginalized backgrounds within our workplace and beyond. While we are committed to continue our support on existing projects, we also would like to do more. Given the growing issue of homelessness in Los Angeles, where Saitex manufacturing is also located, we are working on joining forces with Shelter Suite Foundation in order to address this pressing challenge and create more positive impact together.

Currently, there are no established LCA data on regenerative farming because this is a multi-layer and a multi-year process contingent upon individual farms and or regions. We are actively engaged in collaborative efforts with farming communities, regen-agri®, and other stakeholders in order to establish a reliable and accurate regenerative cotton data baseline. We are also exploring partnerships in order to further harmonize data on energy, water, and greenhouse gas emissions. These joint efforts will allow us to obtain a more comprehensive impact overview for both our fabrics and our products. Besides being used for our internal improvements, ultimately our data is to be shared with our stakeholders to nurture transparency and to enable better informed decision-making.
THANK YOU
SAITEX