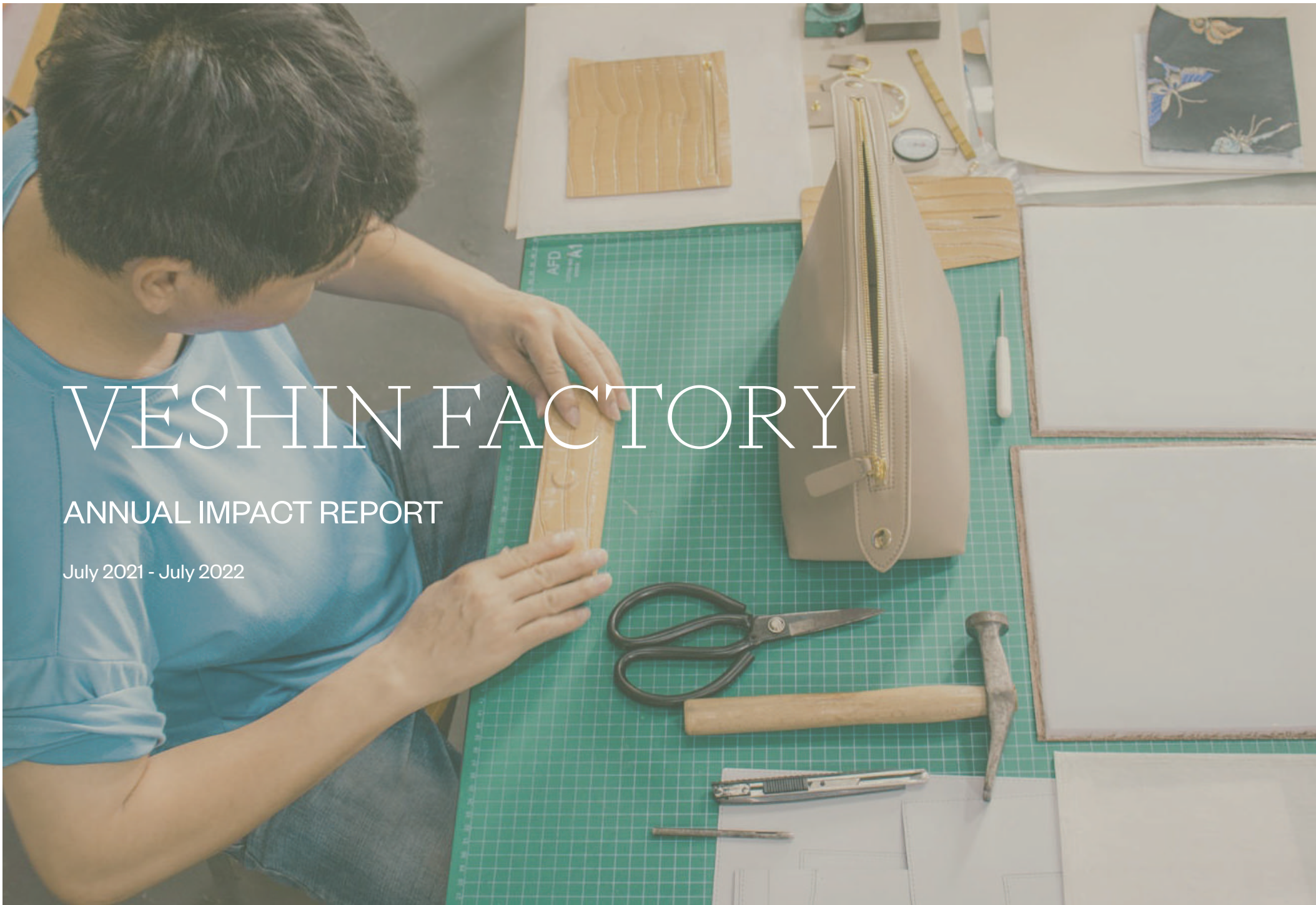


# VESHIN FACTORY

ANNUAL IMPACT REPORT

July 2021 - July 2022





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At Veshin, we define sustainability as humanity living in harmony with nature. But at this present time, in order to restore balance, humanity needs to be working collaboratively to respect the natural laws of the planet. The planet is governed by mother nature and it is up to humanity if they decide to survive on the planet or not.

**Nature will always find a way!**



Sewing construction at Veshin factory

# INTRODUCTION

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As an organisation, we have **five core value objectives**.

The first is to be as **sustainable** as we can be in every aspect of what we do.

The second requires us to be completely **transparent** with every part of our process.

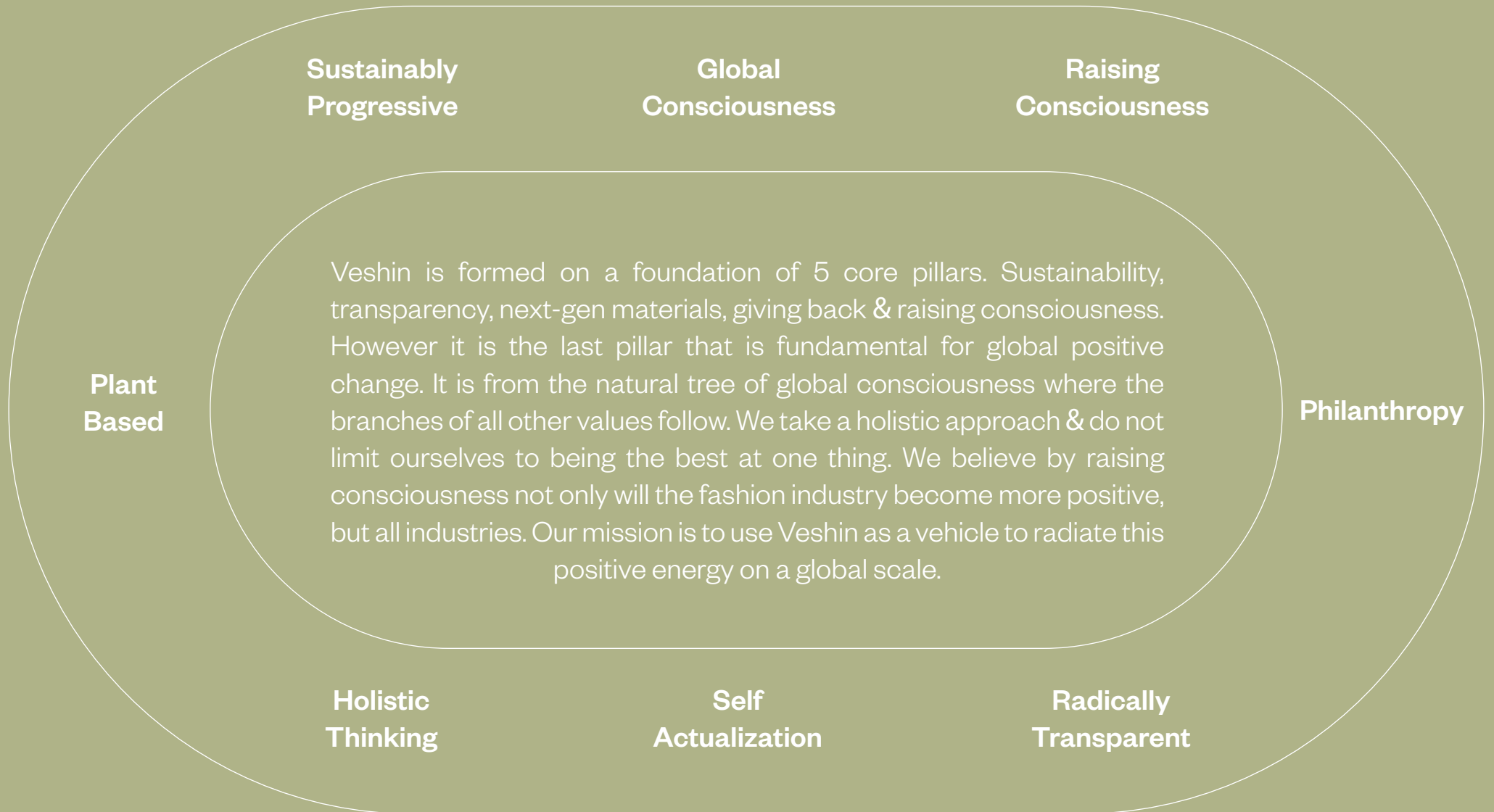
The third sees us encouraging and supporting **next-gen materials** wherever possible.

The fourth requires us to **give back** where we can.

And the fifth, and most important, is our commitment to **raising consciousness** by being kind and doing the right thing.

It is our belief that by being conscious and radiating positivity in every aspect of both our working practice and day to day lives, we can not only revolutionise the fashion industry but generate lasting and meaningful global change for people and planet

# VESHIN'S SUSTAINABILITY MISSION



# UN SDGS

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The UN SDGs are the framework that we use for decision making and creating action plans. We are a small company, and as much as we would like to contribute to and achieve all the SDGs, we know that we need to focus on the areas where we can have the most impact. We have spent a lot of time considering which specific targets we believe we can contribute to, and have **developed a list of nine in order of impact potential** and relevance to our values.





- 12.2: By 2030, achieve the sustainable management and efficient use of natural resources
- 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
- 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
- 12.7 Promote public procurement practices that are sustainable
- 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature



- 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
- 10.3 Ensure equal opportunity and reduce inequalities of outcome
- 10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality



- 13.2 Integrate climate change measures into national policies, strategies and planning
- 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning



- 9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment
- 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

\* in the future, Veshin could support technological development, which SDG 9 focuses a lot on



- 1.2: Reduce the proportion of men, women and children of all ages living in poverty in all its dimensions



- 15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase reforestation globally
- 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity
- 15.7 Take urgent action to end poaching and trafficking of protected species of flora and fauna and address both demand and supply of illegal wildlife products



- 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



- 4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
- 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations



- 5.1 End all forms of discrimination against all women and girls everywhere
- 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



- 17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries



# MATERIALITY STUDY

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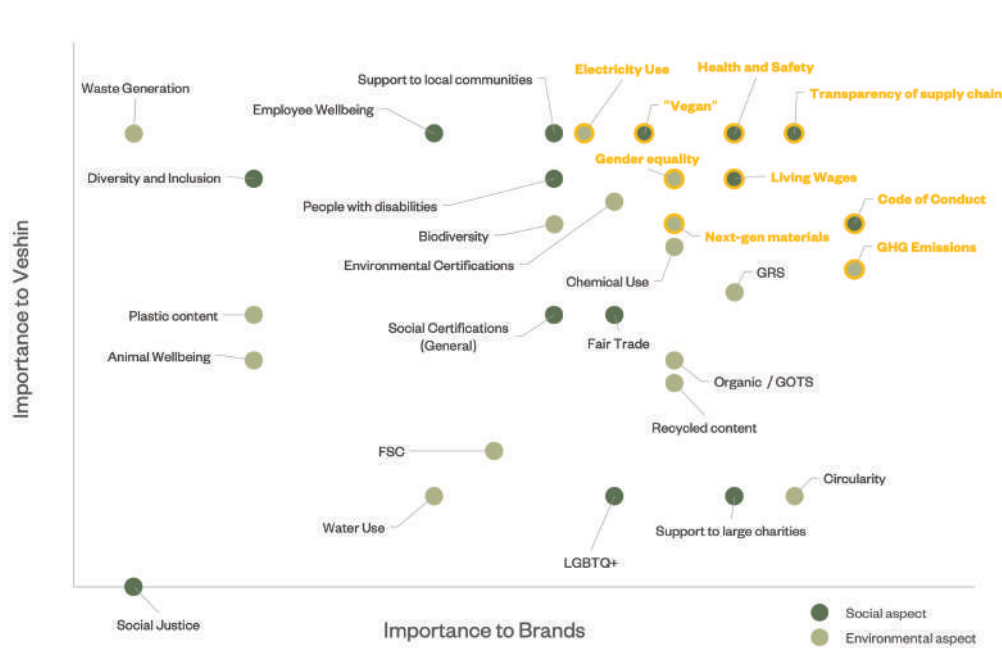
We have spent months reading theories and scientific reports on sustainability in our industry, and collected a lot of information which is specific to brands and consumers. To combine all of this together, we have undertaken a materiality study. This is a system that allows us to prioritise our goals and tasks, focus on specific items, and do them well.



Mirum | Photo Credit: Evan Jenkins

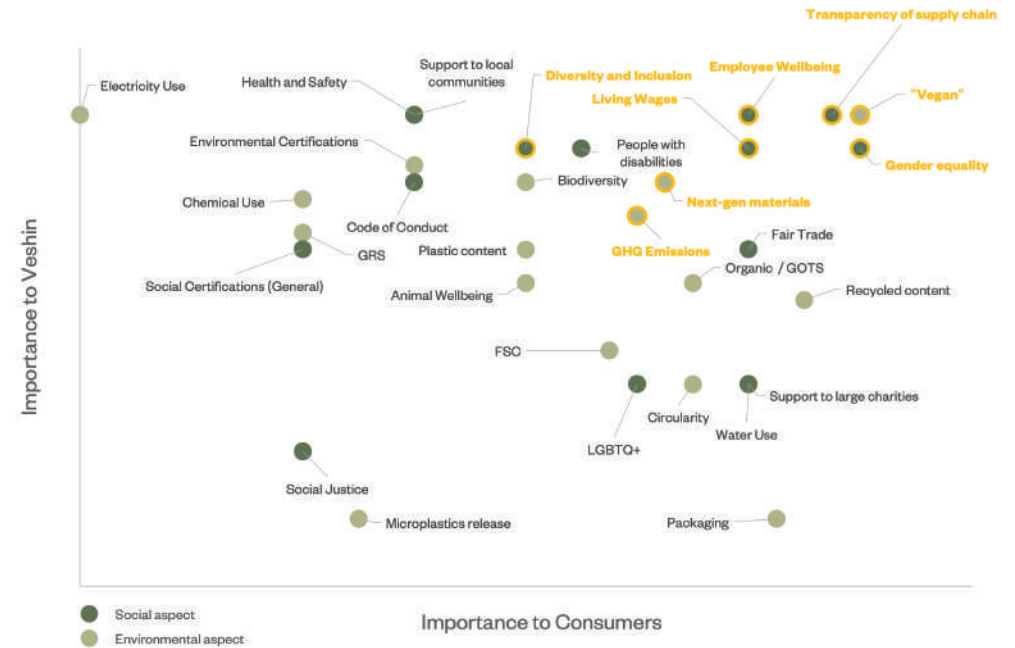
# BRANDS

Our materiality study shows us that for brands, it is most important to ensure everything that is related to compliance. We were happy to discover that transparency is both one of our pillars and a key aspect for brands. There are things that are more important to us than brands, but will keep focusing on them, such as the support to our surrounding communities in the area where we work, and energy efficiency.



# CONSUMERS

In terms of consumers, we know that we don't have direct contact with them, but it's important to know how they think and how we can advise brands to go in a certain direction. Making bags that use animal-free leather alternatives made possible with newly discovered materials, is at the core of our operations, and this is what consumers are asking for. We were very happy to find out that consumers also appreciate our employees, and especially our women, working in a factory that meets the highest standards.



# IMPACT MANAGEMENT SYSTEM

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We have recently developed a custom impact management system, which we call the **Environmental and Social Management System (ESMS)**. Being a factory of less than 50 people, we hadn't spent much time recording all of the small changes that happened, as we were so busy with production.

But now, we have started tracking all of our utilities needed every month, our production data, information on our policies, when information needs to be reviewed, and information on our staff, for instance diversity and inclusion information.

*This report is the summary of our current situation, which will be our baseline for future improvements.*



# BSCI AUDIT | OVERALL SCORE: B



PA1: Social Management System	A
PA 2: Workers Involvement and Protection	C
PA 3: The Rights of Freedom of Association and Collective Bargaining	A
PA 4: No Discrimination	A
PA 5: Fair Remuneration	B
PA 6: Decent Working Hours	A
PA 7: Occupational Health and Safety	B
PA 8: No Child Labour	A
PA 9: Special Protection for Young Workers	A
PA 10: No Precarious Employment	A
PA 11: No Bonded Labour	A
PA 12: Protection of the Environment	A
PA 13: Ethical Business Behaviour	A

# BSCI CORRECTIVE ACTION

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**PA2 Audit Comments:** There is no effective suggestion and appeal mechanism for stakeholders. There is no effective communication channel with stakeholders, and stakeholders can't communicate with them in time. Company has set up an internal complaint mechanism and provided an information box for employees. According to BSCI 2.5.

→ **Our Response:** Formally, the administration procedures for addressing stakeholders' complaints were not handled proactively. The administration department will immediately release the contact information of management so that stakeholders can timely submit feedback to the company.

**PA5 Audit Comments:** Factory did not establish control procedures for risk assessment of infectious diseases and infectious diseases, did not enter risk assessment of infectious diseases and infectious diseases, and did not provide relevant training to employees.

→ **Our Response:** Management shall immediately establish the risk assessment and control procedures for communicable diseases and non-communicable diseases, assemble a risk assessment team to conduct the audits every year and regularly organize risk training for staff.

**PA7 Audit Comments:** The auditor found that the pressure of the eyewash set in the room was too high, which may cause injury to the staff for several times, and the eyewash could not be used for emergency flushing.

→ **Our Response:** Due to the negligence of the management staff, the water pressure of the eye washer was too high and was not dealt with in time. The administrative department shall immediately arrange personnel to deal with it and arrange regular inspection to ensure that the eyewash can play the role of emergency irrigation.



# HUMAN WELLBEING

- > EMPLOYEES
- > HEALTH & SAFETY
- > WAGES
- > COMMUNITIES



Veshin's employees

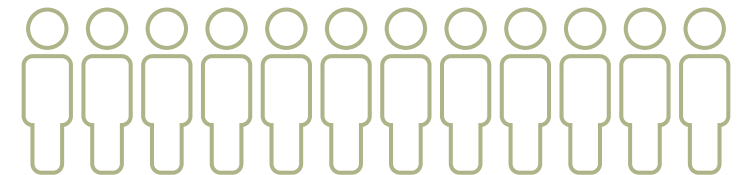
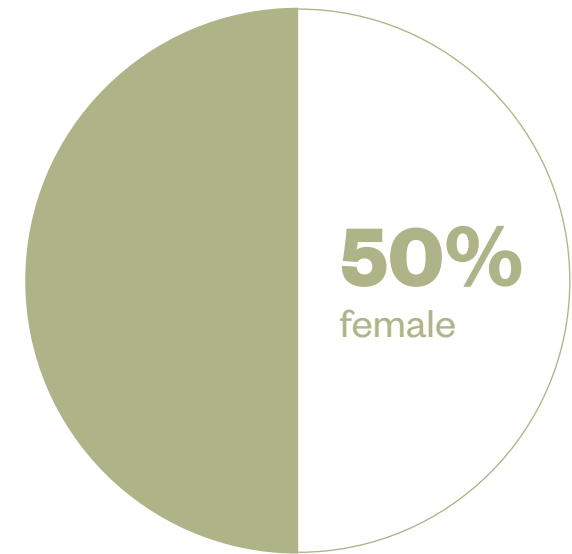
# EMPLOYEES



The main asset of Veshin is its employees. We currently employ **42 people**, of which 11 are in our office. Our workforce is composed of **50% female**, and **30% are migrant workers**. We have 1 employee with a disability working in the factory, and we have a recruitment procedure designed to eliminate discrimination. We ensure that gender equality is applied in each aspect of the company, including salary distribution, and guarantee that migrant workers have actively decided to live here to work, even though their families live in a different town.

It is important that we understand factories in the context and culture of the country that it is operating in. For example, in China, there is a strong desire from people who live in smaller towns and villages to work in a bigger city, however, our employees strongly rely on the support of parents and grandparents for childcare. This is why we ensure that our migrant workers have the ability to go back to their hometowns.

Veshin operates like a family based on a trust system and esteem for each other. All management has very long lasting relationships with employees, thanks to a stable workforce, driven by mutual respect.



migrant workers

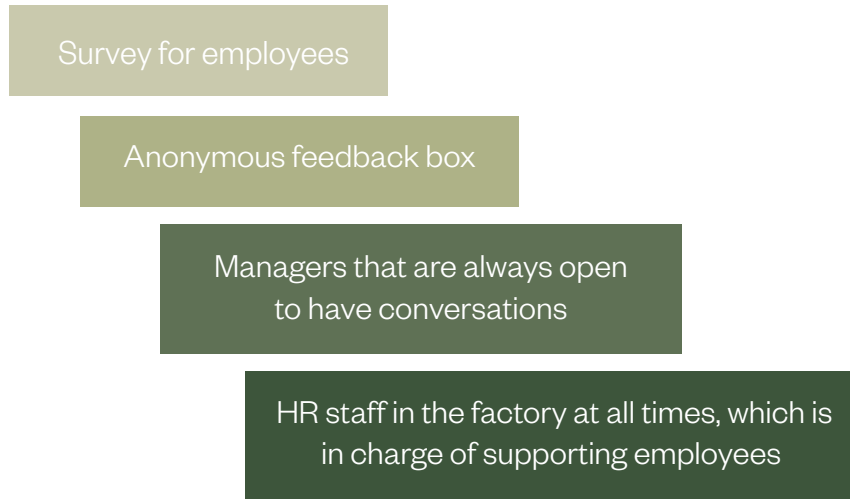


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Production line at Veshin's factory



Our employees particularly value feeling a sense of belonging at Veshin. We are open to suggestions from their side, including through anonymous channels, which we are looking to improve and encourage using. These are:



We understand that factories can be overwhelming to work in, which is why we have decided to not fill ours at maximum capacity, but ensure that there is more than the recommended space, to allow people to have a sense of open space.

In our new factory, we have planned to build a meditation room that we will encourage our employees to use to wind down and connect with themselves.

We will also have a recreational area with a pool table to allow employees to have fun and switch off after work.

Driving home a sense of family, Veshin always thinks of gifts to give employees that are meaningful and relevant, from suitcases and tea, to cars and massage chairs. We particularly thought the giant golden eggs we stuffed with presents for Chinese New Year were a hit! And like true families, when the going gets tough, we are here to support. With this we offer our employees individual loans to get them through whatever they are experiencing. We also support our staff with their specific requests such as the need for transportation or further education.

There have been multiple situations in which we have helped our employees who wanted to get an advance payment, for instance to build a house, or for any other family emergency. Our employees know that we are there for them in case they need support.

In China, the biggest holiday is the Chinese New Year, which is when we always give gifts to our employees, such as suitcases, or nice tea (which is our absolute favourite).

# HEALTH & SAFETY



We believe that Health and Safety should not even be considered an aspect of sustainability, but be a necessary condition without which there is no production.

This is why we welcomed all the suggestions from BSCI, and are aiming to become ISO 45001 certified. We don't use hazardous machinery, however, with basic sewing machines, cutting machines, and the use of glues, there is always an element of risk, which is why we have notice boards reminding us of good practice, and training on health and safety.

Similarly to wages, we appreciate **the government's frequent unannounced checks to ensure that fire safety measures are in place, and that trainings are carried out.** We meet or exceed the government's standards for all other variables too, such as PPE, noise, air quality, and fire extinguisher locations.

We only use water based glues, and ensure to always meet the standards required by our client's Restricted Substances List.



Workplace Safety | Photo Credit: ILO/Aaron Santos

# WAGES

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Through the BSCI audit, we have calculated that our employees receive salaries that are **10% higher than the industry standard** and **40% higher than local law minimum wage** requirements. Our goal is to ensure that our employees are able to live a fulfilling life with the means that we provide, and have enough time to spend with their families.

We follow the government's law on wages, and appreciate that extremely high standards are requested. Regular checks are carried out to ensure that **100% of our employees have long term contracts**, that taxes are paid correctly, and that wages are received on time through direct deposit systems that we set up with our banks. We do not pay our employees based on their productivity, but have a standard monthly salary, as we do not want to put pressure on them and we trust that the resulting quality will be much higher if they can take the time required for every stitch and every fold.

We give annual bonuses based on the seniority of employees, and the performance of factory and of specific employees, which is established through meetings with supervisors and peers.

We want to ensure that our employees are encouraged to pursue the career they like, and are supported to learn new skills. We have a set of trainings available to our employees, both to grow within the company, and to learn new vocational skills. We have seen a particular interest in learning languages, and will keep supporting this to be an option for Veshin staff.

# COMMUNITIES

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At Veshin, we aim to aid the formation of sustainability that goes beyond our products, making sure humanity is achieved.

We ensure our work supports the communities around us and **currently support ACTAsia** to sustain the health of the lives that shape up our planet. ACTAsia teaches children about respect and kindness cultivating a deeper level of understanding the interdependence of all living things, educating consumers about the production process behind the goods they consume, and educating professionals through a network built in Asian societies to have the best practice and knowledge of the importance of considering animals' welfare, and assure their are standards in place and upheld.

**Veshin donates staff hours dedicated to volunteering initiatives, based on monthly availability in terms of time, and what our community is facing each month.**

We want to support the desire that our employees have to help the community, which is why we encourage them to volunteer with their time, in parallel with monetary donations. The latest example is the most recent Covid outbreak in China, during which our employees supported testing centres.

The Veshin team has participated in education initiatives around the world. We believe that educating students, sensitising the young generation to climate change and supply chain issues, and inspiring them by sharing exciting examples of positive change, is an extremely powerful way of creating long term impact. We have trained one intern per year, and we want to continue offering first hand experience to university students.

Our future plans include doing more guest panels and presentations, as well as collaborating with the University for Peace and Mareblu Beach Clean Up in Costa Rica.



Windmill | Photo Credit: Skitterphoto

# ENVIRONMENTAL + INDUSTRIAL

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- > CIRCULARITY & WASTE
- > ENERGY & GHG EMISSIONS
- > WATER
- > BIODIVERSITY

# CIRCULARITY & WASTE

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At Veshin, we envision a future where **waste is a primary resource**. We plan to develop a digitised / automated system tracking our entire supply chain, giving us real time data on material utilisation informing us where we need to improve, while simultaneously helping increase material reutilization.

Working closely with brands on take-back and lease programs would allow consumers to purchase new items without using any virgin resources at all. Our dream come true. This, however, would require a very specific commitment and collaboration between brands and consumers, which is out of our control. What we are able to do, is to make sure that we reduce, reuse and recycle all materials in the factory, as well as facilitate partnerships for upcycling, take-back and leasing programs.

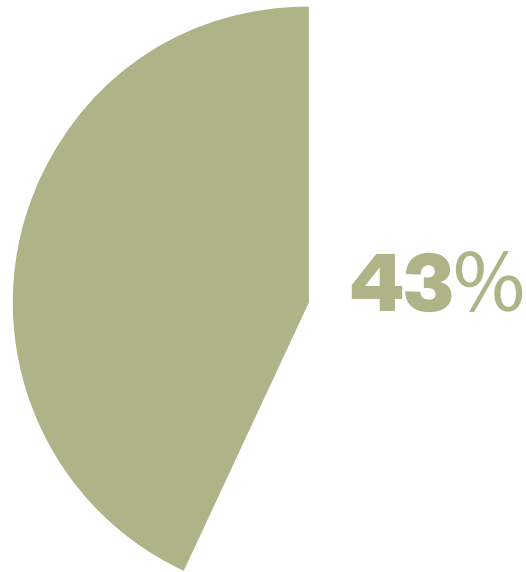
In fashion, there are always issues with the prediction of order sizes and small mistakes in manufacturing, which cause huge amounts of materials being wasted. **We collaborate with take back companies including Queen of Raw to resell any material we cannot use. For small pieces & offcuts we empower our staff to always think of more artistic ways to upcycle these scraps.**

Looking to the future, we are currently exploring digital fashion solutions and the metaverse as a means to grow Veshin while reducing sampling waste and consumption. Veshin will offer digital product development services such as 3D design and sampling, helping brands gauge interest and collect pre-sale orders prior to production.

In partnership with the local authority, which manages the waste in the area, **we recycle 100% of organic waste, paper, plastic, and metal**. We are researching innovative ways to use all our offcuts, such as using them for fillers in bean bags for our employees, or making key rings or small toys.

# ENERGY & GHG EMISSIONS

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Around 43% of the electricity we use in the factory comes from **renewable** sources. As the company grows, we want to make sure that this number increases, and that the impact per product is reduced, allowing for efficiency from scale.

We have a beautiful **500 acre forest** that we are preserving for **biodiversity** and **carbon reduction activities**. With goals to have a positive climate impact, this forest was given to us by the Chinese government after proposing to restore it. As soon as Covid restrictions ease and we can move more freely, we will invest in regeneration projects and planting diverse flora.

# WATER



Water is one of the most undervalued resources, and even though we don't use it for production, we still need it for our employees' and the cleaning of the factory. It is our goal at Veshin to minimise water intake and find innovative solutions on how we can reutilize it.

We currently use 2000 m3 of water/year for drinking water, toilets, cooking and cleaning.

We love to see that our staff is excited about water reuse. They collect all the water used for washing fruits and vegetables, and use it to clean floors. We are also working on solutions to collect rainwater, so that we can store it and use it for the dryer months.

One of the main issues with using leather is the vast amount of water that is required in the rearing of animals.

**By using leather alternatives, the water impact is radically reduced.**



Veshin's 500 acres forest



# BIODIVERSITIES

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Broadly defined as the variety of all life forms on earth, biodiversity matters. Biodiversity loss and climate change are interdependent and mutually reinforcing - one accelerates the other, and vice versa. According to experts, most of the negative impact comes from three stages in the value chain: raw-material production, material preparation and processing, and end of life.

By **eliminating the use of animal based products**, we already widely support the fight against biodiversity loss, given that a large amount of deforestation happens for land use change for animal breeding and growing of feed.

Most of our management team has a design background, which is why we strongly believe in partnering with material suppliers to provide our expertise on final products, while giving feedback on the performance of materials to help these materials reach a wider audience.

We also try to advise our brands to use **“next-gen” materials** that are grown and dyed with minimal amounts of chemicals, and processed with less energy.

In addition to our internal activities, Veshin supports MareBlu in the development, design and construction of artificial reefs, which in time will promote and enhance marine life.

““Next-gen materials” are livestock-free direct replacements for conventional animal-based leather, silk, fur, down, wool, and exotic skins (also referred to as “incumbent materials”).

Next-gen materials use a variety of biomimicry approaches to replicate the aesthetics and performance of their animal-based counterparts.” - Material Innovation report

**Our goal is to develop biodiversity and conservation programs using our 500 acre forest, enhancing the flora and fauna through regeneration activities.**

*\*This document is constantly evolving and progress will be shared bi-annually*



## VESHIN FACTORY

-  [veshinfactory.com](https://veshinfactory.com)
-  [Veshin Factory](#)
-  [@veshinfactory](#)
-  [@veshinfactory](#)
-  [joey@veshinfactory.com](mailto:joey@veshinfactory.com)

Photo: Hardware application at Veshin factory