



VESHIN

ANNUAL IMPACT REPORT

JULY 2022 - JULY 2023





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Sewing construction at Veshin factory

Welcome to our second Sustainability Report. A lot can change in a year and we're delighted to be able to share our new and ongoing projects and progress.

But first, a reminder of why we're here. It all starts with sustainability, which we define as living in **harmony** with nature. It's no secret that humanity and nature are out of balance. And in order to restore that balance, we need to work with nature, not against it.



Sewing construction at Veshin factory

INTRODUCTION

Veshin is formed on a foundation of 5 core pillars. **Sustainability, transparency, next-gen materials, giving back & raising consciousness.** These pillars drive every one of our decisions, so that we're always working in alignment with our philosophy. But it's the last pillar — raising consciousness — that's the most important for us. Because if every person and business became more mindful, we'd act with greater empathy and understanding towards each other and towards our planet.

So, we start at the individual level, promoting self-love and acceptance and radiating positivity in everything we do. As these ripple out, we hope to remind people about what really matters in life — our connection to each other and to the earth. This is the starting point for our society to become truly sustainably progressive. And once enough of us think in this way, we'll be able to restore that balance and harmony between humans and nature on a global scale.

Through sustainability, we can preserve our place on planet Earth for generations to come.

VESHIN'S SUSTAINABILITY MISSION



QUICK SNAPSHOT OF THE LAST YEAR

What a year it's been. Over the next few pages, we'll dig into:

- Our move to a brand new factory and R&D facility in China
- Our official partnership with Natural Fiber Welding — creators of Mirum
- Our new Veshin x NFW white label catalogue
- The kick-off of our Give Back program, to which we dedicate 0.5% of all our revenue
- Beneficiaries include MareBlue and Orphan Education Society Guangdong
- Our progress in expanding Veshin Factory to Colombia to potentially offer production in South America
- Our tree planting initiative with Ecologi
- New partnerships with brands through our sustainability workshops
- The publishing and staff training for our official policies to guide our operations
- The expansion of our local and international team



UN SDGS

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



IMPACT MANAGEMENT SYSTEM

Over the last year, we've collected data through our custom impact management system, which we call the **Environmental and Social Management System (ESMS)**. Being a factory of less than 50 people, this hadn't been done before. We track all of our utilities 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 overview of last year's performance, which is the baseline for future improvements.

2022 OLD LOCATION PERFORMANCE

We collected data from March to October in our old factory, after which there were very strict Covid lockdowns from November 2022. We relocated soon after this, so the specific numbers aren't relevant to our new factory. Still, it was useful to analyse our resource use and compare it to our new setting.

The numbers tell us that on average, in the factory, we used:

- 136.5 m³ of water per month, only for employee use and cleaning
- 1.28 kWh of electricity per item produced
- This translates to 0.70kg CO₂ eq per bag with our electricity mix
- There is a clear variation in electricity use, due to temperature change, and the use of air conditioning, as seen in the graph below

2023 NEW LOCATION PERFORMANCE

The new location is a much bigger building that also includes a R&D facility, and more employees, so we were expecting our electricity consumption to be higher.

The numbers for the first few months of the year since we moved in are:

- 130m³ of water per month, only for employee use and cleaning
- 1.85 kWh of electricity per item produced
 - This translates to 1.01kg CO₂ eq per bag with our electricity mix
- There is a clear variation in electricity use, due to the slow shift of production from the old location to the new one, and the holidays for Chinese New year in January and February



CERTIFICATIONS

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 (2021)

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.

SMETA (2023)



In 2023 we embarked on the journey of becoming SMETA certified, which we now are. This is a stricter and more extensive certification than BSCI, reflecting our decision to bring higher standards in our practices. It encompasses various aspects such as Labour Standards, Health & Safety, Environment, and Business Ethics. The audit followed the SMETA Best Practice Version 6.1 (March 2019) and included all types of workers at the site, including direct employees, agency workers, service providers' employees, and workers from other contractors. Any deviations from the SMETA Methodology were documented in the SMETA Declaration, along with the reasons for those deviations, available to view here. Get in touch if you have any questions or want to learn about how we are working on the suggestions.

The audit scope was based on reference documents, including the ETI Base Code, SMETA Additions, Universal rights covering UNGP, Management systems and code implementation, Responsible Recruitment, Entitlement to Work & Immigration, Sub-Contracting and Home working, and the Customer's Supplier Code (Appendix 1) for 2-Pillar SMETA. For 4-Pillar SMETA, additional assessments were conducted for Environment and Business Ethics.





HUMAN WELLBEING

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



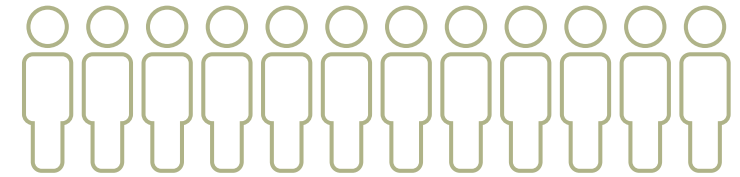
Veshin's employees

EMPLOYEES

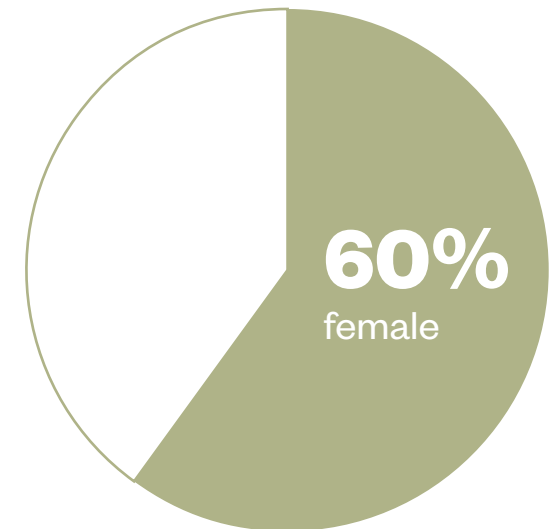


Veshin's main asset is its employees. We currently employ **forty-nine** people in China, of which **twenty** are in our office, and **seven** working with us internationally. Our workforce is composed of **60% females**. We have **1 employee** with a disability working in the factory, and we have a recruitment procedure designed to eliminate discrimination. We ensure that gender equality is applied in each aspect of the company, including salary distribution.

We also pay special attention to the culture and context we're operating in, to ensure fair and supportive working conditions. For example, in China, there's a strong pull towards the cities, where there are more work opportunities. But this can force people to make a difficult choice, forcing them to leave the support of their families and communities. At Veshin Factory, we make sure that our migrant workers have actively decided to live and work here, and that they are able to go back to their hometowns.



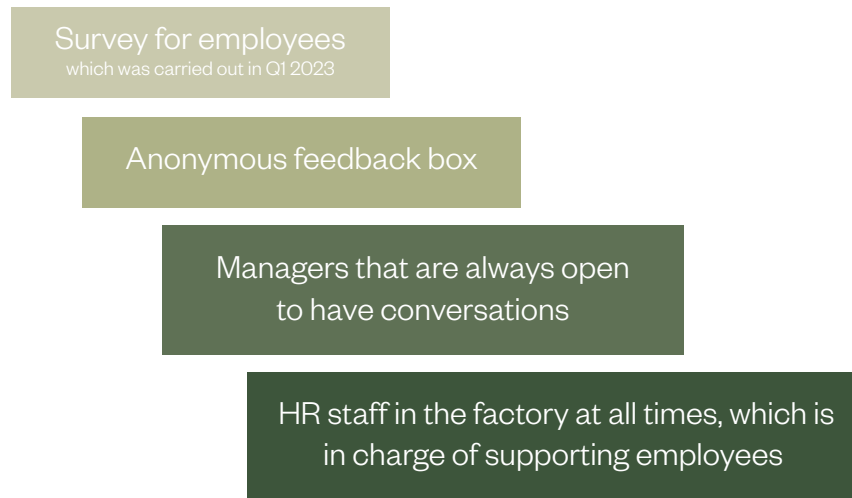
56 employees





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 recently asked for feedback from our employees and asked what they'd like to see put in place on location. The top suggestion was a factory gym, closely followed by healthy snacks. We are working on building capacity for more activities and in the meantime, we are providing healthy snacks.

We've always known that factories can be overwhelming work places, which is why we decided to not fill ours to maximum capacity. Instead, we've ensured that there is more than the recommended space, to allow for comfortable working conditions. From the survey, we can confirm that our employees are satisfied with their jobs overall and have a positive experience working in the factory. They all mentioned appreciating the working conditions in the factory, including safety, temperature, lighting and ventilation, and the training they received.

They all confirmed that their wages are paid on time, which is a key priority for us. What's more, there have been several situations in which we've helped employees obtain an advanced payment, for instance to build a house, or for any other family emergency. They know that we're there for them in case they need support.

And we like to celebrate with them too. 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



Health and Safety is a necessary condition, without which there is no production.

This is why we welcomed all the suggestions from BSCI, and are now SMETA 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.

We appreciate the government's frequent unannounced checks to ensure that fire safety measures are in place, and that trainings are carried out appropriately. 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 (such as REACH or AFFIRM).

Download our [Health and Safety Policy here.](#)



WAGES



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 used the Fair Wear Living Wage ladder and Asia Floor Wage to calculate the living wage in our factory. At Veshin our workers receive 3x the legal minimum wage in the region and 15% higher than the Asia Floor Wage. Through SMETA certification, wages for all workers were calculated on hourly rated basis and were paid on the 15th of each month.

We follow the government's law on paying 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 hourly 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



At Veshin, we aim to aid the formation of sustainability that goes beyond our products, making sure humanity is achieved. We have committed to donating 0.5% of our top line revenue to organizations that need it most and are near and dear to our hearts.

We ensure our work supports the communities around us and currently support Orphan Education Society GuangDong and Mareblu Costa Rica.

The Relief Project for Severely Ill Children was launched in 2012 by the Orphan Education Society GuangDong, with the aim of supporting children with severe diseases such as leukaemia, thalassaemia, and congenital heart disease. The project has helped over 3,785 children by distributing over 53 million yuan in subsidies.

Mareblu is making the oceans, rivers, and coastlines plastic free primarily through their coastal cleanup expeditions. MareBlu also has a regenerative programs approach that are possible thanks to their international volunteer program. In August 2022, Veshin Factory traveled with MareBlu to place artificial reefs made from reclaimed ocean plastic in the ocean.

With many more plans to collaborate, Veshin Factory will continue to support MareBlu in their plastic clean up initiatives.

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.

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

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.



Windmill | Photo Credit: Skitterphoto

ENVIRONMENTAL + INDUSTRIAL



-
- > CIRCULARITY & WASTE
 - > R&D FACILITY
 - > ENERGY & GHG EMISSIONS
 - > WATER
 - > BIODIVERSITY
 - > POLICIES

CIRCULARITY & WASTE



At Veshin, we envision a future where **waste is a primary resource**. We are closer to developing 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.

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.

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 offers digital product development services such as 3D design and sampling, to help brands launch their products in the Metaverse.

With our new partnership with NFW, we are actively seeking out the reverse logistics required to create a successful circular scheme with brands who use MIRUM® and want to recycle their products after a good long life back into new MIRUM® products.

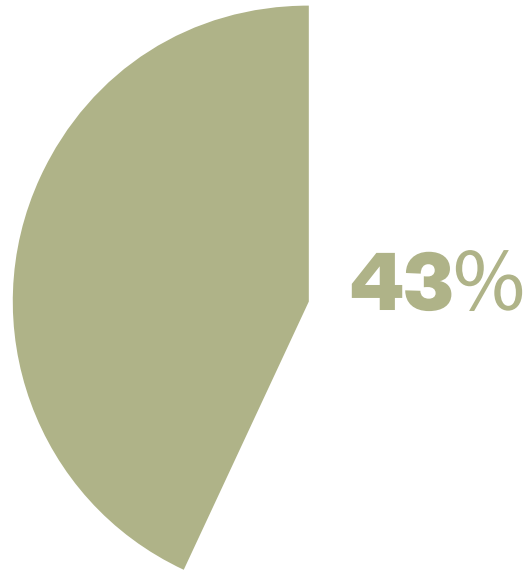
R&D FACILITY

In our move to our new factory location, we also acquired an R&D facility with the following testing machines: Luggage Impact Tester (HD-D114-2), Color Light Box (HD-A825), Salt Spray Tester (HD-E808-60), Leather Flex Tester (HD-P301), Leather Color Tester (HD-P308), Textile Color Tester (HD-P309), and Climate Chamber (HD-E702-100B40).

By using these testing machines in our R&D facility, you can ensure that your luxury handbags and accessories are of superior quality, meet your high standards of performance, and are able to withstand the wear and tear of everyday use. These machines also allow us to explore the limits and opportunities of next-gen materials, so all you have to do is continue to create new and exciting products while we handle the research.



ENERGY & GHG EMISSIONS



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.

The new factory gave us the opportunity to upgrade our machinery to more efficient models that will help us reduce energy consumption. We also add signage to turn machinery off when not in use to avoid any unnecessary operating time.

We are aiming to become ISO 14001 certified in addition to completing our SMETA certification, to make sure that all our environmental impact is managed in an effective way.



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 less than 1600m³ 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.

By only accepting clients who use leather alternatives, our associated water impact is drastically reduced.



Water | Photo Credit: Salman Kazmi on Pexels

BIODIVERSITIES



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 only partnering with clients using leather alternatives and next-gen materials, we 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. We also partnered with Ecologi this year to fund climate action through their Impact Shop, supporting high-quality climate projects, and compensating team emissions through the Climate Positive Workforce initiative. So far, we have planted more than one tree

“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

We have recently partnered with NFW to launch a Veshin X MIRUM® white label catalogue that will help advance the adoption of this plastic free, leather alternative. You can download the catalogue **here**.

POLICIES



Veshin is founded on sustainably progressive values, but we don't expect you to take our word for it. As we moved into our new facility, we developed numerous official policies including a statement against the use of animal products, a Restricted Substance List following the AFFIRM and REACH guidelines, Environmental & Biodiversity Protection, Recruitment Diversity Inclusion & Recruitment, Social Responsibility & Communities, and Occupational Health & Safety.

Our Code of Conduct was created in line with Fair Wear's Code of Labour Practices made up from eight labour standards derived from ILO Conventions and the UN's Declaration on Human Rights. We have ensured that all employees are kept up to date with regular training, as well as ensuring all external suppliers commit to these standards.

Download all of our policies [here](#).

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



VESHIN FACTORY

-  veshinfactory.com
-  [Veshin Factory](https://www.linkedin.com/company/veshin-factory)
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Photo: Hardware application at Veshin factory