STELLA McCARTNEY

IMPACT REPORT 2021

# A Message from Stella

*"When I launched Stella McCartney in 2001, I had a singular mission: to create beautiful, desirable clothing that people would love to wear, made from materials that do not harm our fellow creatures. My Impact Report 2021 outlines where we stand exactly 20 years on: a conscious fashion pioneer today, continuing to push towards solutions that will protect our better tomorrow. I am incredibly proud of the actions we have taken, the positive changes we have implemented and the innovations we are currently supporting, but there is so much more we can do. And we will."*

x Stella

Introduction

# About This Report

# About this report

At Stella McCartney, we believe that all companies should measure and disclose their impacts. What you cannot see, you cannot know. Transparency and disclosure are the baseline to being able to identify impacts and hot spots – and use this knowledge to continuously improve. This report gives an overview of our journey in 2021, a continuation from its predecessors.

The Environmental Profit & Loss (EP&L) is a ground breaking tool that was developed by Kering and PwC to measure and monetise the environmental impact of its Group's activities. The tool uses natural capital accounting methods to place a monetary value on environmental impacts resulting from company activities – from the extraction of raw materials to the manufacturing of products to direct operations required to sell those products. This enables us to identify impact hot spots, and subsequently improve our sourcing, material choices and operations through data-driven decision making to reduce our company footprint. Internally, we then educate and train our teams; externally, we are able to communicate on our impacts accurately, whilst hopefully inspiring our audiences.

Since first adopting the EP&L in 2013, we have been working hard to reduce our environmental impacts. We have spent many years managing this impact by phasing out the highest-impact materials or processes identified and replacing them with lower-impact alternatives. After 17 years of partnership, in 2019, Stella McCartney purchased Kering's stake in the company. Since becoming an independent company, we've customised the EP&L tool with support from PwC to curate a bespoke tool for our company. The tool continues to be used to account for our business' impact on nature and leveraging these results to inform the way we act as a business.

Relevant to our impact valuation methodology is a quote by writer and Stella friend Thomas Friedman:

> *"At the end of the day, no amount of investing, no amount of clean electrons, no amount of energy efficiency will save the natural world if we are not paying attention to it – if we are not paying attention to all the things that nature give us for free: clean air, clean water, breath-taking vistas, mountains for skiing, rivers for fishing, oceans for sailing, sunsets for poets, and landscapes for painters [...] Just because we can't sell shares in nature doesn't mean it has no value"*.

As a brand, we are committed to investing in sustainability and the future of our planet and people across our teams and resources, materials, supply chains and the communities we impact. Among our proudest achievements in 2021, we launched the world's first garments and bag crafted from Mylo™, a mycelium-based vegan alternative to animal leather. As well as this, we improved our iconic Falabella bag's composition, incorporating more recycled content, enabling us to reduce our reliance on virgin synthetic materials.

Chapter One of this report is an introduction to the Stella McCartney brand and a snapshot of our sustainability achievements in 2021.

Chapter Two, outlines the methodology, explaining how putting a valuation of the impact we have on ecosystems, nature and their services allows us to measure that impact throughout our business – from the raw materials we use, to how we make our products, right through to selling them in our stores, online and retail partners. We take note on key considerations regarding data availability and reporting scope.

Chapter Three, outlines our results and identifies impact hot spots and trends. We also touch on some of our impact-reducing initiatives that have proven successful so far.

In Chapter Four dives into social impact and outlines our people-first and supply chain initiatives.

Chapter Five finishes by laying the foundation for Stella McCartney's path forward and the Future of Fashion as we see it.

# 2021 In Context

2021, saw the continuation of the COVID-19 pandemic and its implications across businesses and supply chains around the world, including our own. During this time, the IPCC also released their 'Sixth Assessment Report: The Physical Science' outlining the reality of climate change today and latest science, including extreme weather events, natural disasters and more catastrophes becoming a frequent reality for many around the world.

We remain in the 'Decisive Decade'[1] regarding the present climate and biodiversity crises, and as a brand, we know we must act now. At Stella McCartney, we're setting a target to reach net-zero emissions by 2040, based on the latest climate science and in line with the Paris Agreement's ambition for a 1.5 degrees pathway.

A NOTE ABOUT TIMELINESS

We are nearing the end of 2022, yet this report focuses on our impact and achievements in 2021. This reporting timeline is usual for our EP&L report, and is a result of the incredibly in-depth process undertaken to compile our EP&L, including data collection, analysis and assessment, supported by PwC. This year, timelines were extended a little further due to aforementioned changes in our data collection processes and availability, which meant that we had to adapt our reporting timeline this year. We're continuously evaluating our reporting processes to ensure that we can publish future impact reports in a timelier manner, and as we go forward, consider alignment with our commitments to the Science Based Targets Initiative and other reporting obligations.

Chapter 01

# Where We Came From

# Where We Came From

Stella McCartney was founded in 2001 as a conscious luxury lifestyle brand with a goal of bringing a conscience to the fashion industry. We are committed to being an ethical, modern and honest company without compromising on luxury or quality. We believe that collaboration and innovation are key to achieving a more sustainable future.

A lifelong vegetarian, Stella has never used any leather, fur, skins or feathers in her collections – setting the standard for the use of alternative cruelty-free materials. We, at Stella McCartney, take a responsibility for the resources that we use and the impact we have on people, animals and the planet. Especially being part of the fashion industry – one of the world's typically most polluting industries. Now, the industry must look to extend this responsibility past simply our sourcing and production, and across the lifespan of our materials.

OUR BUSINESS OPERATIONS

Since 2019, Stella McCartney has been affiliated with LVMH, bringing a new perspective to the group. The partnership provides an opportunity to both guide and learn from the Group Maisons and join forces to achieve the world we want to live in.

Today, the Stella McCartney brand spans women's ready to wear, unisex capsules, kids' clothing, accessories, swimwear, lingerie, a performance wear collaboration with adidas, and more – with 48 directly owned stores and 21 franchise stores across New York City, London, Paris, Milan, Tokyo, Shanghai and Beijing. Our collections are sold in 77 nations through over 800 specialty shops and department stores, and ship to 100 countries via our online store.

Stella McCartney is part of numerous thought leadership groups, consortiums, and committees alongside our fellow fashion industry and also leaders from other industries, sharing knowledge and best practices. Stella McCartney partners with notable organisations to together use our platforms for good and ensure impact resonates. A few of these include:

- UNFCCC Fashion Charter for Climate Action
- Textile Exchange
- The CanopyStyle Initiative
- Canopy's Pack4Good
- LVMH Environment Committee
- And more

# Our Vision

At Stella McCartney, we believe it is our responsibility not only to act on climate change, but to have a more holistic approach: to work with local communities throughout our supply chains to improve our sourcing methods in ways that benefit climate, creatures and communities across the globe.

We continue to explore innovative ways to reduce our impact and target net-positive, from the way we design, to product manufacturing and through to our retail practices and post-purchase experiences. By turning to Mother Earth for inspiration, each day we strive to cherish and work with nature – not against it.

Stella McCartney champions regenerative agricultural practices and circularity, embracing new business models that will transform how clothes are produced, sold, shared, repaired and reused, and promoting long-lasting products to reduce their environmental impacts. We continue to make significant progress on reducing our impacts, today and over the years, but we know there is more work ahead. We are invigorated and hopeful that others in the industry and beyond will join us in pushing towards a brighter future.

## 2021 Sustainability Highlights

Stella McCartney places animals, the planet and people at the core of our business model.

Being one of the forerunners bringing low-impact material innovations to market, in 2021, Stella McCartney launched exciting new products and focused on using our voice to campaign and lobby for nature-positive solutions.

In Table 1, we recap some of our brand's journey highlights between 2001 and 2021.

| YEAR | ACHIEVEMENT |
|---|---|
| 2001 | Stella McCartney is founded, establishing the first vegetarian luxury brand and building responsibility into the core of the business; no leather, no feathers, no fur, no skins - ever |
| 2003 | Starts to power all UK locations with renewable energy from Ecotricity |
| 2008 | Uses organic cotton for the first time in main collections |
| 2009 | Launches the McCartney's Meat Free Mondays initiative, encouraging people to forgo meat one day a week to improve their health and reduce their carbon footprint |
| 2010 | Bans use of PVC in all collections |
| | First carbon offset as a brand |
| 2011 | Launches eco eyewear collection using cutting-edge technology to create plant-based resins and plastics |
| | Partners with the International Trade Centre's Ethical Fashion Initiative to support artisans in Kenya with Fairtrade accessories collection |
| 2012 | Partners with the Natural Resources Defence Council (NRDC) on their Clean by Design programme, becoming the first company to bring it to Europe |
| | Decides not to sell fragrances in China due to Chinese laws requiring animal testing |
| | Bans the use of plastic water bottles in all Stella McCartney offices |
| | Uses bio-acetate for the first time in eyewear, and Apinat - a biodegradable rubber - for the first time in shoes |
| | All the wood in stores and offices is Forest Stewardship Council (FSC) certified, ensuring it comes from sustainably managed forests; all of our paper and packaging is also either FSC-certified or from recycled sources |
| | Joins the Ethical Fashion Initiative, a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe |

| YEAR | ACHIEVEMENT |
|---|---|
| 2013 | Completes first Environmental Profit & Loss account to provide an in-depth map of environmental impacts across the whole supply chain |
| | Dallas store receives LEED certification, one of the most-recognised international standards for building sustainability |
| | Lining of all Falabella bags switches to recycled polyester, created from recycled plastic water bottles |
| | Introduces Eco Alter Nappa material in shoes and bags - an innovative material that has a coating created with over 50% vegetable oil, a renewable natural resource that allows us to use less petroleum in our products |
| | Starts using LED lights in stores to reduce energy consumption |
| | Bans the use of angora |
| 2014 | Becomes the first fashion brand to join the Wildlife Friendly Enterprise Network |
| | Partners with the NGO Canopy and makes a public commitment to ensure that, by 2017, none of our viscose or cellulose fabrics would come from ancient or endangered forests |
| | Introduces bio TPI rubber for shoe soles made from 49% renewable resources, reducing our dependence on petroleum-based materials |
| | Launches the Clevercare initiative, a simple reminder to consider the environment when washing and caring for your garments |
| | Initiates multi-brand collaborative effort to build respect and recognition for workers within a highly skilled artisanal supply chain |
| 2015 | Introduces regenerated cashmere to ready-to-wear collection |
| | Launches study into environmental impacts of Use and End of Life phase of products |
| | Launches Fur Free Fur |

Table 1.1: timeline of our most important and prominent sustainability milestones to date

## Where We Came From

| YEAR | ACHIEVEMENT |
|---|---|
| 2016 | Sources all viscose used in ready-to-wear from certified-sustainable forests in Sweden, achieving the commitment made in 2014 |
| | Publishes first Environmental Profit & Loss report offering a detailed insight into environmental impacts across the whole supply chain, from farm to finished product, for 2015 |
| | Replaces all virgin cashmere knitwear with a regenerated cashmere yarn, Re.VersoTM, that greatly reduces environmental impact |
| | Launches Falabella GO, a collection of backpacks and travel bags made from recycled nylon |
| | Initiates productivity and wage analysis pilot to raise worker wages |
| 2017 | Achieves Cradle to Cradle Certified Gold-level certification for wool knitwear yarn, a fashion industry first |
| | Starts partnership with ECONYL®, an innovative regenerated nylon fibre created from reclaimed fishing nets, carpets and post-consumer waste |
| | Announces partnership with The RealReal, the leader in authenticated luxury consignment |
| | Announces partnership with BOLT Threads and debuts the first garments made with vegan MicrosilkTM at MoMA and Paris Fashion Week |
| | Co-hosts the launch of the Ellen MacArthur Foundation's 'A New Textiles Economy' report and commits to moving towards a more circular business model |
| | Starts using lower-impact metals such as aluminium in our bag chains |
| | Launches holistic supplier improvement programme in China to build better HR management systems and improve working conditions in our factories |
| 2018 | Launches second innovative material with BOLT Threads - MYLOTM, a leather-like material made from mycelium |
| | Launches the UNFCCC's Fashion Industry Charter for Climate Action |
| | Launches the first vegan Stan Smith with adidas, named the most-popular sustainable product in 2018 by Lyst |
| | Makes Global Plastics Commitment with the Ellen MacArthur Foundation - committing to eliminate all problematic and unnecessary plastic items; innovates to ensure the plastics we do need are reusable, recyclable or compostable; and circulate all the plastic items we use to keep them in the economy and out of the environment |
| | Launches Loop trainer, our most sustainable sneaker yet - recyclable, made with eco-friendly materials and utilising a revolutionary locking system to attach the shoe's upper and sole, thus eliminating the need for glue |
| | Opens Old Bond Street flagship store, our most responsible store to date |
| | Bans the use of mohair |
| | Initiates the creation of a multi-brand industry collaboration in Italy, focusing on increasing awareness around social sustainability and empowering suppliers |
| 2019 | Partners with Canopy on #ThereSheGrows campaign to raise money and awareness for the Leuser Ecosystem, a critically endangered forest habitat in Indonesia |
| | Announces collaboration with Google to develop an opensource to¬¬¬ol to assess raw material impacts |
| | adidas by Stella McCartney launches first-ever products made with Evrnu's NucycleTM yarn, made from liquefied cotton waste |
| | Launches the Stella McCartney x Hunter boot, made with certified sustainable and traceable rubber |
| 2020 | Launches COREVA™, the world's first 100% plant-based, renewable and biodegradable stretch denim - innovatively replacing the common synthetic and petrol-based elastomers with natural rubbers to make it completely plastic-free |
| | Endorses the ILO's COVID-19 Call to Action in the garment industry |
| | Develops multi-dimensional human rights risk assessment tool to build understanding of potential threats to workers throughout the supply chain |
| 2021 | Releases our Air Slide made from 50% recycled industrial materials |
| | Releases the world's first garments made from Mylo™ |
| | Incorporates even more recycled content into our Falabella bags |
| | Introduces regenerative fibres into the supply chain |
| | Partners with the Humane Society International's 'Our time has come' campaign, raising awareness and petitioning to end fur cruelty in the industry |
| | Launches 'Future of Fashion' exhibition at COP26, highlighting the fashion industry's impact on fashion and showcasing our material innovations |
| | Releases capsule collection to support Greenpeace's campaign to stop deforestation in the Amazon, fuelled by industrial agriculture and meat production |
| | Launches the Stella A to Z Manifesto with the Spring 2021 collection, embodying who we are and who we hope to be |

Table 1.2: timeline of our most important and prominent sustainability milestones to date continued

Chapter 02

# Environmental Profit & Loss

# Tiers in the EP&L

Our Environmental Profit & Loss (EP&L) tool provides an in-depth analysis of our environmental impacts – highlighting key areas of environmental impact and opportunities to mitigate impact. By measuring and monetising the impacts associated with our direct operations and supply chain, we can identify and prioritise key actions to reduce our overall impact and track our sustainability progress. This includes the greenhouse gas emissions, water use, water and air pollution, waste and land use required from raw material production and manufacturing through to product use and end of life.

This data-driven approach allows us to develop policies and programmes that reduce our footprint and drive tangible, positive change. With this deep and more robust knowledge, we can also respond to the risks and opportunities presented by any environmental challenges raised to improve our operations.

But the work does not stop here. Stella McCartney will go through the results of the EP&L in detail, using the key findings and identified areas of impact to inform internal guidelines and policies. We will also develop our training programmes to ensure each department within the business understands its contribution to the environmental impacts.

| TIER | | |
|---|---|---|
| 4 | Raw Material Extraction | Cultivation and extraction of raw materials from the earth, plants, or animals |
| 3 | Raw Material Processing | Processing of raw materials into yarn and other intermediate products |
| 2 | Material Production | Production and finishing of materials (e.g. fabric, trims) that go directly into finished product |
| 1 | Finished Production Assembly | Assembly and manufacturing of final products |
| 0 | Office, retail & distribution centers | Corporate real-estate not involved in production process |

Figure 1 : Supply chain tiers and a description of processes that take place at each stage

## Changes to scope in 2021:

Uncovering our quantitative impact is just one of the steps we take to benchmark our progress and continue to find ways to improve. This kind of approach is important for our industry, as a means to put an end to the unsavory exploitation and unchecked (ab)use of ecosystem services across our industry and beyond.

This year, we were able to increase the quantity and quality of data collection across our direct operations, whilst simultaneously suffered data losses in other areas due to changes in our business model. This should be considered throughout the report and when interpreting the results. Whilst the results continue to portray a valuable depiction of our impact, due to the aforementioned changes in data availability, it is less valid to compare these results to those of previous years to interpret a trend or pattern and we do not recommend this. Instead, we've chosen to assess the results in isolation, providing insights into our current business impacts and hot spots.

Please refer to Appendix II – Methodology Changes for further information on data availability and scopes.

Chapter 03

# Results & Impact Breakdown

# Impact Breakdown

In 2021, our total valued impact on nature was estimated at €3.1 million – compared to €5.3 million in 2020 and €8.2 million in 2019. In this most recent assessment, there were changes in scope, data availability and the fact that we produced less during the pandemic, therefore, it is not possible to directly compare this year's results with previous years and deduct that we reduced our impact overall. This should be considered throughout the report.

Reasons for the lack of comparability between the 2021 results and across previous years are outlined in Chapter 2 and Appendix II.

Our most-used materials by volume were:

- Cotton, 78% of which was organic
- Polyester and polyurethane
- Wool, including regenerative wool
- Forest-friendly viscose
- Brass

# Breakdown Across Environmental Impact Groups

| **Environmental Impact Group** | 2019 | 2020 | **2021** |
|---|---|---|---|
| Air Emissions | 7% | 8% | **6%** |
| Greenhouse Gases | 27% | 27% | **42%** |
| Land Use | 38% | 36% | **29%** |
| Water Consumption | 10% | 9% | **12%** |
| Water Pollution | 17% | 19% | **10%** |
| Waste | 2% | 2% | **1%** |
| **Total Impact** | 100% | 100% | **100%** |

Table 2. Distribution of total impact by environmental impact group from 2019-2021

Table 2 highlights how our total impact is distributed across environmental impact groups.

Greenhouse gases (GHGs) and land use have had the biggest environmental impact over recent years. Where land use has previously represented our largest environmental impact group, it is now GHGs that have the highest impact. This increase is driven by new data captured about our direct operations (Tier 0).

These changes included:

- Utility data
- Total waste data
- Transport data
- Transport data was based on estimates provided of weight of goods, transport method and the location it was transported to and from
- Transport directly to end consumers was excluded from the analysis.

# Breakdown of 2021 EP&L Results

| SMC Tier | Air Emissions | GHGs | Land Use | Water Consumption | Water Pollution | Waste |
|---|---|---|---|---|---|---|
| 0 | 34,774€ | 592,811€ | 153€ | 705€ | 5,224€ | 10,541€ |
| 1 | 28,244€ | 94,198€ | 1,599€ | 268€ | 1,244€ | 5,346€ |
| 2 | 26,644€ | 150,488€ | 717€ | 1,878€ | 14,634€ | 3,928€ |
| 3 | 24,744€ | 86,275€ | 9,846€ | 274,177€ | 14,801€ | 5,731€ |
| 4 | 58,435€ | 379,517€ | 904,010€ | 91,141€ | 289,910€ | 6,501€ |

Figure 2. Breakdown of 2021 EP&L results by tier (€)

# Breakdown of 2021 EP&L Results

Analysing our results both by tier and environmental impact category allows us to see which parts of our supply chain and raw material usage contribute to each type of impact. Figure 2 shows the distribution of our 2021 results across the value chain and by environmental impact indicator.

Although not a like-for-like comparison, given the aforementioned considerations in Chapter Two, the relative distribution of impacts across tiers remains similar to that of 2020. The majority of impacts continue to be driven by raw material extraction (farms, forests, mines, etc.) – the furthest back in the supply chain (Tier 4). Figure 2 indicates more than half of our impacts in 2021 were driven by Tier 4.

Direct operations (Tier 0) equate to just under a quarter (21%) of the impact, driven mainly by emissions associated with logistics, offices, retail spaces and warehouses.

This report dives deeper into our two most significant environmental impact groups in 2021 – greenhouse gases and land use, assessing the key drivers behind this result and how we aim to address them going forwards.

# Raw Materials and Land Use (Tier 4)

| | 2021 |
|---|---|
| Total Land Use (Ha) | 2,306 |
| Valued Impact | 916,325 |

Table 3. Summary of land use and valued impact

Our total land use impact halved from 2020 to 2021 (See Chapter 2 - changes to 2021 reporting process). The materials that drive our land use impact are animal- and plant-based fibres: wool and cotton combined make up 97% of our total land use impact across all tiers in the supply chain.

Three-quarters of the planet's land surface are now significantly degraded due to human activity such as agriculture, mining, logging and fishing[1]. Although there are still areas of land and ecosystem unaltered by humans, almost all have been modified by people in some way[2]. Knowing this, it is not surprising that land use impacts make up 29% of our total environmental impact – the second biggest of all our environmental impact categories.

From farms, forests and mines where fibres or resources are extracted from, to the footprint of the buildings that house manufacturing processes and retail operations, supply chains in the fashion industry occupy huge areas of land. When land is used to grow fibres, raise animals and extract metals or oil, there is often a loss of ecosystem services, biodiversity and degradation of soil health – especially if the land was converted or is not managed properly. In the IPBES Global Assessment Report on Biodiversity and Ecosystem Services, released in 2018, leading experts warned of the acceleration in loss of nature and argued that the risks posed by biodiversity loss should be considered on the same scale as those of climate change.

Table 3 highlights the average valued environmental intensity of each key raw material across the Stella McCartney product range.

1 Winkler, K., Fuchs, R., Rounsevell, M. et al. Global land use changes are four times greater than previously estimated. Nat Commun 12, 2501 (2021).

2 Arneth, A. et al. Framing and Context. in Climate Change and Land: An IPCC Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems (eds. Shukla, P. R. et al.) Ch. 1 (IPCC, 2019)

| Materials | 2021 (kg) | Avg. Valued Intensity (EUR) |
|---|---|---|
| Wool (Conventional/RWS) | 17,083.36 | 0.1663 |
| Brass (Trims) | 11,914.26 | 0.1397 |
| Silk (Conventional) | 8,062.74 | 0.1100 |
| Cotton (Conventional) | 6,776.09 | 0.1100 |
| Wool (Nativa/ZQ) | 4,919.48 | 0.0895 |
| Viscose (ENKA) | 16,283.79 | 0.0120 |
| Synthetic Fibres – Virgin Polyester | 10,715.18 | 0.0113 |
| Faux Leather - Solvent-free PU | 17,294.82 | 0.0086 |
| Aluminium (Trims) | 8,937.80 | 0.0086 |
| Cotton (Organic) | 23,409.72 | 0.0084 |
| Nylon (Virgin) | 11,860.99 | 0.0078 |
| Plastic - PU (Soles) | 11,082.39 | 0.0075 |
| Plastic - TPU – (Soles) | 8,976.55 | 0.0075 |
| Faux Leather - PU | 17,294.82 | 0.0052 |
| Wood (Softwood) | 10,219.44 | 0.0001 |

Table 4. Average raw material valued intensity across Stella McCartney's sourcing countrie

# Average Valued Environmental Intensity of Raw Materials

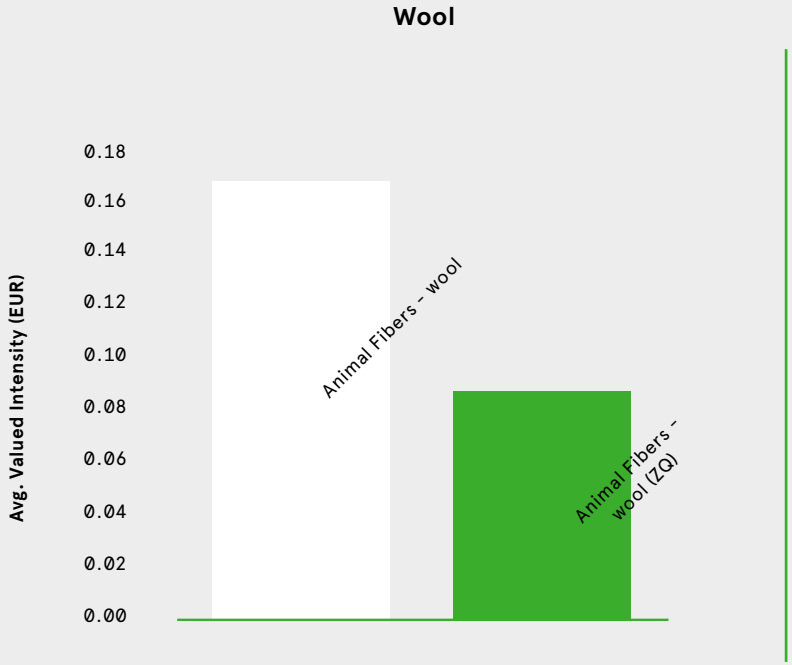



Figure 3. Comparison of the impact per kg in conventional wool vs. ZQ wool

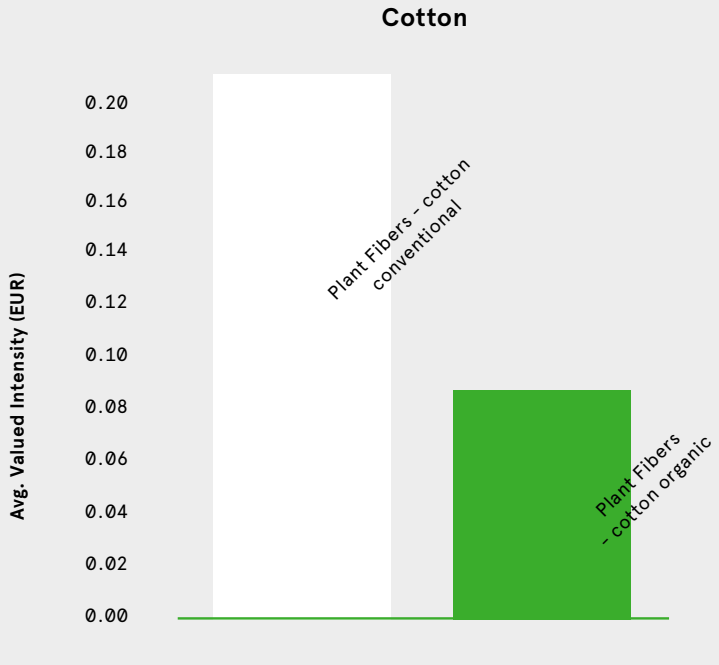



Figure 4. Comparison of the impact per kg in conventional cotton vs. organic cotton

As highlighted in Figure 4, the environmental intensity of organic cotton is significantly lower in comparison to conventionally grown cotton. Unlike conventional cotton practices, organic cotton farming uses no chemicals, fertilisers or pesticides. Organic cotton practices also use less water, preserve soil quality and limit soil erosion, thus limiting the overall impact.

We have avoided significant land use impacts through previous decisions such as increasing the use of organic cotton across our lines. In 2021, 78% of the cotton used in Stella McCartney products was from organic sources.

# Addressing the Impact of Raw Materials

We carefully select all of our raw materials, from addressing their production systems, through to how they are processed and manufactured into finished products.

We prefer certified materials, replacing conventional with certified organic, recycled or responsibly sourced materials, both covering textiles and packaging.

We've begun a transition to regenerative sourcing: focusing on sourcing methods that are actively beneficial for our climate, biodiversity and people. At Stella McCartney, we currently invest in regeneratively grown cotton and regeneratively farmed wool projects (NATIVA™ and ZQ). We plan to increase our uptake of these lower-impact materials, whilst reducing our use of their conventional counterparts. We are constantly looking for projects we can implement within our supply chains to aid the transition to lower-impact, and even net-positive, sourcing methods.

CASE STUDY: In 2018, Stella McCartney began a partnership with cotton producers SOKTAS, in Turkey, to support their transition to regenerative cotton. From the farm level up, this project works to enhance soil health and carbon capture, restore and improve local biodiversity, as well as many other measurable local environmental and social benefits. A robust methodology and suite of metrics are used to quantitatively monitor and assess impacts, supported by direct soil measurements. Whilst this report focuses on 2021, we're proud to share that this project achieved Regenagri certification in 2022. Looking forward, the project will be supported by additional data capture techniques and verifications.

At Stella McCartney, we see continual investment into and onboarding of material innovation as crucial to meeting our commitment targets and are actively investing in the research and development of new materials and practices. We have already onboarded new low-impact materials like Mylo™ mycelium-based leather alternative – a significantly lower-impact alternative to both animal leather and 100% synthetic alternatives. We expect to introduce many more lower-impact material innovations over the coming years.

TRACEABILITY
Traceability and transparency throughout our supply chains is incredibly important at Stella McCartney. We can't measure and improve our impact, without knowing exactly where it lies. Our ambitious vision is to achieve full traceability of materials across our supply chains, but this is no easy feat.

We rely on our network of trusted suppliers, working closely with them and external organisations to ensure that environmental and social best practices are embedded throughout the supply chain - from direct suppliers, to their subcontractors. Now, more than ever, it is fundamental that we work with suppliers that align with our standards, ethics and brand values. Our industry must also collaborate with our partners whenever improvements are needed.

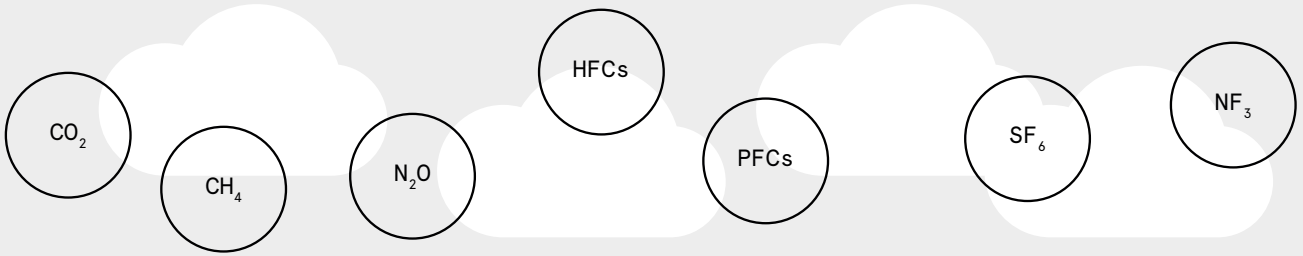
A CIRCULAR APPROACH
Adopting circular business models is central to reducing raw material usage, as well as sourcing materials and producing products more consciously - designed with end of life in mind. Circular business models reduce environmental impact for numerous reasons:

Reduce the reliance on our planet's finite resources by lowering the amount of virgin, materials needing to be produced, whilst also designing with minimal waste

Extend the product lifecycle, through design for longevity, and providing repair services
Enable, facilitate and increase regeneration and recycling of materials,

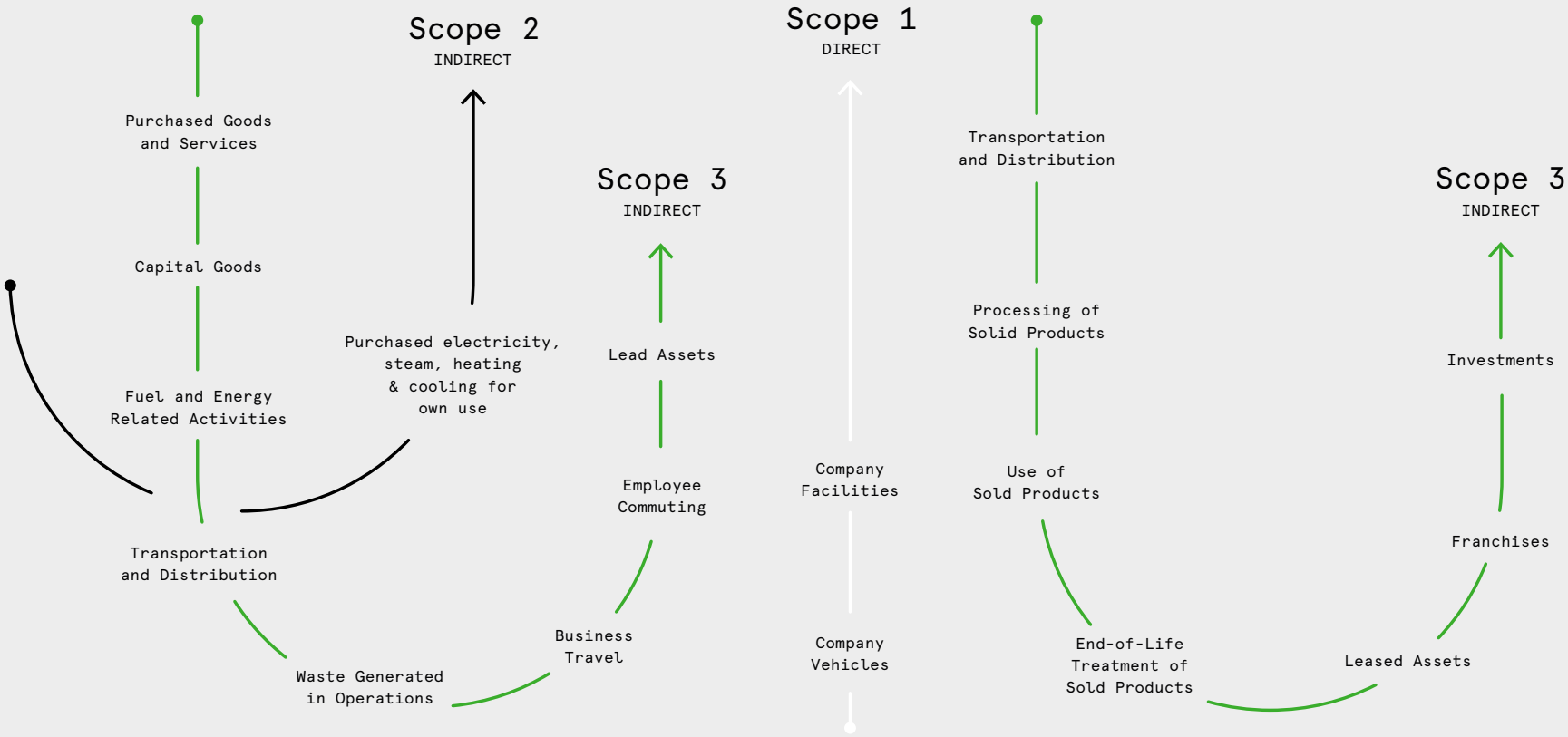
At Stella McCartney, we're refining our approach to circular business models and working on increasing our offering. Read more in Chapter Five.

# Greenhouse Gas (GHGs)




The EP&L accounts for greenhouse gas emissions, which calculates Scope 1 (direct emissions from sources that are owned or operated by Stella McCartney), Scope 2 (electricity indirect emissions) and Scope 3 emissions (including purchased goods and services)( see Figure 5).

Figure 5 - explanation of greenhouse gas emission scopes, as per the Greenhouse Gas Protocol. Source: GHG Protocol.



# GHG Emissions

| Tier | GHG ($tCo_2e$) | % Breakdown |
|---|---|---|
| 0 | 7277 | 45 |
| 1 | 1156 | 7 |
| 2 | 1847 | 12 |
| 3 | 1059 | 7 |
| 4 | 4659 | 29 |
| **Total** | **15,999** | **100** |

Table 5. Breakdown of GHG emissions across tiers

Compared to other environmental impact categories, greenhouse gas emissions were more evenly distributed across all tiers, rather than being concentrated in one. In 2021, Stella McCartney was responsible for approximately 15,999 tonnes of carbon, which equated to a societal cost of €1.3 million.

Table 5 shows a breakdown of our greenhouse gas emissions across tiers in 2021, along with their valued impact by percentage. Direct operations (Tier 0) has the largest greenhouse gas footprint, totally 45%.

Tier 0 accounts for the operations of our offices, retail spaces and warehouses, along with global logistics spanning across Scopes 1, 2 and 3. The data shows a 647% increase from 2020 to 2021 in Tier 0 greenhouse gas emissions. This significant increase is attributed to the increased availability of utility, waste and logistics/ transportation data.

Tier 4 accounts for 29% of our total footprint – the second highest – driven by our use of raw materials outside of our direct operations (Scope 3).

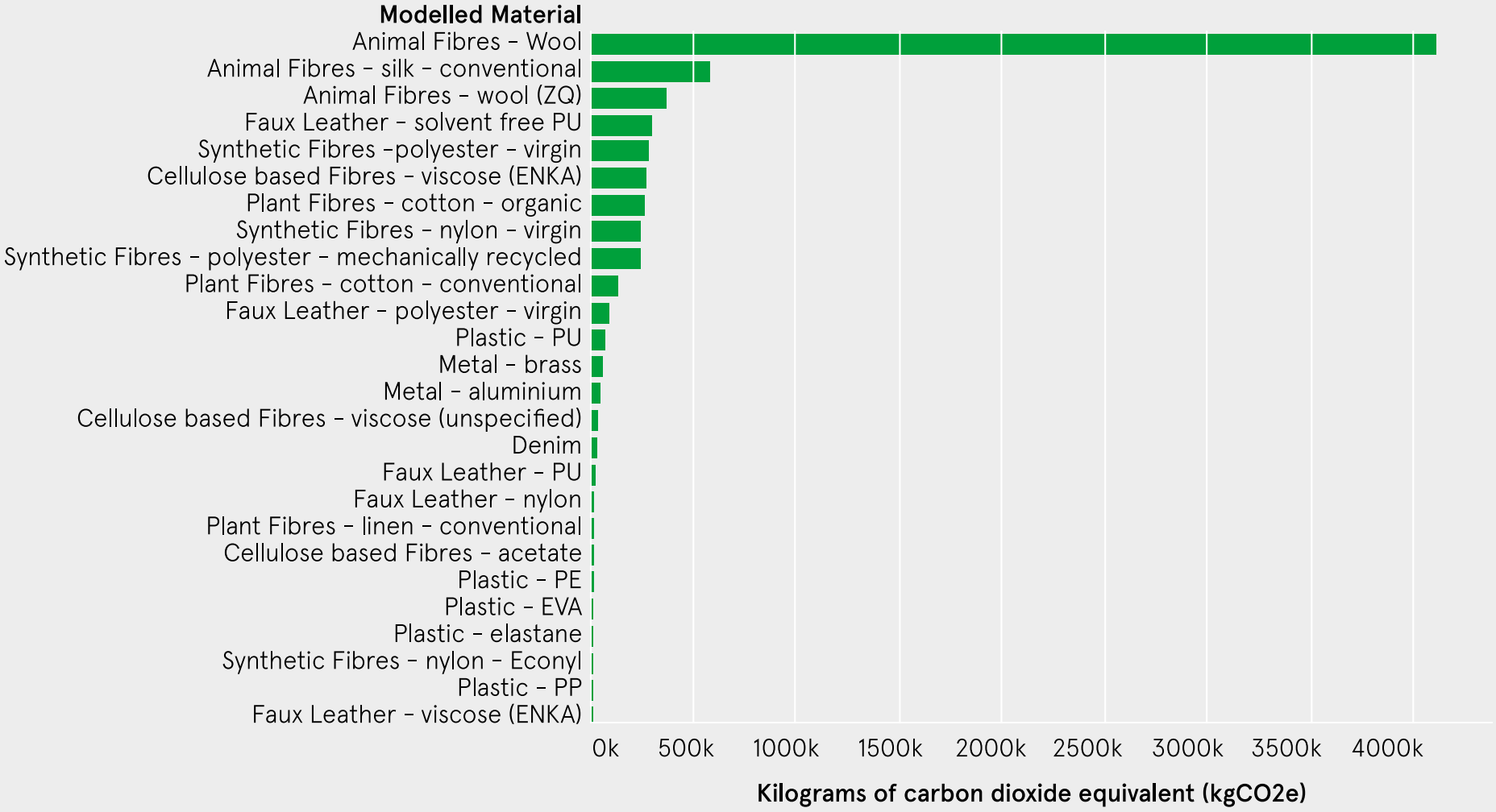
Table 6 and Figure 7 demonstrate the GHG intensity of each raw material type used in our products. Wool and silk combined make up 68% of our total materials carbon footprint. Wool has the largest carbon footprint of all of our raw materials. Its dominant associated greenhouse gas is methane, emitted as a by-product of sheep's natural digestive processes. The fabric production stage (weaving, knitting, treatments, etc.) also contributes to a large proportion of the total life cycle emissions. Recognising the comparatively high impact of materials such as wool, we are continually assessing ways to reduce our product footprint, such as restrictions on animal fibre usage in collections, encouraging recycled animal fibres where possible and implementing internal sourcing policies to encourage regeneratively-farmed materials.

| **GHG: Impact (%) by material group** | | | |
|---|---|---|---|
| **Material Group** | **2021** | **2020** | **2019** |
| Animal Fibers Group | 68.09% | 53.09% | 63.41% |
| Plant Fibers Group | 5.94% | 18.63% | 12.44% |
| Synthetic Fibers Group | 5.41% | 8.73% | 5.99% |
| Faux Leather Group | 8.42% | 5.52% | 5.01% |
| Plastic Group | 5.19% | 3.59% | 2.96% |
| Denim Group | 0.67% | 4.25% | 4.37% |
| Cellulous Based Fibers Group | 4.45% | 3.96% | 3.55% |
| Metal Group | 1.75% | 2.05% | 2.06% |
| Synthetic Stones Group | 0.05% | 0.07% | 0.08% |
| Paper Group | 0.02% | 0.09% | 0.04% |
| Rubber Group | 0.01% | 0.03% | 0.07% |
| Wood Group | 0.01% | 0.01% | 0.00% |
| **Grand Total** | **100.00%** | **100.00%** | **100.00%** |

Table 6. Greenhouse gases: impact by material group*
*Does not capture ready-to-wear (12% of total production) due to data availability.

# GHG Impact by Material

Figure 6. Greenhouse gases: impact by material



# Next Steps

NEXT STEPS AND SCIENCE BASED TARGETS

We're setting out to achieve Net-Zero carbon in our direct operations and across our entire supply chain (Scopes 1, 2 and 3), by 2040, as per our commitment to the Science Based Targets initiative (SBTi) and in line with the latest climate science and the Paris Agreement[1].

The SBTi provides a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement[3] – limiting global warming to 1.5°C above pre-industrial levels.

We continue to prioritise avoiding and reducing our emissions. Our additional measures include supporting REDD+ projects around the world, including Southern Cardamom project, conserving 497,000 hectares of critical tropical rainforests and mangroves, as well as carbon offsetting our fashion shows and business travel through verified programmes.

DIRECT OPERATIONS (TIER 0)

For 2021, the total valued impact on nature as a result of direct operations was estimated to be €644,206 – 21% of the business's overall impact on nature.

LOGISTICS AND TRANSPORTATION

Of our total direct operations, 83.6% of the impact came from the transportation of goods from warehouses to retail spaces, wholesalers and customers, by road, rail and air. The widespread use of fossil fuels in transportation elevates this category's impact.

Stella McCartney aims to optimise transportation through specialised management systems and supply chain network engagement. Emissions will be reduced throughout the supply chain via better planning to identify and plan the most energy-efficient routes for land, air and sea transportation. This will include better planning of product lead times to minimise the requirement for transportation via air due to short delivery timescales, as well as better consolidation of goods around the world – specifically in terms of returns logistics to reduce the number of shipments required. We will create a preferential transportation policy internally to encourage lower-impact options, both within our supply chain – such as using ship and rail where possible – but also within business travel.

PACKAGING

We are working to reduce and optimise the use of packaging across operations (primary, secondary and transport packaging), such as the removal of pallets and reducing plastic overwraps. Stella McCartney is working with partners to develop cleverly designed alternatives, using innovative new materials that replace single use packaging and plastics. This ambition is supported by our involvement in the Tom Ford Plastic Innovation Prize and commitment to Ellen MacArthur Foundation's Plastics Pact - projects that aim to find disruptive, innovative alternative solutions to single-use plastics and packaging.

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3 The Paris Agreement is a legally binding international treaty on climate change, adopted at COP 21 in Paris, 2015

# Global Sites

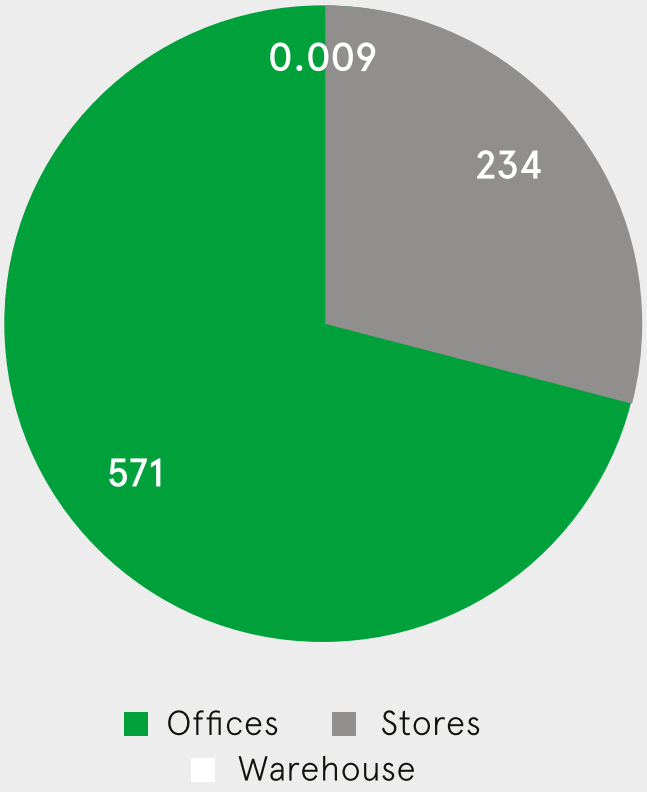



Figure 7. Stella McCartney Global Sites

Globally, stores and retail spaces contribute nearly three-quarters of our total site footprint – totalling 571 tCO2e in 2021. Our offices make up 30% of our total site footprint (234 tCO2e).

Stella McCartney's UK stores and offices already run on 100% renewable energy. By 2030, we aim for all of our global stores, offices and warehouses to run on renewables. We continue to engage with landlords and utility companies to procure clean power sources, whilst adopting building efficiency controls like LED/PIR lighting across our sites. Store, office and window lighting is switched off from 22:00 daily to further reduce energy consumption.

# Production (Tiers 1, 2 and 3)

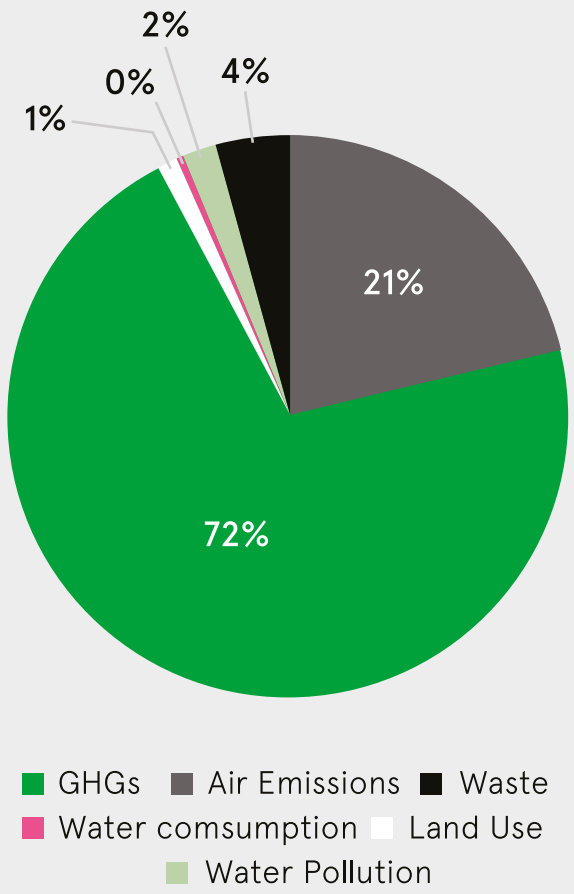



Figure 8. Breakdown of impact

Greenhouse gas emissions account for 72% of Stella McCartney's overall environmental impact during production stage (€102,794 valued impact). This impact is associated with energy and fuel intensive activities, including, but not limited to, manufacturing, processing, finishing and transportation of materials and finished goods between suppliers.

We intend to reduce our carbon emissions directly within the company's supply chain, evaluating emissions hotspots and investing in ways to mitigate at the source.

In the short term, we will expect our suppliers and manufacturers to adhere to the Supplier Code of Conduct standards, making efforts to reduce energy and water consumption and transition to clean energy sources. Stella McCartney recognises that reducing our suppliers' emissions requires significant levels of investment to upgrade certain types of equipment, with many suppliers not having the resources to undertake those investments on their own.

Stella McCartney's involvement in the Clean by Design (CbD) initiative by Apparel Impact Institute (AII) responds to this – it is an approach to supply chain efficiency that brings together fashion brands to improve upon environmental impacts in their factories globally. CbD supports suppliers in undertaking energy assessments and provides a roadmap to suppliers for improvement around efficiency and transitioning to renewables. Learning from this project, we'll take best practices and knowledge of successes to support implementation across our supplier network.

WATER STEWARDSHIP

Water pollution in Tier 4 is a notable hotspot of impact. This is driven by our use of brass, which accounts for 71% of our water pollution impact.

Water consumption in Tier 3 is another notable hotspot of impact. This is driven by our use of silk , an animal fibre, and the associated mulberry tree cultivation which accounts for 74% of our total water consumption impact. Mulberry is a tree that is grown for silkworm rearing and is the exclusive food for the silkworm, which during its larval life is reared for silk production. The irrigation activities involved in the cultivation of mulberry trees is responsible for the high water consumption of the fibre.

Stella McCartney recognises the water stress globally and across the supply chain in the countries that we source our materials from. We have initiatives in place to address our key raw materials' contribution to our water footprint.

Examples of this include:

- Using organic cotton as much as possible to replace conventional, since 2008. The Global Organic Textile Standard (GOTS) work with cotton farmers to optimise their yields whilst reducing water and chemical usage. As a result, our GOTS-certified organic cotton is more water-efficient than conventional cotton
- Preferentially selecting fibres that require little or no irrigation, like linen
- Preferentially selecting recycled fibres over virgin fibres where quality allows, reducing the often water-intensive requirement for virgin fibre sourcing

Going forward, we aim to work with key suppliers to understand in more detail the water used throughout our supply chain, encourage measurement and reductions through more efficient and innovative practices, and help develop programmes that improve the long-term health of watersheds in key sourcing locations.

Chapter 04

# The Value of People

# The Value of People

Workers at our long-time factory partner Brunello, based in Italy, manufacturing fabrics made from organic cotton and sustainable viscose.

We aim to have a positive impact on everyone that we depend on and on those that depend on us in return. The future of our world relies on Mother Earth and its people. While humans and nature are tied together, the two are often separated out – as we have done in this Eco Impact Report. We recognise that, in reality, the two are inseparable.

We want to live in a world free of discrimination, poverty and exploitation, where everyone has a voice that can be heard.

The fashion industry and Stella McCartney rely on people: those who make our clothes, the farmers who grow the crops for our materials, our employees and our customers. We believe everybody in our supply chain should be treated fairly, and with respect and dignity. Each person should be recognised and valued equally. We aim to build modern and resilient supply chains that provide desirable jobs, foster people's skills, strengthen workers' voices and advocate for vulnerable groups.

We recognise that the world is not a fair and just one, meaning neither are some areas of our global supply chain. However, we are working hard to build the right systems, make improvements and take steps towards the society we want to see.

This includes working hand-in-hand with our supply chain partners to build a better future. We aim to build open and collaborative relationships with all of our suppliers, and take the time to understand the complexities and contexts of our sourcing regions. We endeavour to collaborate with suppliers, NGOs and other local stakeholders in a way that brings value to the workers that sustain our supply chain.

We are always looking at how we can use partnership to accelerate activities and progress.

## OUR SOCIAL SUSTAINABILITY STANDARDS

After we became an independent company in 2019, we launched new policies and guidelines outlining our social sustainability requirements and expectations to our suppliers. This include:

- Code of Conduct
- Responsible Sourcing Guide
- Modern Slavery Policy
- Subcontracting Policy

We are now working towards the release of a Human Rights Policy.

These policies outline the standards we expect our suppliers to uphold, ensuring workers in our supply chain are treated fairly and with respect. We understand that sometimes our suppliers might need support to comply with these policies. We are committed to supporting them in making any required improvements to ensure workers in our supply chain are treated with care and respect.

## OUR SUPPLIERS

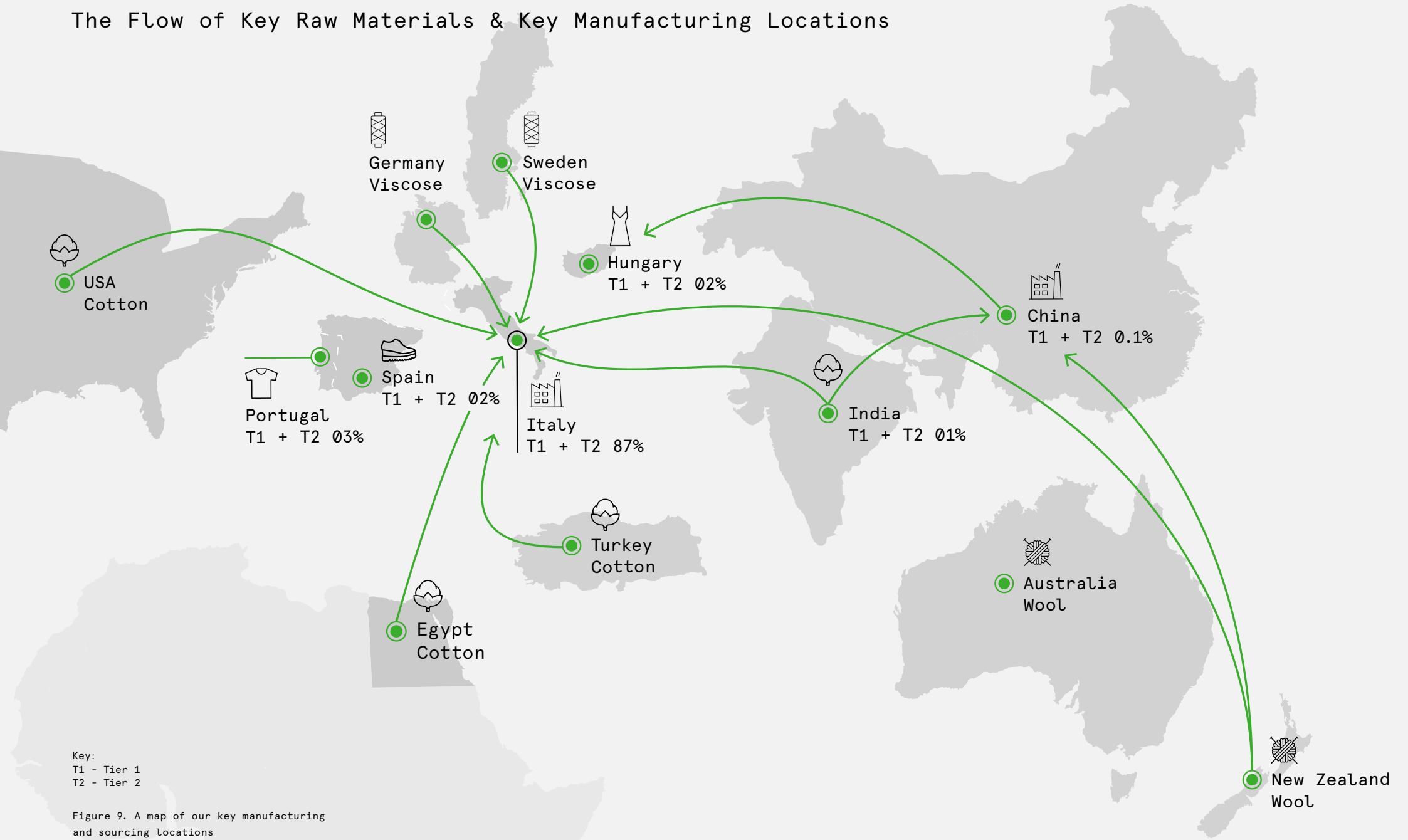
Our materials and products are sourced through a carefully selected network of global suppliers, many of which have worked with us since 2001, when Stella McCartney was founded. Our supply chain is predominantly composed of small workshops; for example, in Europe, the average number of workers in a single facility is 37.

In 2021, we worked directly with 59 Tier 1 and 211 Tier 2 product suppliers globally. Many of these are small manufacturers and artisans that specialise in particular techniques and processes – our bag manufacturers are experts in working with our non-leather materials.

We partner with suppliers in key sourcing countries such as Italy, Hungary, Portugal, Spain and India (see Figure 9). In each location, we seek to build our understanding of the culture and context of the region, building this into our process. By working collaboratively with our suppliers and local experts, we are building partnerships and driving progress to ensure fair working conditions and the wellbeing of workers.

As part of our overall brand due diligence, we adhere to the Ethical Trading Initiative's frameworks and actively participate to their programmes and working groups. Further information about our supply chain and due diligence processes can be found in our Modern Slavery Statement, which we publish annually.

# The Flow of Key Raw Materials & Key Manufacturing Locations




Key:
T1 - Tier 1
T2 - Tier 2

Figure 9. A map of our key manufacturing and sourcing locations

# Our Suppliers

Just like our workers, each of our suppliers is unique. We aim to build a personal relationship with each and work hand-in-hand with them to understand their practices and systems. Where we identify room for improvement, we work with suppliers to address the root causes of any issues, although we also recognise that this can take time. Occasionally, immediate action must be taken to ensure workers' rights are not infringed and we will take urgent steps to rectify any serious issues identified.

While we choose not to rely on social compliance assessments alone, we have found that they can prove a useful tool in gaining insight into our suppliers' practices and potential risks in the supply chain – especially when we begin working with a new partner.

Assessments help us to collect data and to address immediate issues, as well as pick up on indicators that may highlight complex embedded issues. Throughout any investigation and remediation process, we aim to protect workers and their livelihoods by closely working with suppliers. Should a supplier not engage and strive to meet our standards and resolve any identified issues within a given time period, we may consider terminating our business relationship or, for proposed suppliers, not initiate production.

Once a supplier is included within our supply chain, we look for ways to support and work together to build better working conditions for our workers.

# Our Suppliers

EXAMPLES OF OUR SUPPLIER IMPROVEMENT AND TRAINING PROGRAMMES:

- Where we identify areas for improvement that are shared across suppliers but specific to local contexts, we try to identify local stakeholders to help us develop solutions or initiatives that can be applicable for all relevant suppliers
- In 2014, we spent time understanding the complexities of a small network of suppliers working on hand-crafted products that require a high-level skillset. Although we source only a small amount from these suppliers, we wanted to understand the realities facing these highly skilled workers and began collaborating with a small group of brands to identify a way to ensure these skills were being recognised appropriately and that, importantly, these workers felt this respect and recognition for their dedication and artistry. Together with a small group of suppliers and in conversation with the local government, we built a skills recognition programme focused on soft and technical skills training, as well as taking steps along a roadmap to improve wages, working hours and health and safety. Workers trained through this programme have reported feeling an increased sense of pride as well as seeing improvements in their working conditions. We believe that collaboration – partnering with other brands and suppliers to develop tailor-made programmes focused on improving the lives of workers in specific contexts – is the most impactful way to work in supply chains where we have limited influence
- In 2016 and 2017, we conducted extensive research to better understand how we could seek to tackle endemic challenges faced by suppliers in a key sourcing region. We interviewed local workers, suppliers, academics, students, a sociologist, a labour rights lawyer and productivity experts, and discovered that productivity in these factories could potentially have a large impact on workers' salary packages. This led us to work with a productivity and efficiency expert to evaluate current supplier systems and identify areas for improvements. We have also reviewed our own pricing mechanisms to ensure that we are being fair to suppliers when placing our orders and subsequently raised our payments. This multi-year programme has included working with a key local partner to monitor wages on a regular basis, and to track improvements at each supplier and highlight any areas of concern that may arise. We continue to speak to workers and conduct surveys at every site to understand any feedback they might have
- Since 2018, we have built an informal working group in Italy with other brands that source from the country. As part of the group, we identify and address similar challenges together, recognising the importance of collaborative approach and capacity building. We have been delivering CSR and Human Rights trainings to multiple suppliers through the support of external Human Rights specialists
- In 2021, we collaborated with brands in Italy that share suppliers with existing issues. This common approach in our monitoring programme enables us to plan together with the supplier and the other involved brands, developing shared short-term and long-term improvement plans. The suppliers have appreciated this way of working because they receive clearer and more transparent information from brands on how to implement improvements
- In line with our supply chain management strategy, empowering suppliers with right knowledge and tools to engage with their subcontractors, we have developed a new onboarding methodology for our Italian suppliers. The fragmentation of the supply chain in Italy is a known concern, and it is important that this is acknowledged by our partners so we can work together to address and resolve issues. Our strategy means that we ask our suppliers to conduct an assessment of new subcontractors, incentivising them to engage with contractors and improve communication

We have a network of suppliers for finished goods, and a separate network of suppliers that provides us with the raw materials to make our products. Although these raw material suppliers are handling our products directly, they are integral to the production process and we aim to work closely with them to understand their practices and identify areas for improvement before supporting them through this process. We recognise that there are serious human rights risks the further down you go in the supply chain. For example, the global cotton supply chain can present risks of forced labour in farms and spinning mills, depending on location.

We have focused much of our social sustainability work on implementing programmes for workers at the finished goods stage of production. We have been building on our existing relationships with raw material suppliers to integrate our social principles into our partnerships, working together to prioritise workers and their wellbeing from mills to farms.

# Looking After Our Workers

Each person in our supply chain is unique and has their own story and specialised skillset. They all deserve to be respected, valued and heard.

We aim to work either directly with suppliers or through our hand-selected, locally based partners to monitor the practices of each supplier on a regular basis and ensure their workers' human rights are respected. We will not begin working with any new Tier 1 suppliers without ensuring that they meet our responsible standards prior to launching production. We want to focus on adding value for our supply chain workers, ensuring their right to fair and decent work, and enabling them to speak up and let their voice be heard.

The ability for anyone to raise grievances and have access to remedy are fundamental principles of the United Nations' Guiding Principles for Business and Human Rights. We are committed to ensuring that all workers and communities in our supply chain have the opportunity to be heard and listened to.

We understand that within our supply chain, there are groups of people that are more vulnerable to discrimination, exploitation and poor practices than others. Across all of our activities, we try to identify these workers, who may need additional support or protection. For example, migrant workers often have unique and valuable skills but may be in a vulnerable position, having travelled away from home and not necessarily able to fully communicate the local language, in turn potentially struggling to understand labour rights in their new location.

Wherever we identify migrant workers in our supply chain, we work to ensure their rights are fully protected, that they understand these rights and have the opportunity to speak out should it be required.

While women make up the majority of our supply chain, we know we are a long way from achieving gender equality throughout most of the world. The women in our supply chain work hard and build their lives around making beautiful products. We want to recognise the potential discrimination and unfair treatment they face – the often unequal burden of unpaid care work they may be undertaking at home, the potential discrimination or harassment of female workers by male supervisors that may be buried down the supply chain. We aim to support these women to feel empowered to give feedback, to raise concerns or grievances and speak out when things are not as they should be.

We believe in the power that collaboration and working together can bring. That's why, when we find endemic and complex issues in the supply chain, we look to partner with local experts, civil society organisations, like-minded brands and suppliers to bring about long-lasting change. We do this because we recognise that we cannot solve these systemic problems on our own.

We have been a member of the Ethical Trading Initiative (ETI), a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe, since 2012. The ETI enables brands to work alongside industry experts to improve the conditions for workers in their supply chains. We take part in several working groups that focus on coming together to discuss and tackle complex issues in global supply chains such as the vulnerability of migrant workers or specific country-related risks.

Earlier this year, we endorsed the ILO's Call to Action in the Global Garment Industry in light of COVID-19 and its impact on the supply chain. We recognise our responsibility to our suppliers and want to work with other organisations and global bodies to build better social protection systems for the future in order to avoid the implications we are now seeing on manufacturers as a result of the pandemic.

On a more local scale, we always aim to identify local expert partners and partnerships to bring about systemic and long-lasting change – such as the partnership mentioned earlier in a hand-crafted product supply chain.

In 2018, we initiated a working group of brands with supply chain presence in Italy to discuss shared understanding and concerns, and to build supplier training opportunities together. By working as one group, we are able to pool knowledge, experience and resources to develop more effective initiatives. It has also enabled us to reach out to worker organisations and government bodies to share and explore potential ways of partnering to improve working conditions and wellbeing in our Italian supply chains.

Looking forward, we believe that more collaborative initiatives and the sharing of challenges and opportunities is key to creating sustainable change within complex supply chains.

A worker manufacturing sustainable fabric at Brunello, a key fabric supplier in Italy

# Our Collaborative Approach

THE SPEAKUP® TOOL

In May 2021, we launched a robust global anonymous grievance and whistleblowing mechanism for workers in our T1 and T2 supply chain. The SpeakUp® tool is provided by People Intouch – experts in misconduct reporting – and can be accessed online or over the phone, in any language. Stella McCartney staff, our suppliers and our workers are being trained on how to use the tool and an internal monitoring committee was set up to oversee the mechanism and ensure it operates in line with the criteria defined by the United Nations' Guiding Principles for Business and Human Rights.

No issues were raised through the platform throughout 2021. Although this could be seen as a positive outcome, we also acknowledge the difficulties of effective grievance mechanisms and of the existing challenges to make these efficient tools. We are working on improving this, building a system and solution that is known to and available to workers across our global supply chain.

OUR COLLABORATIVE APPROACH

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On a regional level, we always aim to identify local expert partners and partnerships to bring about systemic and long-lasting change – such as the partnership mentioned earlier in a hand-crafted product supply chain.

In 2021, we reviewed the priorities of the group and are currently working with external stakeholders to run ad-hoc training sessions addressing our Italian suppliers. Looking ahead, we believe that more collaborative initiatives – and the sharing of challenges and opportunities – is key to creating sustainable change within complex supply chains.

Chapter 05

# The Future of Fashion

# The Future of Fashion

Looking forward, we envision an ever-changing landscape full of possibilities and opportunities for positive change. We see a future of innovative transformation restoring and working with - instead of against - nature.

This is humanity's most consequential decade. The choices that we collectively make now until 2030 will determine what the future of life on our planet looks like.

As a business, we believe this means moving from simply identifying, managing and reducing impacts to actively conserving and restoring nature and its services. In turn, we want to help transform the fashion industry, creating the systemic change that is needed to achieve this and setting new standards.

A COLLABORATIVE APPROACH

Collaboration will be key in creating widespread and impactful change. Tackling climate change and the biodiversity crisis needs the entire industry to work together and action change to bring meaningful transformation.

We will continue to work from our findings and learnings backed by expert scientific knowledge, work with our supply chain partners and their local communities, as well as the areas in which we operate to do better. Together with our peers, innovation partners and industry consortiums, we strive to grow our positive impact the ground up.

MATERIAL INNOVATIONS AND REGENERATIVE SOURCING

We support a future where humanity only takes from the planet what it can naturally regenerate. We are continuing to expand our use of regeneratively-sourced materials, including wool and cotton, seeing this sourcing method as a key tool for our industry in protecting biodiversity, storing carbon in soils and mitigating the climate crisis.

We continue to work with farmers and suppliers – supporting the transition to regenerative sourcing methods that aim to benefit both the planet and people.

# A Circular Economy

Reducing fashion's environmental impact requires adopting circular business models. This includes products designed for circularity, whilst simultaneously offering care guidance, repair services, recycling schemes and alternative business models to ownership, including rental.

Circular business models extend the product lifecycle and can provide a form of Extended Producer Responsibility1. These business model approaches are key facilitators of materials recycling and waste elimination, while reducing our reliance on the Mother Earth's finite resources. At Stella McCartney, we are committed to extending the use-phase of our products and preventing garments, offcuts, or unused fabrics from ending up as waste. Whilst we've already adopted some circular business model approaches, we continue to explore how we can expand these practices to improve our circularity and create meaningful impact.

PRODUCTS DESIGNED WITH CIRCULARITY IN MIND

- Post-consumer and pre-consumer waste:
  - With a preference on the former, we are increasing the input of post-consumer and pre-consumer recycled waste in our products, and reducing our reliance on the planet's finite resources
- Designing for disassembly and favouring monomaterial construction
- Using regeneratively-sourced materials

EXTENDING THE PRODUCT LIFECYCLE:

- Repair:
  - We offer a global repair scheme in stores aiding extension of the lifecycle of our products and keeping them loved for as long as possible
- Extending product lifespan: Care guidance
  - CleverCare: We propose a variety of solutions for customers to the minimise the environmental footprint of Stella McCartney garments2 through lifetime care guidance and advice. Specifically relating to washing, temperature control, drying, ironing and dry cleaning
  - All garments come with a CleverCare label specified to that garment
  -

CHALLENGING CURRENT OWNERSHIP SYSTEMS:

- Resale:
  - We are partnered with The RealReal, offering a luxury resale service in the US, facilitating multiple lifecycles for our garments and accessories

PREVENTING OUR PRODUCTS BECOMING WASTE:

- Recycling schemes
- Recycling schemes require products to be designed in ways that enable the disassembly and reuse or recycling of components, as well as materials to be captured at their end of life and fed back into the relevant recycling streams - many of which do not exist globally today
- We are increasing the proportion of our collections that are designed for disassembly, which facilitates both repair and recycling
- We're exploring ways we can ensure our products never become waste and can be recycled. We'll share more on our journey as we go

# Our Activision: Education, Activism and Lobbying

Continuing our focus on transparency, we're working to increase the volume and quality of information provided to consumers up to, at, and past the point of purchase.

As change agents and activists, we use our voices and platform to create radical change and bring awareness through activism and education woven into our campaigns. We are continuing to expand our travelling "Future of Fashion" exhibit, sharing our thought leadership and material innovation projects with the industry and beyond.

Internally, we commit to continual education for our employees, including immersive workshops around designing for disassembly and evolving climate change awareness programmes.

# End Note

At Stella McCartney, we believe in a future where circular, regenerative and nature-positive solutions are common practice – setting a standard for the industry today that protects the planet for tomorrow. We want waste eradicated and materials kept in circulation, with individuals respected and protected at every level of supply chains.

We are committed to investing in sustainability to safeguard the future of our planet, people and fellow creatures.

We have come a long way since 2001, and together our industry has a big mountain still to climb. Collective responsibility needs to be taken, to protect and leave a habitable - moreover thriving - planet for future generations. We are continuing to share our journey – encouraging openness and transparency, sharing of knowledge and best practice, to move the needle in the right direction and get us - as a collective society - to where we need to be.

Let’s keep challenging convention and protecting Mother Earth, together.

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# Appendices

# Appendix I. Scope

The methodology used to measure impact on nature is derived from the Environmental Profit & Loss tool developed by Kering and PwC– designed to value the societal impacts resulting from changes in the natural environment caused by a company's activities, from the extraction of raw materials to the manufacturing of products to direct operations required to sell those products.

The EP&L methodology uses a natural capital approach to examine the way in which we as a brand depend on these 'ecosystem services' and allows an organisation to see the impact of its activities on the natural environment.

The fashion supply chain is organised into the following Tiers:

| TIER | | DESCRIPTION |
|---|---|---|
| 0 | Direct operations of stores, offices and warehouses | Impacts associated with running our offices, stores and warehouses |
| 1 | Final product manufacturing and assembly | Impacts of our suppliers' operations that carry out cutting, sewing, printing, embroidery, finishing, packing or any other type of final assembly or finishing operations |
| 2 | Material manufacturing | Manufacturing of yarns, fabrics, trims, components or other materials that go into the final manufacturing and assembly of our products; processes include spinning, weaving and dyeing |
| 3 | Raw material processing | Impacts of processes such as ginning (cotton), pulp mills (viscose) and smelting (metals) |
| 4 | Raw material extraction | Impacts of crop growing, animal raising, metal mining, forestry and oil extraction for synthetics |

Table 1. Explanation of Tiers in EP&L

# Appendix I. Scope

| ENVIRONMENTAL IMPACT AREA | UNIT | DESCRIPTION |
|---|---|---|
| Air Pollution | kg emissions of pollutants (NOx, SOx, PM2.5, PM10, VOCs, NH3) | These reduce the quality of the air, with negative consequence on people's health and the natural environment |
| Greenhouse Gas Emissions | kgCO2e (CO2, N2O, CH4, CFCs) | Drives climate change which affects health, livelihoods, economies and the natural environment |
| Land Use | ha of tropical forest, temperate forest, inland wetland etc. that is converted or occupied in our whole supply chain | Natural land areas provide essential services to society such as climate regulation, providing goods and services that support livelihoods, and recreation spaces important for wellbeing |
| Waste | kg of hazardous waste and non-hazardous waste | The disposal of waste can release greenhouse gas emissions and other air pollutants, leach into water bodies and soils, and cause disamenity around disposal sites |
| Water Consumption | m3 of water consumed | Water used for corporate or industrial purposes can reduce the availability of clean water for local communities; if this results in increased consumption of dirty water, this has an effect on health and reduced water availability can impact local natural environments and provision of ecosystem services |
| Water Pollution | kg of pollutants such as heavy metals, nutrients, toxic compounds | If released into waterways, water pollutants can seriously impact health if ingested via drinking water or bioaccumulation in food; the release can also lead to eutrophication that affects fisheries and marine life |

Table 2. Environmental impact areas that we consider

# Appendix I. Scope

Processes that occur at any point in the fashion supply chain can cause a change to one or more of these six environmental impact types. To determine the magnitude and type of change caused by different processes such as raw material extraction or fabric production, the EP&L tool uses a combination of primary data collection, such as data collected directly from suppliers about their manufacturing processes, and secondary data, such as Life Cycle Assessments. These sources are used to derive quantities of pollutants released or resources consumed for a particular process. Careful consideration was given to select the best available data to base these calculations on (see Appendix III for details of selected data sources).

The next stage in the calculation is to measure the consequence of these changes in the natural environment on people's health and wellbeing. This is where it is important to take local context of the activity into consideration because impacts are context-specific. For example, the release of one tonne of an air pollutant has a bigger impact on wellbeing in urban environments compared to rural environments, because urban areas are more densely populated so more people are affected. Another example is if water is extracted from a water-scarce region where there is greater competition between industrial and domestic users, and the cost to society of that water being used for fashion rather than for local populations is much higher. This requires companies to know exactly where all processes for making its products take place. When companies do not have this level of visibility of their supply chain and materials, it is possible to use proxy data to make an informed guess about where these processes are most likely to take place. However, the challenge here is that it is not easy for companies to address these impacts when the exact location is unknown. The cost to society is modelled and then valued in monetary terms using welfare economics and expressed in Euros (€) of impact. The valuation approach used was developed by PwC UK and is consistent with the policy recommendations of the European Commission. Full methodology papers can be found on PwC's UK website or by following this link: https://www.pwc.co.uk/sustainability-climate-change/assets/pdf/pwc-environmental-valuation-methodologies.pdf.

Expressing all of these different environmental impacts in one common unit allows us to compare indicators side by-side and to target our sustainability strategy to specific hotspots in the supply chain, identify our highest-impact materials and focus on the main types of environmental impacts. Without this level of information, companies are at risk of being ignorant of their contribution to major environmental problems like global heating, loss of biodiversity or deforestation. Another risk is that organisations could be misdirecting their sustainability efforts to parts of the supply chain or environmental impact areas that are not the most material.

| VALUATION METHODOLOGY | |
|---|---|
| Inflation | The valuation coefficients are expressed in 2018 Euros. The coefficients are inflated to 2018 prices using a global average inflation rate (sourced from the World Bank). Coefficients are exchanged from 2018 USD to 2018 EUR using an average inflation rate from between 2012 and 2018. In line with the EP&L methodology, valuation coefficients are kept the same for 3-4 years to enable comparison year on year. We expect to update these coefficients for inflation in our 2022 report. |
| Social Cost of Carbon | The GHG valuation coefficient is estimated using the Social Cost of Carbon (SCC). The IPCC recommended in AR4 that the SCC is inflated by 3% per annum (on top of currency inflation) to account for the nearing in time of the effects of climate change. The IPCC's AR5 report had no further comment on inflating the SCC beyond year-on-year currency inflation so we agreed that the SCC inflation rate will be limited to 2018. Beyond 2018 prices, the SCC/GHG valuation coefficient will be inflated by the world average inflation rate only. |

Table 3 - Valuation Methodology

# Appendix II. Methodology Changes

| Category | Type | Detail |
|---|---|---|
| RAW MATERIALS | | |
| Jute | New Material | Juta was mapped to hemp as there was no specific multiplier available. This decision was made on 13th September 2022 based on research. |
| SCOPE CHANGE | | |
| Ready to wear (RTW) | Change to existing data | Due to changes in the SMC business model, data for RTW was not provided. This data accounted for 12% of total production. |
| Kids Wear | Change to existing data | Kids items were excluded from this year's analysis. |
| Licensed Items | Change to existing data | Licensed items were excluded in this year's analysis. |
| Transport | New data | This is an important product category for us and makes up a significant proportion of direct operations. Transport data was based on estimates provided of weight of goods, transport method, and location it was transported to/from and incorporated it into the tool. Transport direct to end consumers was excluded from the analysis. |
| Waste | Scope Change | To estimate total waste for entire T0 direct operations, we used the actual data derived from Olaf Street, London (tonnes of waste per employee * total # employees). Waste was estimated to be the same across all stores due to time/data constraints on employee data per store/warehouse/office. All waste assumed to be non-hazardous waste. |

Table 4. New data sources and amendments made to the underlying methodology

# Appendix III. Data Sources

| KEY MATERIALS | SOURCE AND AUTHOR |
|---|---|
| Viscose | Stella McCartney commissioned LCA (2017): "Life Cycle Assessment Comparing Ten Sources of Manmade Cellulose Fiber" |
| Conventional cotton | A.K. Chapagain et al. (2006) "The water footprint of cotton consumption: An assessment of the impact of worldwide consumption of cotton products on the water resources in the cotton producing countries" Ecological Economics, Volume 60. |
| Organic cotton | Textile Exchange (2014): "The Life Cycle Assessment of Organic Cotton Fiber - a Global Average" |
| Recycled cashmere | Supplier's own data |
| Wool from our approved supplier | Supplier's own data |
| Wool from other suppliers | USDA study that draws on multiple publications including the Agricultural Statistics Database, National Pesticide Database, USGS Estimated Use of Water in the United States and US EPA Inventory of Greenhouse Gas Emissions and Sinks |
| Virgin polyester & nylon | Plastics Europe (2005) |
| Recycled polyester | Plastics Europe (2005) supplemented with supplier's own data |
| Recycled nylon | Supplier's own data |
| Silk | Astudillo et al. (2014): "Life cycle assessment of Indian silk" supplemented with on the ground research in China |

Table 5. Impact data sources chosen for key materials used by Stella McCartney