



ESG and Impact Report

May 2023





Contents

1 Commitments

- Message from the CEO
- Our mission
- Our sustainability objectives
- Our approaches and policies

2 Community

- Our team in 2022
- Who we are
- Our board
- Our investors
- Our culture

3 Impacts and Actions

- Our impact initiatives for 2022
- Our SDG targets and the UN Global Compact
- Our impact initiatives in action
- Our GHG inventory and impacts
- Partnerships

4 Next Steps

- Looking forward
- GHG reduction roadmap
- Join the transformation

Commitments 01

Message from the CEO

Dear Material Exchange partner:

I am delighted to share this, our first Material Exchange ESG and Impact Report.

As you can read in the following pages, just as our team works each day to transform the way the fashion industry sources materials, we also work to measure and reduce the impact of our daily performance and global operations.

Material Exchange is developing and maintaining a digital sourcing platform that reduces waste, drives ethical sourcing, promotes transparent communication, and works toward resiliency and equity for current and future generations. Within this purpose, we strive to pursue our sustainability objectives of:

- minimizing planetary impacts,
- inspiring sustainability mindsets,
- and driving economic growth for all our stakeholders.

As I share this report, I pledge to continue our mission as we do our part to bring positive change to the global fashion material supply chain and the planet.

Yours in sustainability,
Darren Glenister | Chief Executive Officer



Our mission

To change the way the fashion industry sources materials and products, making it more efficient, transparent, and sustainable

Our sustainability objectives



Reduce planetary impacts

We strive to help brands, agents, and suppliers eliminate wasteful and harmful material-sourcing processes and commit to assisting them through digitization in meeting their low-impact and responsible sourcing goals. We also work from within to continually manage, measure, assess, and decrease our environmental impacts across Material Exchange and work toward having the smallest impact on the planet as possible.



Inspire sustainability mindsets

We commit to educating our staff and ourselves to successfully inspire work toward long-term equity, diversity, impact-awareness, and well-being in our global teams and in all communities we touch. We support brands in their ethical and responsible sourcing goals, facilitate suppliers on their social equity and sustainability journeys, and promote the SDGs to all Material Exchange stakeholders.



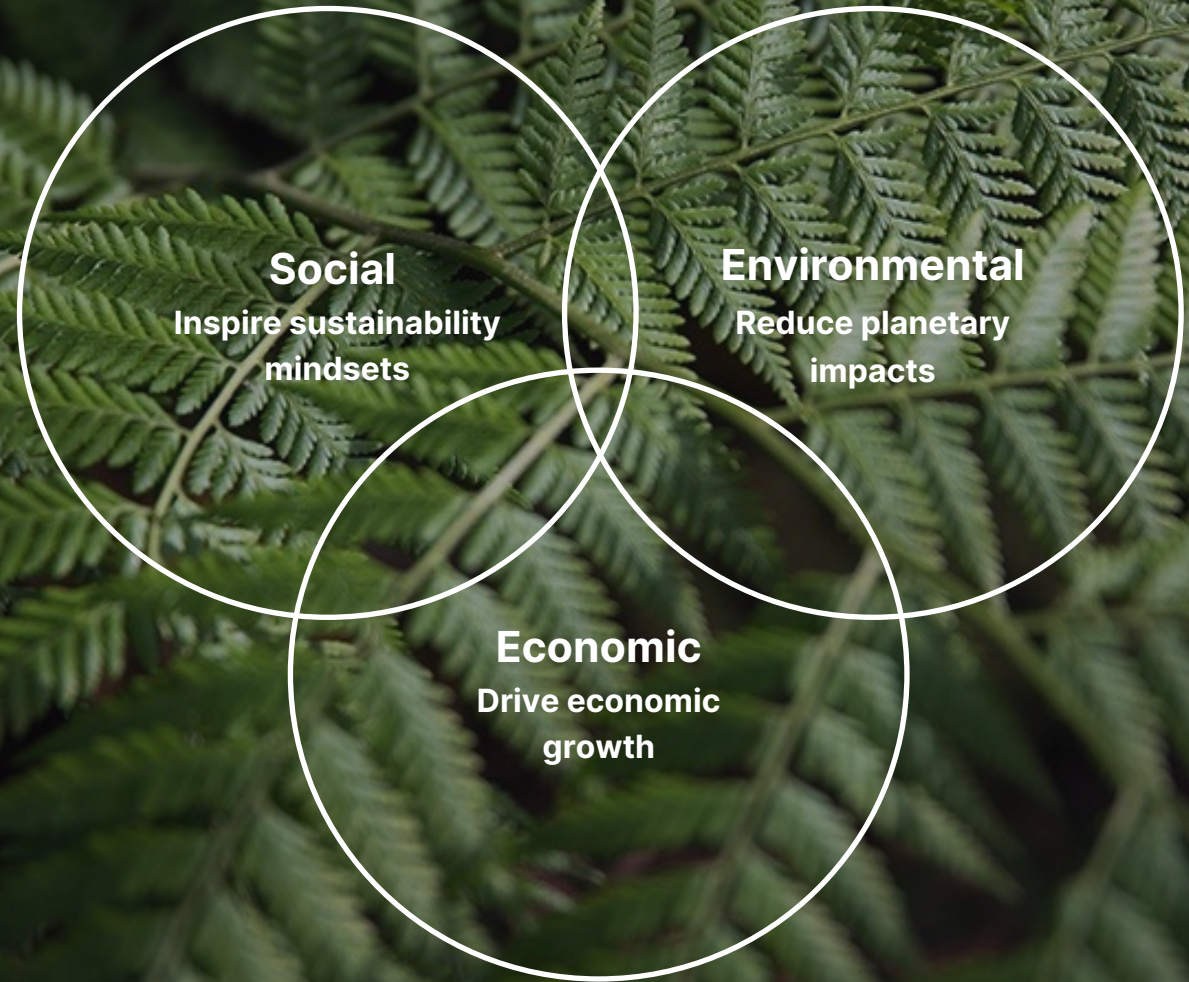
Drive sustainable growth

We seek to embed sustainability, transparency, and trust into all company commitments, product strategies, and customer experiences to support transformational, low-impact digitized sourcing that drives profit and growth for our material suppliers, footwear and fashion brands, agency partners, investors, and all the Material Exchange team, so we can continue to do good things far into the future.

Our approaches and commitments

Our environmental, social, and governance (ESG) commitments outline our aspirational targets. These include our three approaches which align with our three sustainability objectives and guide all that we do.

Please read more on these overarching business approaches on the following pages.





Our Environmental Stewardship Approach

Reduce planetary impacts objective

Material Exchange knows the impacts man-made systems have had on planet Earth. We recognize that, as a global fashion sourcing company, we can contribute to driving the reduction of those impacts by designing new processes which are less harmful to nature's resources.

To that end, Material Exchange is pushing ourselves and our stakeholders to work toward a healthy and resilient environment for all. We are committed to:

- Helping brands, agents, and suppliers eliminate wasteful and harmful material-sourcing and product-creation processes by digitizing traditional resource-intensive methods;
- Conducting all our business operations with planetary stewardship at the forefront of our minds and in compliance with or better than all local environmental laws and regulations; and
- Striving to manage, measure, assess, and reduce our environmental impacts across Material Exchange's digital and physical spaces and continually work toward having as small an impact on the planet as possible.

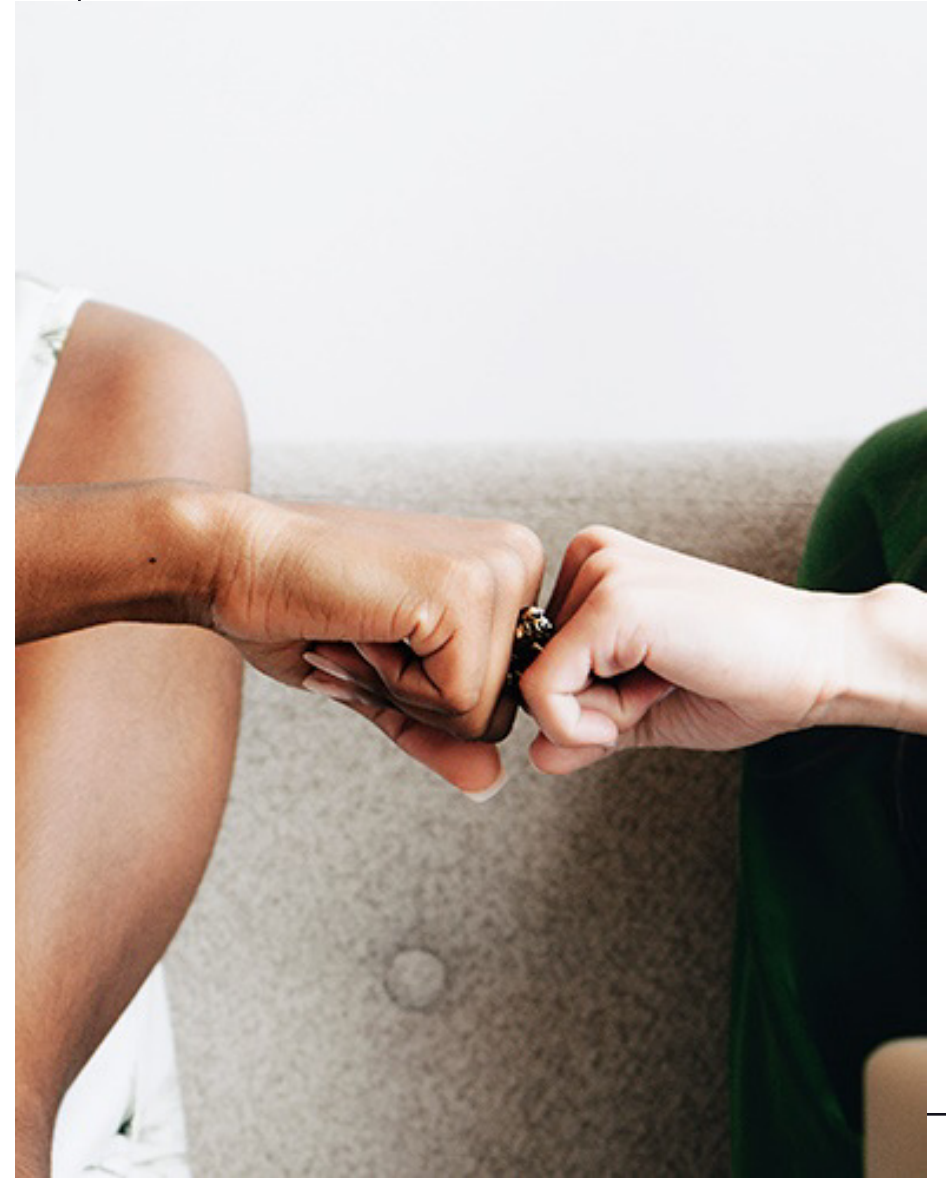
Our Social Equity Approach

Inspire sustainability mindsets objective

Material Exchange recognizes that systemic issues have oppressed certain groups of people and, as a business operating in twelve countries, we have the opportunity to drive positive change by employing and promoting persons of all types across the globe.

For this reason, Material Exchange strives to offer equal opportunities and promises we are:

- Working toward diversity, inclusivity, and equity across our global leadership, management, and staff;
- Reviewing how we assign compensations and promotions to insure they are made without discrimination on the basis of race, gender, age, religion, dress, nationality, sexuality, or any other cultural status;
- Respecting all individuals and ensuring a workplace with no harassment, bullying, or practices that harm any person's wellbeing;
- Educating ourselves and our stakeholders to inspire work toward long-term equity and justice for all people and living beings on Earth;
- Promoting social responsibility in the fashion supply chain by supporting brands in their ethical and responsible sourcing goals and facilitating suppliers in their social equity and fair labor journeys; and
- Advancing the U.N. Sustainable Development Goals (SDGs) to all Material Exchange stakeholders.





Our Transparent Governance Approach

Drive sustainable growth objective

Material Exchange understands that without fostering a culture of trust, integrity, and open communication, no company can succeed or profit. Therefore, we aim to establish accountability and transparency between all of our stakeholders at all times and vow to continually work at:

- Building a community of trust and holding ourselves accountable through transparency for all staff, management, brands, agents, suppliers, industry partners, and investors;
- Communicating all company commitments, actions, updates, product strategies, and compliance data openly, regularly, and clearly to support transparent, transformational, low-impact digitized sourcing into the long-term future;
- Recruiting for and maintaining an equitable, non-discriminatory enterprise, where all persons are included, respected, and valued; and
- Championing people and planet and keeping sustainability at the core of all we do.

Our policies and commitments

In addition to our sustainable business approaches, we have the following corporate-wide policies in place:

- Anti-harassment and Bullying Policy
- Anti-corruption and Bribery Policy
- Health and Safety Policy
- Health, Stress, and Wellbeing Policy
- Whistleblowing Policy
- IT Communication and Cyber Security Policy

But we're not stopping there! We've got more policies in the works for 2023 and onward, including a Greenhouse Gas Reduction Policy and Global Parental Leave Policy.



Community 02



Our team is global

Material Exchange is **one** global team operating in **ten** countries, with **seven** physical offices in **six** countries:



Stockholm,
Sweden



Subotica,
Serbia



Yerevan,
Armenia



Dongguan,
China



New York,
USA



New Orleans,
USA



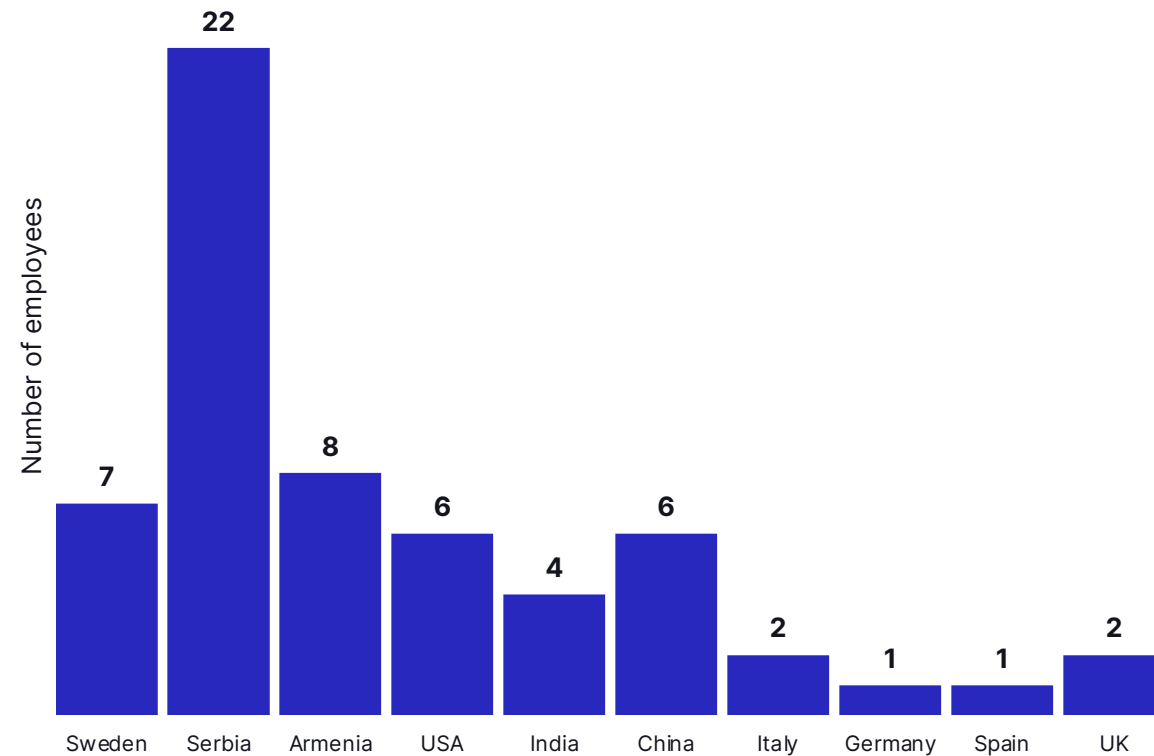
Vicenza,
Italy

As of the end of December 2022, our staff members include 44 full-time employees (FTE) and 15 freelance staff members, all working to help brands make more efficient, sustainable, and transparent material sourcing choices.

Our team is hybrid

If our Material Exchange staff members live near a regional office, they work there several days per week and partly from home. As well, many of our staff work 100% remotely because the Material Exchange team resides across 10 countries.

Material Exchange's Team: 2022 Countries of Residence





Our team self identifies

At the end of 2022, we launched our first DEI survey. The survey was optional and fully anonymous. Of 55 staff members...



67% responded

From that percentage:



42%

identify as female



50%

identify as male

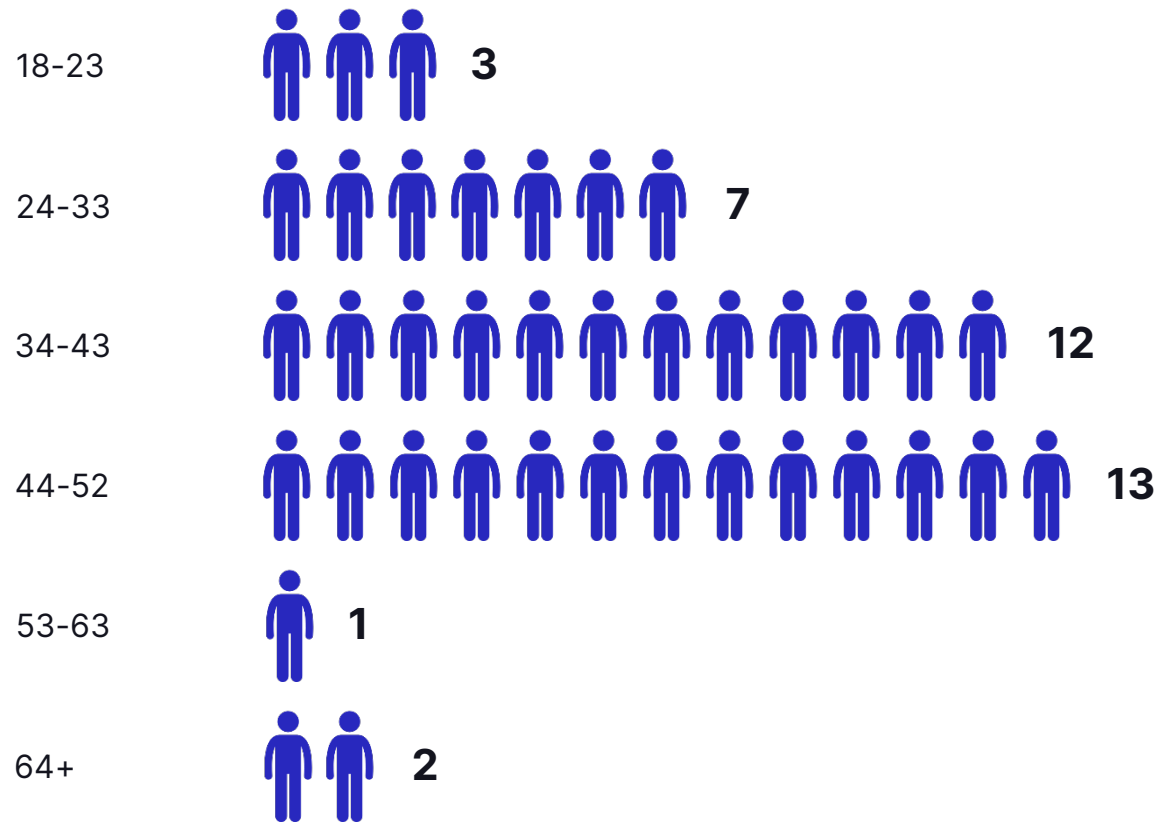


8%

prefer not to say

Our team is all ages

As of December 31, 2022, our team members are between the ages of 18 and 70+.

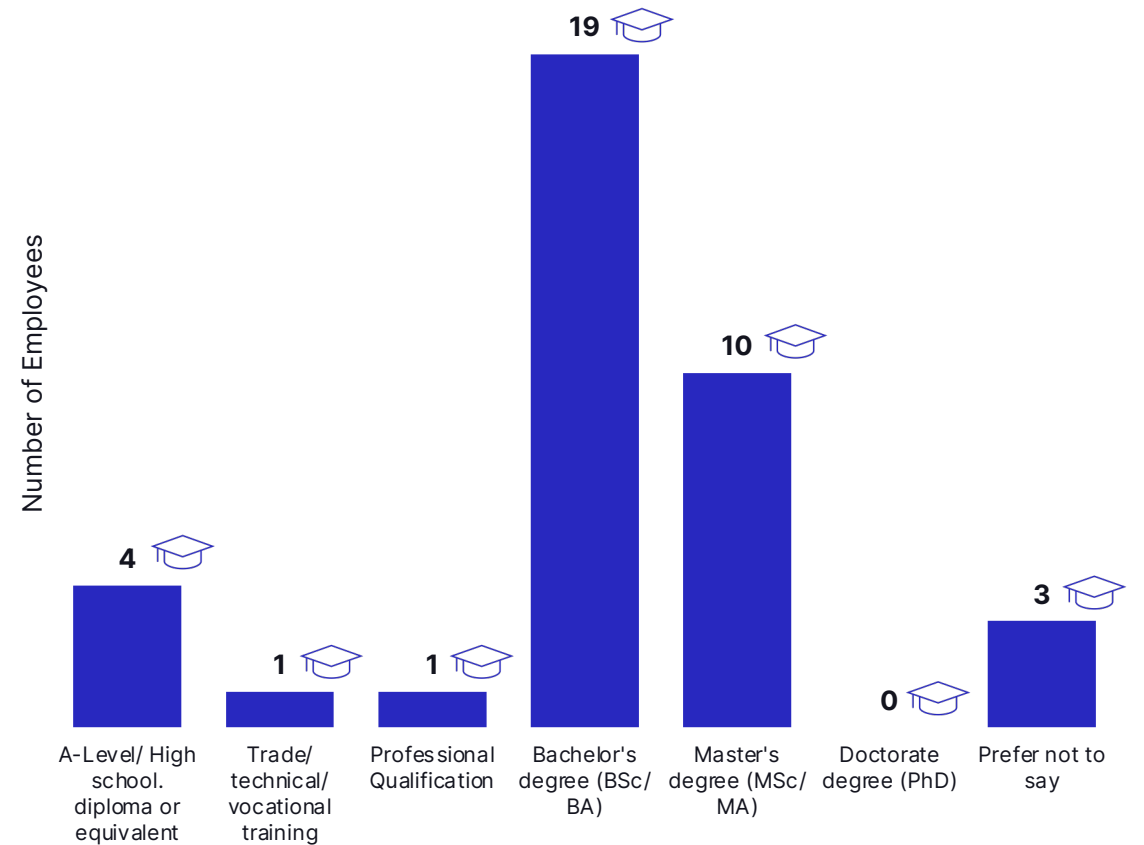


Our team is educated

76% of our staff have earned a Bachelor's degree or better, as of December 31, 2022.



Material Exchange Employee Education Level



Our team has thoughts on diversity

In our DEI survey, we asked staff members if they believed Material Exchange was a workplace and culture that valued diversity, equity, and inclusivity. Here's what they said:



"Material Exchange values diversity"

88% agree



"I feel a sense of belonging and that I am valued at Material Exchange"

85% agree



"People from all ethnic backgrounds with a range of identities have equitable opportunities at Material Exchange"

90% agree

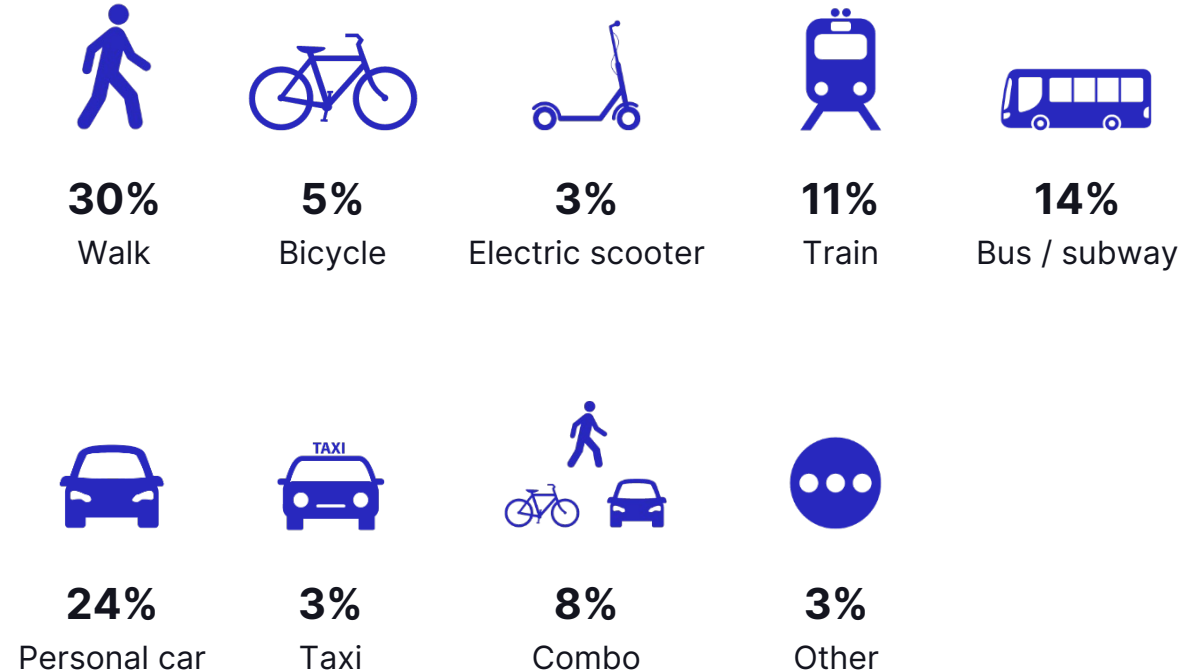


"Material Exchange is committed to improving diversity, equity, and inclusivity of its workplace"

86% agree



Our team travels to work in many ways



We asked our team if and how they travel to work.

This is what we learned about their transport methods:

38% use people-powered

24% use public

27% use private or shared vehicles

11% use a combo or other mode

Now that we've collected travel details from 2022, we will use that as our base year and work to improve these stats. We plan to encourage more cycling to work and public transport use when possible via a sustainable travel initiative, which we plan to develop over the next year.



Our board

Material Exchange is governed by a 4-person board of directors.



75%

of board identify
as female



25%

of board identify as
ethnic minority



25%

of board is an
independent



8 board meetings
in 2022



Sustainability is a
regular agenda item

ESG

ESG topics also
on the agenda

Our culture

As we move forward on our mission of transforming sourcing, we're guided by our principles, The Material Exchange Way. This set of values defines how we work together every day to achieve our goals.

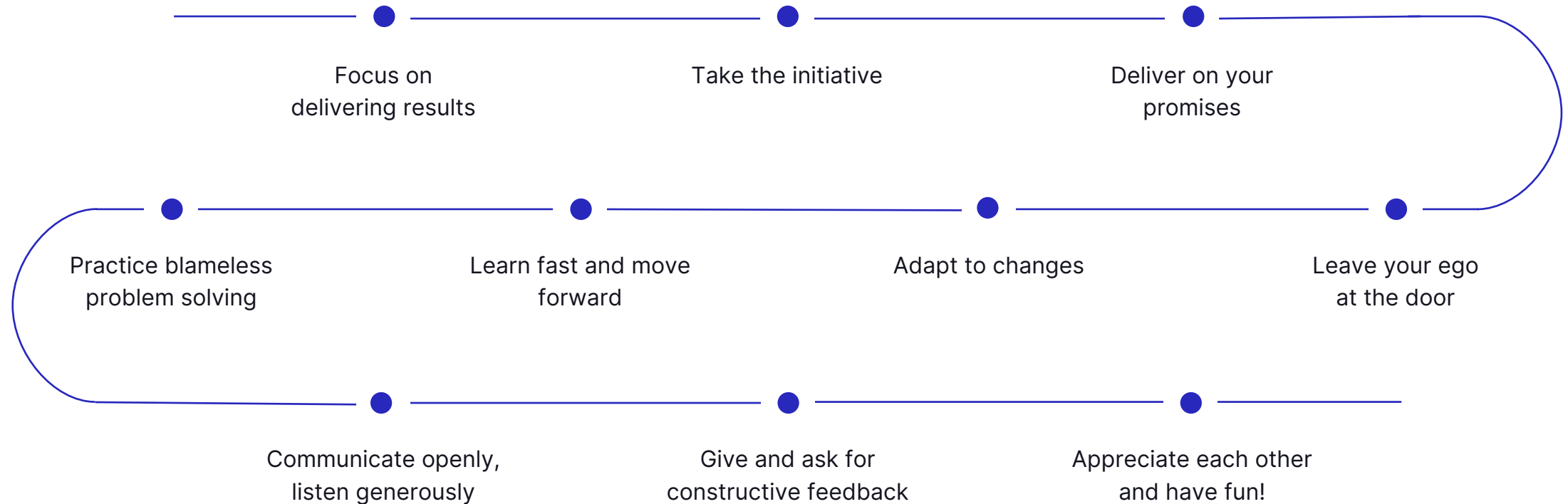
Having and ensuring a defined culture code is especially important in a multi-cultural workplace like ours where employees are spread across ten countries and bring a variety of backgrounds and perspectives. Our cultural values have, in fact, been created by Material Exchange employees to truly embody what's important to us.

As a start-up, we're in a constant state of change and our culture code will change with us. However our culture evolves, one thing is certain: we will always strive to do our best, supported and unified by our team.



Our guiding principles

Our values in action guide our work at Material Exchange. All team members strive to uphold these values in the work we do together.



Our investors

Material Exchange is proud to have investors who make a difference.

In late 2020, we completed an investment round of €5 million – led by Norrsken VC – to help us grow and achieve our long-term goals. In Q1 2022, we closed a €25 million round of funding led by world-class investor Molten Ventures along with the continued support of previous seed investors including Partech, Norrsken, Inventure, Day One Capital, and Lyra.



Impacts and actions

03

Our impact initiatives

We can do it is an acronym of 9 measurable impact initiatives that align with Material Exchange's mission and sustainability objectives to reduce planetary impacts, inspire mindsets, and drive economic growth:

Widen our selection of scanned, digital materials to increase sourcing selection, minimize waste, and decrease inefficiencies from traditional material sourcing.

Emphasize and spotlight suppliers with responsible environmental and social practices to drive low-impact sourcing.

Communicate and share the necessity of sustainable sourcing and digital acceleration to drive impact reduction and growth.

Associate and partner with organizations that align with our mission; alone we can go fast, but together we can go far.

Nourish our staff with a focus on wellness, health care, team building, and transparency for all Material Exchange employees.

Diversify by working to increase our gender, age, racial, ethnic, and sexual identity mix and inclusivity among our employees.

Open our hearts, engage, and give service to the global communities where Material Exchange and our stakeholders operate.

Inventory our impacts and measure, assess, and reduce our greenhouse gas emissions and waste outputs.

Teach and educate internally and externally to accelerate personal, company, and industry sustainability.

Our SDG targets and the UN Global Compact

In July 2021, Material Exchange committed to the U.N. Global Compact.
















Since then, Material Exchange has been extremely proud to be among 20,000+ global companies using the Sustainable Development Goals (SDGs) as their blueprints.

In 2022, Material Exchange enthusiastically reaffirmed our commitment and support of the Ten Principles of the U.N. Global Compact in our Communication on Progress Report.

Material Exchange has selected eight SDGs to work to achieve and have aligned them with our 9-impact "We can do it" initiative.

SDG	Actions
	SDG 4 - Quality education Educating suppliers, brands, agents, and ourselves via newsletters, webinars, sustainability professional workshops, social media posts, and internal presentations focused on sustainability, impact reduction, responsible sourcing, material digitization, and innovation to drive change for good in our industry.
	SDG 3 - Good health and wellbeing Bringing wellness, healthcare, and regular human resources check-ins to all team members to ensure that people come first in our digital solution.
	SDG 5 - Gender equality Recruiting and maintaining equitable gender ratios in staff and leadership positions; and highlighting suppliers with good social practices in place that benefit facility workers who are female, such as on-site childcare.
	SDG 8 - Decent work and economic growth Spotlighting suppliers with responsible environmental and social practices to drive economic growth for their global businesses, our brands and agents in the site, and all our stakeholders and investors, as well driving procurement of deadstock materials.
	SDG 9 - Industry, innovation, and infrastructure Pioneering a digital sourcing agency infrastructure as a new model for the fashion and footwear industries to facilitate sustainable, efficient, and transparent sourcing.
	SDG 12 - Responsible consumption and production Escalating digitization of materials to reduce waste and the negative impacts resulting from worldwide textile and fashion production; facilitating transparent communication between global factories and buyers.
	SDG 13 - Climate action Reducing transport emissions impacts by digitizing traditional processes; assessing physical office spaces and digital emissions to create a reduction pathway.
	SDG 17 - Partnership for the goals Partnering with FDRA, USFIA, Inventure, Lyra Ventures, Partech, Norrsken VC, Molten, Day One Capital, Olah Inc., Kingpins, Textile Exchange, USFIA, Texworld, LA Textile, GCNYC, Accessories Council, Fabscrap, Fashionindex, Show Waste, Eurofins and the UN Global Compact – because together we can go far!

Our initiatives in action

Initiative	Impacts measured as of end of year 2022	SDGs aligned
W iden our selection of scanned, digital materials	27,538 materials digitized, scanned in 7 global scanning hubs, reducing the need to send physical samples around the world	 
E mphasize suppliers with good practices	9 sustainability stamps created to visually convey a supplier's good actions and capabilities; 57 third-party environmental and social certifications uploaded on platform; 242 facility details contributed to the Open Supply Hub database	 
C ommunicate the necessity of sustainable sourcing	300 social media posts dedicated to accelerating sustainable sourcing; 30 e-mail blasts informing responsible material sourcing; and 259 sustainability and sourcing survey participants	 
A ssociate and partner with strategic organizations	8 industry-organization partnerships to drive our mission and sustainability objectives and 4 trade show partners to drive brand awareness and growth	
N ourish our staff with wellness, health, and transparency	100% of FT employees eligible for health care benefits; 55% of in-office staff are eligible for daily lunch; and 4 leadership forums transparently sharing strategies and updates for all employees	 
D iversify our global team	42% of staff members identify as female; 13% are gender non-conforming; 11% are a racial or ethnic minority group member; 18% choose not to identify with a racial or ethnic group; 0% gender pay gap	 
O pen our hearts and service our global communities	23 staff members spent time volunteering and serving at community projects; 200 pounds of textiles donated to high schools and colleges	 
I nventory, assess, and reduce our environmental impacts	33.3 tCO ₂ e of Scope 1 emissions, 25.2 tCO ₂ e; Scope 2 emissions, and 219.8 tCO ₂ e of Scope 3 emissions from business travel and purchased IT equipment calculated and reported; 1 greenhouse gas reduction plan in the works	
T each internally and externally to accelerate sustainability	8 webinars and panels focused on sharing sustainable sourcing strategies; 8 newsletters and blog posts to drive responsible sourcing; 346 students educated about digital and sustainable sourcing; and €500 donated for academic scholarship to a university student	

Our Community Projects

Our initiatives-in-action drive us to give back to the global communities in which we live and work:



€510

donated to
community projects



500

trees planted



366

students taught by
our employees



100 kg

of fabric swatches
donated to local
fashion schools



22

employees
volunteered



60 children from

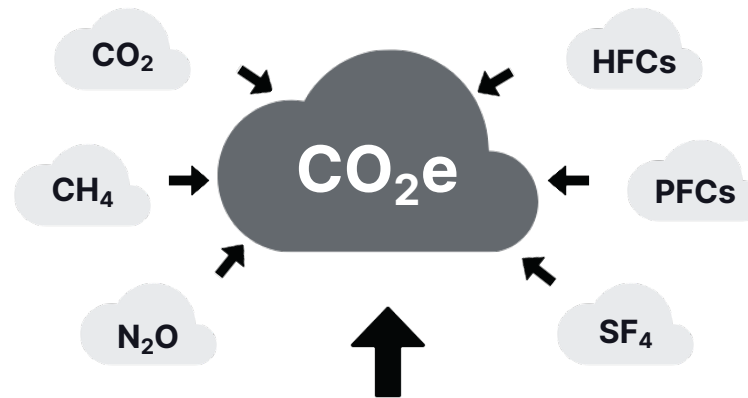
3 need-based
daycares given gifts
and school supplies



Our GHG inventory and impacts

In 2022, Material Exchange performed a greenhouse gas (GHG) inventory in-house. The inventory includes our offices in Stockholm, Subotica, Yerevan, and New York City. Smaller, more recently-rented offices in Dongguan, Vicenza, and New Orleans are excluded from the inventory, as well as all home offices. We are measuring and assessing Scope 1, Scope 2, and select Scope 3 category emissions, as per the defined boundaries of the GHG Protocol.

The scopes and details of what is included in our inventory is explained below:



Scope 1

Occur directly from fuel combustion and sources owned or controlled by company or building. Our scope 1 emissions are from heating our office spaces with fuel oil, district heat, or natural gas in each location.



Scope 2

Indirect emissions from the generation of purchased electricity, heating, and cooling. Our scope 2 emissions are from electric usage in each of the four office spaces, and district cooling in two offices.



Scope 3

All other indirect emissions from a company's activities or value chain are included in scope 3. For this inventory, our calculated scope 3 emissions are from business travel and purchased IT equipment.

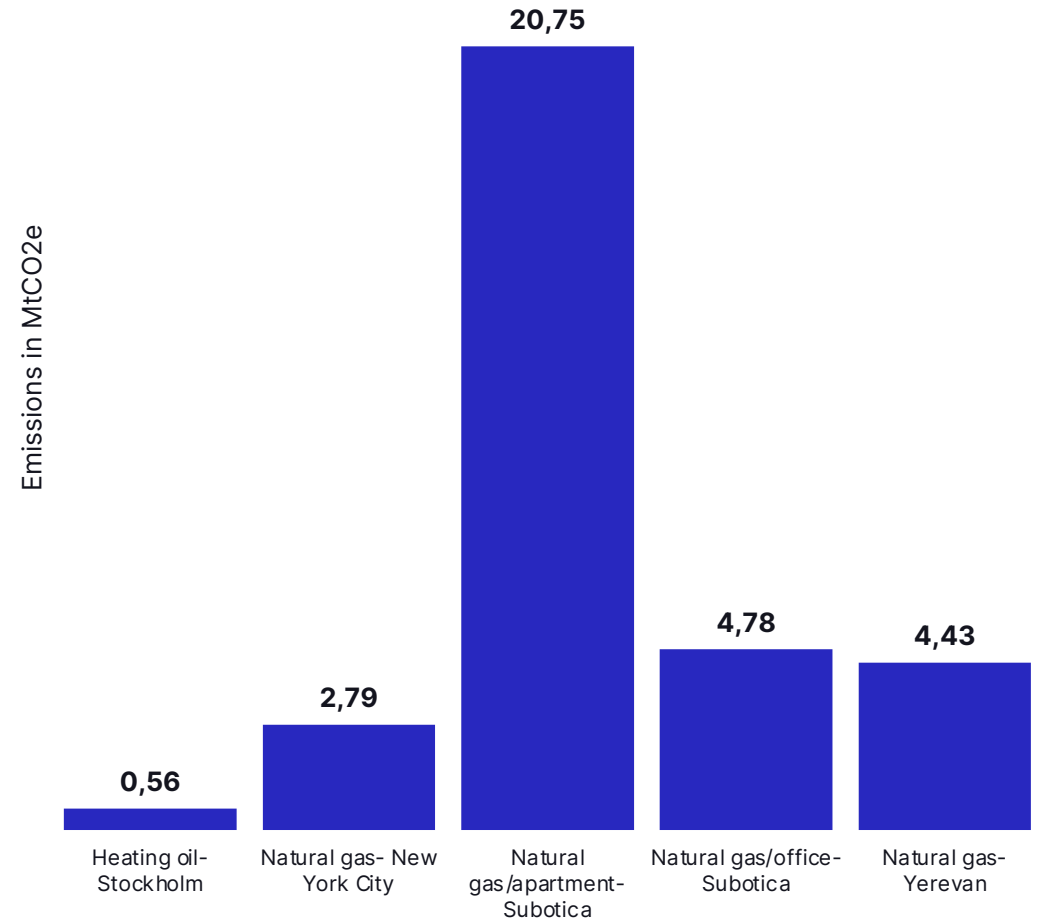


Our scope 1 emissions

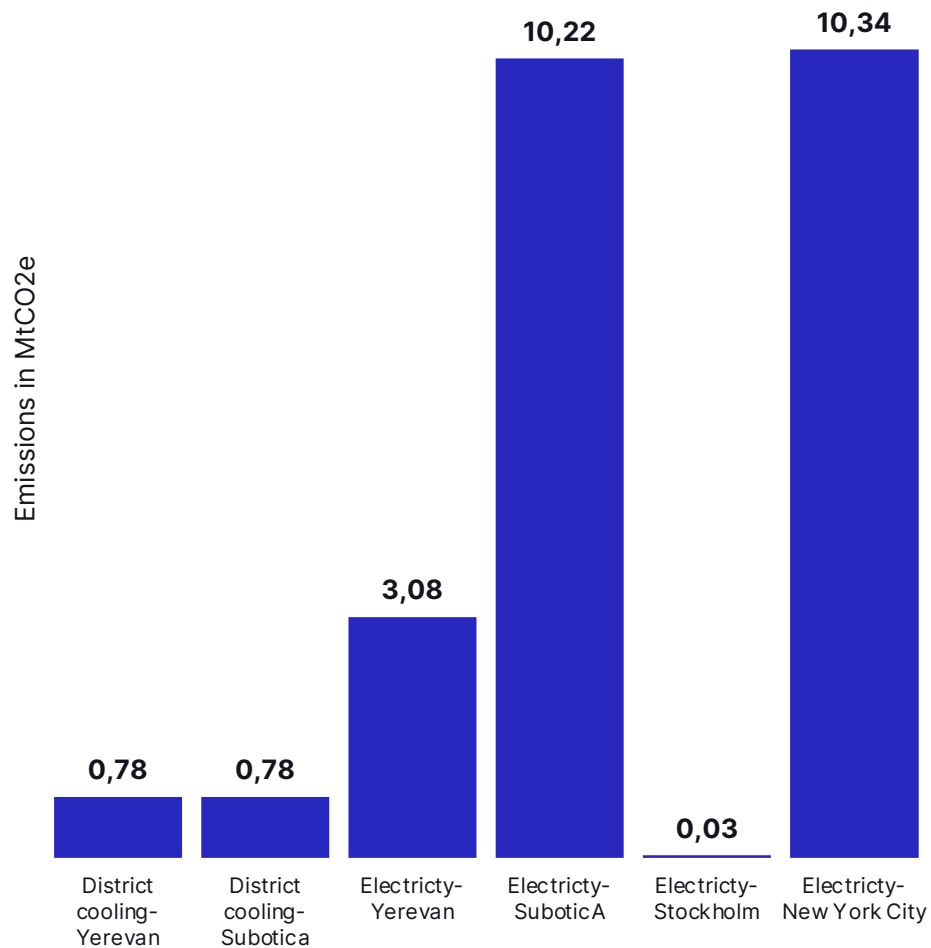
In 2022, our Scope 1 (direct) emissions were calculated for each office. These include direct GHG emissions resulting from combustion induced by heating only, as our company does not own or control any vehicles or large combustion-engine machinery.



Material Exchange's Scope 1 Emissions from Heating:
2022



Material Exchange's Scope 2 Emissions from Electricity and Cooling: 2022










Scope 2 emissions

In 2022, our Scope 2 (indirect) emissions were calculated for each global office. These include indirect GHG emissions resulting from the generation of purchased electricity, heating, and cooling.



Our scope 3 emissions from business travel

In 2022, our business travel emissions totaled **202.8** tonnes of CO₂e. Here is the breakdown in total distance travelled by transportation mode, as well as hotel stays:

Domestic flights	International flights	Taxis	Passenger cars	Buses	Trains	Hotel stays
						
245847.6 km 60.45 MtCO ₂ e	678239 km 124.54 MtCO ₂ e	1772 km 0.26 MtCO ₂ e	32807.8 km 5.6 MtCO ₂ e	3279 km 0.35 MtCO ₂ e	1264 km 0.04 MtCO ₂ e	481 nights 11.56 MtCO ₂ e

As seen in the data above, emissions from flying domestically are more than double our combined scope 1 and 2 emissions. As well, emissions from international flights is double that of domestic flights. With this data, we will aim to reduce our future in-person business trips.

Our scope 3 emissions from IT equipment

In 2022, our GHG emissions resulting from purchased IT equipment for our global team totaled **17.03** tonnes of CO₂e.

Smartphones



2
0.14 MtCO₂e

Laptops



57
14.16 MtCO₂e

Monitors & screens



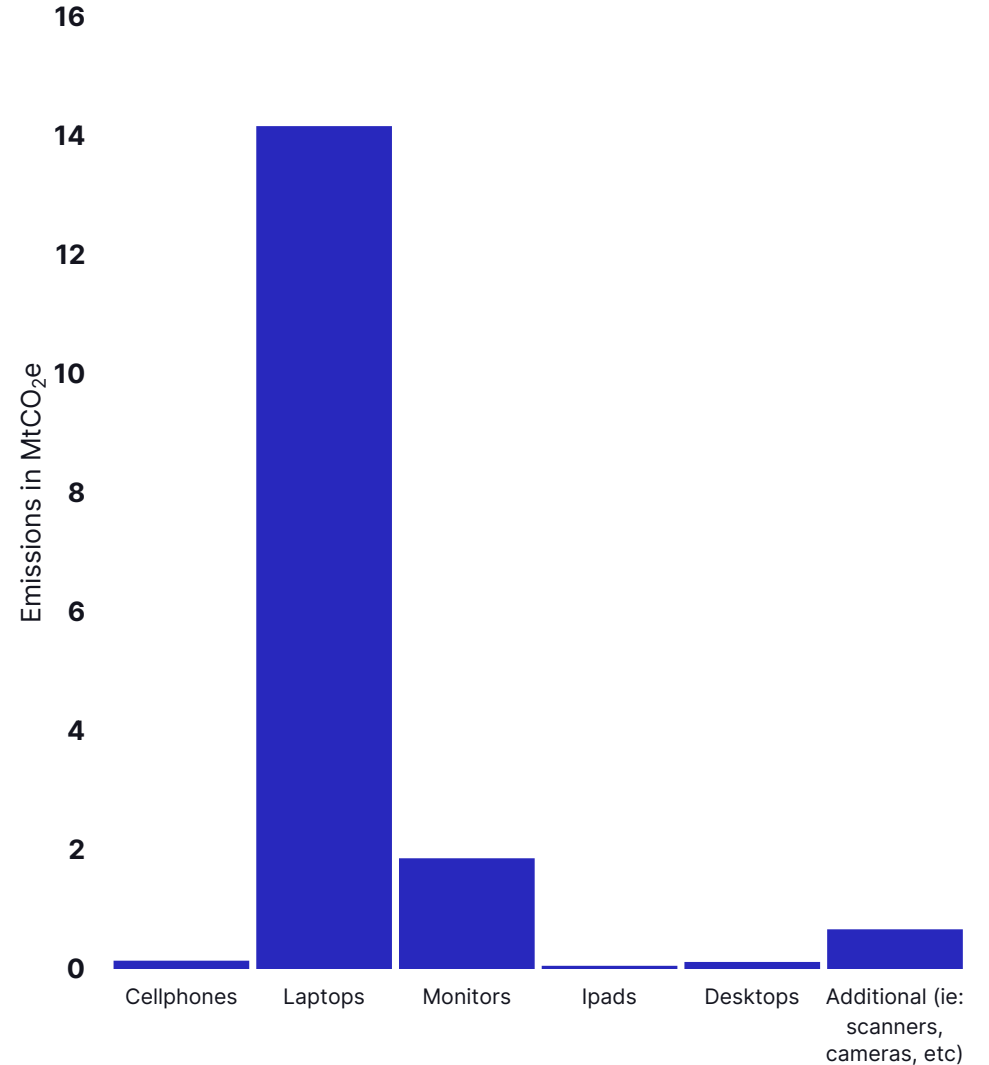
8
1.86 MtCO₂e

Other IT equipment

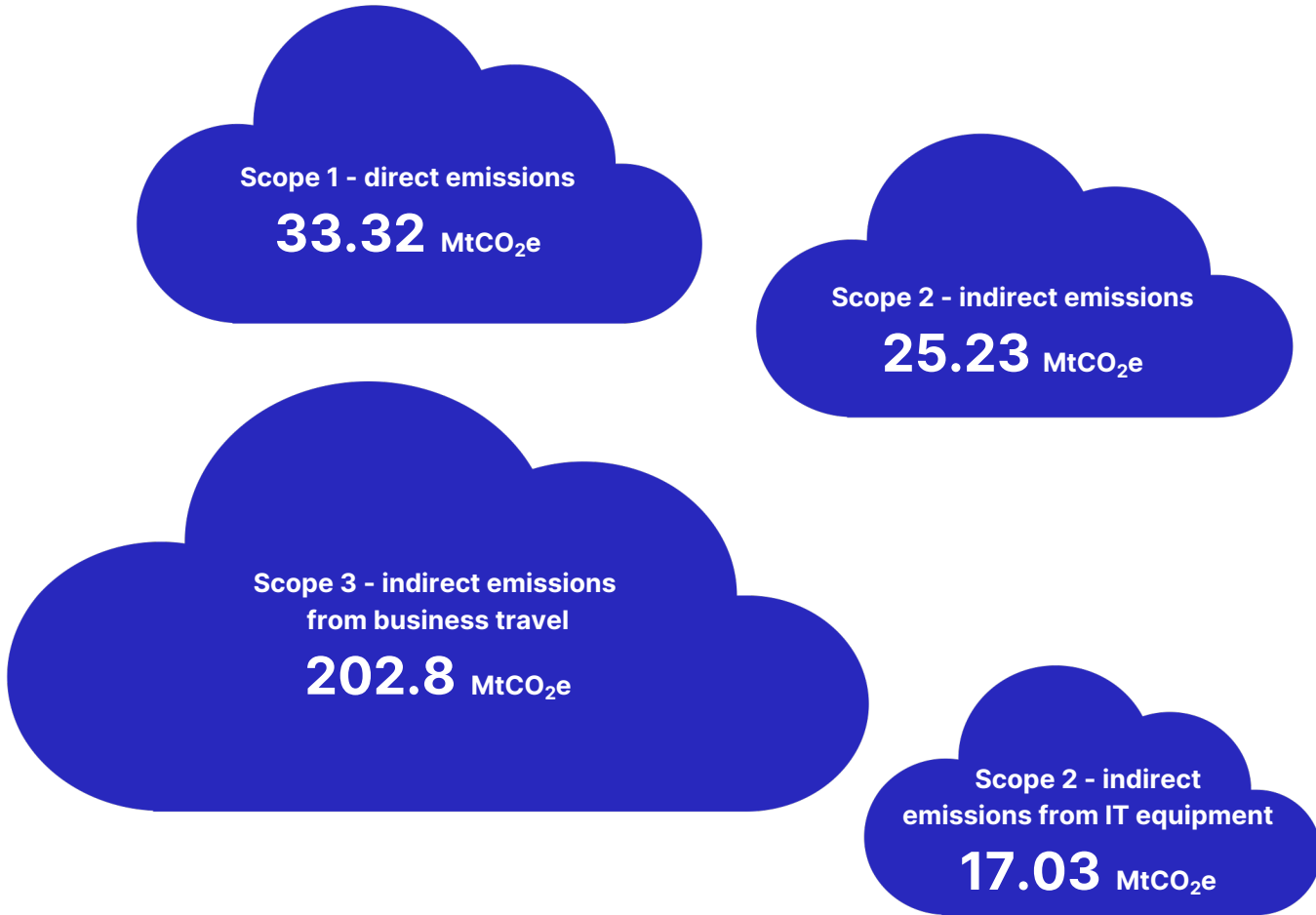


15
0.85 MtCO₂e

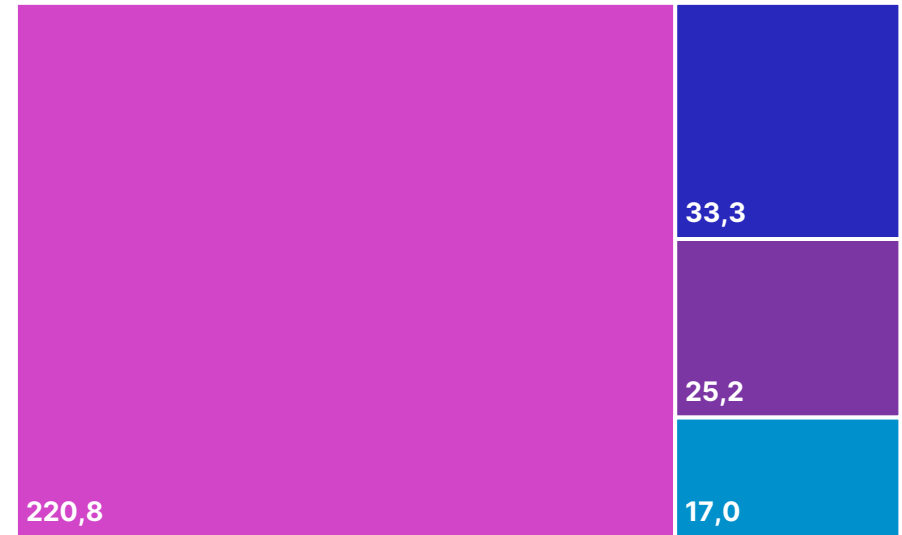
Material Exchange's Scope 3 Emissions from IT Purchases: 2022



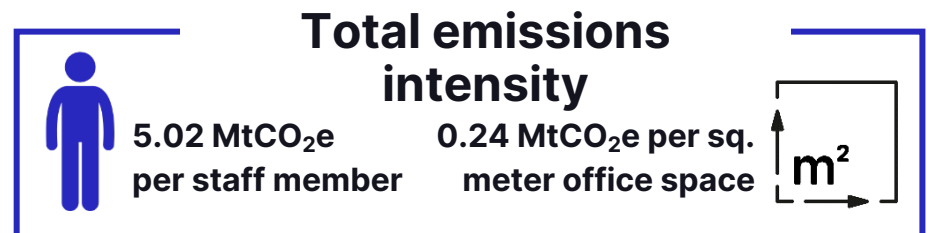
Our total 2022 scope 1, 2, and 3 emissions= 296.4 MtCO₂e



Material Exchange's GHG Emissions in MtCO₂e: 2022



- Scope 1- direct emissions
- Scope 2- indirect emissions
- Scope 3- indirect emissions from business travel
- Scope 3- indirect emissions from IT equipment



Partnerships

Material Exchange has strategically aligned with a number of organizations across the textile and fashion industries. These partnerships allow us to accelerate our work, actions, and impacts in bringing change to the industry.



UNITED STATES
FASHION INDUSTRY ASSOCIATION

FDRA

LA Textile
CMC

TEXWORLD
NEW YORK CITY

CALIFORNIA
ApparelNews

 **eurofins**

Next Steps 04

Looking forward

Material Exchange knows we have more work to do! To that end, over the next 12-18 months we are working on crafting and implementing the following policies, guidelines, and approaches to improve our work, impacts, and staff and stakeholder experiences:



Policies for our people

- Corporate code of ethics / good business conduct policy
- Equal opportunities policy
- Health, stress, and wellbeing policy
- Parental / family leave policy



Reporting of our impacts

- Gender pay-gap tracking and reporting
- Sustainable travel initiative tracking
- Employee-training course tracking
- Regional and place-based supplier tracking
- Carbon footprint reduction and carbon offset planning and reporting



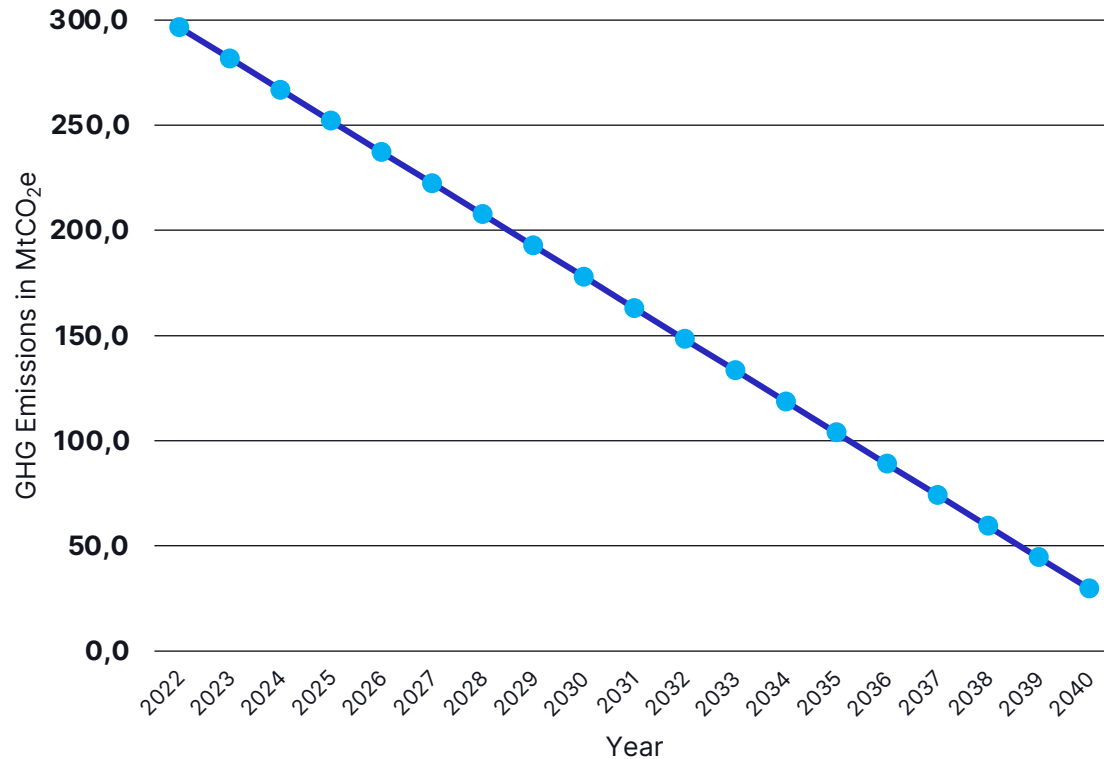
Approaches for our stakeholders

- Equality, diversity, and inclusivity training for all staff
- Diversity recruitment program
- ESG criteria for new business partner selection
- Creation of a supplier code of conduct that includes human rights component










Our GHG emissions reduction roadmap

Now that we've measured our global greenhouse gas (GHG) emissions and intensity, we here at Material Exchange will work to reduce that total. Our hope is to reduce our GHG emissions by a minimum of 5% per year. Our reduction targets over time are as follows:

**Material Exchange's GHG Emissions Reduction Targets
Year by Year**



Material Exchange will work to reduce our GHG emissions by using a combination of:

-  Behavioral change
-  Office building management engagement
-  Office heating / cooling reduction
-  Public transport use increase
-  Air travel reduction
-  Increase sharing / reuse of IT equipment
-  Decrease hotel stays
-  Incorporate offsetting measures
-  Office energy-saving actions

Join the transformation

Thank you for reading and for being a part of our journey here at Material Exchange!

We are striving to measure, track, and reduce environmental impacts; inspire and increase sustainability mindsets; recruit and hire more diverse team members; cultivate and craft a culture of trust; and drive economic growth for our team, suppliers, textile agents, and fashion and footwear brand clients. We do this because we want to do our part in improving the global-fashion sourcing model and to help ensure that current and future generations get to live in a clean, healthy, equitable, just, and beautiful world.

Want to join us on this trek to a more sustainable, transparent, and efficient future of material sourcing? Please contact us at: sustainability@material-exchange.com



NOTE: Given the changing nature of our work, please know that this is a living, breathing document that is subject to change over time as we learn more and do more.





Thank you!

For info on Material Exchange, please visit: material-exchange.com

For more info on our ESG and impact actions,
please email: sustainability@material-exchange.com