

FOR A WORLD WORTH EXPLORING

Impact Report 2022



WHAT KIND OF WORLD DO YOU WANT TO EXPLORE?

At Herschel Supply, we change the way people move through their world. But what about the world they move through?

As a brand built for Creatives by Creatives, our impact on our community and the planet is important to us.

Everything inside our business impacts the world outside it. So, we're on a journey to do better.

This report is a snapshot of the work we've done so far, and more importantly, the work we still have left to do.



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CREATING AN IMPACT VISION AND STRATEGY FOR HERSHEL SUPPLY WASN'T AN OPTION, IT WAS A MUST-HAVE.

We want to be agents of positive change and believe in the power of design as a process to solve bigger problems in the world. The planet doesn't need human beings — but humans need a healthy planet.

In 2021, we created our 10 Year Vision, with Impact as one of our four pillars. Our quality of life and our business model depends on social equity and the integrity of the planet's ecosystems, so we want to minimize our environmental impact and improve our social impact.

We're exploring ways to extend the lifespan of our products and move to a more circular economy. We want to be a leader in social impact, so we're ready for what our Creatives and communities will expect from us tomorrow.

We invest in community-level changes that make a difference. As a design-led company, we create opportunities for future problem solvers to make the world a better place. And we want our team members to have the best job of their lives at Herschel Supply.

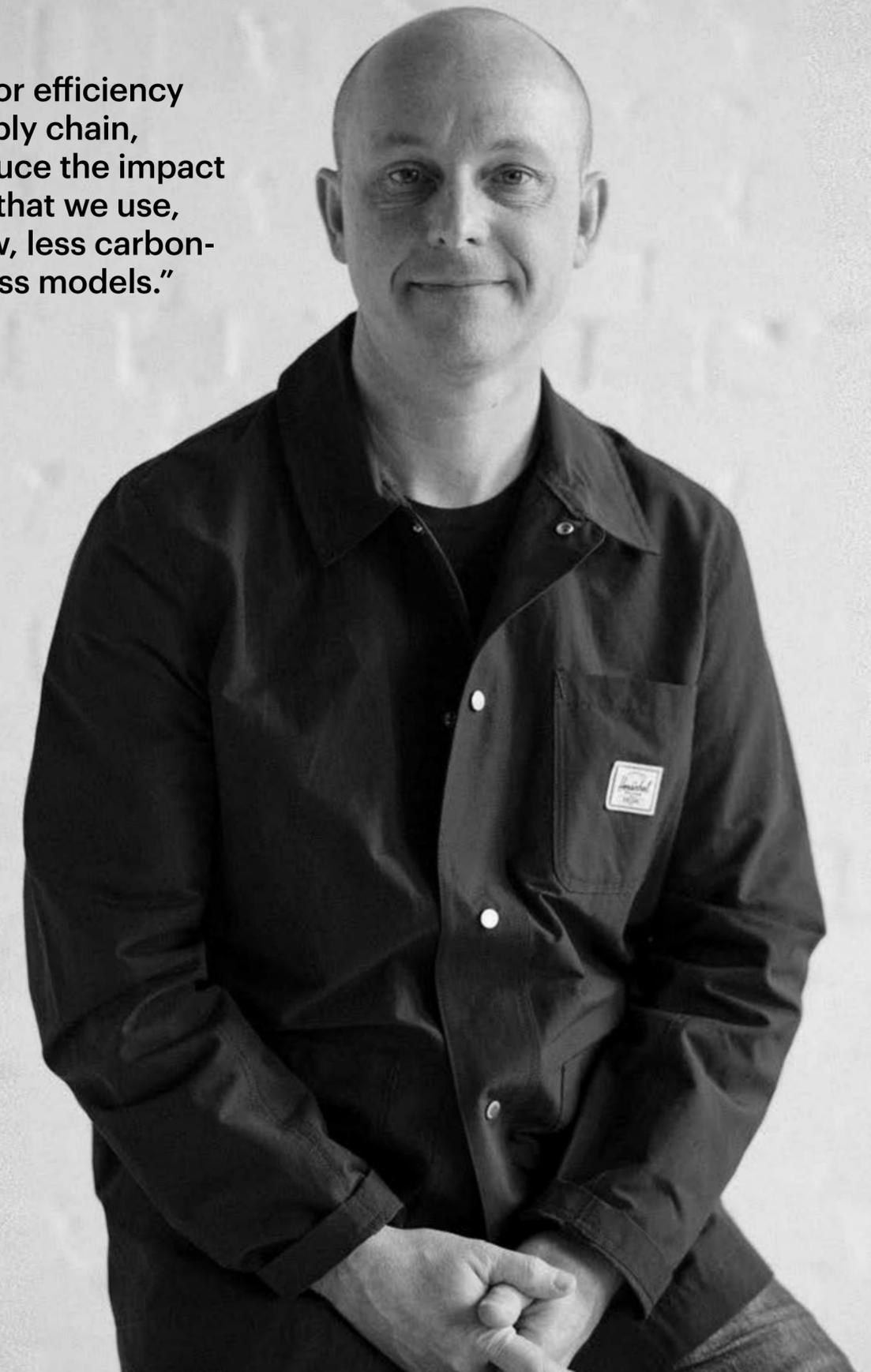
I personally envision a future of possibility for my family and humanity. I want our Creatives to be intentional when they make choices and understand their impact. I am an optimist and believe that humanity has the capability to solve big problems. However, leaders need to truly lead by example, and we intend to do that.

We are in the process of developing emissions-reduction targets supported by climate science. While setting meaningful operational and value chain emissions-reduction targets is critical, it is only the first step. Our goal is to build a sustainable, low-emission mode of operations. To achieve this, we'll make major efficiency gains in our supply chain, significantly reduce the impact of the materials that we use, and develop new, less carbon-intensive business models.

This is a major task, but a critical one for our business — and our industry. We're inspired and excited about this challenging journey ahead, and we invite you along for the ride.

“We'll make major efficiency gains in our supply chain, significantly reduce the impact of the materials that we use, and develop new, less carbon-intensive business models.”

Jon Hoerauf, CEO



2022 HIGHLIGHTS

LOOKING AHEAD



100% renewable electricity in 2021

We started matching 100% of our electricity consumption with renewable energy certificates.



We've set a science-based target to reduce our operational emissions* by 42% by 2030

We are also committing to reduce our value chain emissions (scope 3).

*(scope 1 and 2)



We're introducing a volunteer program in 2024

We're giving all employees 8 paid hours a year to volunteer for a cause close to their heart.



193 workshops & courses for our teams

Covering professional development, creativity and wellbeing.



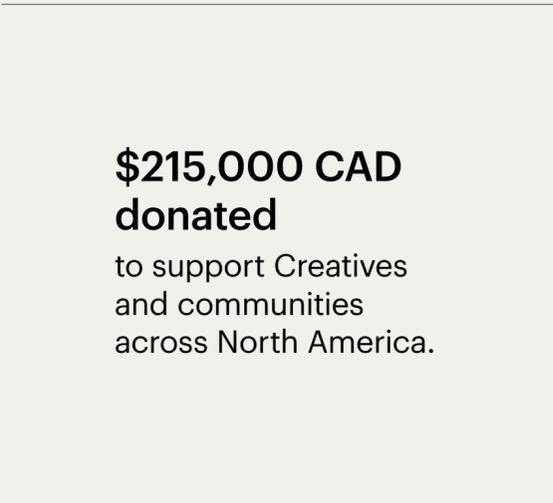
2021 carbon footprint measured

and we've set a science-based target to reduce it.



We're piloting a repair service in 2023

This will help to keep our products going for a lifetime of journeys.



\$215,000 CAD donated

to support Creatives and communities across North America.

4 million bottles recycled

into backpacks by the end of 2022, with our Eco Collection.

91% of our bag, travel and accessory styles will be made with recycled materials in our Fall 2023 line

This includes 100% of the fabric. We'll keep innovating other components like recycled trims and labels.

From the end of 2023, 80% of our direct suppliers will assess their environmental impact

Then, we'll support them to make positive changes. 80% is considered industry-leading by the Sustainable Apparel Coalition, accounting for supplier turnover.



CLIMATE JOURNEY

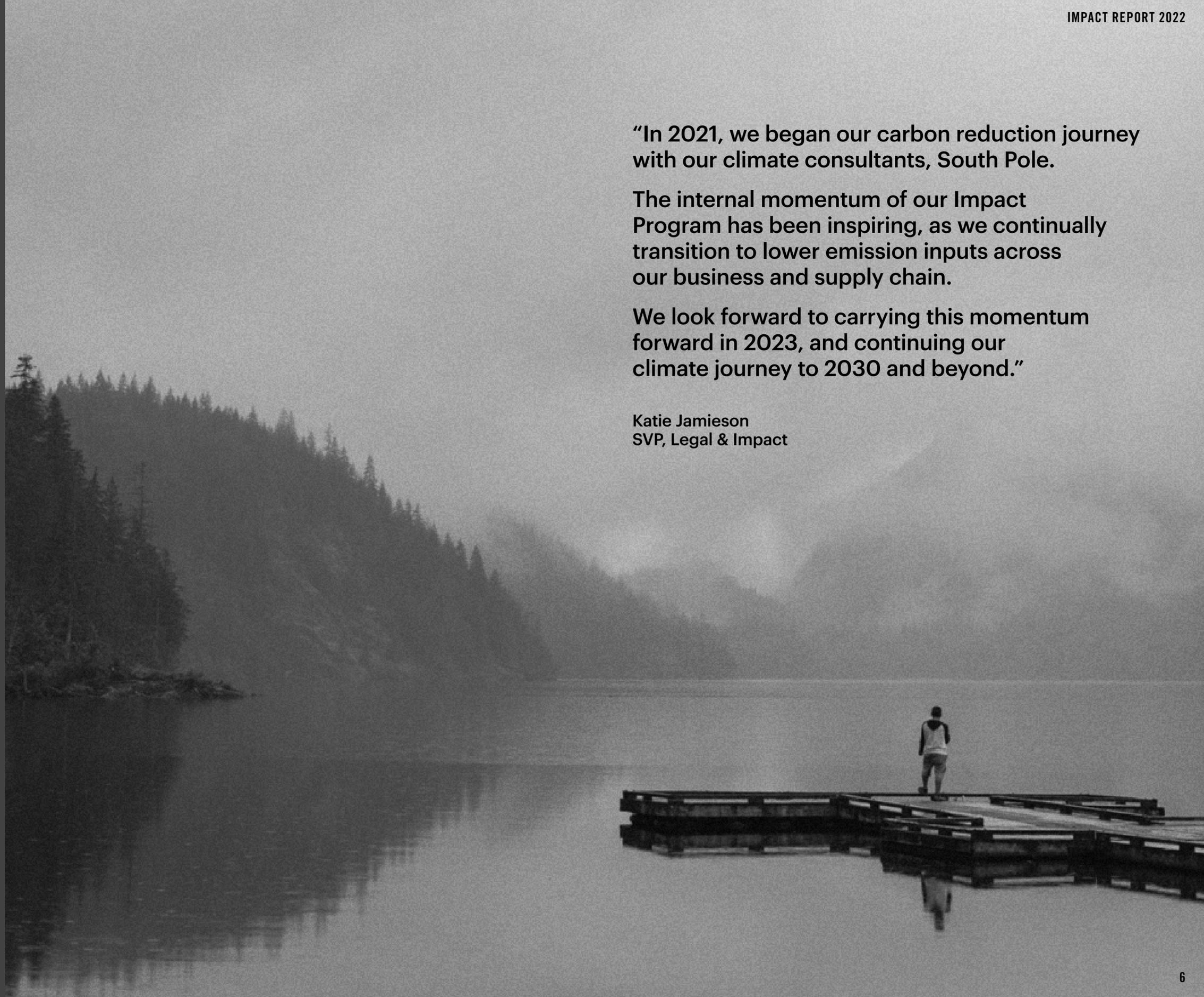
We're on a journey to reduce our climate impact, to keep the world worth exploring for generations to come.

“In 2021, we began our carbon reduction journey with our climate consultants, South Pole.

The internal momentum of our Impact Program has been inspiring, as we continually transition to lower emission inputs across our business and supply chain.

We look forward to carrying this momentum forward in 2023, and continuing our climate journey to 2030 and beyond.”

**Katie Jamieson
SVP, Legal & Impact**



OUR 2021 CARBON FOOTPRINT

36,453 tCO₂e*



Scope 1

Emissions from energy generated at all facilities we operate and from vehicles we own

0.1%



Scope 2

Emissions from electricity we purchase

0.0%

(100% of electricity covered by Energy Attribute Certificates)



Scope 3

Emissions from making and shipping our products

99.9%

Breaking down Scope 3:

We're working towards setting a science-based scope 3 target by 2025.



2%

Business travel, commuting, operational waste, capital goods, franchises, fuel and energy-related activities#



4%

Product use and end-of-life



11%

Product transport & distribution



83%

Raw materials, goods & services that go into making our products

*Greenhouse gas emissions measured in metric tonnes of carbon dioxide equivalent (tCO₂e). Refer to appendix for greenhouse gas accounting methodology.

#Refer to the appendix for other scope 3 sources.

100% RENEWABLE ELECTRICITY

In 2021, we covered 100% of the electricity used by our owned and leased retail stores and offices with renewable electricity through Energy Attribute Certificates (EACs). We plan to keep this up moving forwards, and source renewable electricity directly where we can.

In 2021, over 90% of our EACs supported the Bobcat Bluff Wind Power Project in Texas. The rest supported wind projects in Spain and the UK, and biomass energy from agricultural waste in China.

We support high-quality renewable energy projects by looking for the Green-E quality label.

Supported by the World Wildlife Fund (WWF), Green-E is the leading label to ensure that projects benefit local communities and support the United Nation's Sustainable Development Goals.

91% of our 2021 EACs are Green-E certified, as labels were not available for the remaining 9% of smaller projects in other countries.





LOOKING AHEAD

Reducing our operational emissions by 42% by 2030

We're working to reduce scope 1 and 2 emissions by 42% from a 2021 base year. We'll also set a longer term target, and reduce our value chain emissions (scope 3), which make up most of our footprint. Our scope 1 and 2 target has been validated as being in line with a 1.5°C pathway by the Science Based Targets initiative (SBTi)*, and we'll continue to measure and report our progress each year.

Supporting suppliers on their climate journey, and setting a science-based scope 3 target by 2025

We're finding ways to reduce all aspects of our value chain emissions (scope 3). We're supporting our suppliers to transition to renewables, switching to lower-carbon materials, and considering more planet-friendly transportation and delivery.

*Please refer to the appendix for more information on our alignment with the Science Based Targets initiative (SBTi).



CONSCIOUS PRODUCTS

Making anything leaves a mark on the world.

So we're introducing circular principles, innovating more sustainable processes, using better materials and extending the life of our products.

"We are extremely proud to be making more responsible decisions in designing and producing our products. We will continue innovating to reduce the impact our products have on our planet."

Rob Gill
VP, Product Design & Innovation

FROM THE ECO COLLECTION TO OUR ENTIRE RANGE, WE'RE SCALING UP RECYCLED MATERIALS

“Making such fundamental changes to our product line isn’t easy. But if it was easy, everyone would do it.”

Lyndon Cormack,
Herschel Supply Co-Founder

We’ve always built timeless products for a lifetime of journeys, designed to be used again and again. The Eco Collection isn’t the first time we’ve used recycled materials, but it paves the way to use them across our entire range.

We started with research around textiles and industry benchmarking, and dug into our supply chain and processes to see where we could do better.

From fabrics to trims, we sourced, tested and sampled. The result was a collection almost entirely built from recycled materials, while staying at an accessible price point.

The Eco Collection was launched in Spring of 2021, using 100% recycled main body fabric and liner. All of our woven labels, webbing and even the zipper tape were also made from recycled materials.

22 post-consumer plastic bottles

go into every Eco Herschel Novel™ Duffle.



Over 4 million bottles recycled

The Eco Collection sold 234,000+ units by the end of 2022, giving new life to over 4 million plastic bottles. This was calculated based on the number of units sold multiplied by the number of bottles recycled into each product.

20 post-consumer plastic bottles

go into every Eco Herschel Little America™ Backpack.



91% of our bag, travel and accessory styles produced for Fall 2023 will be made with recycled fabrics

We’ll keep raising the bar to innovate recycled trims and other components.



PRODUCTS THAT ARE BETTER FOR THE PLANET START WITH MATERIALS THAT ARE BETTER FOR THE PLANET

Independently verifying recycled material claims

We adhere to the Global Recycled Standard (GRS), which requires professional, third-party auditing of recycled material, all the way from pre- and post-consumer waste to the final product.

Using certified responsible paper

100% of the paper used in our tags and product labels is certified as coming from responsibly managed forests by the Forest Stewardship Council. We chose paper certified by the Forest Stewardship Council rather than recycled paper, as it uses fewer chemicals.

Swapping tags for QR codes

We're introducing QR codes on our packaging to reduce the amount of paper used in physical tags.

Tough testing helps us avoid toxic chemicals

Our products undergo testing based on the most stringent restricted substance requirements, including but not limited to European REACH and California Prop 65. Our independent, third party testing lab is SGS.

LOOKING AHEAD

Trialing a repair service in 2023

By repairing things like zippers and ripped fabric, we'll keep our products going for a lifetime of journeys. We're also working on our circularity strategy to find better end-of-life solutions for products and packaging.

Consciously-made luggage coming in Spring 2023

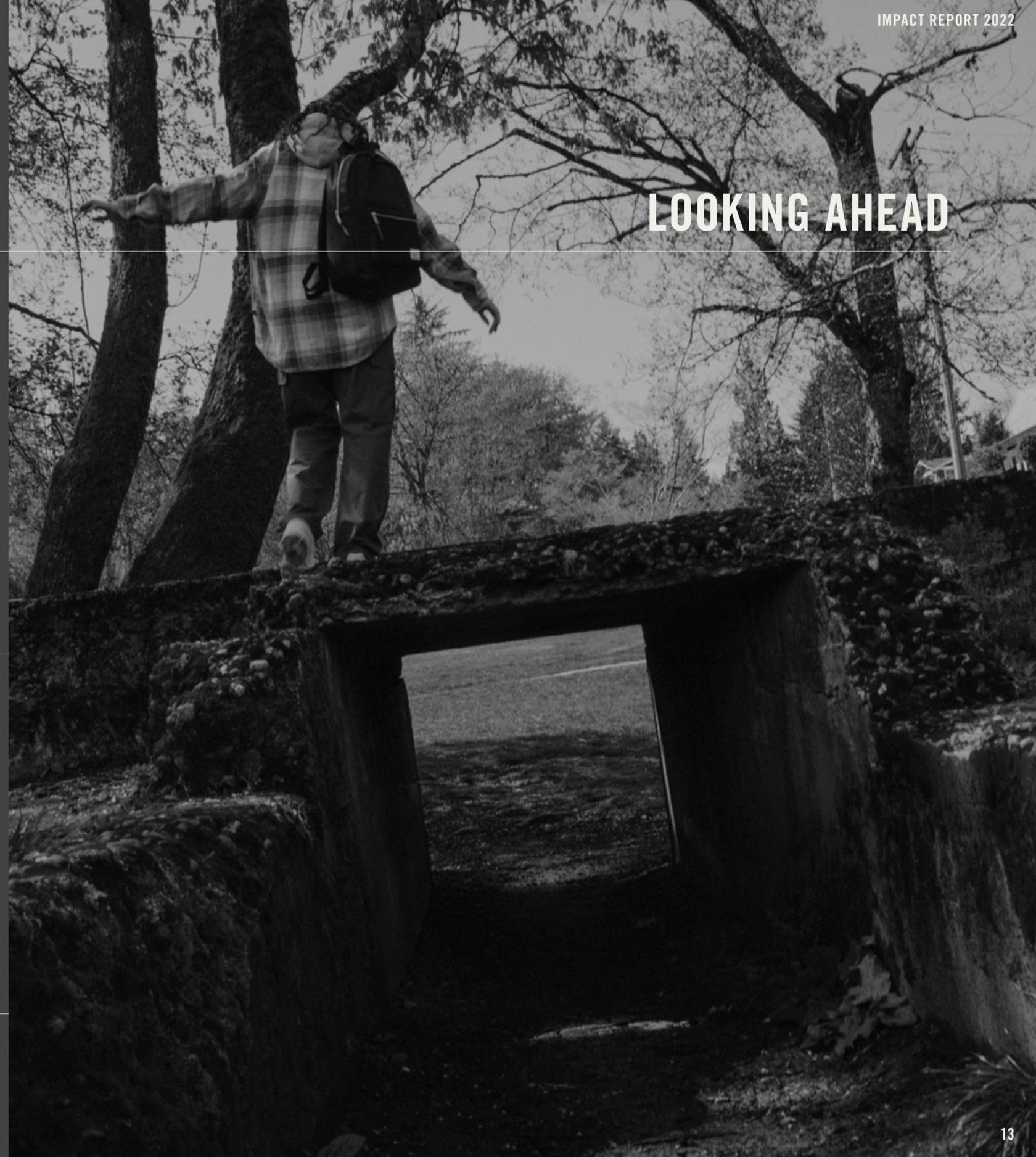
Our brand new Herschel Heritage™ Hardshell Luggage is built and tested to last a lifetime, with EcoSystem™ Hardshell made from 70% recycled polycarbonate.

Using less and better packaging

We're working to reduce the amount of packaging we use and transitioning to more recycled and recyclable materials.

Enabling our Product Designers to make more sustainable choices

We are integrating the Higg Index suite of tools into our design process.





CRAFTSPEOPLE AND SUPPLY CHAIN

A world worth exploring is one where people are treated fairly and have what they need to live a life of dignity and joy. We're working to ensure this happens at every point along our supply chain.

"By 2030, we want to lead in supply chain working conditions and worker wellbeing. We are committed to working with partners who are going above and beyond local laws and creating a positive social impact in the community surrounding the factory."

Justin Yorke
VP, Product Sourcing



ENSURING FAIR WORKING CONDITIONS IN OUR FACTORIES

6 factory visits

We conduct regular factory visits in addition to independent third party audits. In 2022, our team visited our six highest volume factories, to understand the lived experience of our craftspeople and identify areas for improvement.

100% of our direct suppliers have been audited in the last two years

We meet all applicable legal requirements for social compliance, with all auditing conducted by independent third parties. With the alleviation of Covid-19 border closures and quarantine requirements, we're returning to annual audits from 2023.

USING THE HIGG INDEX TO MOVE TOWARDS LEADERSHIP IN VALUE CHAIN TRANSPARENCY

51% of our direct suppliers assessed their environmental performance in 2022

By business volume, 51% of our tier 1 suppliers assessed and identified opportunities for environmental improvement in 2022, using the Higg Facility Environmental Module (FEM).

Tier 1 suppliers are the factories that assemble our final products – like sewing our bags together or assembling our suitcases. We had aimed for 75% completion of the FEM, but this was challenged by the Covid-19 pandemic. We're aiming for 80% completion moving forwards.

SAC Membership

In 2021, we joined the Sustainable Apparel Coalition (SAC), an alliance of more than 250 leading apparel, footwear and textile industry organizations working to reduce environmental impact and promote social justice throughout the global value chain. In 2022, we started using the Higg Index tools to better understand and improve our environmental and social impact.



What is the Higg Index?

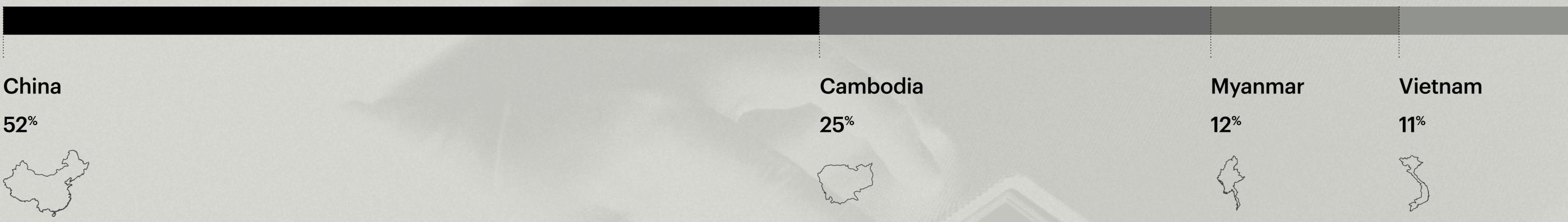
Developed by the SAC, The Higg Index is the apparel industry's leading suite of impact assessment tools. It promotes industry best practice and standardized, transparent reporting.

Our suppliers assess both their environmental and social impacts, using the Facility Environmental Module (FEM) and Facility Social & Labor Module (FSLM).

We are also working to improve our results in the Higg Brand & Retail Module (BRM), which assesses the environmental and social performance of our own operations. We've been assessing our value chain with these tools since 2022.



LOCATION OF OUR DIRECT SUPPLIERS IN 2022



This chart reflects the percentage of products shipped from our direct (tier 1) suppliers in 2022, by country. Tier 1 suppliers are involved in the final stages of product manufacturing and assembly, rather than the production of raw materials. We made the decision to move production out of Myanmar, but due to supply chain delays some goods were not shipped out of that country until mid-2022. Myanmar is currently a non-permitted sourcing country for Herschel Supply.

WOULD I WANT TO WORK HERE?

On top of independent third party audits, we conduct regular factory visits ourselves to understand the human stories of our supply chain.

In 2022, our team travelled to Cambodia and Vietnam to visit our six highest-volume factories and asked ourselves, 'would I want to work here?'

It's important to us that the answer is always 'yes', so on these visits, we check medical incident reports, facility conditions and ask about plans for improvement. Most importantly, we talk to workers to understand their lived experience. Visits validate what the independent audits tell us.



LOOKING AHEAD



80% of tier 1 suppliers will report on environmental impact

Our goal is that 80% of our tier 1 suppliers (by business volume) will assess their environmental impact using the Higg FEM by the end of 2023, with 40% verifying this with a third party verifier. 80% is considered industry-leading by the Sustainable Apparel Coalition, due to supplier turnover. From 2024, we will require FEM assessment from all tier 1 suppliers and 25% of tier 2 suppliers. And by 2025, we'll require it from 50% of tier 2 suppliers. Tier 2 suppliers provide the materials that go into the final product – such as fabrics, trims and packaging – to tier 1 suppliers.

Reviewing our Code of Conduct

In 2023, we will review our Code of Conduct to ensure it aligns with the Social & Labour Convergence Program (SLCP) and BetterWorks audit. SLCP calls for a single social compliance audit across all brands, to avoid overwhelming suppliers with different audits.

Tying sustainability performance to purchasing decisions

In 2023, we will work with suppliers to disclose their environmental (FEM) and social (FSLM) performance, which will impact our sourcing decisions. Suppliers will receive a copy of their score card so they can see where they need to improve.

Updating our social auditing

From 2024, the Higg Index Social & Labour Module (FSLM) will be our sole social audit methodology for all tier 1 suppliers that supply over \$1M of product value.



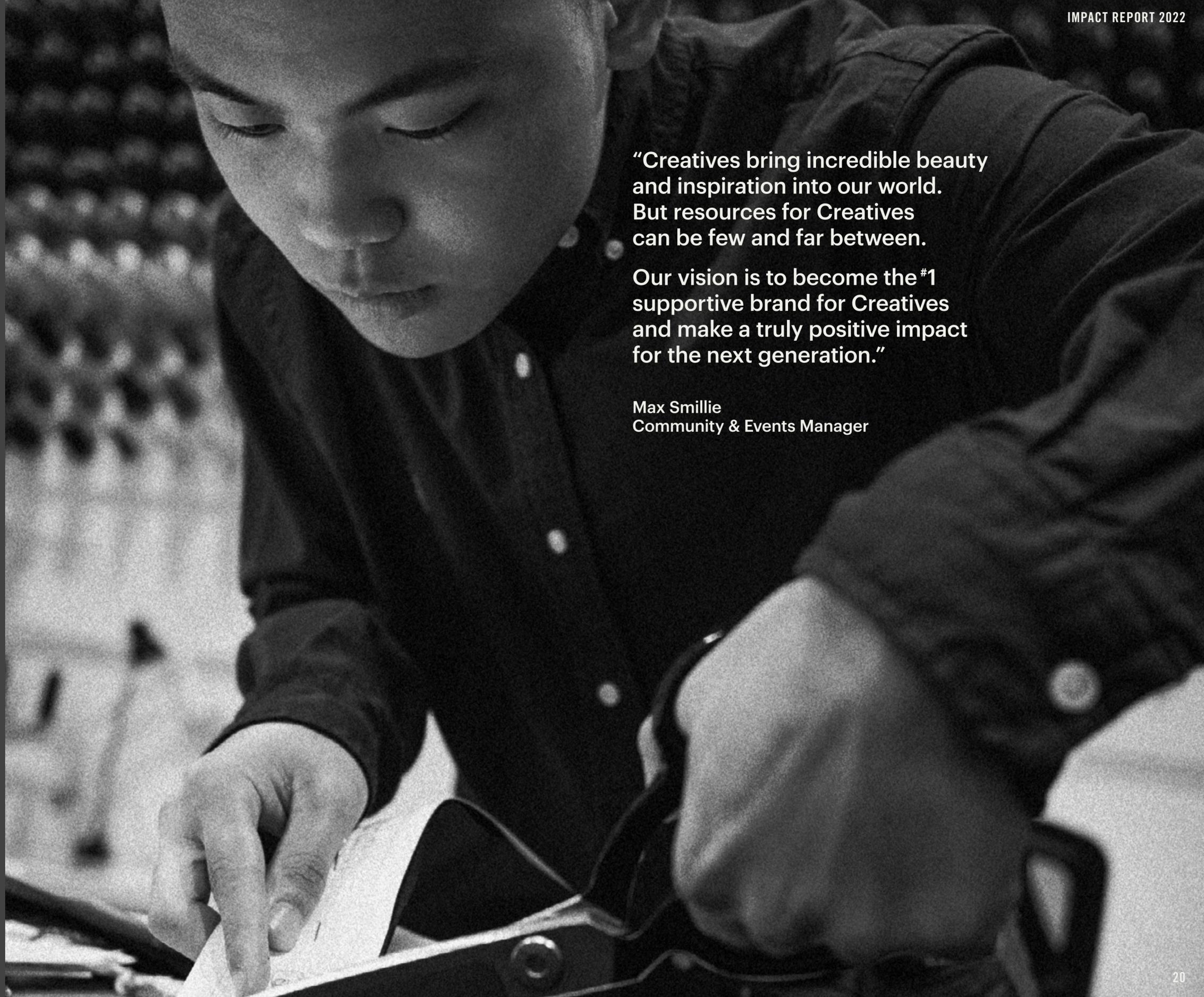
CREATIVE COMMUNITIES

We help Creatives put themselves out there by supporting their journeys, whoever they are and wherever they're headed.

"Creatives bring incredible beauty and inspiration into our world. But resources for Creatives can be few and far between.

Our vision is to become the #1 supportive brand for Creatives and make a truly positive impact for the next generation."

**Max Smillie
Community & Events Manager**





WOMEN ARTISTS REMAIN UNDERREPRESENTED. WE WANT TO CHANGE THAT.

In 2022, we launched the Nova Art Project, a series which uses the Nova Backpack as a blank canvas to showcase the work of women artists.

A portion of proceeds is donated to ArtTable, an organization that supports women in the arts.



EDUCATING EMERGING CREATIVES

A design competition to inspire high school students.

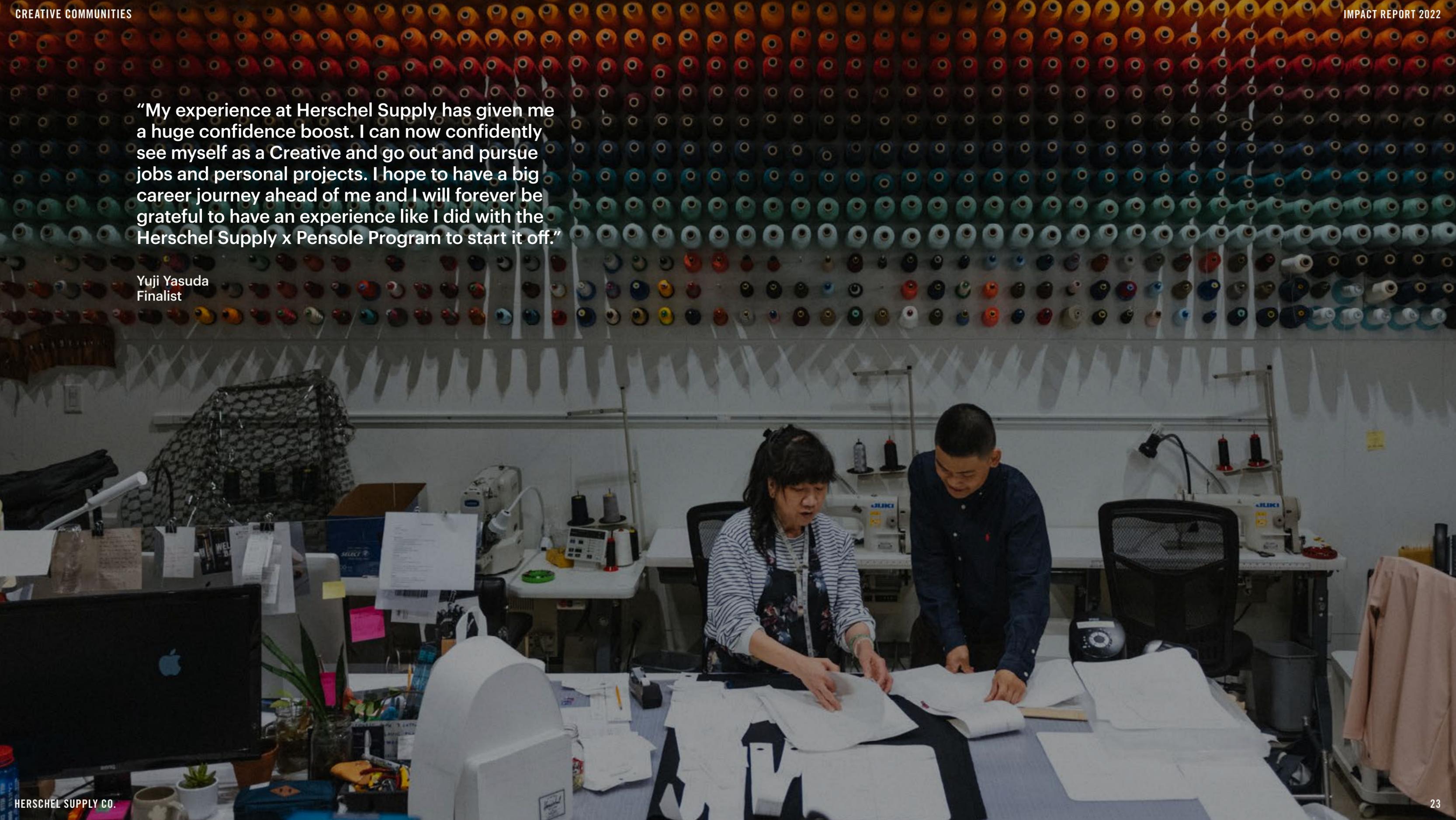
Students submitted their backpack design, with 20 chosen for a 5 week course with instructors from Pensole Lewis College of Business & Design and mentors from Herschel Supply.

Two finalists were awarded a \$10,000 scholarship and a trip to Herschel Supply HQ, where they brought their design to life with a prototype.



“My experience at Herschel Supply has given me a huge confidence boost. I can now confidently see myself as a Creative and go out and pursue jobs and personal projects. I hope to have a big career journey ahead of me and I will forever be grateful to have an experience like I did with the Herschel Supply x Pensole Program to start it off.”

Yuji Yasuda
Finalist





CREATING OPPORTUNITIES

Helping to turn side hustles into day jobs with The Bank of Creativity

Getting funding, resources and mentorship as a Creative isn't easy. So, we created the Bank of Creativity.

In July 2022, emerging Creatives applied for an appointment at our bank in Brooklyn. Successful applicants had a mentorship session with artists who are respected in their fields, and received camera equipment, art supplies, computers and studio spaces, to take their passions to the next level.

In total, we donated art supplies worth over \$150,000 CAD.

Our stores are Creative Community Hubs

Herschel Supply community hubs bring Creatives together with regular speaking events, artist workshops, film screenings and book launches. Our Artist in Residence program also exhibits local artists, fee-free for 6 months.



GIVING BACK

Since 2020, over \$1,000,000 worth of products was donated to our communities

In 2020, we launched our community giving program, We've Got Your Back™ (WGYB) to support frontline workers in the COVID-19 pandemic.

In 2022, we adjusted the focus of the program to kids in need, partnering with schools to make sure that every kid who needs a backpack has one.

We donated backpacks to Vancouver-based Cause We Care, a non-profit that helps single mothers in difficult economic circumstances, and to the Urban Native Youth Association, a youth social services organization empowering indigenous youth in the Vancouver Downtown Eastside.

WGYB has also expanded to support creative education organizations and contribute to causes that our employees and Creatives care about, from the environment to mental health.



Connecting communities through in-store events

With funds from ticket sales, we supported non-profits chosen by event speakers.

In 2022, we donated over \$215,000 CAD in support of creative education and communities in North America, including \$16,320 CAD raised from Giving Tuesday.

For our second year of Giving Tuesday, 10% of sales were donated to Art Start, Arts Umbrella and VIBE Arts. These youth art education organizations nurture marginalized creative voices.

The organizations we supported in 2022 with cash and product donations included:



LOOKING AHEAD



4 partnerships

each year with creative communities in Vancouver, Toronto, LA and New York.

\$100,000+ CAD

will be donated to support creative education in 2023.



COMPANY CULTURE

Every creative solution starts with people. We invest in our team’s personal and professional development, so they can feel healthy, confident and bring their whole selves to work.

“We strive to make an ordinary day extraordinary for our people. Our vision is for team members to have the best jobs of their lives, by creating an experience that is fair, inclusive and respectful.”

Poonam Tewari
SVP, People & Talent



CREATING A SPACE WHERE EVERYONE CAN BE THEMSELVES

80% of our people feel comfortable being themselves at work*.

To continually level up inclusion, support anti-oppression and remove barriers to equal opportunity, we established a Diversity, Equity & Inclusion (DEI) Advisory Council in 2021.

The DEI Council is made up of employees from across the company, including a member of the executive team. This group is tasked with raising the bar on

our culture of inclusion, both within our business and surrounding communities.

In 2022, we:

- o Held an event on National Day for Truth and Reconciliation at our Vancouver HQ.
- o Continued our book club to spotlight diverse voices and promote conversation.
- o Held an event to celebrate our LGBTQ+ people.

*Based on our 2022 independent employee engagement survey.



HELPING OUR PEOPLE CONNECT, GROW AND CREATE

In 2022, we launched Herschel University (Herschel-U) to support our team's personal and professional growth.

Herschel-U ran 69 courses over the year on topics like understanding your strengths, creating safe workspaces, design thinking and leadership development.

78% of our people say they are proud of the work they do and we want to see that number grow. So to help advance careers at every stage, we're rolling out development plans for every employee in 2023.

Creating a culture of connection and wellbeing

- At Herschel Supply, sick leave can be used for both physical and mental health.
- We run wellbeing workshops, including weekly yoga classes, and staff can take an office bike to go for a ride over lunch.
- All our offices are dog-friendly.
- Our people can choose to get to know a new person each week through our Random Coffees program.



LOOKING AHEAD



100% completion of bias training

All our employees will complete workplace behavior and unconscious bias training by 2025.

We're introducing a volunteer program

From 2024, we're giving all employees 8 paid hours a year to volunteer for a cause close to their heart.

A WORLD WELL CARED FOR IS A WORLD WORTH EXPLORING.

We know there's a long way to go and we're putting positive impact at the heart of every choice we make going forwards.

Our Impact Team includes our CEO and other senior stakeholders. They're responsible for making our impact strategy an impact reality.

We'll be releasing an Impact Report every year, so you can join us on the journey, challenge us to go further, and celebrate the wins along the way.



APPENDIX

1. Greenhouse gas accounting methodology

Our complete Scope 1, 2, and 3 greenhouse gas emissions were calculated in accordance with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, with support from climate consultancy South Pole.

We used the operational control approach, and included all Herschel Supply-operated offices, showrooms, warehouses, storage rooms and retail stores. Scope 1 calculations included refrigerant gases, in addition to natural gas for heating offices and fuel for fueling company-owned vehicles.

Our most material emissions category, purchased goods & services, was calculated using a representative bill of materials

as input data for each of our products. These calculations applied emission factors primarily from Higg MSI to each product's material type and weight.

Across the remainder of our emissions inventory, emission factor sources include UK BEIS 2021, International Energy Agency (IEA), and ecoinvent 3.8, and various extrapolations and assumptions were used to close data gaps as needed.

A general guiding principle across our emission calculations is the following principle from the Greenhouse Gas Protocol: "in absence of accuracy, prioritize completeness and assumption documentation."

Scope/category	tCO ₂ e
Scope 1	37
Scope 2 (location-based)	80.0
Scope 2 (market-based)*	0.0
Scope 3 (Total)	36,416.2
Purchased goods and services	30,190.0
Capital goods	68.1
Fuel and energy-related activities	22.2
Upstream transportation and distribution	1,570.7
Operational waste	4.1
Business travel	95.0
Employee commuting	100.2
Upstream leased assets	n/a
Downstream transportation and distribution	2,535.2
Processing of sold goods	n/a
Use of sold products	129.6
End of life treatments of sold products	1,374.9
Downstream leased assets	n/a
Franchises	297.6
Investments	n/a
Other**	28.7
Total emissions (scope 1, 2 and 3)	36,453.2

We are ensuring that our emissions reduction targets follow climate science, by seeking validation by the SBTi. With under 500 employees, we are classified as a small to medium enterprise (SME) by the SBTi. The SBTi's SME route is currently focused on non-subsiary, independent companies with fewer than 500 employees. The SBTi offers SMEs a streamlined route to target setting. Usually, corporates start their climate journey by committing to set science-based targets through the SBTi within 24 months. However, this route is not available to SMEs and the SME route doesn't allow us to set a near-term scope 3 target until we reach 500 employees. Setting a near-term target with the SBTi as an SME does mean that we commit to measure and reduce Scope 3 emissions, which will be publicly reported on an annual basis.

*512 MWh of EACs purchased to allocate renewable energy to total electricity consumption in 2021. The EACs come from wind farms in Spain, Texas and the UK, and biomass energy from agricultural waste in East China. 91% of these EACs are Green-E certified. The remaining 9% of EACs come from jurisdictions where the Green-E label is not available.

**Shipment of employees' work-from-home equipment, in-person events, and virtual events.

THANK YOU

