

# COMMUNICATION ON PROGRESS 2020

UN GLOBAL COMPACT

aiaλu

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**01**

## **CEO STATEMENT OF COMMITMENT**



Sustainable development has been at the core of Aiayu since our inception. We are deeply driven by the conviction that it only makes sense to produce things respectfully, responsibly, and conscientiously.

After 15 years, we are proud of our evolving legacy of social and environmental sustainability. However, we are always learning and growing. We do not want to become complacent with what we have already achieved - there is simply too much work to be done.

As a company, we are working towards formalizing and systematizing our goal setting and reporting. Therefore, the annual Communication on Progress is a valuable tool for us to advance our agenda on the Sustainable Development Goals (SGD's) and UN Guiding Principles, track our progress, and be held accountable for our commitments.

2020 was a difficult year. The Covid-19 pandemic has caused immeasurable suffering, shining a light on the global issues we must urgently and collectively face. While these extraordinary circumstances have necessitated an abundance of flexibility and change, we remain more committed than ever to the wellbeing of the people, communities, and ecosystems on our value chain.

I am proud of what Aiayu has achieved this year. We have added new production partners to our family and have strengthened our relationships with our existing suppliers around the world - supporting and weathering this pandemic together, as true partners do.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the SDG's into our business strategy, culture, and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

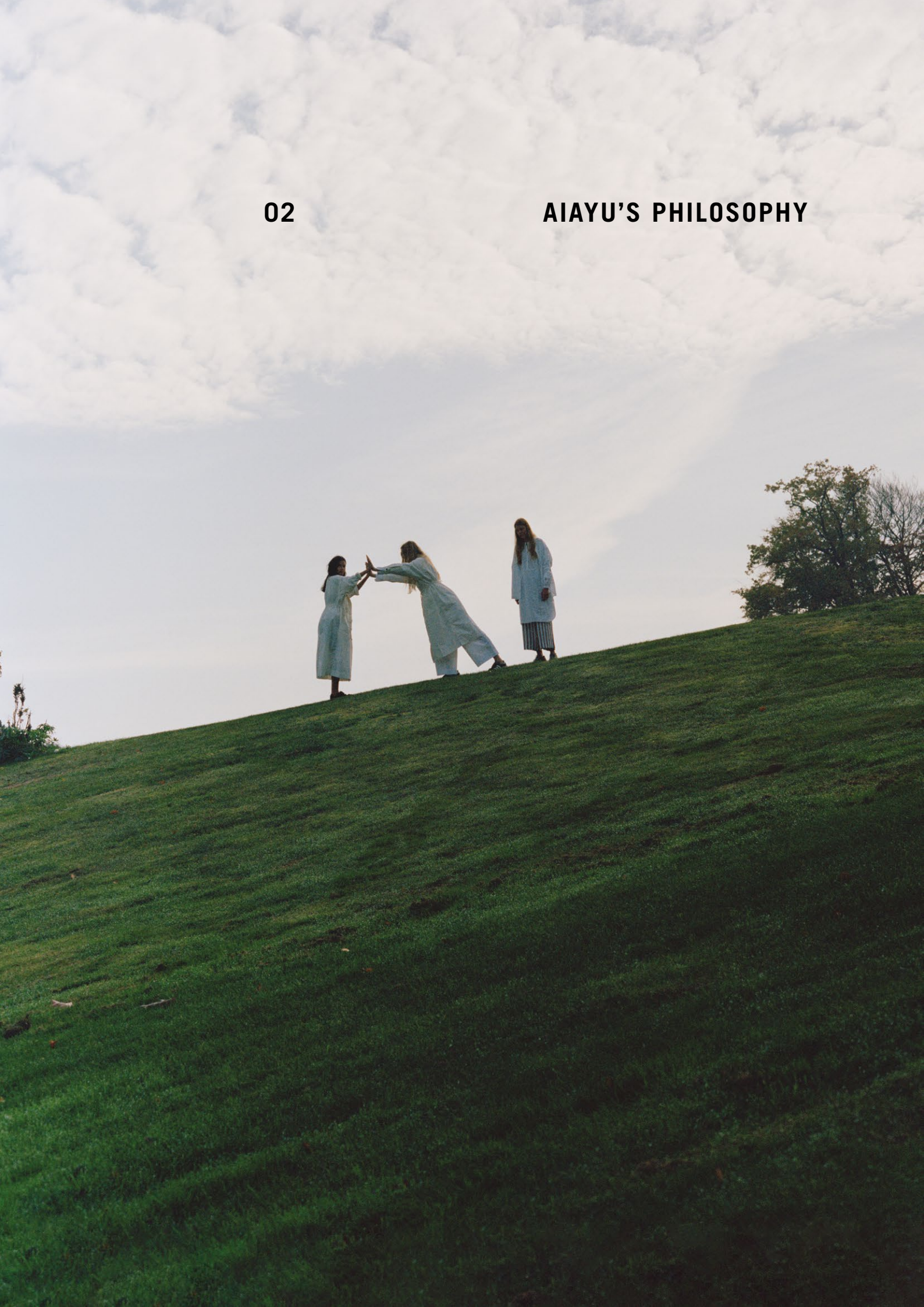


Maria Glæsel  
CEO



02

AIAYU'S PHILOSOPHY







#### UN GOALS:



#### OUR MISSION IS TO HELP OUR CUSTOMERS BUY LESS AND CHOOSE WELL BY CREATING TIMELESS ESSENTIALS FOR A CONSCIOUS HOME AND WARDROBE.

Aiayu was founded on the belief that **how an item is made is as important as its aesthetic**. Our journey began in Bolivia, where our founder was deeply inspired by the local people's craftsmanship with llama wool, a truly phenomenal material which is not commonly used outside of Bolivia. We knew we had to find a way to share this unique material and legacy of craftsmanship with people around the world.

We have grown over the years – to new countries and new materials – but our commitment to make products with respect for people and the planet has not changed.

Over time, we have developed a set of principles which guide how Aiayu reduces its ecological impact and better the lives of each person involved in making our products. We have determined these to be: **designing items that are made to last, sourcing nature's best materials sustainably, responsible and craft-focused production, and less waste.**



03

HOW WE WORK



## 03.1 DESIGN

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### UN GOALS:



### MADE TO LAST

The most sustainable garment is the one already hanging in your closet. Studies show that extending the active life a garment for a mere 9 months reduces its environmental footprint by 20-30%.<sup>i</sup>

This is why we have made it our mission to help our customers buy less and choose well. Therefore, designing products which are 'made to last' is at the centre our sustainability practice.

This ideology is integrated into every aspect of our design – favoring classic, timeless styles that are made from the most durable natural materials. To that end, we are thoughtful about adding new trends, colours, and patterns into our collections, always rigorously assessing their ability to stay relevant for many seasons to come.

We also re-release many tried-and-true customer favourite each season, some of which have been a part of our collection for 15 years, proving our commitment to timeless design.

Given how many resources it takes to produce clothing, we keep the number of collections we create each year to a minimum. We release two main collections annually, each featuring a curation of timeless wear and home items. In addition to this, we also have one small capsule collection of men's apparel and a handful or re-orders of our most iconic designs.

**Our streamlined collection structure is manifestation of our 'buy less and choose well' mission.**



## NATURAL MATERIALS

### UN GOALS:



### FIBRES

The story of Aiayu is a story about falling in love with nature's best materials. All our materials are carefully selected not only for their beauty, durability, and quality, but also for the sustainability of their genesis and disposal.

We are a natural materials company, so we commit to using synthetic materials sparingly and only when absolutely necessary. We deeply believe that items made from high-quality natural materials are the embodiment of the 'made to last' ideology.

**Even as trends, bodies, and situations change - a properly cared for natural material item can be passed on to be given a new life.**

We prefer to work with small-scale, less industrialized materials that are not commonly used by the international fashion industry. **This enables us to support small family farmers, traditional herders, and the sustainable producers doing things differently.**

Our selection of materials currently includes: llama wool, cashmere, Sartuul wool, yak wool, organic cotton, and Eri silk. The unique stories and sustainability profiles of each fiber will be elaborated in the following chapter '3.2: Production'.

### MONO MATERIALS

We always strive to create products which are made of natural 'mono-materials' – meaning an item is made entirely of a natural material. We prioritize working with mono-materials in order to promote responsible end-of-life options for our products. Material choice largely determines the circularity potential of an item as the technology to recycle products made from a mix of synthetic-natural fibers is still very limited. While the vast majority of our products are natural mono-materials, in exceptional situations, we compromise the above dogma in order to fundamentally enhance the function and durability of an item.

**Currently, 98% of our collection is made from 100% natural materials.**

## UN GOALS:



## COLOURS

**20% of industrial water pollution can be attributed to textile dyeing.**<sup>ii</sup> To reduce our water and pollution footprint, we always try to integrate the existing natural colour of a material into our final designs. For example, llama wool comes in a beautiful range of natural colors - from pure white, to grey, brown, and black. We use many of these natural colours in our collections, minimizing our use of dyes and chemical processing.

**On average, 30% of our knitwear range and 50% of our silk products are undyed – and we are always aiming to increase this proportion.**

When we do decide to dye our materials, we work hard to ensure it is done in a manner which does not release toxic chemicals into local ecosystems or compromise worker safety. All of the dye houses we work with (excluding two small-scale, artisanal production sites in Nepal) have highly effective effluent wastewater treatment and recycling systems to reduce water use and pollution.

Our Bolivian partner has a closed wastewater system, **cleaning and reusing 100% of water from wet processing**. Furthermore, they minimize their use of dyes by sorting llama fiber by color - using naturally dark shades as a base for yarns which will be dyed dark colors and naturally lighter shades for lighter dyes.

In India, **100% of our cotton suppliers are GOTS certified and therefore exclusively use GOTS approved dyes and finishes** which are proven to be less impactful on the environment and worker safety. Additionally, all the dye houses our suppliers work with have effluent wastewater treatment and recycling systems that are congruent with GOTS standards and national regulations. **On average, our Indian suppliers clean and reuse 97-100% of their wastewater from wet processing.** Many also harvest rainwater for production purposes.

Our biggest knitwear supplier in Nepal sources yarn from spinners and dye houses which operate the most advanced and efficient dyeing technology – cleaning and reusing all wastewater in addition to using heat re-capture systems which greatly reduce the energy intensity of wet processing. Our smaller, artisanal Nepalese suppliers use certified eco-friendly dyes which are AZO free. They hand dye all products in pots, ensuring that the material absorbs the vast majority of the dye solution.



## 03.2 PRODUCTION

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### BOLIVIA

#### UN GOALS:



Bolivia is a stunning, diverse, and rugged country. It has a population of 11 million and almost 50% of its citizens identify as indigenous, belonging to 38 recognized groups and speaking over 37 languages. Bolivia's ecosystems are equally unique, ranging from wetlands and forest in the lowlands to high plateaus and peaks in the Andes mountains

#### BUILDING A RESPONSIBLE VALUE CHAIN FROM SCRATCH

When we began searching for production partners in Bolivia, the country did not have an established knitwear industry. This meant that while there were a few firms exporting raw llama fiber, we could not find any facilities which could produce knitwear on a larger scale.

However, we felt strongly that all production should be done in Bolivia. Factories can be built, machines bought, and employees trained – but Bolivians' expertise and connection with llama wool is irreplaceable. Also, it was important to us that any economic development from our llama wool production benefit the Bolivian people and economy. So, we decided to take on the challenge of building something truly sustainable from the ground up.

Partnering with the Danish International Development Agency and a Dutch non-profit, Aiayu was able to build the first industrial knitwear factory in Bolivia – which has now become a model for sustainable production in the country. We are exceedingly proud of this joint effort with our Bolivian partners to bring this wonderful material and legacy of craftsmanship to customers around the world.







**UN GOALS:****THE PRODUCT – LLAMA WOOL KNITS**

Llama wool is the base material of all the products we make in Bolivia. Llama fiber has evolved to match the demands of mountain life - it is long and hollow, making it not only highly durable and resistant to pilling, but also extremely warm and insulating. Our Llama wool is sourced directly from traditional family farms in Bolivia's highlands.

**Llama wool is not widely used in the global textile industry, making the production far smaller and less industrialized than other more popular animal fibers.**

Families in the Bolivian highlands raise llamas not only for their wool, but also for a range of other livelihood activities – like sustenance, farm labor, and fertilizer.<sup>iii</sup> Given this, llama fiber production is considered a very low input industry, making it less resource intensive than other livestock farming.<sup>iv</sup>

**Llamas are categorized as 'gentle grazers' because they eat relatively little, leave plant root systems intact, and have 'soft' foot pads.'** Therefore, their grazing has less of an impact on soil health and native plant biodiversity when compared to other livestock species.<sup>vi</sup> Also, camelids - the larger animal genus llamas belong to – have slow metabolisms, which means they eat relatively little.<sup>vii</sup> Due to their limited food intake, llamas emit less methane gas via digestion than other ruminant livestock species.<sup>viii</sup>

Due to the mountainous geography of Bolivia's highlands, it is not very productive in terms of commercial agriculture. Given that over 80% of llamas and other South American camelid species live on smallholder farms,<sup>ix</sup> **llama farming is a crucial source of income for rural families in the region.**<sup>x</sup>

All of the llama fiber we work with is processed and spun in our partner factory in La Paz. Then, in the same facility, our knitwear is made with incredible care, passion, and attention to detail, using techniques that have been passed down from generation to generation.

**UN GOALS:****SOCIAL SUSTAINABILITY – WRAP CERTIFICATION**

Aiayu and our Bolivian factory began as a sustainable development collaboration, therefore, social responsibility has been integrated into our operations from the very beginning. Together with our Bolivian supplier, we work hard to ensure that our manufacturing is done according to the highest social standards. **Our supplier became the first WRAP certified manufacturer in Bolivia and is now a leading example for the social responsibility in the country.**

The WRAP certificate requires that a supplier be audited once a year, to ensure that products are being made under lawful, humane, and ethical conditions. These conditions are embodied in WRAP's 12 principles, which are outlined below.



## THE 12 PRINCIPLES OF WRAP:

01. Comply strictly to the laws and place regulations of work
02. Prohibition of work forced
03. Prohibition of child labour
04. Prohibition of harassment and abuse
05. Compensations and benefits
06. Hours of work
07. Prohibition of discrimination
08. Health and safety
09. Freedom of association and collective bargaining
10. Environment regulations compliance
11. Customs compliance
12. Security pre-shipment controls



**UN GOALS:****SUPPORT IN TIMES OF COVID-19**

Part of our ethos as a company is to foster long-term relationships with our suppliers which are built on trust and respect. This commitment has never been more important than in the times of Covid-19.

Bolivia was hit hard by the pandemic, remaining in lockdown for much of 2020. For the safety of workers and their families', our partner's production facility was completely shut down. Despite production coming to a halt, we have remained deeply committed to our Bolivian partner, continuing to work with and support them through this time. We have paid fully for all orders that were made before the pandemic, despite substantial delays and reductions as to what could be delivered.

Even though many of these challenges remain, and will continue to persist for the near future, we are continuing to place orders from our partner so we can help them financially navigate the duration of the pandemic. To that end, we have been working together to base the designs of our future collections on the yarns they have available and the processes they can safely fulfill in accordance with all government recommendations. **For us, this not 'philanthropy', but simply what a long-term partnership looks like.**

**ENVIRONMENTAL MEASURES**

ustainability was a top priority during the construction of our partner's factory in Bolivia. A closed wastewater treatment and recycling system was installed so no polluted water would be released back into nature. This also greatly reduces the water footprint of the factory's wet processing as all water is reused. In addition, the factory is operated on solar energy in an effort to reduce the energy footprint of production.



## 03.2 PRODUCTION

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### INDIA

India is an immense country that is impossible to speak of in singular terms as it is a vast and diverse sub-continent and home to over a billion people. Many communities in India have deep connections to ancient histories, which has created a stunning array of local craft cultures across the country.

We were drawn to India because of its unmatched skill in cotton farming and manufacturing. Additionally, we wanted to invest in the Indian farmers and suppliers who are working hard to produce things responsibly in a context where, due to global demand, conventional production is deeply entrenched.

#### UN GOALS:



#### THE PRODUCTS – ORGANIC COTTON

There is a reason why cotton is one of the most used fibers in the world – it is naturally soft, strong, breathable, and absorbent. Despite these benefits, one cannot ignore that conventional cotton farming is socially and environmentally unsustainable.

We are very careful that our cotton is grown and produced – from seed to final garment – according to the highest social responsibility and sustainability standards. For this reason, **we exclusively use 100% organic cotton which is rainfed and GOTS certified.**

Working with organic cotton is non-negotiable for us. One lifecycle analysis found that **organic cotton had half the global warming potential of conventional cotton, used 91% less fresh water, and a third of the energy footprint.**<sup>xi</sup>



69% of a cotton garment's water footprint comes from the water used to grow cotton at the farm level.<sup>xii</sup> To address this, Aiayu exclusively uses rainfed organic cotton, so no water is diverted from natural waterbodies or local communities for irrigation, significantly reducing the blue water footprint of our cotton products. Organic farming also has a significant impact on soil health. Studies show that the amount of soil organic matter (SOM) in organically farmed soil is significantly higher than in conventionally farmed soil, as the absence of harsh pesticides and fertilizers allows for the flourishing of microbial life.<sup>xiii</sup>

This is crucial from a water scarcity perspective, as research indicates that greater volumes of SOM increase the water retention capacity of soil - leading to higher levels of water efficiency and lessening the risk of erosion.<sup>xiv</sup> Lastly, healthy soil that is high in SOM can also contribute to a farm's ability to draw down and sequester carbon – making sustainable agriculture an important climate change mitigation strategy.<sup>xv</sup>

**However, we want to go beyond organic.** Our commitment to regenerative, agro-ecological cotton will be further elaborated in section about Chetna.



### ERI SILK

Aiayu's Eri silk is soft, luxurious, and ever-so slightly lustrous. The finished fabric has an organic beauty, and we love its textural and more natural feel.

Eri is carefully cultivated by indigenous farmers in Assam, India. Until recently, many of these indigenous groups lived as hunter gatherers in Assam's forests, where they encountered wild silkworms feeding on native castor plants. Now, the silkworms are raised in villages, often in the yards and outbuildings of local families, providing important income to these communities.

Eri silk, sometimes referred to as 'peace silk', is a less common variety of conventional mulberry silk. Eri silk production is considered non-violent, as the cocoons are only harvested once the moths have naturally emerged from them.

**Eri silk production is a very low input industry because the plant matter fed to the silkworms – leaves from the castor plant – are easy to grow and do not require any irrigation, fertilizers, or pesticides.** Eri silk production often happens in village-level collectives, where there is a small, shared plantation of castor plants.

It is important to note that castor plants are utilized for a variety of purposes, most typically for castor oil and animal feed. **The leaves used for Eri silk rearing are often byproducts of other castor plant uses**, meaning additional resources are not required for the provision of Eri silkworm feed.

**Given the low level of resources required to grow castor plants and rear Eri silkworms, we have assessed the environmental impacts of Eri silk at the fiber stage to be low.** We have not encountered any LCA data specifically on Eri silk at this time, however, we are working to assess the impacts more concretely.

## UN GOALS:

**SOCIAL SUSTAINABILITY – SA8000 AND BSCI CERTIFICATION**

The vast majority of our Indian suppliers are certified by SA8000, a leading social responsibility certification. A few of our smaller suppliers are BSCI members. More specifically, each of our suppliers are compliant with all national and international labor laws.

The certifications of our Indian suppliers mandate the payment legal minimum or industry standard wages, whichever is higher. **However, almost all of our suppliers far exceed this requirement and pay well above minimum wage (a report of wages will be published in 2021).**

In addition, all suppliers need to have human rights policies which ban discrimination or forced labor of any sort at every stage of the supply chain. Employment is strictly based on merit - not on sex, gender, caste, creed, or religion. Furthermore, most suppliers have a dedicated human resource department which manages and implements all these policies.

Many of our suppliers are also Fairtrade certified. However, Aiayu is not a Fairtrade member so we cannot promote this certificate on our products.

These certifications are very central to the ethics of Aiayu, as they ensure that working conditions live up to our own ethical standards. However, we do not rely on certifications alone. **We believe our strong relationships with our suppliers is our strongest tool for ensuring the most rigorous social and environmental practice.**



## WAGES: GOING FURTHER

We want to make sure that everyone who has a hand in making an Aiayu product is paid a living wage. Therefore, in 2020, we began the process of asking each of our suppliers the specific wages of their employees. While all of our certifications ensure the payment of minimum wage, we want to go further – working with suppliers who prioritize paying their worker's truly livable wages. We will release a report on our findings and planned actions in 2021.



# THE PRINCIPLES

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## THE PRINCIPLES OF SA8000:

- No child labour
- No forced or compulsory labour
- Health and safety
- Freedom of association and right to collective bargaining
- No discrimination
- Disciplinary practices
- Working hours
- Remuneration
- Management system



## THE PRINCIPLES OF BSCI:

- The rights of freedom of association and collective bargaining
- No discrimination
- Fair remuneration
- Decent working hours
- Occupational health and safety
- No child labour
- Special protection for young workers
- No precarious employment
- No bonded labour
- Protection of the environment
- Ethical business behaviour



## THE SEDEX MEMBERSHIP:

- SEDEX is a secure online database, as well as a supply chain management tool, helping companies to identify, manage and mitigate ethical risks in global supply chains
- Members can share and manage information in four key areas: Labor standards, health and safety, the environment and business ethics
- The tool engages with all tiers of the supply chain with the aim of driving improvements and convergence in responsible business practices.



**UN GOALS:****CHETNA AGROECOLOGICAL ORGANIC COTTON**

Over 85% of the organic cotton Aiayu uses is from Chetna Organic, a non-profit organization which works to improve farmers' livelihoods through sustainable agriculture. After starting with 294 families 15 years ago, Chetna now supports over 35,852 families – converting more and more farms to organic agriculture each year.

Chetna operates on the principles of agroecology, where farmers work with nature to create healthy agricultural ecosystems – conserving natural resources, improving food security, and protecting biodiversity above and below the ground.

**These kinds of agricultural practices show great promise as tools for mitigating climate change,** both in terms of soil carbon sequestration and building more climate resilient agricultural systems.<sup>xvi</sup>

**Chetna teaches their farmers how to grow cotton in a regenerative manner – with an emphasis on protecting soil health, water conservation, and farmer wellbeing.**

They practice agricultural methods like:

- No to low tillage to maintain soil health
- Cover cropping to protect soil health and minimize erosion
- Food crop rotation to improve soil health and increase local food security
- Use of In-situ nitrogen fixing plants for soil health
- Application of biomass and livestock based compost for soil health
- Non-GMO seed banking for seed sovereignty and protection of heritage varieties
- Trench-cum-bunds and water recharging structures for water conservation and erosion protection



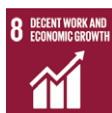
In addition to the environmental work they do, Chetna is also committed to improving the wellbeing and livelihoods of farmers. They purchase all their farmers' cotton at stable, above-market prices that are set in advance contracts. **This ensures that farmers earn a higher and more reliable income.** And in accordance with Fair Trade principles, a buyer premium is applied to all Chetna cotton, which is given directly to farmer run associations for collective training, inputs, and farm improvements.

Lastly, Chetna helps conventional farmers transition to organic agriculture by helping them financially navigate the 3-year conversion period. Given the risks connected to such a large transition, and that farmers are not allowed to sell their cotton as organic during this time, many farmers are hesitant to make the change without support. Chetna lessens these risks by training them to grow different cash crops they can sell during the transition, providing them with seeds, and even providing schooling farmers' children.







**UN GOALS:****ENVIRONMENTAL SUSTAINABILITY – GOTS CERTIFICATION**

In India, we work solely with 100% organic cotton which is fully GOTS certified. Since our entire Indian value chain is GOTS certified, this guarantees that the cotton was grown organically and that each stage of production has been done in a manner which is environmentally conscious and socially responsible.

## ENVIRONMENTAL CRITERIA

- At all stages through the processing organic fiber products must be separated from conventional fiber products and must to be clearly identified
- All chemical inputs (e.g. dyes, auxiliaries and process chemicals) must be evaluated and meeting basic requirements on toxicity and biodegradability /eliminability
- Prohibition of critical inputs such as toxic heavy metals, formaldehyde, aromatic solvents, functional nano particles, genetically modified organisms (GMO) and their enzymes
- The use of synthetic sizing agents is restricted; knitting and weaving oils must not contain heavy metals
- Bleaches must be based on oxygen (no chlorine bleaching)
- Azo dyes that release carcinogenic amine compounds are prohibited
- Discharge printing methods using aromatic solvents and plastisol printing methods using phthalates and PVC are prohibited
- Restrictions for accessories (e.g. no PVC, nickel or chrome permitted)
- All operators must have an environmental policy including target goals and procedures to minimize waste and discharges
- Wet processing units must keep full records of the use of chemicals, energy, water consumption and wastewater treatment, including the disposal of sludge. The wastewater from all wet processing units must be treated in a functional wastewater treatment plant.
- Packaging material must not contain PVC. Paper or cardboard used in packaging material, hang tags, swing tags etc. must be recycled or certified according to FSC or PEFC

**TECHNICAL QUALITY AND HUMAN TOXICITY CRITERIA**

- Technical quality parameters must be met such as rubbing, perspiration, light and washing fastness and shrinkage values.
- Raw materials, intermediates, final textile products as well as accessories must meet stringent limits regarding unwanted residues

**SOCIAL CRITERIA**

- Social criteria based on the key norms of the International Labor Organization (ILO) must be met by all processors and manufacturers. They must have a social compliance management with defined elements in place to ensure that the social criteria can be met. For adequate implementation and assessment of the following social criteria topics the listed applicable key conventions of the International Labor Organization (ILO) have to be taken as the relevant basis for interpretation.
- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labor must not be used
- Living wages
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- Harsh or inhumane treatment is prohibited



**UN GOALS:****ZERO WASTE PROGRAM**

The fashion industry is responsible for an excessive amount of textile waste. The cutting stage of production creates tons of offcuts and scraps, while a meters and meters of fabric are sent to landfill or incinerated because of canceled orders or incorrect dyeing/printing.

Given the amount of resources it takes to make textiles, we find this unacceptable. **To combat this, we initiated a Zero Waste program in our cotton production facilities.**

**Annually, we reuse 2000 kilos of organic cotton scraps and deadstock leftover from both our own production and that of other brands.** We use this material to make necessary items for our business – like ribbons for gift wrapping and cloth for hang tags – instead making them from single use paper or plastic. The complimentary cloth tote bag customers receive when they shop on our website or in our stores is also made from this leftover fabric.

We also upcycle this “waste” to create larger one-of-a-kind items for sale, such as our Raw Rugs. We donate all of the profits from the sales of these Zero Waste products to a local Indian school for disabled children called TEARS, an acronym for Train, Educate And Rehabilitate Socially.

**UN GOALS:****WASTEWATER TREATMENT AND RECYCLING SYSTEMS**

In accordance with the requirements in the GOTS certification, all suppliers on our Indian value chain have effluent wastewater treatment systems which follow national and local environmental regulations. In 2020 we undertook a mapping of our Indian value chain. We found that the dye houses and wet processing facilities we work with most frequently had **effluent wastewater systems which treated and reused at least 97% of all discharge, while many had Zero Liquid Discharge policies**. Furthermore, to conserve water, 100% of our first tier suppliers have rainwater harvesting systems.

**RENEWABLE ENERGY**

**All but one of our first tier Indian suppliers generate at least 70% of their electricity from renewable sources such as wind or solar.** Our last remaining supplier who is not currently using renewable energy to power their production is planning to install solar energy panels on the roof of their facility in the coming months.

Our suppliers also focus on installing energy efficient lightning. By converting from CFL lights to LED lights they have been able to reduce the electricity consumption by 40%.

## 03.2 PRODUCTION

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### NEPAL

Well-known for its rich cultural heritage and breathtaking landscapes, Nepal is one of the most captivating places on the planet. The country is famously home to the Himalayan mountain range which covers the majority of its land, creating a truly rugged landscape. Nepal's diverse population is equally strikingly – belonging to 125 distinct ethnic groups and speaking 123 languages.

#### UN GOALS:



#### CRAFT-FOCUSED PRODUCTION

The Nepalese people are experts at using the exquisite materials that flourish around them – like luxuriously soft cashmere and yak wool. By applying their exceptional skills to products aimed at a global market, we hope to preserve Nepal's unique legacy of craftsmanship and fuel the country's economic development.

In Nepal, we manufacture a range of products – from highly artisanal handmade items to objects made on a larger scale. Our handmade products support Nepal's beautiful cultural heritage and the region's tradition of nomadic livestock herding. The items we make on a larger scale provide important investment and capability development for Nepal's young textile industry. This strategy enables us to build a diversified and sustainable business in Nepal while we invest in the exploration and development of lesser known fibers in the region, like yak and Sartuul wool.







#### UN GOALS:



#### THE PRODUCT – CASHMERE

All it takes is one touch to understand why cashmere is a beloved material across the world. Cashmere originates from the highlands of Northern India, Nepal, Tibet, and Mongolia. The material is deeply important to the local craft communities in this region, where the traditional way of raising cashmere goats is still practiced.

We are aware of the difficulties connected to working with cashmere. Cashmere is a rare and luxurious material and we intentionally treat it as such. We commit to using cashmere very thoughtfully, only producing it in a limited number of pieces where its unparalleled softness can fully be appreciated. **For us, this means producing a small line of cashmere products in Nepal, where we can support the region's traditional herders, craftspeople, and budding textile industry.**

The fiber for Aiayu's hand woven cashmere items comes from nomadic goatherds which roam between the Himalayas and the Tibetan Plateau. Small nomadic goatherds are the most responsible sources of cashmere because their limited size and regular movement means the grazing capacity of the land is not exceeded, resulting in healthier grasslands and goats.

The yarn for our machine-knit cashmere products is sourced from a trusted supplier of high-grade cashmere in China. We source this yarn from China because Nepal's textile industry does not currently have the capacity to spin cashmere fiber into very fine yarn. In the past, we have been involved in development projects working to build this capacity, and we are eagerly awaiting the moment when we can source our machine-knit cashmere yarn more locally.

**To reduce the impact of our virgin cashmere use, we often mix our cashmere products with a 40% mix of linen.** Linen is a highly sustainable material as it can be grown in almost any climate, is naturally pest resistant, and requires very little water. Blending our machine knit cashmere with linen also increases the durability of the delicate cashmere fibers, increasing the garment's longevity.

**One of our main goals for 2021 is to improve the sustainability and traceability of our cashmere sourcing. We will research potential certifications and the feasibility of including recycled cashmere fiber.**

## UN GOALS:



## SARTUUL WOOL

Aiayu's Sartuul will remind you of the pure wool sweaters from your childhood which kept you warm year after year. Perfectly evolved for life on the Mongolian steppe, Sartuul wool has exceptional warmth, durability, and self-cleaning properties.

Sartuul sheep are indigenous to Mongolia where they have been herded by nomadic clans for centuries. **Aiayu's Sartuul wool is sourced from the Green Gold project, a Swiss development program which is working to protect Mongolia's steppe and the livelihoods of its nomadic herders.**



## YAK

The yak is an amazing creature roaming the remote hills of Mongolia, Tibet, and Nepal. When treated properly, the fine fibers of the yaks' undercoat can feel as soft as cashmere yet be as strong and warm as llama wool. Normally a light brown or grey colour, we only use yak wool in its natural brown and grey shades.

Like our Sartuul, we also source our yak wool from herders in the Green Gold project. Similar to Aiayu's llamas, the **yaks roam freely in their indigenous habitat, grazing in a much gentler way than industrially farmed livestock.**

The details of the Green Gold project will be further elaborated on in next section.



#### UN GOALS:



#### ENVIRONMENTAL SUSTAINABILITY

##### THE GREEN GOLD PROJECT

We are proud to source our yak and Sartuul wool from the Green Gold project, a Swiss development program that works with cooperatives of herders to practice sustainable grazing management in the steppe.

Due to a combination of overgrazing and climate change, Mongolia's grasslands are turning into desert. Not only is this a devastating ecological loss, but also a hugely impactful economic one. **Two out of every five Mongolians make their living through herding, which means their entire livelihood depends on the health of the grasslands.**<sup>xvii</sup>

The Green Gold program works with herders and local universities to carefully track and study the health of grasslands all over Mongolia. They restore areas which have been heavily overgrazed by stopping all grazing, planting cover crops, and applying animal manure to add nutrients back into the soil. In healthy areas, they coordinate with herders to make a rotating grazing schedule to ensure the land can fully recover between grazing seasons. **Ultimately, the project helps the herders earn a higher and more secure income through sustainable fiber production.**

**Sartuul sheep and yak were selected for the Green Gold project because they are indigenous to the Mongolian steppe, meaning they are best suited for sustainable grazing in that ecosystem.** Like llamas, Sartuul sheep and yak are gentle grazers, so they have less of an impact on the fragile grasslands. Both animals are used by herders and their families for many purposes besides fiber – like for milk, food, and fertilizer. They are also highly productive, making a lot of fiber and milk each year. This enables the herders to have smaller and more efficient herds, which means less animals grazing on the steppe.

**We are thrilled to report that the grasslands under management of herders in the Green Gold project have readily improved since the onset of the program.**



#### UN GOALS:



#### SOCIAL SUSTAINABILITY

##### SEDEX MEMBERSHIP (SA8000 CERTIFICATION IN PROGRESS)

All our Nepalese suppliers are highly committed to manufacturing in accordance with all international and Nepalese labour and human rights laws. Forced labour, discrimination of any kind, and child labour are strictly prohibited. Furthermore, our suppliers are proud to provide their employees comprehensive benefit packages, including insurance, pension contributions, annual leaves, and festival allowance.

In 2018, our biggest Nepalese suppliers hit a significant millstone and became a SEDEX member, a goal we have been aiming for since we started producing in Nepal in 2015. **Now, this same supplier is in the process of becoming SA8000 certified.** We are proud of our supplier for taking this giant step, and to be a part of the expansion of socially responsible production.

**This process was set to be completed by the end of 2020, but due to Covid-19 travel restrictions the final audit has been postponed to early 2021.**

## 03.3 DISTRIBUTION

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### PACKAGING

#### UN GOALS:



In an effort to reduce our use of virgin plastic, our products are shipped in either recycled plastic or biodegradable polybags when they are transported from our producers to our facility in Denmark. We also exclusively use FSC certified cardboard boxes for shipping and distribution.

Additionally, all webshop orders are shipped to customers in reusable, recycled plastic envelopes. When customers want to return a webshop purchase they can do so with the envelopes. We make sure all reuse all returned envelopes to ship new purchases.

### SHIPPING

Aiayu goods are mostly distributed by air. Shipping by sea from Bolivia and Nepal is not feasible as none of the countries have a coastline, so it is prohibitively expensive and time consuming to transport products to the harbor in neighboring countries. Shipping from India by sea is more workable, therefore we ship our sleep and home collections by sea twice a year.

One of the main reasons we use air transport is that sea shipments would add 1.5 – 2 months to our current lead times. Adding such a significant amount of lead time would trigger an unsustainable change in our production planning, as our procurements would go from being sales-based to forecast-based, increasing the risk of overproduction and dead stock.

However, we are always researching new and more sustainable ways to transport our products.



## 03.4 SALES AND USE PHASE

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### RETAIL

#### UN GOALS:



#### STORES

When we construct and renovate our retail stores, we are conscious to not substantially alter the existing facilities, i.e., building all new walls or floors, as this takes considerable energy, materials, and resources. Instead, we simply peel back the room to its shell and apply mineral paint to the walls.

We source the furniture and items in our stores with the same care with which we make our own products. The furniture we procure for our retail locations are made of simple materials like wood and metal, and always handcrafted locally. We also use our own producers to make essential items for our shops, like cotton curtains and tote bags from our Zero Waste program in India and brass hangers which are handcrafted in Nepal.

#### THE AIAYU MARKET

In 2020, we opened The Aiayu Market, an educational retail space where everyone can join the sustainability conversation.

At the Market, customers can shop samples and archive products, learn more about the way we work, how to best take care of their clothes, and get their favorite Aiayu item repaired at our expanded repair workstation.

**In a world focused on the new, we hope the Market will be a space that is dedicated to repairing, reusing, and celebrating the Aiayu items that are already here.**

**Ultimately, our aim is to host lectures, repair events, and rotating exhibits on sustainability, so we can play our part in shifting the conversation towards conscientious consumption.** Due to Covid-19, we have had to pause develops on this agenda, but we are excited to resume when it is safe to do so.

**SALES**

The fashion industry is deeply rooted in a cycle of overproducing and discounting merchandise. We do not plan our purchasing around having an abundance of surplus inventory that will be sold at a discounted price. Also, due to our biannual collection structure, items are available for purchase in our webshop and stores for longer periods.

Additionally, we have chosen to not participate in sales events like Black Friday. In our experience, these events encourage rushed purchasing decisions, which goes against our work of promoting slower and more thoughtful consumption. Through these measures, we want to do our part to slow down the fashion industry's fervent rate of production and in turn, support our customers in choosing fewer better things they will use a lifetime.

**RETAIL PACKAGING**

We work hard to reduce the amount of single-use packaging material used in our retail operations. When shopping in our stores, no plastic is used in the wrapping and packaging of our products. Instead of a plastic bag, customers receive a complimentary organic cotton tote bag that is from our Zero Waste Program in India.

We also ask our customers to actively choose gift wrapping during their shopping experience instead of making it automatic. If chosen, customers receive their items wrapped in an FSC (Forest Stewardship Council) certified box and a cotton ribbon from our Zero Waste initiative in India.

Over the 2020 holiday season, instead of gift wrapping with single use paper or plastic, we wrapped all gifts purchased from both our webshop and retail stores, in organic cotton cloth leftover from our production.

## UN GOALS:



## EXTENDING THE LIFE OF OUR PRODUCTS

### COMMUNICATING CARE & MAINTAIN

To slow down the rate of consumption, we strive to help customers keep their Aiayu products in active use for as long as possible. **One important aspect of this is providing clear instructions on how to properly care for and repair Aiayu products.**

**In 2020, we have strengthened on our communication efforts regarding care information.** We have added and saved care information, by material, on our Instagram profile so customers can easily access our recommendations. Additionally, we have updated our hangtags with more care information for each material. For instance, for our cotton products, we now advise customers to choose a looser fit as the material will last longer if it is not worn tight.

We also have begun promoting more engagement and education on garment repair. In our new retail space, The Aiayu Market, we have expanded our repair station. In conjunction with this, **we have begun communicating more about our repair program and creating repair tutorials on our social media channels.** We have recently done an Instagram live repair event, where our in-house tailor showed customers how to do minor repairs at home. **We will continue and expand this digital and in-person education strategy in 2021, in hopes of prolonging the active use and lifecycle of our products.**





#### UN GOALS:



#### REPAIR SERVICE

Aiayu's repair program is central to 'our made to last' ideology. We believe we have an obligation to make our products last, and a small hole or snag should never be the reason why someone has to stop using their beloved Aiayu product.

Customers can access our repair program both via our Aiayu stores or on our webshop. Our repair program is complimentary, we only ask that customers who do not live near an Aiayu store cover the cost of shipping to our repair workshop in Copenhagen.

**In 2020, we repaired 74 Aiayu items via our webshop. Since the repair program started being offered on our webshop in 2017, we have prolonged the life of over 200 of our products.**

These numbers only indicate repair services which have been requested online, as we have not tracked all repairs done through our retail locations. Now that our repair workstation has moved to our Market location, we hope to centralize the tracking of the number of in-person retail repairs we do.

**Our aim is to increase the number of repairs we do annually by expanding the reach of our program through consumer engagement and education in 2021.**

## 03.5 AIAYU HQ

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### UN GOALS:



As ethical production and consumption is at the core of Aiayu's foundation, the awareness and sense of responsibility is strong amongst the employees.

We have taken a variety of sustainability in our HQ to reduce our footprint. Our daily catered lunch is a vegetarian and organic, and we exclusively use ceramic tableware and reusable cutlery to avoid any single use plastic during mealtimes.

The paper we use for printing internally is FSC certified, CO2 neutral, and Nordic Swan certified. The paper we use for printing marketing material is also FSC and Nordic Swan certified.

In 2020, Aiayu brought on a full-time CSR Manager to expand and strengthen our sustainable development activities, reporting, and research. With this step, we hope to set more ambitious targets and accountability measures for ourselves and communicate our progress to external stakeholders more transparently.

## 04 THE UN SUSTAINABLE DEVELOPMENT GOALS

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## 05 CONTACT INFO

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### **AIAYU HEAD OFFICE ADDRESS:**

Aiayu ApS  
Forbindelsesvej 12, 2. th  
DK- 2100 København Ø  
Contact: +45 33 32 32 80 – mail: [info@aiayu.com](mailto:info@aiayu.com)

### **DENMARK COPENHAGEN STORE ADDRESS:**

Store Strandstræde 12a, 1255 Kbh K  
Contact: +45 2784 0963 – mail: [copenhagen@aiayu.com](mailto:copenhagen@aiayu.com)

### **DENMARK AARHUS STORE ADDRESS:**

Volden 34, 8000 Aarhus C  
Contact: +45 5353 7811 – mail: [aarhus@aiayu.com](mailto:aarhus@aiayu.com)

### **NORWAY OSLO STORE ADDRESS:**

Grønnegata 1 – 0350 Oslo – Norway  
Contact: +47 90410725 – mail: [oslo@aiayu.com](mailto:oslo@aiayu.com)

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