



COMMUNICATION ON
PROGRESS REPORT
2021

C O N T E N T S

JOINT LETTER
FROM THE CEOs 03

OVERVIEW:
IMPACTS OF THE
FASHION INDUSTRY 04

- 05 HUMAN & LABOR RIGHTS
- 06 ENVIRONMENTAL IMPACT
- 07 ANTI-CORRUPTION
- 08 BAYO'S TRANSITION TO CIRCULARITY

MEASURING OUR PROGRESS 18

- 20 JOURNEY TO ZERO PROJECTS
- 21 Project 1: Greening Business Activities
- 23 Project 2: Business Program With Argao Weavers
- 24 Project 3: Business Program With Ambension Silk Enterprise
- 25 Project 4: Business Program Of Bayo & Habi
- 26 Project 5: Outreach Programs
- 27 Project 6: Weaving In The City
- 28 Project 7: Expanding The Weaving Capacity Of Ambension Silk
- 29 Project 8: Scaling Natural Dyes
- 30 Project 9: Recycling Fabric Waste Into Construction Material
- 31 Project 10: Reviving The Sericulture Industry
- 33 Project 11: Upgrading Weaving Designs
- 34 Project 12: Bayo Community-Partner Program

COMMITMENT TO THE
UNGC PRINCIPLES 09

- 12 POLICIES AND INITIATIVES
- 12 Privacy Policy
- 12 Right To Freedom Of Expression
- 13 Health And Safety
- 13 Prohibition Of Arbitrary Dismissal
- 14 Career Advancement
- 14 Social Insurance And Social Security
- 15 Policy On Child Labor Or Compulsory Labor
- 15 Policy For Equal Employment Opportunity
- 16 Environmental Policy
- 16 Journey To Zero Initiative
- 17 Anti-Corruption Policy

REFERENCES & LINKS 35

JOINT MESSAGE FROM THE CEOs



CEO STATEMENT
Bayo Manila Inc.
United Nations Global Compact Communication in Progress
August 20, 2021

Bayo Manila Inc. fully supports the United Nations Global Compact (UNGC) Ten Principles and fully subscribes to its positive impact on how we are doing business. Our business transactions and process flows are now being modeled along with these principles and integrated into the Handbook Manual, which we distribute to all our employees. We are delighted to have participated in this program and firmly believe that the framework required will guide us to promote a sustainable way of doing business.

This marks our first year as a participant member of the UNGC, and we are writing our first Communication on Progress (COP). The preparation of the COP has been beneficial to us since it tends to push us every time to go a notch higher in everything we do, as we aspire to become a deserving participant-member of UNGC.

Our membership with UNGC came at a very inopportune time. It was the time when the entire world was held on a standstill brought about by Covid-19. While the pandemic severely hit the fashion industry where we belong, this did not deter us from pursuing our commitment to become a member of UNGC and subscribed to the 17 Sustainable Development Goals (SDG) that it requires.

Our sustainability initiatives which we call, Journey to Zero, started during our 25th Founding Anniversary. Since then, we have been relentless in lessening our environmental footprint by reducing the fabric waste that we are disposing of in the sanitary landfills. With our membership with UNGC, we have expanded our efforts towards fulfilling some of the 17 SDGs that encompass goals directed towards eradicating poverty and hunger, promote gender equality, provide decent work, practice responsible consumption, and preserving life below water. We are now working to help create sustainable cities and communities with some of our upcoming initiatives and partnerships with Local Government Units.

Among the initiatives that we have started are the following:

- Introduced innovations in the way we cut fabrics that we're able to reduce fabric waste from a high of 35% to a manageable level of 5-7%;
- Supported various weaving communities in the Provinces of Bulacan, Benguet, Aklan, and Cebu by providing them livelihood, especially during the pandemic;
- Assisted the LGU of Kapangan, Benguet, to revive the Sericulture industry that will provide additional income to women farmers;
- Partnered with PureOceans, a marine conservation social enterprise that collects plastic litter and diverts it to form a circular economy;

By 2022, we will be putting up our very own recycling plant that will process the remaining 5-7% of our fabric waste, which will close the loop in our Journey to Zero initiatives;

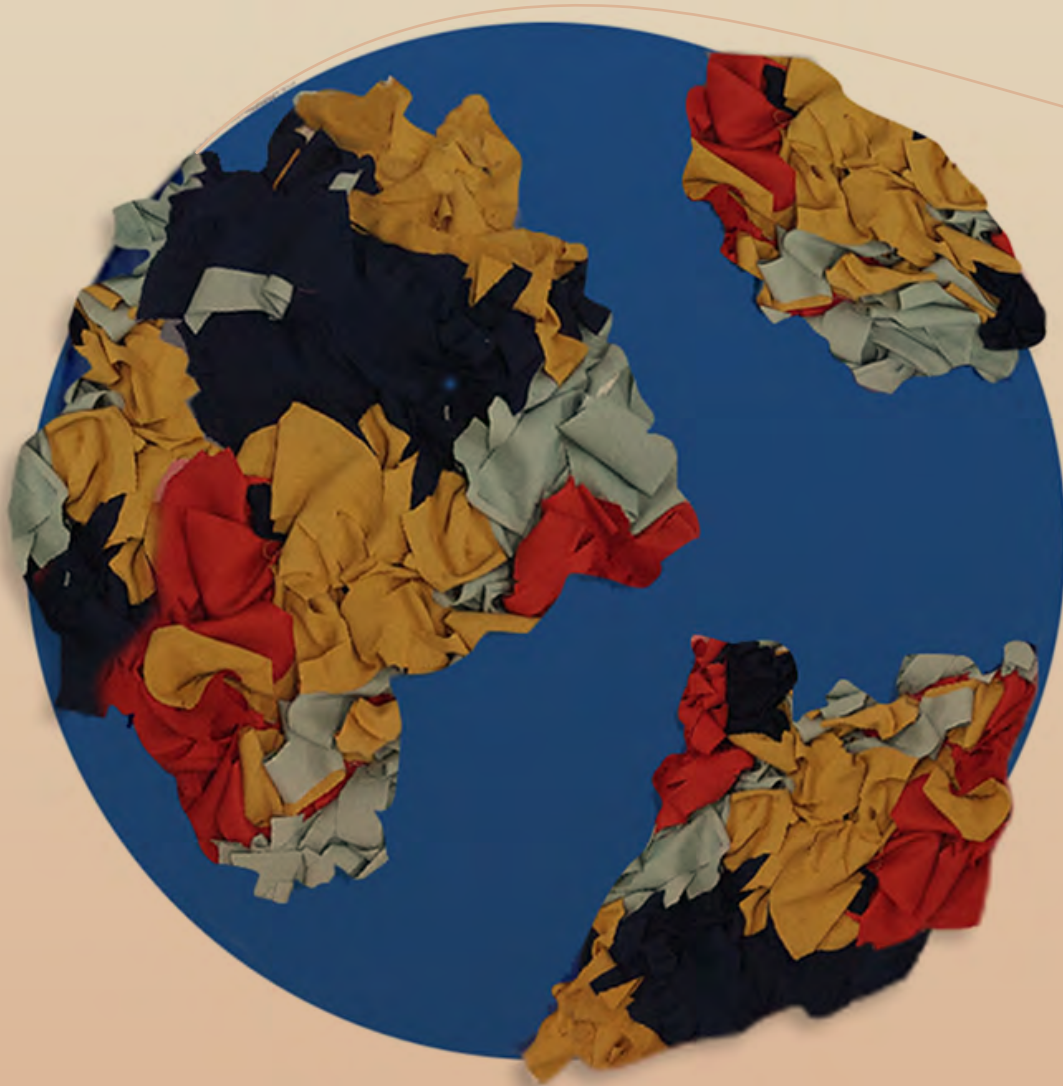
This is just the beginning. We have several items on our bucket list that will involve strategic collaborations with progressive-minded Local Chief Executives that will bring about the achievement of more sustainable goals.

As we face an uncertain future, you can rest assured that we will not stop working hard towards attaining the commitments that we have ascribed to UNGC. The 17 Sustainable Development Goals is our blueprint for achieving a future where we see a better world. The Ten Principles of the UNGC will always be our guiding light as we continue to tread the path to bring about a sustainable way of doing business for people, the planet, peace, prosperity, and partnerships.

Our membership with UNGC is one of the best things that has ever happened to us, and we are grateful.

LEO ANTONIO T. LAGON & ANNA MARIE R. LAGON
CEOs

OVERVIEW: IMPACTS OF THE FASHION INDUSTRY



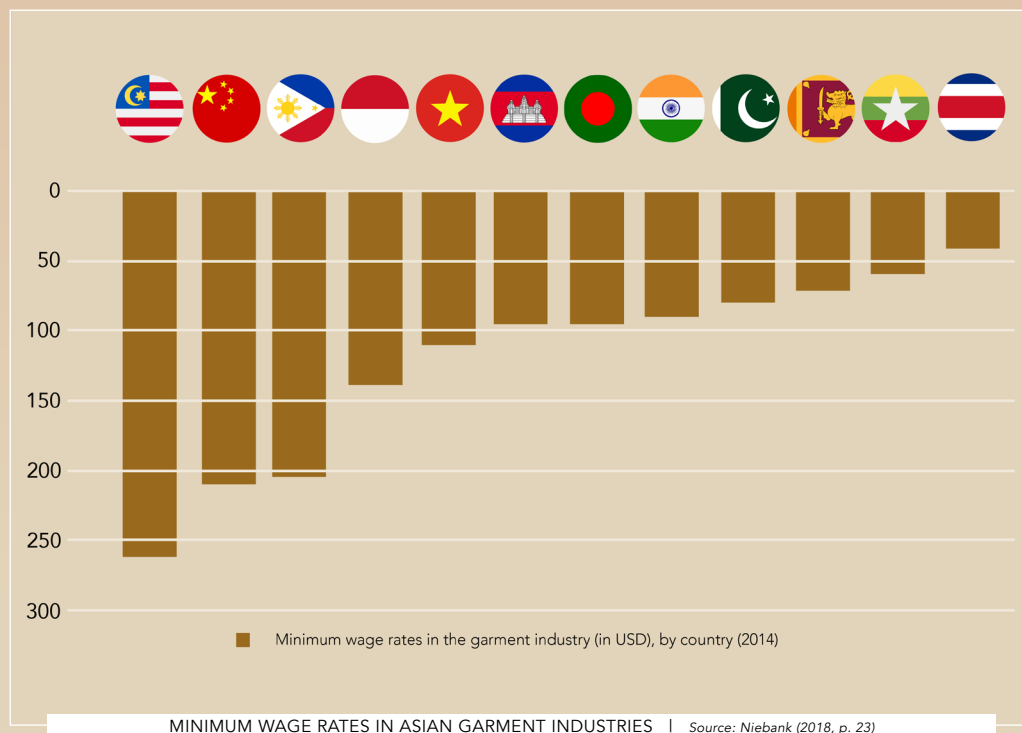
The global fashion industry grows at an average rate of 5.5% annually and is valued at USD 2.6 trillion (Wong et al., 2021). In 2019 alone, about 130.6 billion items of clothing and footwear were produced. The biggest sector in the industry however is garment manufacturing which has the highest share in employees and is more commonly found in the Global South. The Global South, primarily Asia as 58.9% of 2016 world exports come from there, is more involved in labor-intensive production practices due to numerous regional factors like cheaper labor, low environmental standards, and weak social protection (Niebank, 2018).

These same factors that help increase Asian exports however have been highlighted in numerous UN reports and civil society initiatives in recent years as also responsible for proliferating environmental and social issues in the fashion industry. Moreover, because 80% of its workforce consists of women, more women are vulnerable as a result (Meier, 2021). The diversity and complexity of value chains in the industry make it harder to address these problems. For example, one global fast fashion retailer has about “750 suppliers that manufacture products for its eight global brands in around 1400 factories across 41 countries, which are sold in around 5,000 stores in 75 markets and across 52 markets via its online shop” (Meier, 2021). Hence, sustainability can only be achieved in the fashion industry if businesses work hard in educating and implementing reformative practices within themselves and their value chains.

Human & Labor Rights

While the fashion industry provides economic opportunities for women especially in developing countries, the International Labor Organization describes their situation “beset by poor working conditions, including excessive working hours and low wages, with workers exposed to abusive practices such as sexual harassment, and unsafe working conditions” (UNEP, 2020). Several reasons for this are that universally, women are paid less than men and that there are government and corporate policies entrenched in gender stereotypes that perpetuate putting women in unskilled and high turnover jobs.

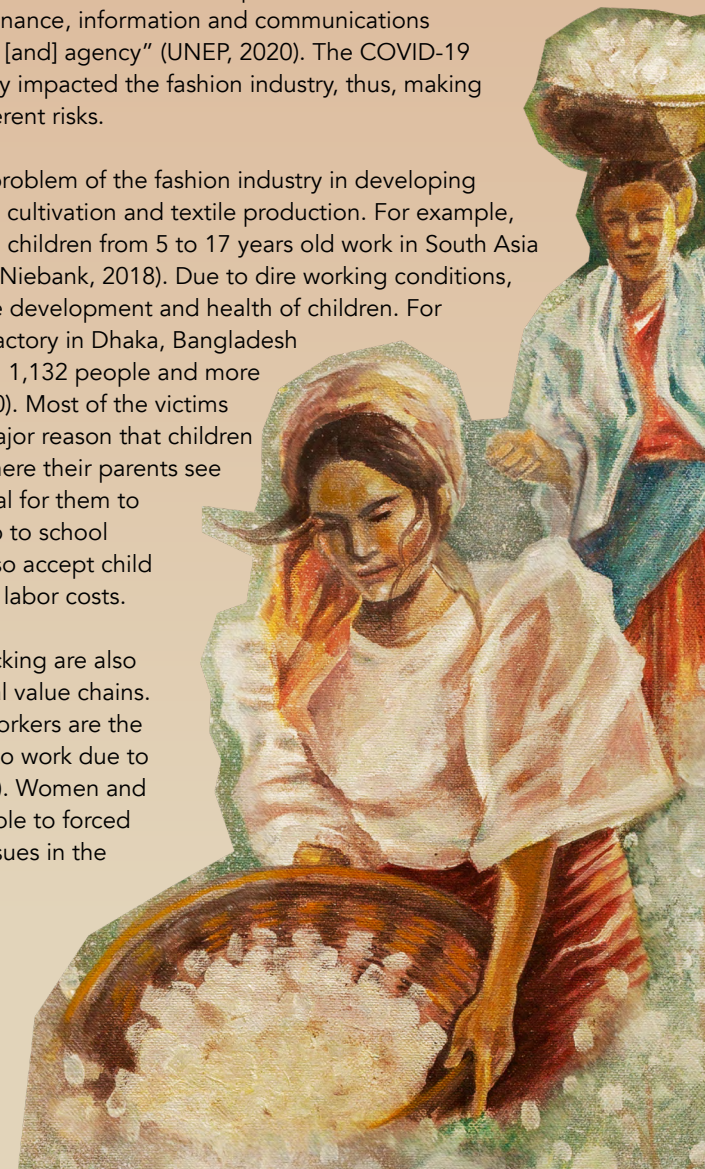
The average monthly earnings of garment workers are less than USD 200 upon evaluation from different Asian countries as seen in a graph below (Niebank, 2018). Moreover, when these are compared to 2015 Asian floor wages, these do not amount to living wages. The income however for women is consistently lower than men, while the pay gap between the two groups depends on the area.



There are other ways that the gender gap manifests in the industry. Women’s jobs are mostly in “‘bottom tier’ of textile production [which] means they have the highest risks of occupational injuries and exposure to hazardous chemicals” (UNEP, 2020). Women are also susceptible to certain chemicals used in textile processing because they can develop breast cancer and cause reproductive issues. Their business performance is also affected due to factors like “access to finance, information and communications (ICT) use, skills, human capital, [and] agency” (UNEP, 2020). The COVID-19 pandemic moreover has heavily impacted the fashion industry, thus, making women very vulnerable to different risks.

Child labor remains a serious problem of the fashion industry in developing countries, specifically in cotton cultivation and textile production. For example, it is estimated that 16.7 million children from 5 to 17 years old work in South Asia and 10.3 million are under 15 (Niebank, 2018). Due to dire working conditions, these also negatively affect the development and health of children. For example, in 2013, a garment factory in Dhaka, Bangladesh collapsed and killed more than 1,132 people and more than 2,500 injured (UNEP, 2020). Most of the victims were women and girls. One major reason that children work here is due to poverty where their parents see that it would be more beneficial for them to have the children work than go to school (Niebank, 2018). Employers also accept child workers because it saves them labor costs.

Forced labor and human trafficking are also permeating issues in the global value chains. Internal and foreign migrant workers are the most affected who are forced to work due to debt bondage (Niebank, 2018). Women and children are especially vulnerable to forced labor. There are other social issues in the industry like social protection.



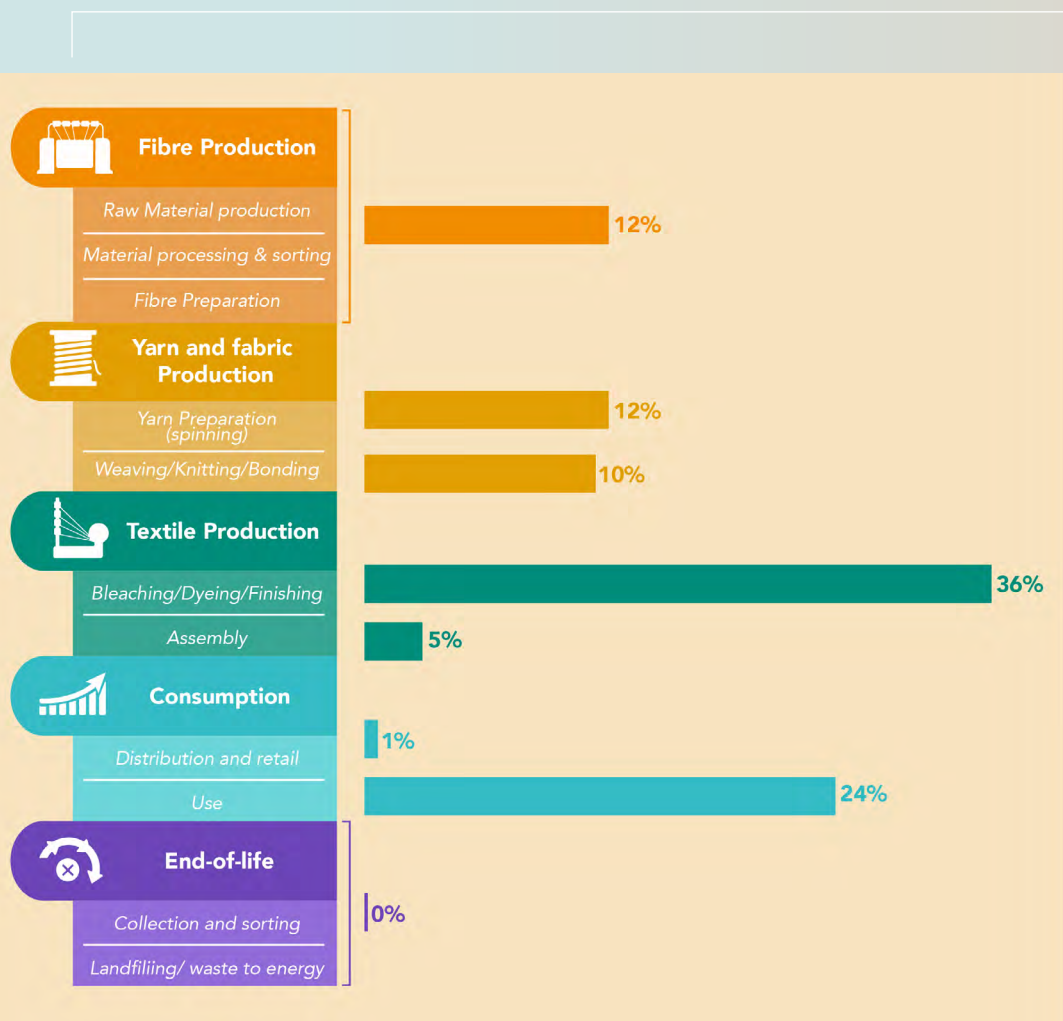
Environmental Impact

The climate impact of the global fashion industry is over 3.3 billion metric tons of greenhouse gas emissions annually which is more than maritime travel and international flights combined (UNEP, 2020). That amount is around 10% of carbon emissions emitted globally (Wong et al., 2021). Most of the emissions however do not come from companies' direct emission footprints but from their value chains. A Life Cycle Analysis graph below shows that 75% of carbon emissions come from extraction to textile production. Hence, to achieve circularity, businesses must move beyond just incremental improvements and towards a "system-wide approach, transforming the way textiles are designed, produced, consumed and disposed of" (UNEP, 2020).

The industry also has an immense water impact involving water scarcity and microplastics. The risk of water scarcity is affected by the industry's water consumption rate of 215 trillion liters of water per year mostly due to cotton production and bleaching/dyeing (UNEP, 2020). Water scarcity is also caused by pollution from the chemicals in fabrics that leach into the water, as well as chemicals and detergents that are run-offs and effluents from manufacturing and washing textiles. The Ellen MacArthur Foundation calculates that on average 1 kg of textiles requires 0.58 kg of various chemicals (UNEP, 2020). It can reach however to 3 kg of chemicals per 1 kg of cotton garments (Wong et al., 2021). Dyes may impact freshwater systems and biodiversity by affecting reoxygenation in water (Wong et al., 2021). Some of these chemicals like alkylphenols are toxic and cannot be removed by wastewater treatment plants. When these contaminate water and the water is consumed, it may "cause cancer and disrupt hormonal systems in humans and animals" (UNEP, 2020). On the other hand, UNEP states that 70% of global apparel are estimated to be synthetic, making microplastics another impact of the fashion industry. About 9% of annual microplastic losses to the oceans come from the industry mainly through the laundering of synthetic fibers and garments (UNEP, 2020).

Another environmental impact of the industry is waste creation, amounting to 92 million tons of waste per year (Wong et al., 2021). A 2015 study by the Ellen MacArthur Foundation revealed that less than 1% of waste go to closed-loop recycling, 12% to cascaded recycling, and 73% to landfills or incineration (Wong et al., 2021). This equates to an annual loss of more than USD 100 billion in material value (UNEP, 2020).

One way to tackle the waste issue is upcycling the production offcuts which some businesses do. To reduce carbon emissions and microplastics in the value chain, locally produced materials and fabrics are making their way into mainstream fashion. For example, in the Philippines, designers have started to use fabric scraps from manufacturers and recycle them into new clothing. Natural fibers like local cotton, pineapple, abaca and coconut are becoming popular domestically which serve as alternatives of synthetic fibers and cotton imported from China and India (Wong et al., 2021).



CLIMATE IMPACT ACROSS THE GLOBAL APPAREL VALUE CHAIN | Source: UNEP (2020, p. 22)

Anti-corruption

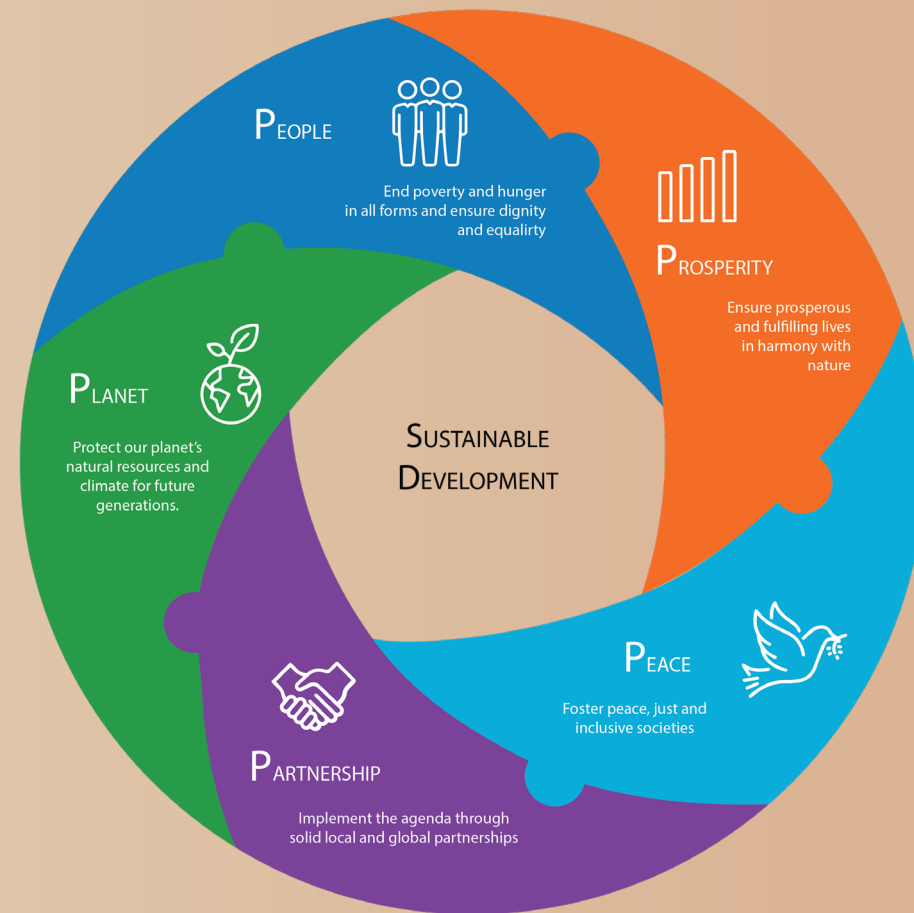
Bribery and corruption tend to be present in the textile manufacturing stage of the value chain. This is because seven of the world's nine biggest exporters of clothing (Shahbandeh, 2020) have a score less than 50 out of 100 in the 2020 Corruption Perceptions Index (Transparency International, 2020). It is very important that companies conduct business with integrity and responsibility especially in the manufacturing stage because corruption worsens the working conditions of women workers. The 2013 factory collapse and factory fire in Bangladesh are two examples of how corruption directly affects the stakeholders in the fashion industry. Due to "[n]egligence, lacking resources, bribes involved in licensing and permits or collusion between factory owners and safety inspections", women workers are being put in hazardous working conditions (Transparency International, 2013). Safety inspections are very vulnerable to bribery. This in turn puts a lot of risk to the businesses as well.



Bayo's Transition to Circularity

The fashion industry in the Philippines compared to other Asian countries may have a smaller share in exports, but it also faces the same issues that are experienced globally. Recognizing these, Bayo has become more conscious in how business is conducted in terms of sustainability. We are currently improving the company's operations as well as our value chains through different projects that tackle human rights, labor, the environment, and anti-corruption. For example, to minimize our environmental impact, Bayo is exploring the local procurement of raw materials, handweaving and scaling natural dyeing.

Our transition towards a circular fashion company is guided by five principles: Planet, People, Prosperity, Peace and Partnership. **Planet** means protecting our planet's natural resources and climate for future generations. **People** is ending poverty and hunger in all forms and ensure dignity and equality. **Prosperity** pertains to ensuring prosperous and fulfilling lives in harmony with nature. **Peace** means fostering peaceful, just and inclusive societies. **Partnership** is implementing the agenda through a solid local and global partnership.



BAYO'S FIVE PRINCIPLES TOWARD CIRCULARITY

We Continue...

our Journey to Zero initiative...

became our thumbprint to represent our values.

Bayo is proud to be a participant to the United Nations Global Compact as we transition into a circular business model.

We will create and deliver ethical practices that will continue to bring economic value while making sure there is inclusive growth among all stakeholders.



COMMITMENT TO THE UNGC PRINCIPLES

Because we believe that Partnerships can accelerate Bayo's transition to a circular business, we have also pledged our commitment to the UN Global Compact (UNGC) and the alignment of our company policies and community engagements to the 10 UNGC Principles.



10 UNGC PRINCIPLES



HUMAN RIGHTS

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2

Make sure that they are not complicit in human rights abuses.



LABOUR

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4

The elimination of all forms of forced and compulsory labour;

Principle 5

The effective abolition of child labour; and

Principle 6

The elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

Undertake initiatives to promote greater environmental responsibility; and

Principle 9

Encourage the development and diffusion of environmentally friendly technologies.

















ANTI-CORRUPTION

Principle 10

Businesses should work against corruption in all its forms including extortion and bribery.

10 UNGC Principles and the Alignment of Bayo's Current Policies and Initiatives

POLICY / INITIATIVE	1	2	3	4	5	6	7	8	9	10
 Privacy Policy	●									
 Right to Freedom of expression	●									
 Health and Safety Policy	●									
 Prohibition of Arbitrary dismissal policy	●									
 Career advancement policy	●									
 Social Insurance and Social Security Policy	●									
 Vendor Compliance report		●		●	●		●			
 Freedom of Assembly/Trade unions/Associations			●							
 Policy on elimination of all forms of child labor or compulsory labor.				●	●					
 Non-discrimination Policy						●				
 Fringe Benefits						●				
 Environmental Policy							●	●		
 Journey to Zero Initiative	●	●				●	●	●	●	
 Anti-corruption Policy										●

Shown here is a table that illustrates how our current policies and initiatives align with the 10 principles.

Our compliance with Human Rights principle 1 is fulfilled by several policies. These are: (1) privacy policy, (2) right to freedom of expression, (3) health and safety, (4) prohibition of arbitrary dismissal, (5) career advancement, and (6) social insurance and social security.

We comply with UNGC Principle 2 by requiring our suppliers to submit a Vendor Compliance Report. This document also aligns with other principles. Its contents serve as a guarantee from our suppliers that they are committed to adhere to ethical, environmentally sustainable, and humane sourcing practices. This is also a guarantee from them that all their workers are of legal age.

For Principle 3, we have a policy that ensures everyone has the right to freedom of peaceful assembly and to freedom of association with others, including the right to form and to join trade unions. No restrictions shall be placed on the exercise of these rights other than as prescribed by law and are necessary for the interests of national security for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.

Principles 4 and 5 are embodied in our policy on elimination of child labor or compulsory labor. On another hand, we have a policy for equal employment opportunity which aligns with Principle 6. For Principles 7-9, Bayo can fulfill these through its environmental policy and the Journey to Zero Initiative. Lastly, an anti-corruption policy is in place which aligns with Principle 10.

A sample of Bayo's Vendor Compliance Report



BAYO MANILA INC.

NAME OF VENDOR: _____

NO. OF WORKERS: F: _____ M: _____

VENDOR COMPLIANCE REPORT

CONTACT DETAILS: _____

Life Cycle of Products

Product Code	Material Name	Composition	Source	Delivery Date
2019015	Modal	70%P, 30%N, 5%O	Deadstock fabric	1/20/2019
2019120	Modal	70%P, 30%N, 5%O	Deadstock fabric	1/20/2019
20200108	Modal	70%P, 30%N, 5%O	Deadstock fabric	1/20/2019
20200111	Modal	70%P, 30%N, 5%O	Deadstock fabric	1/20/2019
20200205	Modal	70%P, 30%N, 5%O	Deadstock fabric	1/20/2019

Production Team

First Name	Last Name	Phone	Job	Notes
Daniel	Manuel	090325491305	Production head	Full time
Glady	Manuel		Production head	Full time
Romy	Manuel		Production head	Full time
Eli Lyn	Manuel		Production head	Full time
Karen	Manuel		Production head	Full time
Emmanuel	Manuel		Production head	Full time
Francisco	Manuel		Production head	Full time
Mariano	Manuel		Production head	Full time
Sarah	Manuel		Production head	Full time
Chris	Manuel		Production head	Full time

Upon submission of this compliance report form, vendor commits to have proper operation guidelines on fair wages, decent work environment, safe and healthy work spaces. Furthermore, the vendor adheres to ethical, environmentally sustainable and humane sourcing practices.

By signing this compliance report you are attesting that all your workers are of legal age.

Vendor Name and Signature attesting to all information listed on the Compliance Report Form

Date: October 23, 2019



Policies and Initiatives

PRIVACY POLICY

The fashion industry in the Philippines compared to other Asian countries may have a smaller share in exports, but it also faces the same issues that are experienced globally. Recognizing these, Bayo has become more conscious in how business is conducted in terms of sustainability. We are currently improving the company's operations as well as our value chains through different projects that tackle human rights, labor, the environment, and anti-corruption. For example, to minimize our environmental impact, Bayo is exploring the local procurement of raw materials, handweaving and scaling natural dyeing.

Our transition towards a circular fashion company is guided by five principles: Planet, People, Prosperity, Peace and Partnership. **Planet** means protecting our planet's natural resources and climate for future generations. **People** is ending poverty and hunger in all forms and ensure dignity and equality. **Prosperity** pertains to ensuring prosperous and fulfilling lives in harmony with nature. **Peace** means fostering peaceful, just and inclusive societies. **Partnership** is implementing the agenda through a solid local and global partnership.

RIGHT TO FREEDOM OF EXPRESSION

The company protects employees' right to discuss the terms and conditions of their employment. Employees do not have the freedom or right to express racists, sexists, or other discriminatory comments. The employees also have the right to talk about possible unlawful conduct in the workplace, such as harassment, discrimination, and workplace safety violations committed by co-employees or management.

HEALTH AND SAFETY

Safety is a joint venture at the Company. We strive to provide a clean, hazard-free, healthy, safe environment in which to work, and we make every effort to comply with all local occupational health and safety laws, including those prescribed by the Department of Labor and Employment. The Company recognizes alcohol and drug abuse as potential health, safety, and security problems. The Company expects all employees to assist in maintaining a work environment free from the effects of alcohol, drugs, or other intoxicating substances. Substance abuse is an illness that can be treated. Employees who have an alcohol or drug abuse problem are encouraged to seek appropriate professional assistance.

When work performance is impaired, admission to or use of a treatment or other program does not preclude appropriate action by the Company. Any violator of this substance abuse policy will be subject to disciplinary action up to and including termination of employment. The Company is committed to the safety and security of our employees. Workplace violence presents a serious occupational safety hazard to our organization, staff, and clients. Acts of violence by or against any of our employees where any work-related duty is performed will be thoroughly investigated and appropriate action will be taken, including involving law enforcement authorities when warranted.

PROHIBITION OF ARBITRARY DISMISSAL

The company adopts as a policy that no employee shall be dismissed arbitrarily except for just causes enumerated in Articles 297-299 of the Labor Code of the Philippines. Just causes of termination refer to serious misconduct, wilful disobedience or insubordination, gross and habitual neglect of duties, fraud or willful breach of trust, loss of confidence, a commission of a crime or offense, and analogous causes. The Rules expressly provide that for acts or omissions to be considered as analogous causes, the same must be expressly specified in company rules and regulations or policies. Authorized causes of termination refer to the installation of labor-saving devices, redundancy, retrenchment or downsizing, closure or cessation of operation, and disease. An employee may also be terminated from employment based on reasonable and lawful grounds specified in company policies.





CAREER ADVANCEMENT

In an effort to match you with the job for which you are most suited and/ or to meet the business and operational needs of the Company, you may be transferred from your current job. This may be either at your request or as a result of a decision by the Company. Reasons for transfer may include but are not necessarily limited to fluctuations in department workloads or production flow; a desire for more efficient utilization of personnel; increased career opportunities; personality conflicts; health; other personal situations; or other business reasons. Transfers or Promotions should not in any manner be made due solely to sex (sexual orientation and gender identity), religion, or any other biases and prejudices.

You are eligible to request a transfer and to be considered for promotions upon completion of six (6) months of satisfactory performance in your current job. Your eligibility is also dependent, of course, on your having the needed skills, education, experience, and other qualifications that are required for the job. However, a transfer may take place within the first six (6) months of employment if the management of the Company believes that it is in the best interest of the Company to make an exception to this guideline.

SOCIAL INSURANCE AND SOCIAL SECURITY

Full-time employees are eligible to participate in the various insurance programs offered by the Company on their first day of regular employment. The Company offers medical insurance to all full-time regular employees. These programs are administered by a major medical insurance carrier or health maintenance organization (HMO). This Medical Insurance is on top of the government-mandated insurance benefits under the SSS or Philhealth. Full-time regular employees are eligible for and are automatically enrolled in a group term life insurance program. Enrollees may designate or change the beneficiary for this policy at any time. The Company pays the premium for this program.



POLICY ON CHILD LABOR OR COMPULSORY LABOR

In the conduct of its business, the company will not employ children that fall into the definition as stipulated in the ILO Convention, notwithstanding any national law or local regulation. The company is against all forms of exploitation of children. The company does not provide employment to children before they have reached the legal age to have completed compulsory education. It requires its business partners or suppliers to have and uphold similar standards and abide by provisions set by ILO. Should any of the violations of Child Labor shall become known to the company, serious actions shall be taken which includes discontinuation of any business relationship. It is the fundamental company policy to prohibit all forms of forced and compulsory labor, which has been defined as "all work or service which is exacted from any person under the penalty and for which the said person has not offered himself voluntarily.

POLICY FOR EQUAL EMPLOYMENT OPPORTUNITY

The Company is an equal opportunity employer. We will extend equal opportunity to all individuals without regard to race, religion, color, sex (including pregnancy, sexual orientation, and gender identity), national origin, disability, age, genetic information, or any other status protected under applicable laws of the Republic of the Philippines. This policy applies to all terms and conditions of employment, including but not limited to hiring, placement, promotion, termination, layoff, recall, transfer, leaves of absence, benefits, compensation, and training. We seek to comply with all applicable Philippine laws related to discrimination and will not tolerate the interference with the ability of any of the Company's employees to perform their job duties.

The Company makes decisions concerning employment-based strictly on an individual's qualifications and ability to perform the job under consideration, the comparative qualifications and abilities of other applicants or employees, and the individual's past performance within the organization. If you believe that an employment decision has been made that does not conform with management's commitment to equal opportunity, you should promptly bring the matter to the attention of your immediate supervisor, designated manager, or Human Resources.



ENVIRONMENTAL POLICY

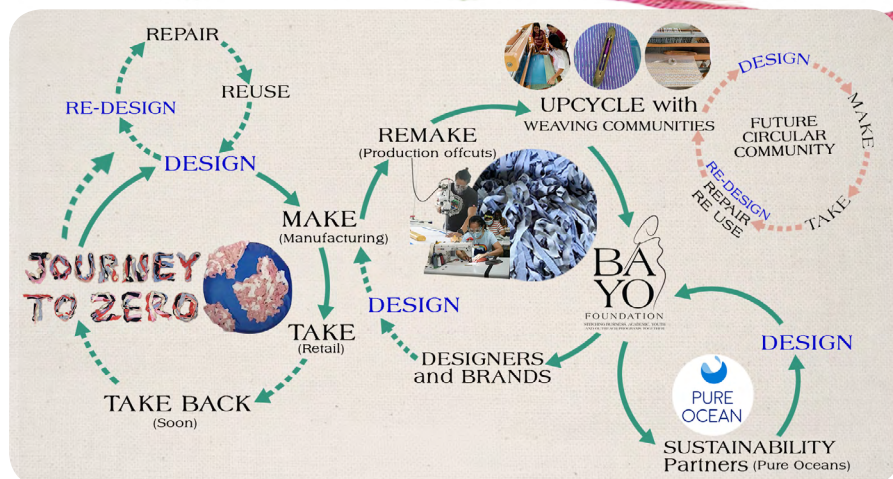
The Company recognizes the role it plays towards protecting the environment from the hazardous waste it creates while doing business. It remains committed to pursue policies that would lessen if not eliminate wasteful business practices that tend to add to the burgeoning condition of our environment. All employees and partners must therefore play their respective roles in helping the Company comply with its commitment by always adhering to actions that is most respectful to the environment.

JOURNEY TO ZERO INITIATIVE

Other than the described policies, we came up with Journey to Zero - an overarching initiative managed by Bayo Manila Foundation that consists of different programs that will be a catalyst of change for a more sustainable future. These programs show our long-term commitment to circularity, cultural preservation, women empowerment and economic growth. We envision a world without waste while Filipino heritage is embraced and celebrated. Filipino talent and ingenuity are supported and encouraged. Filipino products are also promoted.

Our projects under the Journey to Zero Initiative aim to enforce environmentally friendly practices in our core activities, add value and diversity for our value chains, and fulfill our Corporate Social Responsibility. We have joined Green Story- a company that traces and measures each of our product's environmental footprint from seed to shelf. Green Story also facilitates our company's carbon offsetting program. We are also partnering with new stakeholders to source more sustainable materials, find less intensive clothing production practices, reduce waste, preserve cultural traditions and innovate in environmental technology. For example, the company is now reaching out to women weavers because handweaving as a clothing production practice emits less carbon and requires less resources than conventional ways. Its equipment also does not need a lot of electricity, if it needs it at all, to operate. At the same time, delving into the art of handweaving is not an easy matter. Handweaving is intertwined with Philippine culture and tradition, hence, Bayo is taking the utmost care in not culturally misappropriating it. To increase the value of handwoven products, Bayo has started teaching weavers to make zero-waste handwoven textiles by incorporating fabric waste from production into the weaves. Hopefully, these upcycled textiles become an integral feature for many of Bayo's products in the future.

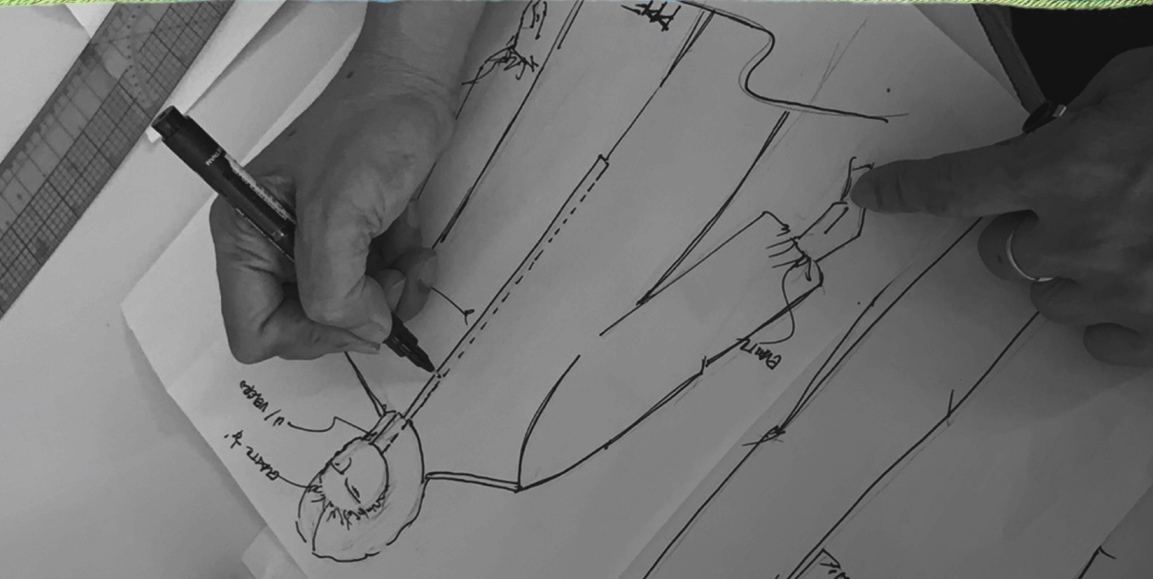
The Journey to Zero Initiative also focuses on Corporate Social Responsibility. These are projects not directly related to our value chains but still provide a positive impact in society. During the COVID-19 pandemic, we have supported frontliners, set up community pantries, and provided livelihood opportunities for women. We also support relief and rebuilding operations for typhoon victims. Education is another advocacy of ours that we are pursuing.



ANTI-CORRUPTION POLICY

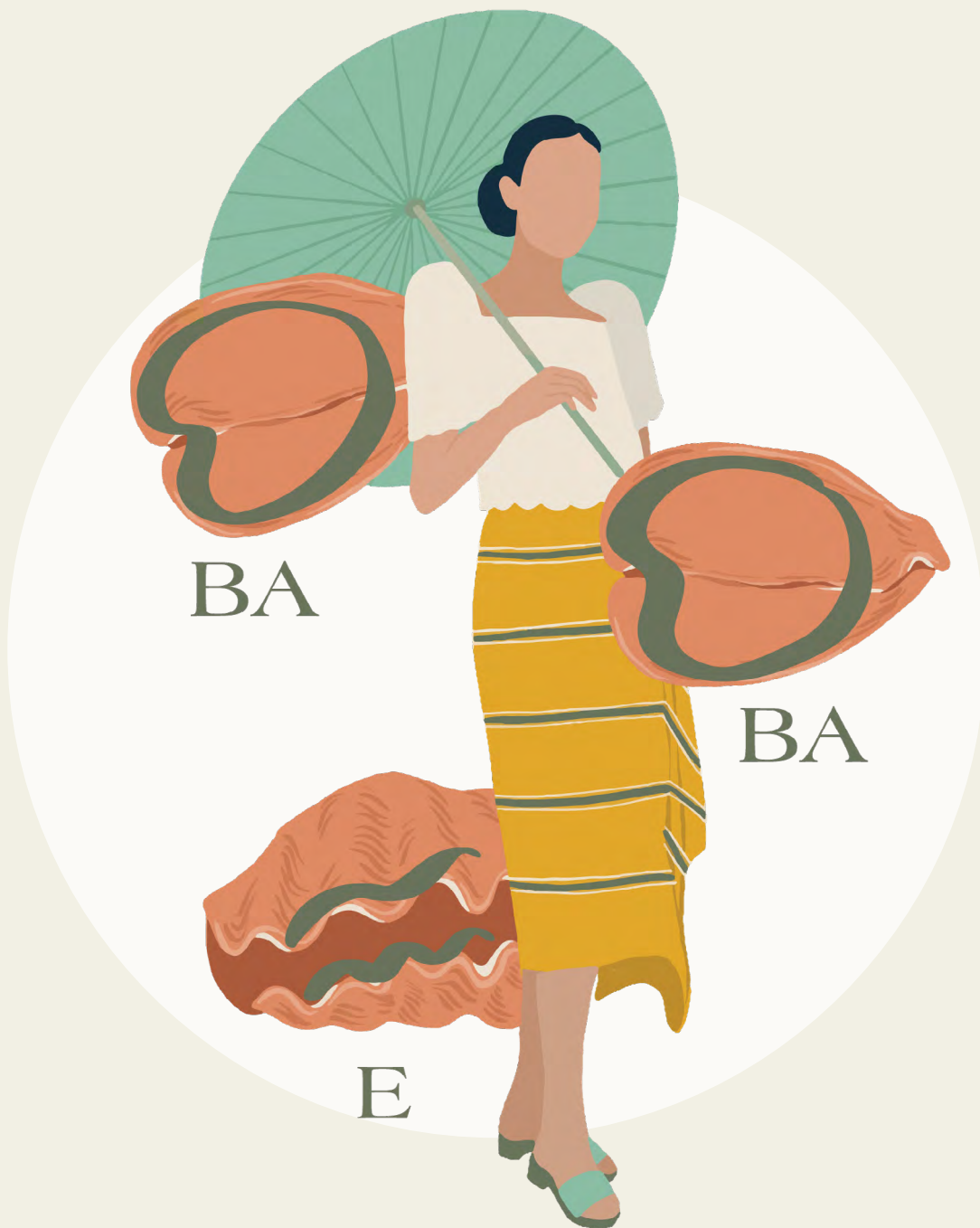
A conflict of interest occurs when your private interests interfere in any way with the interests of the Company. It is your duty to disclose and declare at the first opportunity any or perceived conflict of interests before making any decision on a certain transaction. You should not participate in or attempt to influence a decision or transaction that would materially benefit any of your associates, members of your family or any person with whom you have close relations.

All employees are enjoined never to offer or promise, directly or through an intermediary any personal or financial favors to any of our partners. Employees and members of their family are not allowed to accept cash, gift checks or any other non monetary items in exchange for a favorable financial gain to any of our partners and associates. In addition, all employees and members of the families are also not allowed to accept loans, guarantee, service or payment from any of our partners and associates in exchange for preferential treatment in their dealings with the Company.




































































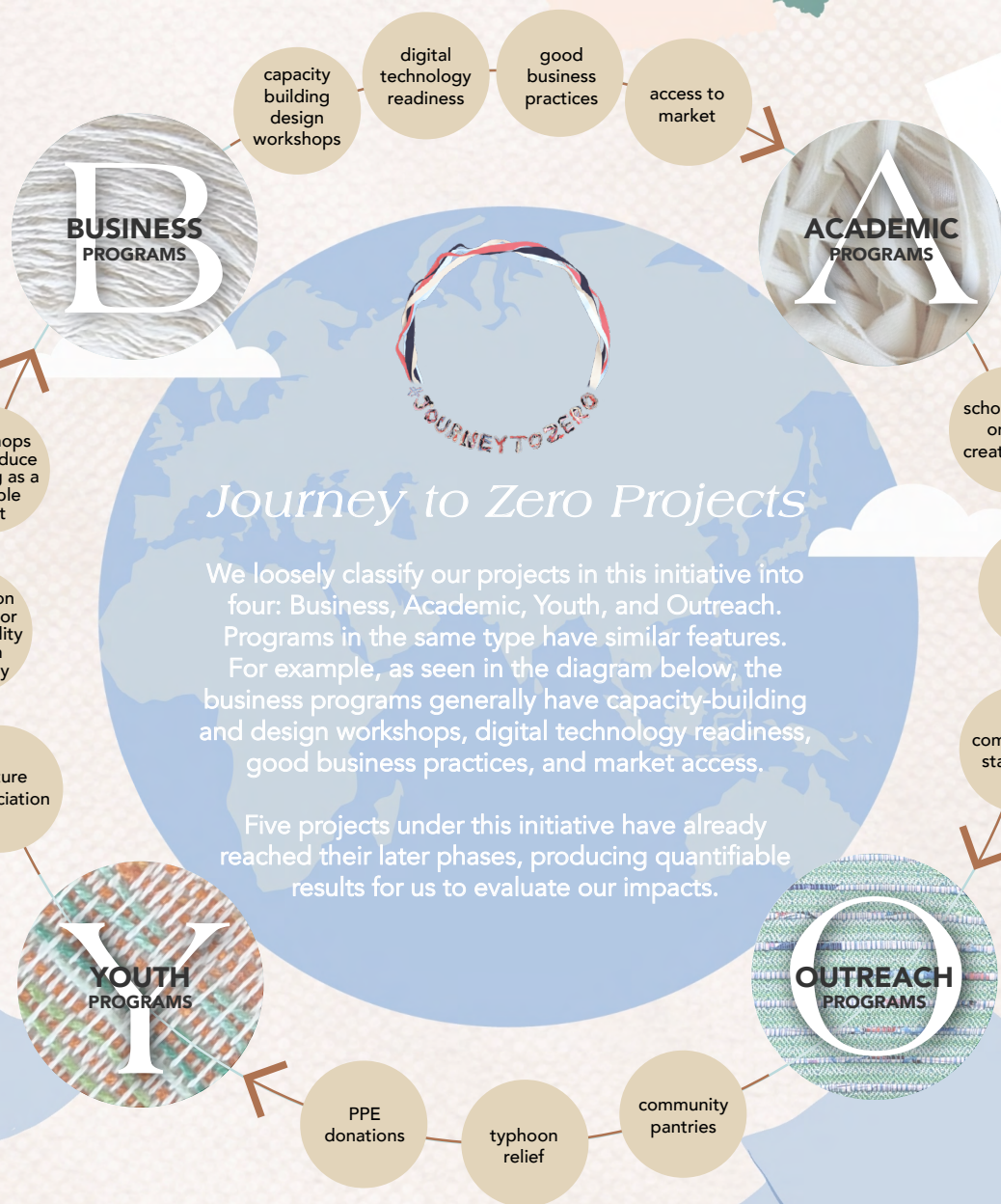
MEASURING OUR PROGRESS

We strive to continuously improve our methods in measuring the negative impacts of our business operations and the outcomes of our policies and initiatives. This is to make sure not only that Bayo is well-aligned with the UNGC Principles, but we also can accurately measure our contributions in achieving the UN Sustainable Development Goals. We currently have a set of indicators to measure our projects under the Journey to Zero Initiative.



MEASURING PROJECTS UNDER THE JOURNEY TO ZERO INITIATIVE

POLICY/PROJECT	SUCCESS INDICATORS	SDGs
GREENING BUSINESS ACTIVITIES	Decrease in annual emissions; zero emissions · Savings in packaging costs · Solar power for all factories · Reduction of fabric waste	       
ARGAO WEAVERS	Increase in weavers · Gain in customers · Kg of fabric waste averted from landfills · Plastic waste diverted from oceans	        
AMBENSION SILK ENTERPRISE	Amount of polyester fiber avoided · Increase in number of weavers · Increase in the textile production · Kg of fabric waste diverted from landfills	        
BAYO X HABI	Increased awareness on using locally produced fibers · Increased opportunities for local farmers · Increased appreciation of Filipino culture · Increased reputation in the global market	        
OUTREACH PROGRAMS	Fishing boat donated · Relief packs donated · Water filtration system donated · Building materials donated · Masks donated · PPEs donated · Liter of Light donations · Community pantries set up for free food in different areas	    
WEAVING IN THE CITY	Increase in number of weavers · Increase in number of weaving hubs	    
EXPANSION OF WEAVING CAPACITY	8 to 12, targeting to maximize the space for 17 weavers producing 1200 yards/month · Increase of income to the equivalent of living wage plus mandated benefits	  
SCALING NATURAL DYEING	Target to reach the level of commercial production for the dyes	  
RECYCLING FOR CONSTRUCTION MATERIAL	Plastic waste diverted from the ocean · Kg of fabric waste diverted from landfills	   
REVIVING SERICULTURE INDUSTRY	Double increase in income · Increase of beneficiary weavers · Financial independence · Increase in yield · Improvement in perception of feeling empowered	    
UPGRADING WEAVING DESIGNS	Increase in number of weavers · Increase in sold products	 
COMMUNITY-PARTNER PROGRAM	Increase in sold products · Increase in skills developed · Access to market opportunities	  



ACTIVITIES IN JOURNEY TO ZERO

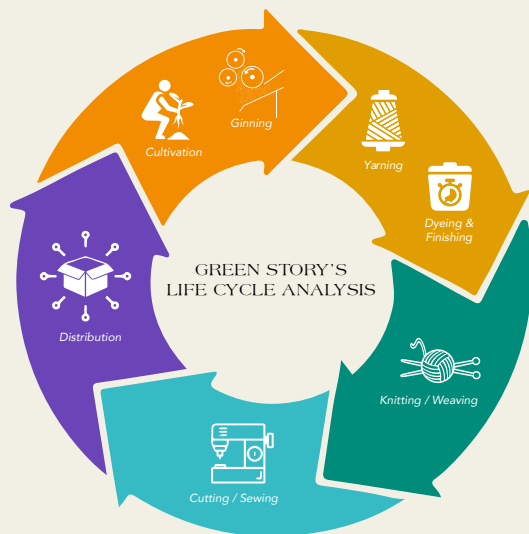
PROJECT 1

GREENING BUSINESS ACTIVITIES

Bayo understands that becoming a circular business will only be possible if there is baseline data of one's carbon emissions to refer to. For this reason, the company has partnered with Green Story, a third-party auditor based in Toronto, Canada that calculates Bayo's greenhouse gas emissions. The company uses a Life Cycle Analysis methodology with data sourced from accredited global partners in understanding our environmental impact. Green Story calculates carbon emissions from seed to shelf - from cultivation of the raw materials from its value chains to the distribution of the products or services.

From the start of our partnership, Bayo has accumulated 2,413.7 kg of CO2 emissions. Our annual minimum target is reducing carbon emissions than the previous year. Hopefully however, we will be able to achieve the ultimate target of making zero carbon emissions in the future at a faster rate, thereby contributing greatly to SDGs 13 (Climate Action) and 12 (Responsible Consumption and Production).

For now, while we are not yet truly zero waste, we participate in Green Story's carbon offsetting programs. Green Story is an independent agency and uses carbon credits accredited by the UN and other bodies. By using credible data, an advanced technology platform and easy



BAYO'S DOCUMENTED CUMULATIVE CARBON EMISSIONS

Measurement (Cumulative)	Outcome	Success Indicator/s	SDGs
 kg of GHG	2,413.7	Decrease in annual emissions; zero emissions	
Equivalent to (Cumulative)			
 Avocados Grown	5,706.9		
 km of car driving	9,656		
 Smartphones charged	461,039		
 Tree seedlings grown for 10 years	40.2		

to understand visuals, Green Story transforms the customer experience every step of the way by showing the positive impact a customer can make by choosing green products and offsetting their impact.













We buy the carbon credits that Green Story offer for several carbon offsetting projects from around the world that Green Story is partnering with. Bayo buys carbon credits that are equal to monetary value calculated based on the costs that our emissions have brought to the environment. By buying them, we financially support these projects so that they can continue to remove carbon emissions in the atmosphere or provide help to communities. Our business activities, including value chains, in effect become carbon neutral.

The carbon offsetting also positively impacts other SDGs like SDG 7 for Affordable and Clean Energy. For example, Bayo has decided to buy 70% of the allotted credits (2,413.7 kg CO₂) for the Burgos Wind Project in the Philippines which

is equal to 1,689.8 kg of carbon credits. These windmills are capable of reducing 210,082 tons of carbon emissions per year. 20% of the credits or 482.8kg of credits are allotted for soil restoration and replantation of forests in India. The remainder of the credits or 241.1 kg will go to Hydrologic, a Cambodian social enterprise that provides 300,000 ceramic water purifiers for clean drinking water annually.

Through Green Story's accessible user interface, Bayo's online customers can also experience our carbon neutral journey when they shop at our website. They can click on the button to be informed about the exact amount of carbon offset that they will be contributing to by buying the product. They also get to explore the projects Bayo is investing in. Each purchase comes with an official carbon offset certificate from Green Story so that every customer is assured of the validity of the offset. We are educating our customers while also offsetting carbon.

BAYO'S EFFORTS TO REDUCING ENVIRONMENTAL IMPACTS IN CORE ACTIVITIES

Measurement (Cumulative)	Outcome	Success Indicator/s	SDGs
 % of locally produced cotton	20%	From 20% imported cotton to zero	
 % of locally sourced textile for 2020-2021	80%	From 0 to 80%	
 Savings in packaging costs	Php 1,000,000 in savings per annum	Increase in savings	
 Solar powered in factories	30% savings	Partially solar powered	
 Kg of production offcuts	From 35% to 5-7%	Reduction of fabric waste	
 Use of LED lights in all areas of the company and its affiliates	Savings of — % cost of electric consumption	Reduction of electric consumption and carbon emission	

Knowing the amount of carbon emissions has led us to implement certain green business strategies in our operations. We have made progress in minimizing our environmental impacts while receiving some economic benefits as well.

We have switched to using reusable containers for all deliveries in between production facilities and towards the retail stores and by doing so, we have saved a yearly amount of Php 1,000,000 in packaging costs. Our factories have partial installations of renewable solar power. We have also invested in cutting technology for our factories so that we cut the production offcuts more efficiently and reduce fabric waste from a high of 35% to a manageable level of 5-7%. By 2022, we will be putting up our very own recycling plant that will process the remaining 5-7% of our fabric waste, which will close the loop in our Journey to Zero projects. This is just the start. We will continue to apply new green practices and measure their impacts.

PROJECT 2

BUSINESS PROGRAM WITH ARGAO WEAVERS

This was a partnership in 2018 with women weavers from Argao in Cebu, Philippines where Bayo Foundation shared the intention to upcycle through handweaving. The Argao weavers integrated production offcuts as supplemental wefts of the weaves. The garment waste they used was from the production facilities of Bayo. The zero-waste weaves and communities were also advertised through different online platforms. The weaves from the community were bought by the company in the span of the agreement. Some of the weaves have been later sold to other fashion brands, while others were made into stuff toys and beanbags. These products were stuffed with plastic waste sourced from Pure Oceans, an environmental conservation organization that works with coastal communities to help them collect marine plastic waste as a livelihood.

Outcomes:

1. The livelihood project was able to expand the community of weavers by six times - from two to 12 weavers.
2. We saw that the market exposure has helped the market for textiles in Argao gain more customers.
3. Waste aversion has led to 1577.4 kilos of offcuts upcycled and 4337.85 yards of zero-waste fabrics made. The marine plastic waste averted however was not quantified.



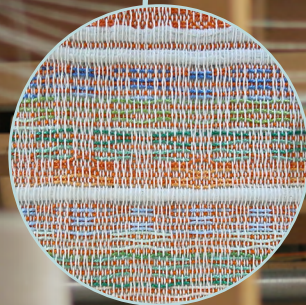
PROJECT 3

BUSINESS PROGRAM WITH AMBENSION SILK ENTERPRISE

Handweaving and scaling the practice are important for Bayo's journey to zero waste. Through the company's foundation, a business program with Bulacan weavers from Ambension Silk Enterprise has been established. This social enterprise is based in Gawad Kalinga Village in Angat, Bulacan. This partnership entails Bayo providing raw materials, buying weaves, doing capacity building, and investing. In particular, the company procures and supplies the weavers with yarns. It also teaches them how to incorporate production offcuts in the weft of the textiles, thus making handwoven zero-waste textiles. Bayo also provided new looms and government mandated work benefits. Throughout the partnership, the women weavers have started to using local, eco-friendly, and OEKO-TEX certified yarns instead of imported polyester. The community of weavers expanded from just three to 8, targeting a total of 17 within the year. Moreover, they gained the skillset to creating handwoven zero-waste textiles.

Outcomes:

1. The natural yarns Bayo provides have paved the way for weavers to refuse polyester and related fibers.
2. The weaving community expanded from 3 to 8 as of this report.
3. Weavers were able to acquire knowledge on zero waste practices to incorporate in their production.
4. The Filipino tradition and heritage of handweaving is continuously revived as more weavers take on the craft as a steady source of livelihood.



PROJECT 4

BUSINESS PROGRAM OF BAYO & HABI

Bayo's first fashion collection from weaves was a collaboration with non-profit organization HABI: The Philippine Textile Council. Habi holds similar values with Bayo - to preserve, promote and enhance Philippine textiles. It works with weavers to create designs that fuse local culture with modern sensibility, as well with farmers and the Philippine Fiber Industry Development Authority to increase the supply of Philippine cotton. Partnering with Habi, Bayo was able to use locally produced cotton yarns in replacement of imported cotton and synthetic fibers. This helped us reduce our carbon emissions and lessen the possibility of introducing microplastics to water sources. We were also able to share our knowledge on contemporary silhouettes with the weavers. Their outputs then became a fashion collection sold within our stores, thereby helping with the reintroduction of traditional Philippine fabrics to the mainstream market.

Outcomes:

1. The weaving communities were encouraged to use locally farmed fibers over synthetic ones, increasing their awareness of more environmental-friendly practices.
2. The program provided livelihood opportunities for local cotton farmers.
3. The adoption of weaving has put sustainability into the mainstream fashion industry.
4. There was a renewed interest for Philippine-made fabrics especially for patrons from Canada, Australia, UK and the USA. This has proven the possibility of a global market for the local handwoven products made by the communities and designed into contemporary pieces by Bayo.
5. Livelihood opportunities were expanded to the members of HABI, with the purchase of their handwoven products used for the fashion collection of Bayo.



PROJECT 5

OUTREACH PROGRAMS

Bayo hosted an online sale event on November 3, 2020 where 50% of the generated revenues was used to donate goods to various causes. The sale was a success. One fishing boat was funded in cooperation with For the Future PH for affected areas in Batangas. About 200 relief packs were donated to the CSR group of Manila Doctors Hospital for communities in Virac, Catanduanes that were hit by Typhoon Rolly. PhP 30,000 worth of relief and building materials were provided to Kaya Natin Movement. Eight units of water filtration system, bought from Waves for Water were also donated. Moreover, Bayo has used some of the revenues to donate reusable face masks for kids and adults.

We have also held and supported programs for the COVID-19 pandemic. Thousands of PPEs were donated to the office of Vice President Leni Robredo to be handed out to health frontliners. Bayo continues to partner with NGOs to continue its support to our frontliners. We are also continuously providing community pantries.

As part of our commitment to create more partnerships to help us achieve sustainable goals, we partnered with Liter of Light in their Light It Forward Campaign. Bayo supports their advocacy to provide communities with access to electricity. Liter of Light is one of the largest organizations that engage with companies to build simple and repairable solar lights, mobile charging systems, and street lights.



PROJECT 6

WEAVING IN THE CITY

In collaboration with the City of Pasig, Bayo will introduce handweaving as a livelihood opportunity for women in the city. Through the support of Bayo Manila Foundation, expert weavers from Philippine Textile Research Institute (PTRI) will conduct training to share their knowledge in handweaving with the women in the city. Bayo will provide necessary equipment such as foot looms and sectional warper. Other materials such as Philippine cotton yarns will also be made available. The purpose of which is to create weaving hubs in the city which will be used by the soon-to-be weavers. The products to be created by this project shall become a regular source of income for the city weavers. Our targets for this project are training 16 new weavers and establishing weaving hubs in different barangays. We hope that through this project, we will be able to generate additional skills for the new weavers and translate these into a new source of livelihood. We also believe that this will raise awareness on cultural appreciation and preservation of the Filipino tradition of handweaving.



PROJECT 7

EXPANDING THE WEAVING CAPACITY OF AMBENSION SILK

Bayo is looking into increasing Ambension Silk's weaving capacity as it continues to be part of our value chain. The expansion will be done through investments in looms, yarns and training. More weavers will also be employed from the Gawad Kalinga community in Brgy. Encanto, Pandi, Bulacan. To ensure the quality of the weaves, there will be an established number of expert weavers and trainers. This project's target is to grow the number of weavers from three to 17. From 200 yards per month, each will be producing 1200 yards monthly. Hopefully, these improvements will be able to increase the income of the weavers equivalent to the prevailing living wage and may go higher depending on the pattern intricacy.



PROJECT 8

SCALING NATURAL DYES

Aside from capacity-building, we also are creating the terms of a grant to be given to the Technology Building Incubation of the Philippine Textile Research Institute. This grant will be for providing support to the production of natural dyes created from available raw materials in local markets. We recognize that this project is very important for the local textile industry because the cradle-to-cradle nature of natural dyes will enable clothing manufacturing that is safe for the environment and for customers as well. Our support will scale up the technology and lead to establishing a facility in the country for natural dyeing process of textiles.

PROJECT 9

RECYCLING FABRIC WASTE INTO CONSTRUCTION MATERIAL

We are currently developing a construction material made of fabric offcuts and plastic waste. The fabric waste used for this comes from the production offcuts from Bayo's factories. The plastic waste is sourced from the coastal communities partnering with the conservation organization Pure Oceans in Batangas. Current prototypes of the material have shown to be capable of being a substitute for flooring, tiles, pavements, hollow blocks, and plywood molds. We hope that this can be commercially produced soon.



PROJECT 10

REVIVING THE SERICULTURE INDUSTRY

Bayo's search for natural fibers, advocacy of women empowerment and quest to preserve traditions have led the company to collaborate with different stakeholders to revive the sericulture industry in Benguet. Sericulture or silk farming was introduced in the 1970s to communities there as a means of livelihood. However, its lack of profitability through the years due to lower prices, lack of market access and in-depth intervention has made sericulture unsustainable and unscalable. Silk is a prime candidate for textiles because it is natural, so it does not contribute to microplastic pollution unlike synthetic fibers. Compared to cotton, it has way higher strength, tensile strength, and toughness. Hence, it lasts for a long time and its disposal rate may be relatively lower. It is also locally sourced so carbon emissions from importation are avoided. By reviving the local sericulture industry, Bayo and the fashion industry will be able to have a stable source of sustainable fibers, which in turn can speed up the process to achieving circularity.





The initiative consists of three key actions. The first is funding. Prior to sericulture, there must be a stable source of mulberry leaves for silkworms to feed on. Hence, mulberry farmers have been funded to grow and maintain these trees. Eight women farmers who tend to the silkworms until they produce cocoons for harvesting are also funded. Compared to the rates paid to them, the Bayo Foundation pays these farmers almost double of that. From just PhP 200-250 per kg, they are now paid from PhP 400-450 per kg of silk cocoons. There is also funding allocated for quality control and thread processing of the silk. The second key action of this initiative is buying. After the silk cocoons have been processed into threads, Bayo will use them as materials for handweaving. The foundation purchases the silk textiles made by women weavers. There are currently 24 weavers that belong to three different weaving associations. The third key action is building partnerships with government agencies and research institutes. The local government of Kapangan, the municipality where the pilot project for this initiative is taking place, is helping the foundation identify the communities that have experience in agriculture. Their farmers are then funded to cultivate mulberry trees. On July 19, 2021, the first batch of silkworms were provided to women farmers by the Department of Science and Technology Cordillera Administrative Region office (DOST-CAR). This organization also supports the program by providing technical assistance. On the other hand, the Philippine Textile Research Institute of the DOST is helping to classify the quality of harvested cocoons and eventually process them into threads. Aside from these agencies, weaving associations also play an important role by finding women weavers that can take part in this initiative.

PROJECT 11

UPGRADING WEAVING DESIGNS

The designs of Baguio and La Trinidad weavers have significant cultural importance. However, market demand is also a key driver for sustainable economic growth. Hence, Bayo shares its business experience to increase the likelihood of selling the products of the weavers. Bayo is also providing design interventions to expand the application of handwoven textiles.

Moreover, Bayo is also helping the weavers be more mindful of the materials by encouraging them to use threads from natural fibers. Locally planted by local communities and processed within the country- are essential aspects in being responsible for the environmental impact of the materials for handweaving. We also guarantee that all handwoven textiles created by the weavers will be purchased by us.

The goal is to balance the cultural values and heritage of handweaving. Together with economic, social, and environmental impacts, we promote and consentingly work together in creating designs.



PROJECT 12

BAYO COMMUNITY-PARTNER PROGRAM

This program is in partnership between weavers and designers as they are mentored by the team members of the affiliate brands of the Bayo Foundation. The opportunity for the partnership is aimed to help the weavers do an actual process of creating their own product and eventually their own brand. The Community-Partner program will become part of a dedicated marketplace where independent artists and communities get a chance to test market their product towards Bayo's captured audience. Proceeds of this program will go directly to the weavers and their partner designer.



ADDITIONAL LINKS



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