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2022 Impact Report

Our growth and progress from 2020 to 2021

This report was initially released December of 2022, under the Higg corporate name.

Higg Impact Report 2022

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Reflections

Jason Kibbey CEO, Higg

Each year, the crises of our time hit a little closer to home.

Energy shortages strain geopolitics and our wallets. Floods and fires are seen both on global news and down the street. Supply chain disruption comes up in conversation with colleagues and clients, and with friends and neighbors. What once seemed like faraway threats and hypothetical upheavals are now being felt by communities in each part of the globe.

The prosaic nature of these topics shouldn't dim our attention — it should affirm our resolve. We should see this era not as an age of catastrophe, but instead an age of transition towards a more sustainable, renewable, and resilient future.

Indeed, I'm humbled in my role to support those leading the way to that future. Higg builds technology solutions to transform how consumer goods are made, and I have a front row seat to the transformations underway. Across sectors like apparel, footwear, and home goods, businesses rely on Higg data to improve their products, sourcing, and footprint. We believe that when leaders are equipped with the right data, they can make powerful interventions within their value chains — and accelerate the necessary progress towards a better future.

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And certainly over the last year, demands for business action have only grown. Each week, a new report confirms growing consumer interest in how goods and products impact the planet. New policies are being implemented in the EU, US, and beyond around disclosure, due diligence, traceability, and product claims. While there will be inevitable bumps in the road towards harmonized expectations and regulatory clarity, we all know that such policy is overdue and necessary.

At Higg, we're eager to meet businesses where they are—with tools that are scalable, flexible, and actionable. We're committed to partnerships that provide our customers with the data they need, built on the best available data and latest scientific thinking, according to the evolving requirements in their jurisdictions. We applaud the businesses, NGOs, governments, and scientific experts who are collaborating for timely and practical solutions. With our recent capital raise, we're equipped to accelerate the positive impact we enable with values-aligned investors who are committed to working with us to drive the mission forward.

Indeed, there is no time for any of us to waste. As is clear in this 2022 Impact Report, while commendable progress has been made, we must all be doing more. There are bold innovators forging creative solutions; we need more of them. There are promising alternatives in materials and product design; we need to scale them. And while Higg continues to advance our platform capabilities month by month, we are truly just at the beginning.

For those starting your journey now, we're thrilled to welcome you and applaud your commitment. While it's complex and sometimes imperfect, we're here to help. For those who have been working with us to go deeper, we're proud to consider you partners and provocateurs. When it comes to data in service of change, there's still much to learn and perfect; there's also much we already know about where impact truly lies.

Let's use that knowledge to accelerate the work that matters most. This moment demands it.

Impact Summary

Since we last published this report, we have continued to deepen engagement with existing platform users, including through our first-ever user-wide survey, while also expanding the scope of data and services available to them.

28.5%
YoY increase in brands subscribed to analytics and support services

90%
of brands using the BRM to evaluate their value chain through multiple lenses of impact

26%
Growth in facilities on platform over the last year

Our facility environmental assessment tools remain the most widely-adopted of our measurement suite. These tools allow brands to collect primary data from their manufacturing partners, which equips them to more accurately understand and intervene to improve their footprint. For manufacturers, our tools simplify the audit, reporting, and assessment process, by providing a single tool widely adopted by their buyers and partners. With an integrated digital platform, businesses share impact easily, and forge deeper partnerships and collaboration across the value chain. In the last year, we've seen +26% growth in facilities on the platform, a sign of these tools' widening adoption and position as the most trusted standard in the apparel industry.

Similarly, we're seeing brands expand the scope of the impacts that they are measuring and working to reduce. Of brands on the platform completing the brand and retail assessments, over 90% are evaluating their value chain with a full environmental, social, and governance lens: encompassing such measures as water quality, use of renewable energy, labor conditions, wages and worker treatment, and more. As a supporting data point, we're thrilled to see a 91% YoY increase in the number of brands subscribing for access to our advanced analytics and support services – a sign of more businesses investing for deeper analysis, action, and comprehensive reporting.

However, progress is rarely linear, and this year has not been without its challenges. In 2021, Higg provided technical support to the Sustainable Apparel Coalition's transparency program, which utilized data from the Higg Materials Sustainability Index (MSI) for comparative evaluations of product environmental impacts. That pilot was ultimately paused because of some consumer authority concerns over the usage of global impact averages for product-level claims.

Since that time, the SAC has held collaborative and productive discussions with consumer authorities, and continues to work through the challenging topic of how materials data can be shared with consumers in ways that are regionally consistent and globally scalable. We at Higg are dedicated to both supporting our partners and providing businesses with the data they need to keep reducing their impacts now. We strongly support industry dialogue and alignment to ensure any product claims are accessible, contextualized and substantiated with credible data.

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Lastly, we believe that sustainability must be fully integrated across value chains and all aspects of consumer goods production. That's why we're proud of our growing work with third-party partners who can help bring sustainability data deeper into our customers' businesses.

We're working with providers like PTC, Centric, and DeSL to connect Higg data to product lifecycle management solutions, and also working with ZDHC and bluesign® to improve environmental and human health impacts through better data on chemicals usage within facilities. Partnerships like these can enable our customers to connect environmental impact metrics to more parts of their business decision-making.



Here are a few numbers we're proud of from 2020 to 2021.



13.5%
Account growth since 2020



42K
Companies using Higg tools globally



125+
Countries with Higg users



86K+
Performance reports shared between supply chain partners since 2020



500+
Brands using Higg Brand & Retail Module

Platform Usage and Market Adoption

All data represents YoY change from 2020 to 2021

Over the past year, Higg has seen growth across the majority of our customer segments:

+25% **facilities** on the platform

+91% **brands** on the platform

+5% growth of average number of **facilities tied to brands**

In addition, we've seen increased usage within the primary tools that constitute the Higg Index.

+8% Higg Facility Environmental Modules posted

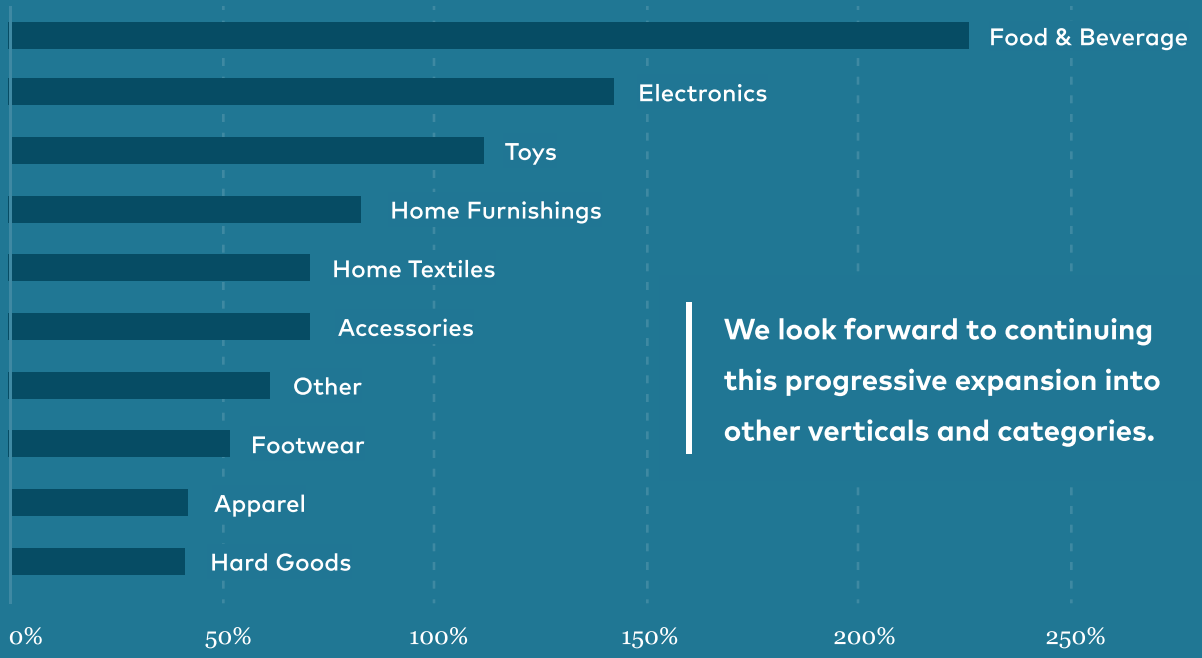
+22% Higg Brand and Retail Modules posted

+111% increase in users of Higg Product Module

On top of growth in usage, we're glad to see improvements in efficiency as well. Compared to 2020, we saw that the amount of time facilities took to complete their environmental assessments dropped by 15% — an indication that our solutions can ease the chronic issue of audit fatigue among manufacturers. It's also a sign that sustainability reporting is becoming more repeatable and part of business as usual for more of our facility users.

While widely relied upon in footwear and apparel, we're excited by the increasing usage of Higg in industries like electronics, toys, and food and beverage, as demonstrated by the year-over-year percent increase in users from the following industries:

Percent increase in users by industry from 2020 to 2021



We look forward to continuing this progressive expansion into other verticals and categories.

Impact and Improvement

As proud as we are of the preceding numbers, measurement is just the beginning.

Key to our mission is the idea that accurate measurement is the foundation from which businesses can make improvements — whether that's a facility making the transition to renewable energy sources, a product designer choosing lower-impact materials, or a brand collaborating with their suppliers to ensure fair working conditions. At every level, we strive to deliver meaningful data that can catalyze measurable improvements. We're deepening our efforts in industry benchmarking through our partnership with the Global Fashion Agenda (GFA), serving as their data partner.

Carbon Reduction

For many consumer goods businesses, carbon reduction is a major concern and area of focus, as borne out in our reporting:

Question (BRM - not verified)	**"Yes"***
Does your company identify greenhouse gas emissions as a salient environmental risk?	
Is your company taking steps to reduce greenhouse gas emissions?	
Have you measured your Scope 1, 2, and/or 3 emissions?	

**Responses aggregated from brands using the Brand Retail Module. We see fluctuations in progress as new brands adopt the tool*

Carbon Reduction

For those taking steps to reduce greenhouse gas emissions, accurately assessing emissions today is essential for setting baselines and planning improvements.

Question (FEM - verified data)	**"Yes"***
Does your facility track its energy use?	2020 85% 2021 88%
Has your facility set baselines for energy use?	2020 55% 2021 61%
Has your facility set targets for improving energy use?	2020 53% 2021 60%
Has your facility set targets for reducing your facility overall GHG emissions?	2020 23% 2021 30%

**Responses aggregated from all verified posted assessment data*

When we compare these numbers to previous years, these percentages largely remain steady, even with significant growth in the total number of brands and facilities using our platform, including those completing assessments for the first time. By building out analytics capabilities and integrating with more supply chain partners, we hope to support these brands in setting informed targets and making progress towards their GHG reduction goals.

Higg used MSI data on environmental impacts, combined with the fiber volume data from Textile Exchange, to calculate the baseline for the industry. This assisted the World Resources Institute (WRI) model reduction scenarios for their roadmap to net-zero emissions in apparel.

Water Quality & Chemicals

While carbon and GHGs are necessarily an urgent area of improvement, we're reassured to see customers able to report on end-to-end environmental performance beyond carbon emissions. Including water quality and chemical usage is an important element of our facility assessments, and we've seen improvements. We continue to evolve these areas, with strategic partnerships in the chemicals space and a growing understanding of water usage.

Question (FEM - verified data)	**"Yes"***
Is your facility using preferred chemicals as substitutes for chemicals on the RSL/MRSL lists?	2020 **6%** 2021 **8%**
Is your facility reporting against a wastewater standard?	2020 **33%** 2021 **35%**

**Responses aggregated from all verified posted assessment data*

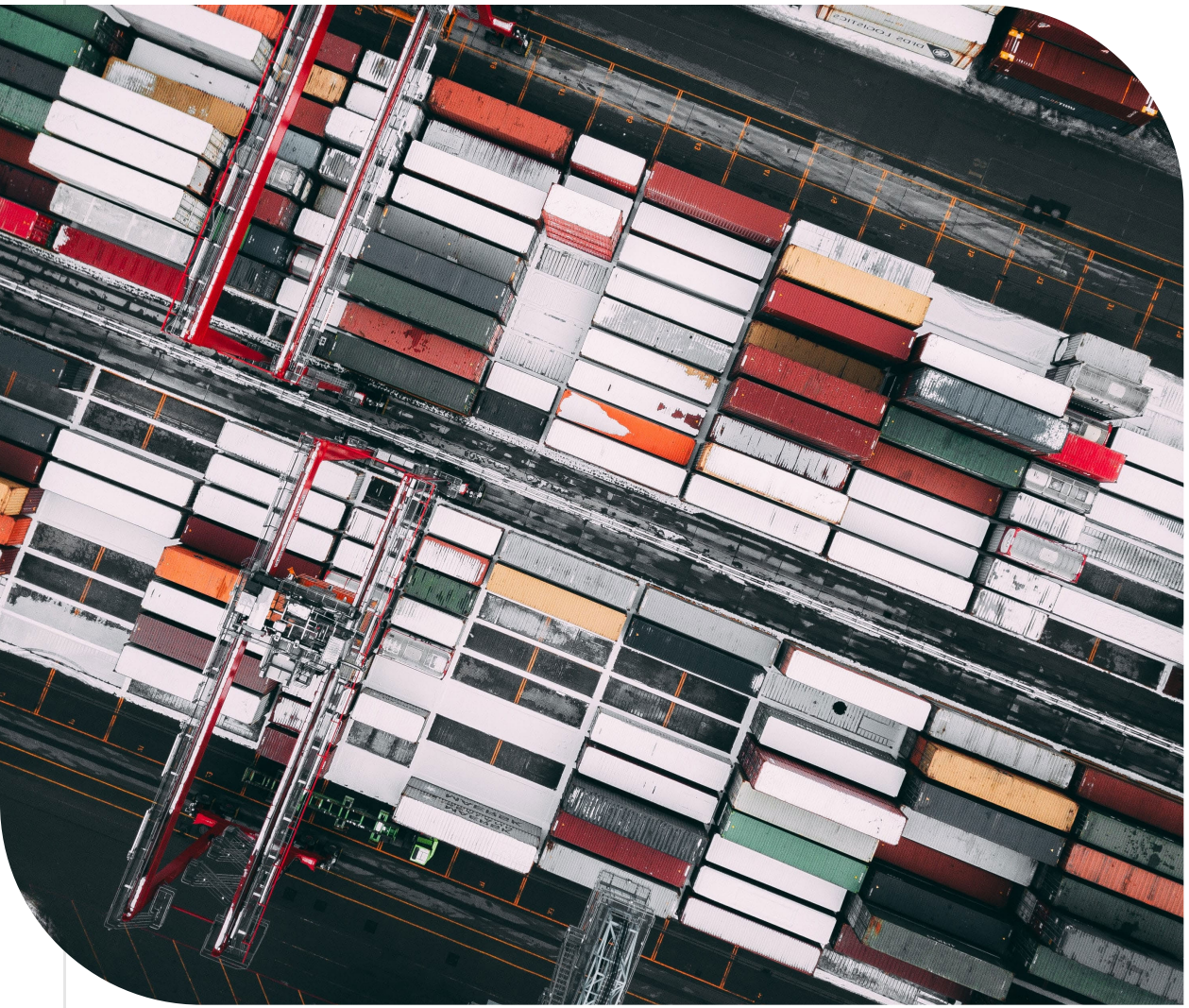
Social & Labor Conditions

Our goal remains providing access to the most accurate view of labor and working conditions. Through our work with industry partners to establish shared frameworks, Higg users are able to assess social impacts within their own value chain, and against industry peers. The resulting information helps identify low-performing areas and develop improvement plans.

In the included charts, we've drawn from the best available data across the Facility Social and Labor Module and Brand and Retail Module, to gather representative indicators of customers' progress in this area.

Our customers' commitment to improving labor conditions is crucial to industry progress, as the first to launch social benchmarking. In late 2022, we implemented the most recent version of SLCP's Converged Assessment Framework, which allows us to offer performance benchmarks for labor metrics.

Question	"Yes"*
Has your company mapped its value chain operations and evaluated it from a Social & Labor perspective? (BRM - not verified)	2020 95% 2021 92%
Does the facility have a registered trade union(s) on-site? (FSLM - verified)	2020 38% 2021 30%
Are wage payments made regularly and on time and in line with legal requirements? (FSLM - verified)	2020 97% 2021 97%
Do full-time production workers receive at least the legal minimum wage for all regular hours worked? (FSLM - verified)	2020 99% 2021 99%



In aggregate, we are seeing businesses who rely on Higg's platform able to measure their entire impact, whether that's full product lifecycle or all parts of their value chain.

We are continuing to refine and develop new technologies to make this approach easier, more comprehensive, and more widely embraced within the consumer goods space. This is imperative for businesses to get a picture on their actual drivers of impact.

Our Corporate Impact





Over the past 12 months, as we've begun to grow and scale our own business, we've launched a rigorous evaluation of our corporate impact.

This began with assembling a B Corp team to work towards certification—which requires a comprehensive evaluation of practices, including environmental, governance, workers, customers, and community. This has helped our team mobilize initiatives around employee experience, charitable contributions,and environmental reporting. We submitted our assessment and expect to earn certification in 2023.

In addition, we conducted a comprehensive inaugural internal accounting of our corporate carbon footprint. Through this exercise, we identified our key areas of impact reduction: work from home energy usage, and business travel. This baseline enables planning for strategic reductions where possible and will inform future reporting.

As a public benefit company, we've also added our voice to climate policy petitions, including America is All In and the Green Business Network, supporting meaningful action through legislation. In addition, we've partnered with Custom Collaborative for a second year to support low income and immigrant women building skills in the fashion industry. Internally, we've selected a diversity, equity, and inclusion partner to support our strategy to make Higg the best workplace it can be for every employee.

Moving into 2023, our focus on the positive impact we can enable through our platform will become even more central to our business and product offering. We look forward to sharing and learning more about that opportunity with you.

Looking Ahead

As we approach the final stretch of 2022, our team is hard at work helping our customers finish the year strong: accurately tracking this year's performance and setting ambitious targets for next year.

In 2023, Higg's ambitions will grow as well. We have new partnerships emerging. We will offer our customers more solutions to gather primary data on their supply chain, and more powerful ways to analyze their performance. And we will continue contributing to change: in both our core market of apparel, footwear, and textiles, and in expansion markets such as outdoor, home goods, electronics, and beyond.

We're on this journey because we believe that accurate, comparable, and contextualized impact data is essential for change at a global scale. And we take seriously our responsibility to equip and enable the businesses on the front lines of sustainable transformation.

Over the coming years, the need for better data and better technology will only become more urgent. Unified regulations and an embrace of transparency will be important levers for change. It's no understatement to say that much is riding on the decisions we all make in the next few years.

We're proud of our progress and that of our customers, yet the pace and scale of our collective challenge demands constant innovation and deeper collaboration. This tension—between where we are today and where we must be—is what compels us forward. It is shaping who we are becoming as a catalyst for change in consumer goods production.



Higg

Higg is the sustainability insights platform for consumer goods businesses – delivering software and services for measuring, managing, and sharing supply chain performance data.

From materials to products, from facilities to stores, from emissions to working conditions, Higg unlocks a complete view of a business's social and environmental impact.

Launched in 2019 as a public-benefit corporation, Higg is trusted by global brands, retailers, and manufacturers to provide the single source of ESG intelligence they need to accelerate business and industry transformation.

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