

# SUSTAINABILITY REPORT



## SUSTAINABILITY REPORT

### Sustainability Overview

**Sustainability broadly encompasses environmental, social and governance (ESG) aspects of the business. To achieve long-term sustainability, a company cannot neglect any one aspect of ESG. Embracing sustainability isn't just about mitigating risks: it's about seizing opportunities for cost savings, enhancing reputation, and achieving sustainable growth in a rapidly changing global market. Companies that proactively integrate sustainability into their business strategies are better positioned to thrive in the long term.**

### Climate Change Risk/Sustainability Risk

For Step One, the risks of not embracing sustainability practices can translate into various costs and challenges that impact operations, reputation, and bottom line:

- 1. Operational Costs:** Failing to adopt sustainable practices often results in higher operational costs. This includes increased expenses related to resource inefficiencies, waste management, and compliance with evolving environmental regulations and emissions based taxes.
- 2. Supply Chain Risks:** Companies reliant on unsustainable practices face vulnerabilities within their supply chains. This could involve disruptions due to resource scarcity, regulatory changes affecting suppliers, or shifts in consumer demand towards eco-friendly products.
- 3. Reputational Damage:** In today's socially conscious market, a company's reputation heavily depends on its commitment to sustainability. Non-sustainable practices can lead to negative publicity, consumer distrust, and decreased brand loyalty, impacting long-term profitability.
- 4. Legal and Compliance Costs:** Governments worldwide are increasingly imposing stricter environmental regulations and penalties for non-compliance. Companies failing to adhere to these standards may face fines, legal battles, and operational interruptions.
- 5. Market Access and Competitive Disadvantage:** Many markets and industries are moving towards sustainability as a competitive advantage. Companies that lag behind risk losing market access, partnerships with sustainability-focused entities, and potential investors.
- 6. Employee Morale and Productivity:** Employees are increasingly attracted to companies that prioritise environmental and social responsibility. A lack of sustainable practices can lead to decreased morale, higher turnover rates, and reduced productivity among employees.
- 7. Long-Term Viability and Innovation:** Sustainable practices often drive innovation and efficiency improvements, which are crucial for long-term business success. Companies that do not innovate in sustainability risk falling behind competitors and missing out on future opportunities.

**There are also opportunities available to companies that manage these risks well. For Step One, the main opportunities are:**

**1. Competitive advantage**

It is assumed that many competitors will take longer to extend any accreditation further down their supply chain than the last factory or their last philanthropic effort. The complexity of the certification process makes it hard for competitors to catch up.

**2. Customer Support**

Several partnerships have emerged solely because of robust ESG credentials.

**3. Long-term cost sustainability**

Even with an additional cost being placed on carbon and/or emissions, Step One reasonably expects to remain profitable (every \$1/tonne of carbon/emission tax decreases profit by \$16,543).

Step One's Sustainability Report is mapped to ESG as follows:

	E	S	G	Refer
Overall governance			X	Social and Governance Report
Modern day slavery		X		
Community engagement and support			X	
Employee diversity and talent		X	X	
Sustainable sourcing and ethical manufacturing	X	X		Supply Chain Report
Scope of FSC® Chain-of-Custody Certification	X	X		FSC® Report
Greenhouse gas emissions reduction	X			Emissions Report

Step One has started its emissions reduction journey by identifying sources of emissions and commencing quantification efforts as set out later in this report. As more data becomes available over time, these measurements will become more accurate.

**Social and Governance Report**

**Overall Governance**

Step One describes key elements of its governance in the Corporate Governance Statement which is updated and published annually.

Step One has an independent Board of Directors ensuring compliance with company policies and applicable laws. Through the risk management process, the Board monitors a range of indicators for actual or potential breaches of policy, law or community standards.

**Community Engagement and Support**

Step One believes in being a responsible corporate citizen and developing lasting and meaningful engagement with the communities in which it operates. Step One identifies opportunities to engage with the community that align with its values and have a positive impact.

During the year:

- Step One partnered with Surf Life Saving Australia (SLSA) to help raise awareness of safe swimming practices. Step One donated \$5 per SLSA branded pair sold to the SLSA, paying \$250,000 to SLSA.
- Step One supported the Men's Health Awareness Ball which encourages men to attend to health matters early, well before they become complicated or fatal.
- Step One also made donations of underwear to charities in need and gave away stock with damaged packaging to the warehousing staff to distribute to their communities.

**Modern Day Slavery**

Step One complies with the requirements of the Modern Slavery Act (2018) despite not yet achieving the revenue threshold. Step One ensures its own compliance through policies and contracts, specifically:

- Step One does not recruit for, employ, or contract with individuals under 18. Children used in advertising are managed with parental or guardian involvement.
- Step One does not exploit underaged people in employment or marketing processes.
- Step One prohibits forced and compulsory labour.
- All employees and contractors have the right, included in their contracts, to provide notice and cease providing services to Step One.

Achieving compliance throughout the supply chain involves an annual risk assessment process. The FSC® Core Labour Requirements (for which compliance is monitored via the FSC® Chain-of-Custody Certification process) match the requirements of the Modern Slavery Act. Step One relies on the FSC® process for compliance.

**Step One nurtures lasting and meaningful engagement with the communities in which we operate.**

### Employee Diversity and Talent

Recognising the importance of attracting and retaining the most highly skilled employees, Step One provides a safe and flexible work environment free of discrimination with merit-based recruitment and promotion based on performance. Step One has developed a culture that values diversity. Key policy elements include:

#### Workplace Health and Safety

Step One is committed to maintaining high standards of quality and safety. Factory safety is monitored via the BSCI certification process, while employee safety is governed by workplace policies such as the Speak-up Policy, Equal Opportunity and Discrimination and the Code of Conduct.

#### Fair remuneration

- All subcontractor agreements are short-term in nature or otherwise at the individual's preference.
- When multiple contract renewals have occurred or a significant timeframe has passed, consideration is given to establishing an employment contract, in compliance with the Fair Work Act 2009.
- Step One respects the wishes of subcontractors to maintain their engagement status if it is their preference and will not apply undue pressure to change the nature of the relationship.
- Hourly rates and salaries used in employee contracts and subcontracting arrangements are all above minimum acceptable rates in their respective jurisdictions (living wage).

### Capability and Diversity

Step One also encourages workplace diversity to ensure the voice of the customer is heard and understood.

Women represent 55% of Step One's workforce, while 45% are male. Step One aims to increase female representation in senior management positions, targeting 50% female representation in executive management. For any new executive management recruitment, Step One actively seeks to increase female representation.

Step One believes that diversity and a safe work environment are key to creativity and cohesion. Over the long-term, this results in retaining the best people with the best ideas.

### Shareholder Value

The Step One brand is the company's most important asset. Stewardship of the brand reflects the values of the company. The independent Board sets and monitors progress towards strategic goals.

A distinction is drawn between marketing Step One's products and providing information about Step One as a company. As a company, Step One provides information to the market in alignment with our Continuous Disclosure Policy as soon as practical. Refer to the Continuous Disclosure Policy for more details.

**Stewardship of the Step One brand demands careful consideration of a wide range of environmental, social, and governance issues.**

## Supply Chain Report

Step One manufactures garments under contract. The supply chain spans from sustainably grown forests to ethically managed factories. Contracts are with garment manufacturers directly, specifying that they must source materials certified compliant with numerous standards as set out in this report. Each contract provides for termination should a manufacturer operate in a manner inconsistent with Step One's standards and values. Factory compliance is monitored periodically, with reliance on external certification bodies.

The key elements of Step One's supply chain include:

**Bamboo Fibre Production** – The risk in this segment of the supply chain lies in effectively managing forests, emissions, effluents and waste.

Sustainable forestry practices work in harmony with the environment and prohibit products grown in areas where the natural forest has been cleared. Organic farmers use only natural products to nurture their crops.

Bamboo grows rapidly with minimal water (compared to irrigated cotton) and is sourced from areas with high annual rainfall, therefore reducing the impact on the region's fresh water supply. The fibre extraction process recycles the water it uses by adding biological mould to the waste water treatment process. The treated water can then be used for agricultural irrigation.

**Bamboo Fabric Manufacturing:** The risk in this link in the supply chain is ensuring effective management of emissions, product segregation, chemicals and workplace safety.

Factories involved in the conversion of bamboo fibre into fabric must be OEKO-TEX® certified. This certification ensures materials manufactured in each stage of the supply chain are tested for harmful substances.

**Nylon & Elastane Manufacturing:** The risk in this link of the supply chain involves ensuring effective management of emissions, product segregation, chemicals and supplier credentials.

OEKO-TEX® 100 certification ensures materials manufactured in each stage of the supply chain are tested for harmful substances. While these materials are manufactured from non-renewable resources, we are exploring more sustainable alternatives.

**Waistband Manufacturing:** The risk in this link of the supply chain involves ensuring effective management of emissions and maintenance of supplier credentials.

Suppliers are all OEKO-TEX® 100 certified, ensuring that there are no harmful substances in the dye and material used.

Currently, waistbands are made from non-renewable resources, but GRS certified recycled polyesters are being trialled as a sustainable replacement.

**Packaging:** The risk in this link of the supply chain involves ensuring effective management of emissions, chemicals, and waste management.

The bags are made from renewable resources consisting of cornstarch and cellulose plastic derived from corn which is biodegradable. Waste from the manufacturing process is biodegradable and is disposed of at an industrial composting facility.

The bags are tested according to AS 5810 via the OK Compost Home certification.

Step One's packaging is 100% home compostable and independently verified.

**Garment Manufacturing:** The risk in this link of the supply chain involves ensuring effective management of emissions, product segregation and OH&S.

Factories involved in garment manufacturing require BSCI certification to ensure they treat their workers ethically and legally.

Contracts with the manufacturers enable contracts to be terminated for breaches of their ethical obligations.

**Step One Supply Chain**



**Supply Chain Quality Certifications**

Certificate	Certifier	Explanation	Supply Chain
	Forest Stewardship Council®	Bamboo viscose fibre is responsibly sourced including no destruction of natural habitat and minimal use of water resources. Refer to page 16 for an explanation of the broad scope the FSC® certification covers.	Organic Bamboo Forest (Forest) Bamboo Fabric Garment Manufacture (Factories)
	Ecocert plantation organic certification	Ecocert is the body that verifies that the bamboo plantation is organic. Once harvested, the FSC® Chain of Custody Certification ensures this organic bamboo is not contaminated with other products.	Organic Bamboo Forest (Forest)
	Independent OEKO-TEX® test institutes	STANDARD 100 by OEKO-TEX® is one of the world's best-known labels for textiles tested for harmful substances. It stands for customer confidence and high product safety.	Bamboo Fabric Nylon Fabric Waistband Garment Manufacture (Factories)
	The amfori Business Social Compliance Initiative	BSCI aims to monitor and assess workplace standards across the global supply chain. There is an expectation that companies not only ensure their businesses are responsible, but that their suppliers are also demonstrating social responsibility.	Garment Manufacture (Factories)
	Australian Standard	The ABA is dedicated to promoting plastics that are biodegradable, compostable and based on renewable resources. AS 5810 is the standard for Home Compostable Bio-plastics.	Packaging
	European Standard	The TÜV certificate program confirms biodegradability in a home composting environment.	Packaging

## FSC® Report

### The Forest Stewardship Council®

The Forest Stewardship Council® (FSC®) is a non-profit organisation that provides the world's most credible sustainable forestry solution, covering more than 150 million hectares of certified forest. The FSC® system is trusted by NGOs, consumers, and businesses to help promote healthy and resilient forests.

Equally governed by environmental, social, and economic perspectives, FSC® helps forest managers, smallholders, and governments ensure thriving forest ecosystems and safeguard the livelihoods of forest communities. FSC®'s forestry standards, linked to a strict chain of custody certification, are a proven solution to fight the climate and biodiversity crises. The FSC® logo is the most recognised mark for responsible forestry.

In October 2022, Step One achieved FSC® Chain of Custody Certification, marking its entry into the FSC® forest community. This achievement bestowed upon Step One the distinction of being the first organisation in Australia to introduce labelled FSC®-certified underwear for purchase.

This Certification verifies that only FSC®-certified forest-based materials are used in its underwear and have been credibly transformed along the product's path from the forest to finished goods. As FSC® Chain of Custody certificate holders, Step One also demonstrates compliance with FSC®'s Core Labour Requirements, including the following:

- no child or forced labour;
- no discrimination in employment and occupation; and
- freedom of association and the right to collective bargaining.

Building upon this commitment, Step One was further distinguished in August 2023 by becoming the first Australian signatory of the FSC® Fashion Forever Green Pact. This public pledge supports FSC® certification for fabrics and yarns, reinforcing dedication to responsible and sustainable fashion practices.

### Why Step One chose to become FSC® Certified:

*The FSC®'s standards are among the most rigorous certification standards in the world.*

FSC® is also the only forest certification system that is code compliant with ISEAL, the global association for social and environmental standards.

*FSC®'s standards are globally consistent and nationally adapted.*

Operating in over 80 countries, the FSC® forest stewardship standards are based on the same Principles and Criteria. These national forest standards are adapted to fit the environmental, social, and economic context in which they are applied while upholding our rigorous standards.

*FSC® is governed by economic, social, and environmental perspectives equally.*

FSC® balances the needs of all forest stakeholders – environmental, social, and economic – through an open, member-led democracy. Their policies are uniquely shaped, set, and guided by over 1,200 individuals and member organisations.

*FSC® is backed by some of the largest NGOs.*

FSC®'s members include some of the world's most reputable environmental NGOs, such as WWF and Rainforest Alliance, who highly regard FSC®'s strict standards and participative governance approach.



## Step One is the first clothing company in Australia to achieve FSC® certification.

### Here's why it's important

FSC® certification guarantees that the bamboo used to make our products is sourced sustainably and responsibly, whilst benefiting the lives of local people and workers. Our commitment to sustainability is at the core of everything we do, and this certification is a testament to our dedication to creating a better future.

### 100% Naturally Irrigated Bamboo

Our bamboo plantations are 100% naturally irrigated and farmed without any deforestation or destruction of natural habitats. We even add biological mould to our waste water, allowing it to be reused for further irrigation. We don't waste a drop!

### Minimal Wastage

FSC® chain of custody certification verifies that FSC®-certified material has been identified, tracked and traced throughout our production process. From our plantation to your parcel, your Step Ones are verified as sustainable.

IT'S OFFICIAL!

## Emissions Report

### Greenhouse Gas ('GHG') Emissions

Step One adopts a standardised approach to calculate its GHG emissions in accordance with the GHG Protocol.

Scope 3 GHG emissions have been mapped to the 15 categories in the Greenhouse Gas Protocol. We prioritise calculating our emissions with supplier specific data. When this data is not available, we use activity data that directly measures the underlying activity resulting in GHG emissions, such as kilometres travelled for business travel. Due to the current limited availability of supplier data and activity data, most estimates are based on industry emission factors based on dollar spend. These estimates will be replaced by supplier specific values when these become available or revised based on improved industry averages and/or more accurate activity driver data.

Emission information is provided based on company analysis and, while carefully prepared, it has not been subject to assurance, which is planned for future periods.

Step One's operations emit **16,543 tCO<sub>2</sub>-e** as follows:

	Direct Emissions		Indirect Emissions		Total
	Scope 1	Scope 2	Scope 3		
	Occurs from sources owned or controlled by the reporting entity	Occurs from the generation of purchased energy consumed by the reporting entity.	Occurs from the activities in the reporting entity's value chain, upstream or downstream.		
	Step One does not own any factories or vehicles. Step One has a head office which is air conditioned and has a fridge.	Step One only source of scope 2 emissions is the office electricity.	Step One has numerous sources of upstream and downstream GHG emissions which are identified and grouped using GHG Protocol.		
	Fugitive emissions from office fridges and air conditioning (the emission of refrigeration gases rather than electricity) are calculated using emission estimates based on from the Department of Climate Change Energy, the Environment and Water for the financial year ended 30 June 2024.	The electricity provider provides Step One with 100% carbon neutral electricity through the use of offsets for the financial year ended 30 June 2024.	Refer Scope 3 GHG Emissions report that follows.		
Before abatement (tCO <sub>2</sub> -e)	58	34	16,451		<b>16,543</b>
After abatement (tCO <sub>2</sub> -e)	58	-	16,451		<b>16,509</b>

### Scope 3 GHG Emissions

Step One's estimates of Scope 3 emissions for the financial year ended 30 June 2024 are:

Category per Greenhouse Gas Protocol Corporate Value Chain (Scope 3)	Estimated tCO <sub>2</sub> -e	Reduction Strategy	Primary Calculation Basis	Nature of the Emission Source
<b>1.1.0</b> Purchased goods	3,843	Refer to GHG Reduction Strategy	For every kg of goods sold during the year a <i>textile emission factor</i> (sourced from a collaborative Australian University Platform) has been applied.	Captured GHG emissions from bamboo forest through to garment manufacturing.
<b>1.2.1</b> Purchased digital services and systems	2,451	Refer to GHG Reduction Strategy	For every dollar spent in this category either an <i>advertising emission factor</i> (sourced from a collaborative Australian University Platform) or a <i>software emission factor</i> (sourced from US Environmental Protection Agency) has been utilised.	Cloud-based ecommerce, digital advertising, and system providers.
<b>1.2.2</b> Other purchased services	1,007	Refer to GHG Reduction Strategy	14 different emission factors were utilised and applied to the spend in this category to determine the emissions	Large volume of service providers needed to run a company.
<b>2</b> Capital goods	33	None	<i>Computer Terminals and Other Computer Peripheral and Equipment Residential Building Construction</i> emission factors sourced from US Environmental Protection Agency were applied to spend.	Computers & photography equipment and office fit out costs
<b>3</b> Fuel and energy related activities	0	None	None	We do not have any activities that fall under the category of fuel and energy related activities other than those accounted for in scope 2 emissions
<b>4</b> Upstream transportation and distribution	201	Refer to GHG Reduction Strategy	A combination of supplier provided emission data and 3 different activity based emission factors were utilised from a variety of sources.	Transporting finished product from the factories to the warehouses in each country.

Category per Greenhouse Gas Protocol Corporate Value Chain (Scope 3)	Estimated tCO <sub>2</sub> -e	Reduction Strategy	Primary Calculation Basis	Nature of the Emission Source	
5	Waste generated in operations	3	None	Waste activity data estimates were utilised from Clean Up Australia, emission factors from the Australian Department of Climate Change Energy the Environment and Water were then applied to calculate the emissions.	Office waste to landfill excluding waste that is recycled. Reduction in this regard comes from continued preference for recyclable materials.
6	Business travel	94	Use sparingly	A mixture of supplier provided emission data, 3 different activity based and 2 spend-based emission factors were employed	Video conferencing is used whenever possible, but sometimes in-person meetings are required.
7	Employee commuting	7	None	Activity data was collated from employees and then 6 different activity-based emission factors were applied from a variety of sources to calculate the estimated emissions generated.	The majority of employees work-from-home. Those employees in head- office primarily rely on public transport for their commute.
8	Upstream leased assets	0	None	None	We do not have any further emissions other than those accounted for above in Scope 1 and 2 emissions resulting from our office space building lease
9	Downstream transportation and distribution	8,028	Refer to GHG Reduction Strategy	4 different activity based and 1 spend-based emission factors were employed from a variety of sources to calculate the estimated emissions generated.	Product distribution to customers is facilitated through postal services and courier providers.
10	Processing of sold products	-	None	N/A	There is no further processing of the product after leaving the original factory.

Category per Greenhouse Gas Protocol Corporate Value Chain (Scope 3)	Estimated tCO <sub>2</sub> -e	Reduction Strategy	Primary Calculation Basis	Nature of the Emission Source	
11	Use of sold products	Excluded	None	This has not been included in our calculations as has been determined immaterial.	The resulting GHG emissions produced from washing remains immaterial.
12	End-of-life treatment of products	784	None	The total kg of goods sold during the year was calculated and a <i>landfill emission factor</i> from Australian Department of Climate Change Energy the Environment and Water was applied to calculate the emissions.	It is unknown whether a customer upcycles used products, recycles, incinerates or sends it to landfill. The packaging is compostable; however, it is not known whether customers utilise this feature. In our estimates we have taken a conservative approach and have assumed that they have ended up in landfill. Step One continues to look for upcycling options.
13	Downstream leased assets	0	None	None	We do not have any further emissions other than those accounted for above in Scope 1 and 2 emissions for downstream leased assets.
14	Franchises	0	None	None	We do not have any franchises.
15	Investments	0	None	None	We do not have any equity investments.
	<b>Total</b>	<b>16,451</b>			

These values have not been subjected to assurance.

### Carbon Per Pair of Underwear

The current approach taken to calculating the carbon implicit in a pair of underwear includes the carbon produced from categories 1.1.0, 4,9, 11 and 12 above, which adds to 12,856 tCO<sub>2</sub>-e. This is approximately 3 kg CO<sub>2</sub>-e per pair into the hands of the customers including the subsequent disposal, ie. cradle-to-grave methodology. This excludes non-attributable processes such as capital goods, overhead operations, corporate activities and services. This calculation uses a general garment fabric CO<sub>2</sub>-e emissions factor. This will be refined when a specific bamboo viscose fabric emissions factor can be determined.

**GHG Emission Reduction Strategy**

Our approach to reduce GHG emissions from major sources is explained below, even if it is just to add our voice in advocating for the imperative to reduce emissions globally.

Category	Approach to Emission Reduction
1.1.0 Purchased products	<p>This covers all inputs to the manufacturing process including bamboo plantations, harvesting, bamboo viscose fibre extraction, nylon production, yarn spinning, fabric knitting and dyeing.</p> <p>The manufacture of the waistband and packaging is also included in this part. Each process and the logistics between each processing point involve some form of electricity, energy, water, and in some parts, chemicals, all of which contribute to GHG emissions.</p> <p>Step One has requested audited GHG emission values from each factory that manufactures the final product. The decision to place orders with a factory will consider the ability to provide GHG emission information in addition to other commercial considerations.</p> <p>Step One will continue to survey the world for new fabrics with superior functional qualities and lower GHG emissions in their supply chain. Step One considers bamboo viscose remains the superior fabric available.</p>
1.2.1 Purchased services – ecommerce and digital advertising	<p>This covers ecommerce and advertising services providers.</p> <p>Over 70% of purchased service GHG emissions are sourced from digital advertising and ecommerce providers, which are large consumers of electricity.</p> <p>The major suppliers include: Shopify, Meta, Google, TikTok, Snap and Bing, as well as PayPal and Klaviyo. Most have published their aspirations to reduce or mitigate the emissions. Other than adding voice to the imperative for a low emission future, Step One has little influence over their activities.</p> <p>Step One will continue to survey the world for new digital advertising providers that can provide superior advertising returns and generate lower GHG emissions.</p>
1.2.2 Purchased services – other	<p>This is the broadest aspect of Step One’s GHG emissions and includes GHG emissions from a large volume of services providers.</p> <p>Reductions in this area will be achieved through policy and awareness. Simply put, we will seek suppliers that provide GHG emission information and encourage selection with lower GHG emissions.</p>
4.0 Upstream transportation and distribution	<p>Step One manufacturers deliver the final product to the nearest export port. This emission source for Step One involves sea or air freight from China/Vietnam to AU, UK and US.</p> <p>Air freight is reserved for essential occasions and requires C-Suite approval. The inbound logistics provider is working to capture GHG emission data and book low emission shipping lines. Other than adding voice to the imperative for a low emission future, Step One has little influence on the global shipping industry.</p>
9.0 Downstream transportation and storage	<p>Step One stores manufactured products in 3PLs, who store products, then pick and pack customer orders for distribution. They then use postal and courier services to transport the orders to the customer.</p> <p>Each 3PL is working on reducing their emissions with renewable energy and other programs. Postal services in AU, UK and US, as well as courier services in those countries, are working on their own emissions reductions. Other than adding voice to the imperative for a low emission future, Step One has little influence over their activities.</p> <p>Step One will continue to survey each country for improved distribution providers with superior quality and lower GHG emissions.</p>

Step One will request that suppliers provide audited emissions information within their invoices. Major suppliers will be asked to advise their plans to achieve low emissions, if not already publicly available. Step One will work with suppliers who are willing to engage in such discussions, while remaining realistic about our negotiating position. Step One will preference suppliers who are prepared to furnish emission information when placing orders.

Until supplier-specific audited values are available we will continue to prioritise calculating our emissions with un-audited supplier-specific data or alternatively by activity drivers with industry emission factors followed by industry emission factors based on dollar spend.

**Scope 3 Emissions from Step One’s Value Chain**

