

VIVOBAREFOOT

VIVOBAREFOOT RISK & MATERIALITY ASSESSMENT

JULY 2023

Last assessment completed: June 2021

INTRODUCTION

In July 2023, we carried out a materiality assessment with three objectives: 1) to identifying material sources of environmental, social and governance (ESG) risk to the business, 2) to identify what risk Vivobarefoot posed those topics (double materiality), and 3) to engage key stakeholders in prioritising these topics to inform our strategy and reporting going forwards. This materiality assessment builds on the first one conducted in June 2021. The following information is reported in compliance with the European Sustainability Reporting Standards IRO-1.

METHODOLOGY

Vivobarefoot's 2023 risk and materiality assessment consisted of four phases;

1. Scope and identify material risks and trends across Vivobarefoot's business operations and cross-industry organisations
2. Define priorities across identified material risks, present to stakeholders for assessment of relevance and perceived level of risk
3. Analyse and validate stakeholder assessment to determine results and confirm material risks for review by Vivobarefoot's Audit Committee, executive team and Board of Directors

4. Ongoing review and mitigation of identified material risks by Vivobarefoot's Audit Committee, executive team and Board of Directors

PHASE 1

A desk-based review of Vivobarefoot's business operations, industry trends and cross-industry materiality assessments was conducted to define the scope across both financial and non-financial (ESG) parameters. The following sources were considered and based on the results of benchmarking, a number of material topics were considered for stakeholder assessment:

- Vivobarefoot materiality assessment and risk registers – Unfinished Business Reports 20/21 & 21/22
- Industry peers and competitors' sustainability reporting and materiality assessments
- Regulatory and legislation updates
- Industry certifications and reporting best practice e.g. GRI, WEF, ESRS, B Corp
- Articles and reports on global trends

PHASE 2

From the desk-based review, 30 material risks were consolidated and presented to stakeholders via an online questionnaire and online meetings for their assessment of relevance and perceived level of risk. We did not include factors such as likelihood, magnitude, and opportunities this year for simplicity.

60 stakeholders from within Vivobarefoot and across our wider community were selected for their assessment. Stakeholders were chosen by;

- The significance of Vivobarefoot's financial spend with them per annum

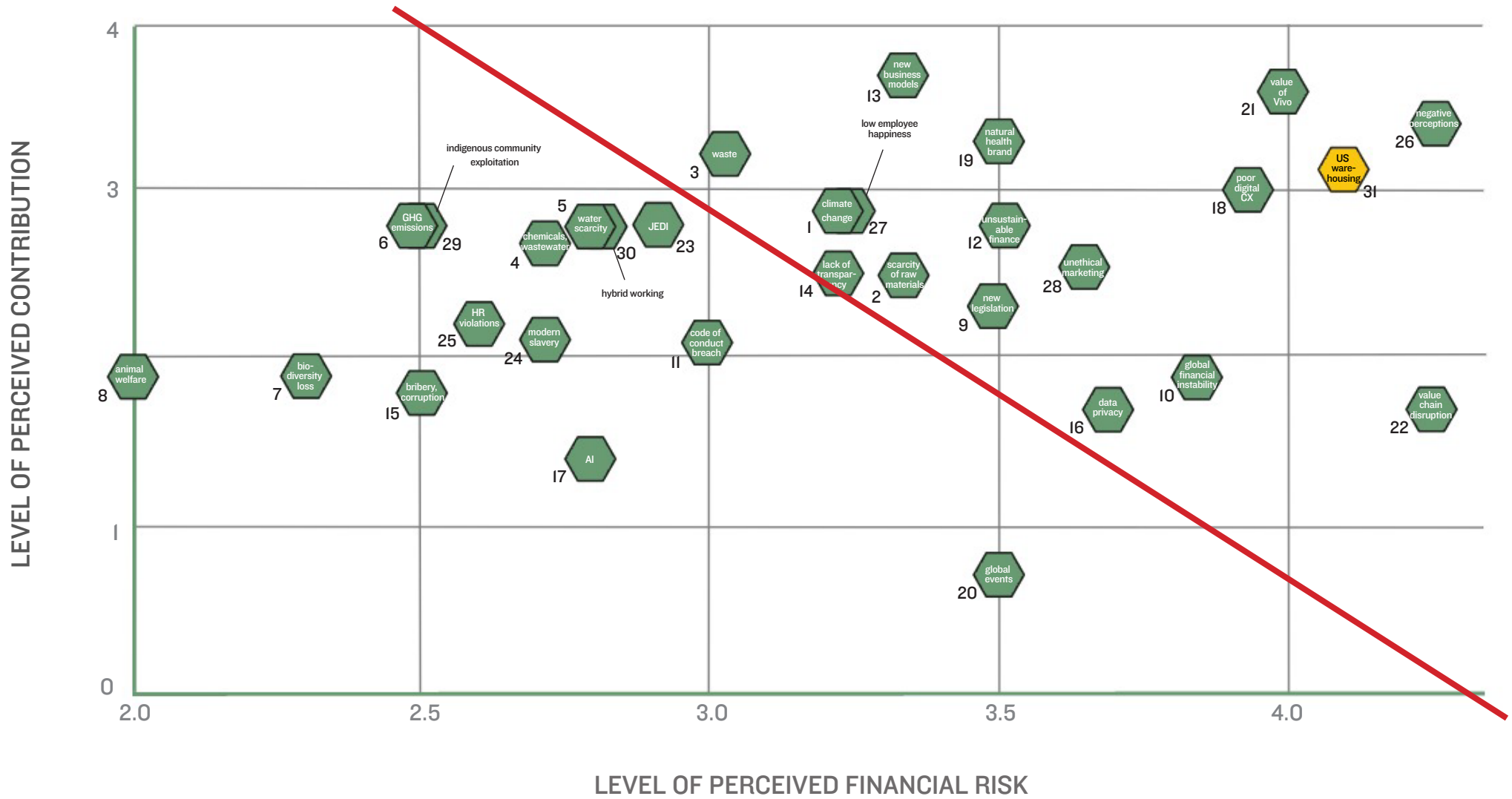
- The significance of their influence on Vivobarefoot's business impact
- Their specific industry expertise and/or expertise in risk assessment
- Vivobarefoot employees from across the organisation and salary banding
- Vivobarefoot Board of Directors
- Vivobarefoot customers

IDENTIFIED STAKEHOLDERS

- Customer service partners
- Logistics partners
- Tech systems partners
- Legal counsel
- Finance partners
- Distributors and wholesale partners
- Ambassadors
- Customers
- Employees
- NGOs/industry bodies
- Product and value chain partners
- Consultancy partners
- Legal Board
- Round Table (Executive team)
- Founders
- Nature*

*We're trying to figure out the best way to represent Nature as a stakeholder at Vivobarefoot. We thought about outsourcing this capability, to a legal team or a consultant. But we were inspired by our partners at Greenheart, who invest in increasing internal literacy about nature and sustainability issues, to ultimately empower staff to represent nature themselves. We love this idea, so we're working on it for next year's Unfinished Business.

VIVOBAREFOOT MATERIALITY ASSESSMENT 2023



IDENTIFIED RISKS

1. Climate change

Globally and locally: Droughts, floods, storms, heatwaves, freshwater availability, air pollution etc.

2. Scarcity of raw materials (cotton, wool, etc.)

Globally and locally: Material scarcity caused by higher demand, reduced workforce, increased cost of production, climate change impacts, worker conditions, pay, migration etc.

3. Waste

Waste produced from product development, including material offcuts, prototypes, packaging. Also includes end-of-life waste (e.g. landfill). Includes waste in our own operations from the office and store. Does not include water or energy waste.

4. Chemical management & wastewater discharge

The use of hazardous/ highly polluting chemicals to make materials and products, the irresponsible and unregulated disposal of these chemicals into water and soil systems.

5. Water scarcity and inefficiency

The quantity, source and availability of water used in the production process (e.g. water sourced from areas of water scarcity); from washing and dyeing to heating and cooling factories. Also includes water use in our own operations at the office.

6. Greenhouse gas emissions

Greenhouse gas emissions from factories, transport, offices and stores. Sources of energy across these areas (fossil fuels).

7. Biodiversity loss

The loss of plant and animal species, destruction of indigenous forests and woodlands (as opposed to commercial forestry), destruction of carbon capturing

habitats (e.g. natural grasslands, peat bogs).

8. Poor animal welfare standards

Cruel and inhumane treatment of animals that produce materials used in Vivobarefoot products.

9. Non-compliance with new legislation and requirements

Legal requirements in the areas of: reporting, product labelling, marketing (greenwashing), workers' rights, import/export laws, etc.

10. Global financial instability

Inflation, recession, cost of goods and transport, etc.

11. Code of conduct non-compliance

Code of conduct for suppliers includes; no forced/ compulsory/child labour, the freedom of workers to join unions, safe working conditions, living wages, fair working hours, no bribery or corruption.

12. Unsustainable finance

Vivobarefoot's ability to generate long term revenue from investment sources that align to B Corp values (creating an inclusive, equitable and regenerative economic system for people and the planet, using business as a force for good).

13. Transitioning to new business models

Moving away from traditional operations and manufacturing to innovative business models that more closely align to our mission and values (e.g. VivoBiome)

14. Lack of transparency

Levels of transparency about our business and value chain in our internal monitoring and controls (e.g. identifying code of conduct non-compliance), financial and non-financial reporting, and to customers through marketing.

15. Bribery and corruption

Bribery and corruption in business operations and along the value chain.

16. Breaches of data privacy and security

Breaches of data privacy and security with regards to stakeholders and business operations

17. Risks posed by artificial intelligence

Risks from AI to Vivobarefoot's customer service experience and value chain operations. A lack of global regulation to protect businesses from AI threats.

18. Poor digital customer experience

Any way a customer would engage with Vivobarefoot digitally; from e-mail marketing to purchasing, completing a VivoHealth course to filing complaints.

19. Reputational risk of transitioning to natural health brand

Moving from being a well-known barefoot footwear brand to offering education and experiences for healthy lifestyles, helping to combat sedentary lifestyle diseases.

20. Unprecedented global events

Terrorism, war, pandemics, political discourse

21. Inability to demonstrate value for money

Demonstrating clearly why Vivobarefoot products are priced as they are.

22. Supply chain disruption

Transport disruption due to fuel costs, border control issues, unprecedented freight events..

23. Lack of justice, equity, diversity, inclusion (JEDI) in the workplace

Lack of justice, equity, diversity, inclusion (JEDI) in the workplace

24. Modern slavery

When an individual is exploited by others, for personal or commercial gain, and lose their freedom (whether tricked, coerced, or forced). This includes but is not limited to human trafficking, forced labour and debt bondage.

25. Human rights violations

Human rights include the right to life and liberty, freedom from slavery and torture, the right to work and education, and many more.

26. Negative customer & external stakeholder perception

The way Vivobarefoot is perceived by customers and by stakeholders

27. Low employee happiness and engagement

Attraction/ retention of talent, work-life balance for staff, career progression opportunities, training and development

28. Unethical marketing & misleading product labelling

Marketing products in an unethical way either through language, imagery or choice of influencer. Making misleading/unsubstantiated/vague claims on digital channels, products, packaging.

29. Indigenous community exploitation

Cultural insensitivity, cultural appropriation, “bad aid” as a lack of due diligence, free and prior informed consent (FPIC), suitable training locally.

30. Inefficiencies in hybrid working

Hybrid working impact on productivity, company culture, mental and physical effects of travel.

31. US warehousing

Unlocking US market with US warehousing, part of a larger move to transition into new markets. This was not identified in the initial stakeholder assessment but was deemed significantly material to necessitate inclusion by exception - so we’ve positioning it according to an average high risk, high influence score. It will be included in next year’s materiality assessment.

Stakeholders were informed that whilst many of these topics represent opportunities for Vivobarefoot, they were specifically asked to answer these questions purely from a risk perspective. For each topic, each stakeholder was asked to rank from 0 to 5:

- How much is Vivobarefoot contributing to this topic across our own operations and across the value chain? Where 0 is not at all, and 5 is significantly.
- What level of risk each topic has, or could have, on Vivobarefoot financially. This could be operationally or reputationally, as well as directly financial. Where 0 is no financial impact, and 5 is significant financial impact.

PHASE 3

Once stakeholder feedback was consolidated, analysis of stakeholder rankings against each identified material risk was conducted. Results were then plotted visually on a graph (page two) to showcase levels of risk and influence by stakeholder perception. A draft of this document was presented to the Executive Team for review and feedback. The draft assessment and results (included within the wider annual report) were sent to the audit committee for approval.

Results will also inform Vivobarefoot’s strategic business reviews and planning (holistically and regeneration-specific) over the next 12 months, to ensure risk mitigation, monitoring and reporting is fully integrated. The next update to this assessment is scheduled for July 2024.

PHASE 4

In light of our decision to adhere to the European Sustainability Reporting Standards (ahead of our legally binding timeline) we conducted a prioritisation

exercise of all the material risks - taking into account:

- a) their relevance to ESG matters
- b) their potential and actual financial impact
- c) their relevance to Vivobarefoot’s business strategy and operations
- d) Vivobarefoot’s level of influence over the risk
- e) Vivobarefoot’s resource capacity to adequately address and mitigate these risks.

As a result, the topics in the top right of the matrix (to the right of the red line) have been prioritised by Vivobarefoot’s executive team and audit committee for review and strategic monitoring and implementation.

For the purposes of ESRS disclosures, as set out in ESRS I General Requirements, three risks relating to environmental, social or governance matters have been identified for the required disclosures in SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model*. These are:

- 1) Climate change
- 2) Waste
- 3) Resource scarcity.

These disclosures are set out in the following pages.

ADDITIONAL DISCLOSURES

At present, the materiality assessment was conducted in isolation to the broader risk management process (currently owned by the audit committee). Whilst we engaged all stakeholders from the audit committee throughout the assessment, the scope of the committee will need to evolve to include both financial and non financial risks for FY23/24 process and disclosure.

SMB-3 Requirement	Climate change	Waste	Resource scarcity
Description as per SBM-3 (a)	This is material across our scope 3 manufacturing operations	This is material across our scope 3 manufacturing operations	This is material across our scope 3 manufacturing operations
Current and anticipated effects and responses on business model, value chain, strategy and decision-making as per SBM-3 (b)	Whilst we're waiting to get data and transparency across the value chain, we will use available primary and secondary data to make informed assumptions around the material risks of climate change to Vivobarefoot's business model, value chain and strategy. We are yet to significantly inform Vivobarefoot's sourcing and manufacturing strategy across all regions but plan to integrate a comprehensive and proactive approach to mitigation in FY 23/24.	Whilst we're waiting to get data and transparency across the value chain, we will use available primary and secondary data to make informed assumptions around the material risks of climate change to Vivobarefoot's business model, value chain and strategy. We are yet to significantly inform Vivobarefoot's sourcing and manufacturing strategy across all regions but plan to integrate a comprehensive and proactive approach to mitigation in FY 23/24. Pro-actively, Vivobarefoot assess high level environmental impacts of each style we manufacture each season across our manufacturing calendar. This assessment, coupled with our manufacturing and material impact analysis by style (which we have just started) will enable us to better understand both the efficiencies and inefficiencies of our manufacturing process that result in waste across each tier of our value chain.	Whilst we're waiting to get data and transparency across the value chain, we will use available primary and secondary data to make informed assumptions around the material risks of climate change to Vivobarefoot's business model, value chain and strategy. We are yet to significantly inform Vivobarefoot's sourcing and manufacturing strategy across all regions but plan to integrate a comprehensive and proactive approach to mitigation in FY 23/24.
Other effects SBM-3 (c)			
People or the environment	See above.	See above.	See above.
Whether and how impacts originate from or are connected to strategy and business model;	Vivobarefoot fully acknowledges that our manufacturing operations currently cause both actual and potential environmental impacts, we know to be linked to climate change. But we do not yet have the data or visibility to quantify this.	Vivobarefoot fully acknowledges that our manufacturing operations currently cause both actual and potential waste impacts, we know to be linked to climate change. But we do not yet have the data or visibility to quantify this.	Vivobarefoot fully acknowledges that our manufacturing operations currently cause both actual and potential resource scarcity impacts, we know to be linked to climate change. But we do not yet have the data or visibility to quantify this.
Involved through own activities or business relationships?	See above.	See above.	See above.
Current financial effects SBM-3 (d)	We have yet to conduct an assessment to determine financial impacts associated with climate change to Vivobarefoot's business operations.	We have yet to conduct an assessment to determine financial impacts associated with waste impacts to Vivobarefoot's business operations.	We have yet to conduct an assessment to determine financial impacts associated with resource scarcity to Vivobarefoot's business operations.
Anticipated financial effects SBM-3 (e)	See above.	See above.	See above.
Resilience of strategy and business model SBM-3 (f)	This is our first year of attempting to comply with ESRS. As such, we are yet to fully assess Vivobarefoot's resilience and capacity to address climate change across our business operations. The results eventually disclosed will also inform Vivobarefoot's strategic business reviews and planning (holistically and regeneration-specific) over the next 12 months, to ensure risk mitigation, monitoring and reporting is fully integrated.	This is our first year of attempting to comply with ESRS. As such, we are yet to fully assess Vivobarefoot's resilience and capacity to address waste across our business operations. The results eventually disclosed will also inform Vivobarefoot's strategic business reviews and planning (holistically and regeneration-specific) over the next 12 months, to ensure risk mitigation, monitoring and reporting is fully integrated.	This is our first year of attempting to comply with ESRS. As such, we are yet to fully assess Vivobarefoot's resilience and capacity to address resource scarcity across our business operations. The results eventually disclosed will also inform Vivobarefoot's strategic business reviews and planning (holistically and regeneration-specific) over the next 12 months, to ensure risk mitigation, monitoring and reporting is fully integrated.
Changes compared to the previous reporting period SBM-3 (g)	N/A	N/A	N/A
ESRS Disclosure Requirement or additional entity-specific disclosure? SBM-3 (h)	Disclosure requirement	Entity-specific disclosure	Entity-specific disclosure

SMB-3 Requirement	Climate change	Waste	Resource scarcity
Minimum Disclosure Requirement – Policies MDR-P – Policies adopted to manage material sustainability matters	We do not yet have a climate change policy. We have an overarching general environmental policy which will be updated to include specific climate-change related requirements as set out in the Greenhouse Gas Protocol. The head of Regeneration will be accountable for the implementation of this policy, and it will be developed in partnership with key stakeholders.	We do not yet have a waste policy. We have an overarching general environmental policy which will be updated to include specific waste related requirements. The head of Regeneration will be accountable for the implementation of this policy, and it will be developed in partnership with key stakeholders.	We do not yet have a resource scarcity policy. We have an overarching general environmental policy which will be updated to include specific resource-scarcity related requirements. The head of Regeneration will be accountable for the implementation of this policy, and it will be developed in partnership with key stakeholders.
Actions MDR-A – Actions and resources in relation to material sustainability matters	As we formalise and implement a climate change policy any associated actions will be logged going forward.	As we formalise and implement a waste policy any associated actions will be logged going forward.	As we formalise and implement a resource scarcity policy any associated actions will be logged going forward.
Metrics MDR-M – Metrics in relation to material sustainability matters	As we formalise and implement a climate change policy, it will contain metrics and targets aligned to the requirements of MDR-M.	As we formalise and implement a waste policy, it will contain metrics and targets aligned to the requirements of MDR-M.	As we formalise and implement a resource scarcity policy, it will contain metrics and targets aligned to the requirements of MDR-M.
Targets MDR-T – Tracking effectiveness of policies and actions through targets	See above	See above	See above