Materiality assesment

The purpose of materiality assesment

The purpose of the materiality assessment Otrium was founded with the purpose that all clothing produced should be worn. Sustainability forms an integral part of our corporate strategy. As a business, our goal is to have a net positive impact. Giving back more than we take through our business model and social and environmental impact.

This report communicates the process and results of the materiality assessment. It includes the list of material topics identified, as well as a matrix depicting their relevance to the business and our stakeholders. Thank you for being part of our purpose. Let's create a smarter fashion industry together.

Why a materiality assessment is important

We've undertaken this materiality assessment to streamline our approach to Environmental, Social, Governance (ESG) topics and to create a long-term ESG strategy. To gain detailed insight into the topics that are most relevant to our business and business' impact. The outcomes of this assessment will form the basis for Otrium's ESG strategy, which aligns with our stakeholders' needs and fits with our purpose. This ESG strategy and framework will be used to guide decisions and measure the success of the company going forward.

What is the materiality assessment

The materiality assessment is a tool to identify, refine and address topics that matter most and find where we can have the greatest impact and influence. It's a structured dialogue with our internal and external stakeholders to understand which topics they find most important and how these impact our business and vice versa.
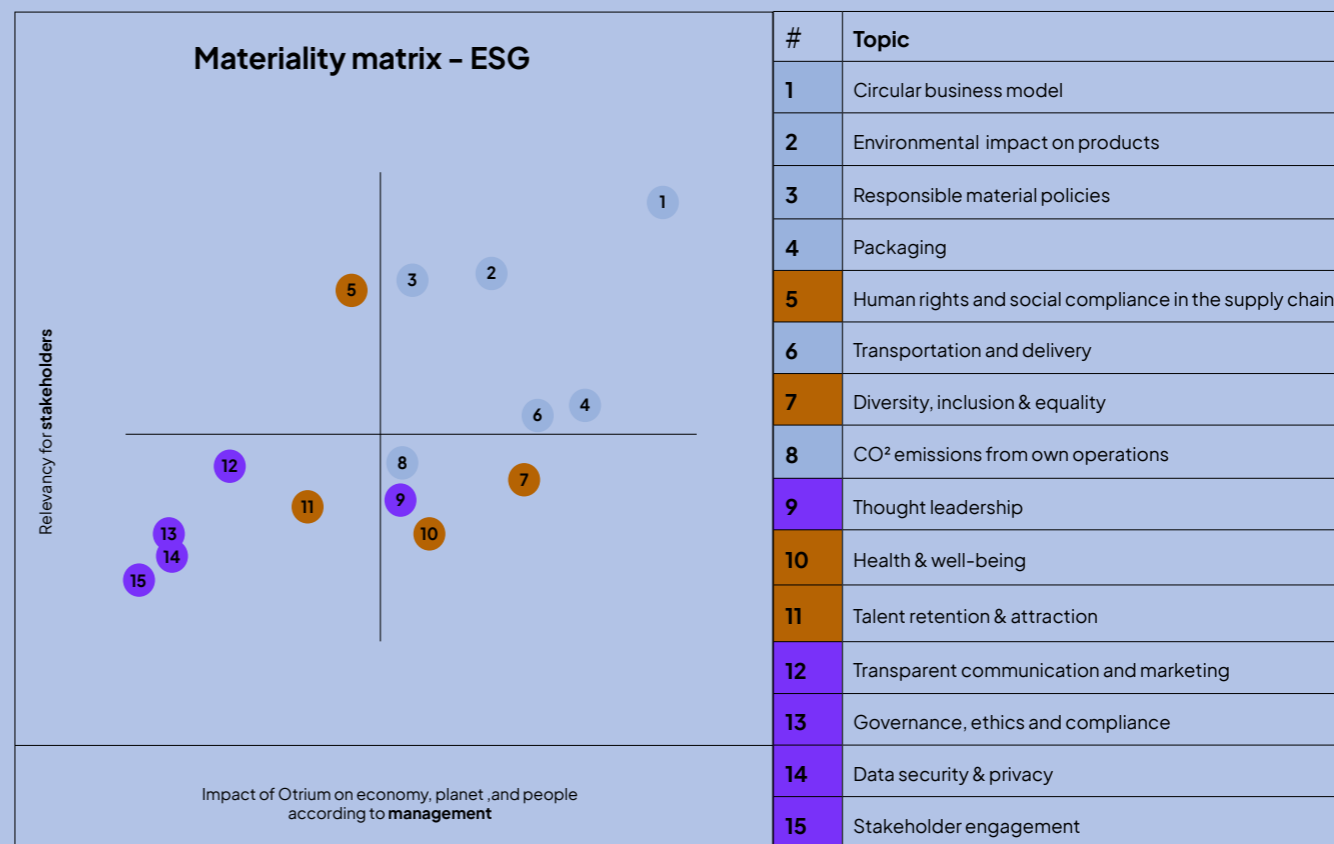
Using the materiality assessmentThe materiality assessment forms the fundament of our ESG framework to report in line with the General Reporting Initiative (GRI). We choose this reporting standard to be able to report to our most important stakeholders; our brand partners, our members, our employees (the so-called O-team), our suppliers, our shareholders, and multi-stakeholder initiatives and Non-Profit Organisations (NGOs). The GRI standards allow us to benchmark our progress globally. This report communicates the process and results of the materiality assessment. It includes the list of material topics identified, as well as a matrix depicting their relevance to the business and our stakeholders.

The materiality matrix

After analysing and implementing the stakeholder engagement feedback, we arrived at our final list of 7 topics as the most material for re-porting purposes. These topics are determined to be the most important, urgent, and relevant for Otrium as a company to focus on within the near future. Please read more about stakeholder identification and the process of defining topics in the next chapter.

Category 1: Purchased Goods and Services

- Circular business model
- Environmental impact of products
- Responsible material policies
- Packaging
- Human rights and social compliance in the supply chain
- Transportation and delivery
- Diversity, inclusion & equality

Materiality matrix – ESG

Relevancy for **stakeholders**

Impact of Otrium on economy, planet ,and people
according to **management**

#	Topic
1	Circular business model
2	Environmental impact on products
3	Responsible material policies
4	Packaging
5	Human rights and social compliance in the supply chain
6	Transportation and delivery
7	Diversity, inclusion & equality
8	CO_2 emissions from own operations
9	Thought leadership
10	Health & well-being
11	Talent retention & attraction
12	Transparent communication and marketing
13	Governance, ethics and compliance
14	Data security & privacy
15	Stakeholder engagement

- Environmental
- Social
- Governance

The matrix helps us to visualise the priority level of each issue. However, all 15 issues are important to our key stakeholders, and the differences between scores are marginal. Otrium's goal of having a net positive impact can only be achieved by looking at a wide set of 4 metrics to understand our impact on our surroundings. Giving back more than we take through our business model and social and environmental impact. Therefore, Otrium will concentrate on developing and implement our ESG strategy. The most relevant both internally and externally will form the basis for planning further priority actions.

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Category	Material topic	Definition
Environmental	Circular business model	Helping the fashion industry become more circular by creating a data-driven platform that enables the selling of unsold inventory, including new services such as polishing and refurbishing, and enhanced forecasting to avoid unnecessary production of clothing.
	GHG emissions from own operations	Minimizing GHG emissions related to our own operations by improving our energy efficiency of buildings & data centres and purchasing & generating renewable energy.
	Environmental impact of products	Improving the environmental performance of our brand partners by measuring and reporting the GHG emissions and water use of the products and waste avoided.
	Packaging	Minimizing packaging waste as much as possible by using more efficient packaging methods and using recyclable packaging.
	Transportation and delivery	Reducing the GHG emissions from inbound transport and outbound delivery by incentivizing our transport service providers to use sustainable ways of shipping.
	Responsible material policies	Reducing the GHG emissions from inbound transport and outbound delivery by incentivizing our transport service providers to use sustainable ways of shipping.
Social	Diversity, inclusion & equality	Ensuring equal opportunities and fair treatment among our employees and promoting an inclusive work culture that unlocks the potential diversity.
	Talent retention & atrraction	Attracting, retaining, and rewarding (future) employees by ensuring a challenging and open work environment, and offering our employees sufficient development opportunities.
	Human rights and social compliance in the supply chain	Respecting international human rights standards by ensuring that our brand partners guarantee responsibility and ethicalbehaviour in their supply chain.
	Health & well-being	Safeguarding our employees' physical and mental well-being by providing the necessary facilities and programs and encouraging employees to maintain a healthy lifestyle
	Stakeholder engagement	Engaging and communicating continuously with all our stakeholders, to obtain their views, ideas, and opinions on relevant topics.
Governance	Thought leadership	Sharing knowledge, educating, and building awareness among all our stakeholders, such as brand partners and end-consumers, on the environmental impact of unused clothing and our solutions to reduce fashion waste.
	Data security & privacy	Ensuring the data we collect, share and use is governed responsibly and in a structured way with adherence to strict privacy rules and is protected from internal and external cyber-attacks.
	Governance, ethics, and compliance	Conducting our business responsibly and ethically by adopting a zero-tolerance stance against bribery and corruption and by implementing relevant policies and practices.
	Transparent communication and marketing	Being transparent about our environmental and social impact within the fashion industry through our communication channels such as social media and our website.

The process leading to the materiality matrix

This materiality assessment took place between January and April 2022, with the assistance of Sustainalize, a consultancy agency that is part of the ERM group.The materiality matrix creation process consists of six phases, each explained in more detail in the following sub-chapters..

Otrium draft: Overview of our materiality process

01

Stakeholder identification
Determining which stakeholders to involve and how they could be approached best

02

Selecting relevant topics
In the first phase of the materiality assessment, relevant topics for Otrium were identified

03

Consolidated and refined topics
Consolidation, defining definitions and finalizing the short- list

04

Validating topics and determine importance
Engaging staeholders to under-stand what the priorities should be for Otrium through surveys and interviews

05

Concluding in materiality
Analysing the data, creating a materiality matrix and validating the matrix with the ESG committee

moving towards net positive future

06

ESG and strategyframework
Use the insights from the materi-ality process to develop an ESG stateg and framework that aligns with our stakeholders needs and fits with our purpose

Phase 01: Key stakeholder identification

As a first step in the materiality analysis, the most important stakeholders were identified. A group of persons or groups which are relevant stakeholders for Otrium such as groups with significant influence or a specific interest in the company. Otrium ranked these stakeholders in a matrix to determine the most important stakeholders (the one with a high interest and/or a high influence in the company) as they are the most important ones to survey and to manage. After defining the stakeholder groups, Otrium made a list of specific contact persons within the respective stakeholder groups to contact for an interview or survey.

This phase includes determining which stakeholders to involve and how they could be approached best. The identification process consists of three steps:

- Identifying key relevant stakeholders to understand their relevance to our objectives and material issues

- Prioritising our most important stakeholders

- Analysing each stakeholder and taking their perspective into account to determine the appropriate level of engagement.

The following groups of stakeholders were identified:

#	Stakeholder group	Example
1	Employees	Entire Otrium team (excluding management)
2	Customers	As defined by Ruigrok (market research organisation)
3	Shareholders	Shareholders such as Kering, Index Ventures and Bond
4	Brand partners	The fashion brand we work with and have a shop at Otrium's platform
5	Suppliers	Packaging suppliers, warehouse, couriers, stock buyers
6	Multi-stakeholder initiative	Organisations such as Fur free alliance and EMF
7	Industry platforms	Organisations such as WWD, BOF, Good on You

Phase 02: Selecting relevant topics

In the first phase of the materiality assessment, relevant topics for Otrium were identified. This was done by using international standards, SDGs, peers, brand partners, sector trends, and Media. In the first step, issues have been identified that are potentially relevant to Otrium's business and its environment. To do so, Otrium and its wider context have been analysed. Several sources were considered, such as sector information (e.g., sector-specific international sustainability frameworks), but also general sustainability standards. The following sources were consulted:

- **Otrium documentation**: This documentation includes all relevant documentation from Otrium, including multiple reports from Otrium and the results of a previously performed survey.

- **International standards:** The assessment includes the most important sustainability issues given by the sector-specific international standards SASB, GRI, DJSI, TB, SBTi, and IPCC. Next, these standards have been subsequently matched together.

- **SDG's**: Brands are assessed against their use of animal products and their animal welfare policies. The SDG industry matrix gives insight into sector-specific possible corporate action related to the widely accepted SDG's. The Sustainable Development Goals are integrated into the materiality analysis by assessing which possible sector-specific 'opportunities for shared value' or 'impacts' are relevant for Otrium.

- **Competitors and peers:** We considered the topics that Otrium's peers define as 'material'. We then matched and consolidated the different topics across the different competitors and peers. As such, we analysed the publications of an extensive list of peers provided by Otrium and only took those topics into account that were determined based on a materiality analysis by either one of the peers.

- **Brand Partners**: We considered the topics that Otrium's brand partners define as 'material'. We analysed their materiality matrices and consolidated these topics.

- **Industry trends:** In this step, issues discussed in recent reports about trends and prospects in the sector in which Otrium operates were analysed. This analysis aims to ensure issues that may not be relevant today but could become relevant soon are considered.

- **Media analysis:** To make sure matters are not overlooked, public opinion about Otrium and its sector is included in the assessment through a media analysis. To find the most relevant news articles about Otrium and its sector, different combinations of a selection of search terms were used. These searches focused on the different regions in which Otrium is active. Afterward, articles with important (societal) issues were matched together

Phase 03: Consolidate and define topics

The consolidate and define process included two steps:

- **Consolidation**
- **Defining definitions and finalising the short-list**

Step 1: Consolidation. The sources used in phase 2 to select relevant topics are serving different purposes each (e.g., reporting purposes, authorities, citizens) and have different abstraction levels. Consequently, all topics were consolidated according to relevancy and similarity to each other. This resulted in a long list of 51 topics.

Step 2: Defining definitions and finalising the short-list. The second step consisted of finalising the shortlist and writing definitions for all topics on the shortlist. The shortlist consists of a total of fifteen fixed topics with accompanying definitions. These fifteen topics were categorised into three ESG categories, Environmental, Social, and Governance.

Material topics. We define topics that are material to Otrium as those that: represent the most significant impacts on the economy, the environment, animals, and people, including impacts on their human rights. Based on the definition of GRI, 2021. These topics are relevant and important for our stakeholders, which: are our brand partners, our members, our employees, our shareholders, multi-stakeholder initiatives, and the broader society and world around us. These material topics can substantially influence the assessments, decisions, and actions of our stakeholders and shareholders now or in the future.

Phase 04: Validating topics and determining the importance

After establishing the list of relevant topics, we engaged with stakeholders to understand what the priorities should be for Otrium through surveys and interviews.
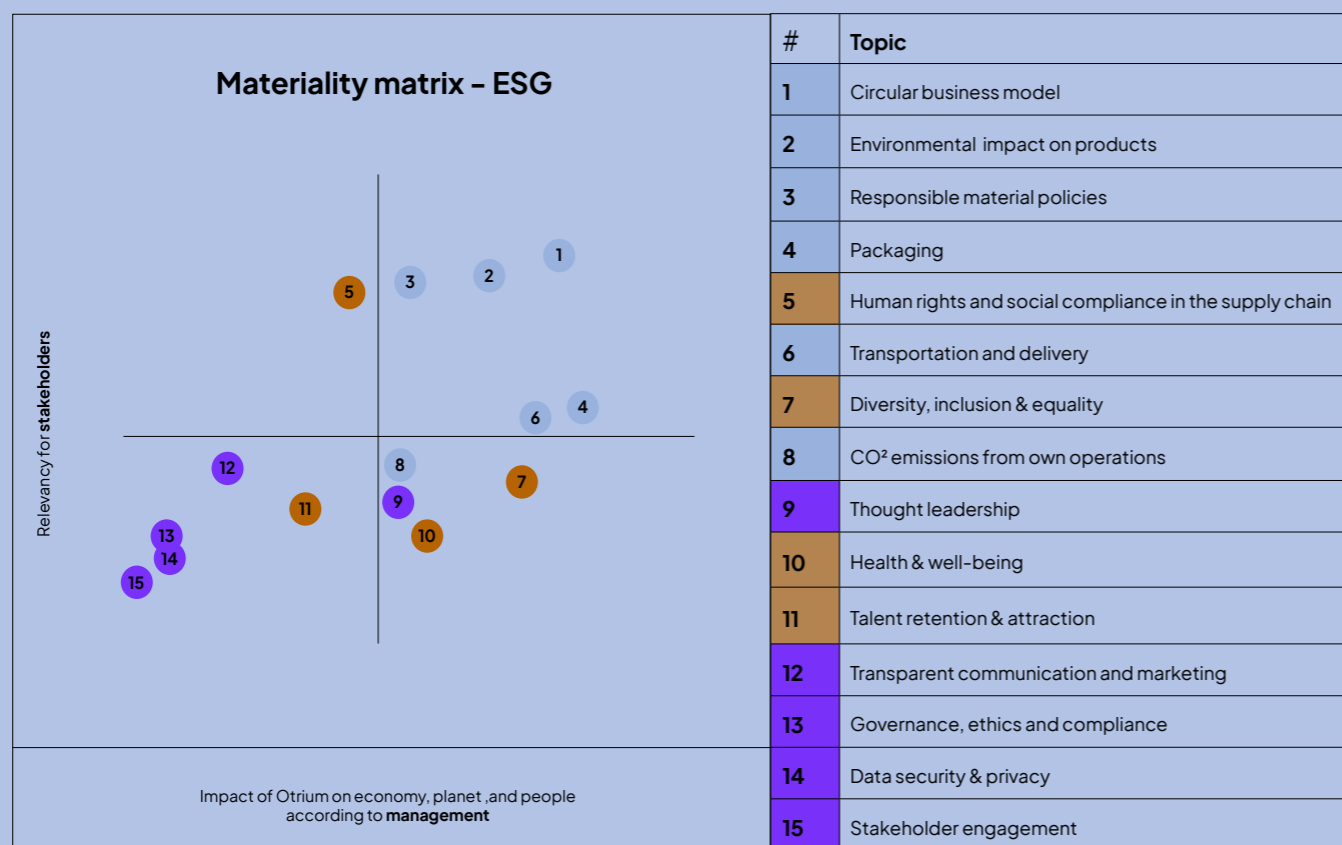
Surveys. We sent out surveys to management and stakeholders to determine the priorities. Participants were asked to indicate and rank the top 5 topics where they believe Otrium has the greatest (negative or positive) impact on the economy, planet, and people. They were asked to rank their top 5 topics according to the degree of impact. Furthermore, we have also asked Otrium's stakeholders and management to select the five topics for which they deemed Otrium to have the least impact on the economy, planet, and people. In total 697 external stakeholders completed the surveys and 8 members of management.

Interviews. 14 interviews were conducted in total, either by Sustainalize or internally by Otrium itself. These interviews were held with stakeholders coming from different groups, as well as management.

Phase 05: Concluding on materiality

In this phase, the data was analysed, a materiality matrix was created, and the matrix was validated with the ESG committee.

Analysis results. After collecting the survey results, we analysed the data using Excel. This resulted in the following matrix and ranking of topics by management and stakeholders. The weights of all stakeholder groups within the consolidated "stakeholder" axis were equal for all groups. Moreover, to determine the final position of the topics, management and stakeholders have been given equal weights (50/50).

Materiality matrix – ESG

Relevancy for **stakeholders**

Impact of Otrium on economy, planet ,and people according to **management**

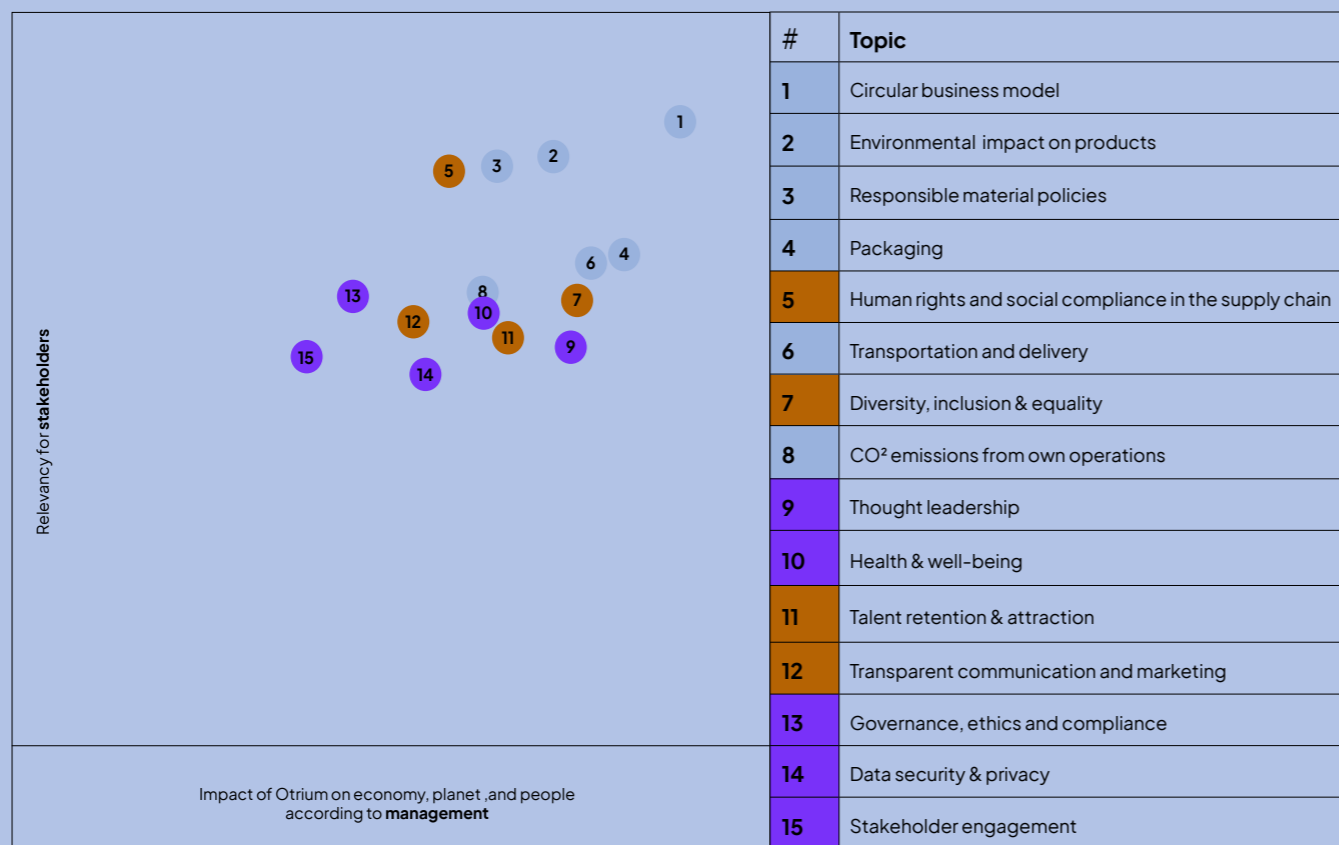| #	Topic
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12	Transparent communication and marketing
13	Governance, ethics and compliance
14	Data security & privacy
15	Stakeholder engagement

● Environmental   ● Social   ● Governance

Validation session.

Analysis results. During the validation session, topics such as Governance, ethics and compliance, and Stakeholder engagement were moved to higher priority positions on the management axis, as deemed necessary by the ESG committee.Governance, ethics, and compliance are seen by the ESG committee as less-known issues but fundamental from a risk perspective. Next to this, the survey had the title sustainability survey which possibly resulted in the prioritisation of environmental topics as Otrium used the term sustainability mostly in relation to environmental impact.

This changed the ranking, moving "Governance, ethics and compliance" from 13 to 9, and "Stakeholder engagement" from 15 to 14. The scale of the matrix was adjusted to ensure all material topics are seen as important. The ESG committee decided to concentrate on all 15 topics to implement within the ESG strategy. This list will form the basis of the ESG strategy and framework. Our reporting will involve these 15 topics going forward, prioritising the 7 most material topics.

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