

# The Business Case for Sustainable Apparel

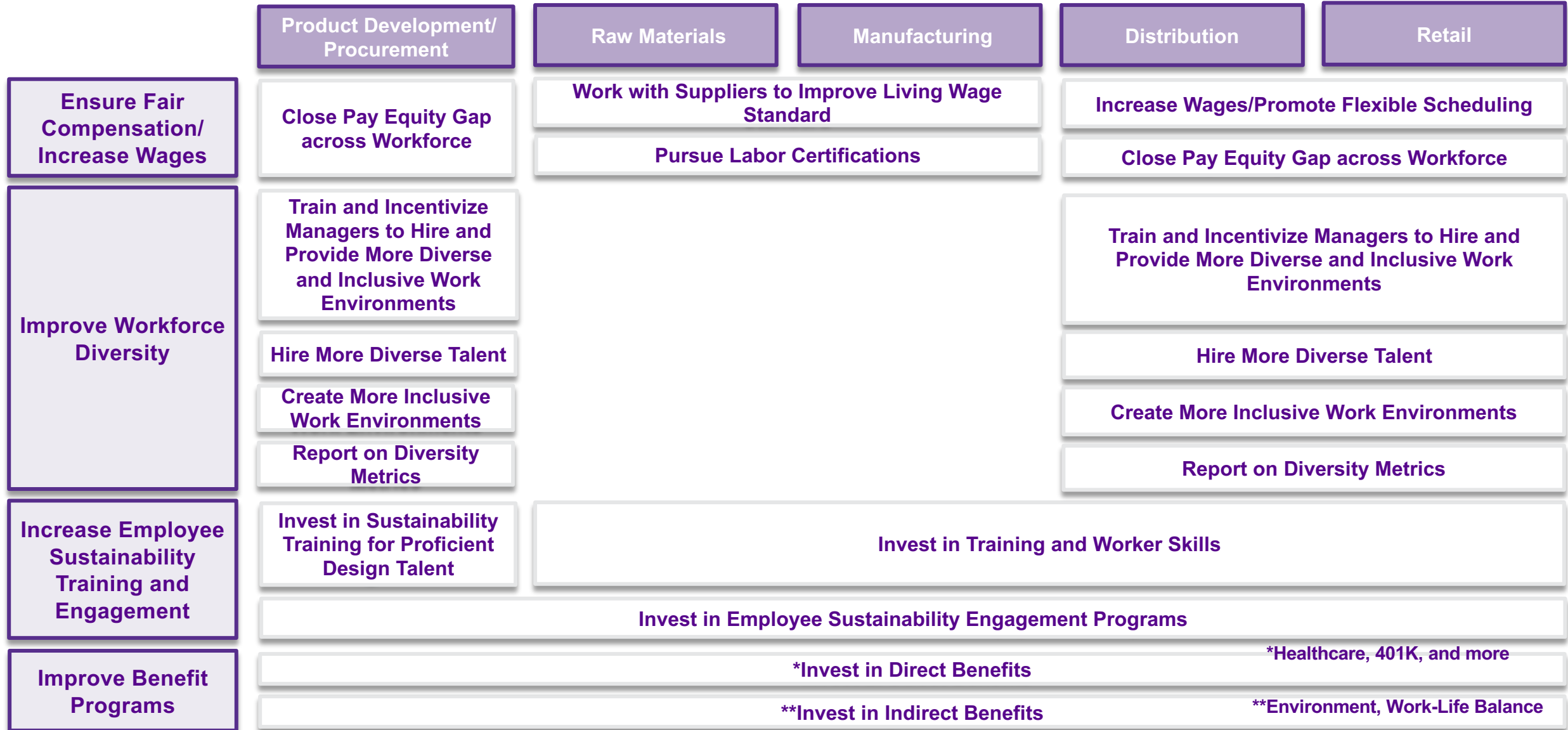
## Strategy for Investing in Employee and Supplier Well-Being

*Phase 1: December 2020*

*Phase 2: April 2021*



# Investing in Employee & Supplier Well-Being



# Investing in Employee and Supplier Well-Being

## Overview of Sustainability Strategy and Relevant Mediating Factors

In the following slides, we will be focusing on benefits from *Investing in Employee and Supplier Well-Being*, which are categorized based on the relevant impact categories highlighted below:

### *Sustainability Strategy Definition*

#### Investing in Employee and Supplier Well-Being

Company improves labor conditions in the supply chain and within the corporate workforce through practices that directly and indirectly benefit the health and safety of the workforce

### *Relevant Mediating Factors*

#### Employee Relations (ER)

#### Benefits that...

Improve employee workplace culture and retain talent

#### Operational Efficiency (OE)

Optimize corporate and supply chain efficiencies to lower cost and increase profits

#### Risk Management (RM)

Encourage risk mitigation and resilience within the value chain

#### Supplier Relations (SR)

Improve upon the relationships between the company and its suppliers

#### Stakeholder Engagement (SE)

Improve goodwill amongst the broader stakeholder community (i.e. NGOs)

# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (1/4)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods	Financial Impact Priority
Increase Employee Sustainability Training and Engagement	Invest in Employee Sustainability Engagement Programs	Increase in employee productivity due to engagement in company's sustainability programs	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by productivity increase from sustainability programs	
		Reduce costs associated with turnover rates	ER	Calculate turnover rate differential before and after the company's implementation of the sustainability engagement programs, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential and multiply by the number of employees and the cost of hiring per employee	✓



= If implemented, this benefit can realize substantial financial impact





# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (1/4 Cont.)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods	Financial Impact Priority
Increase Employee Sustainability Training and Engagement	Invest in Sustainability Training for Design Talent	Increase in productivity for design and product development employees as a result of sustainability training	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by industry standard productivity increase from skilled design and product development, more efficient through the design and development process with sustainability knowledge <i>*The concept includes that skilled design employees should be more efficient when producing apparel product, leading to greater productivity</i>	
		Reduce costs associated with turnover rates	ER	Calculate turnover rate differential of the company before and after design talent investment in sustainability training, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential between company before and after design talent investment in sustainability training and multiply by number of employees and cost of hiring per employee	✓
		Reduce costs associated with product development through focus on sustainability including technical workmanship and textile/fabric development	OE	Calculate cost differential of product development costs before and after design talent investment in sustainability training to achieve avoided cost savings	



# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (1/4 Cont.)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods	Financial Impact Priority
Increase Employee Sustainability Training and Engagement	Invest in Training and Worker Skills <i>*This includes partnering with suppliers and manufacturers on worker training</i>	Increase in productivity due to investment in sustainability training, knowledge and worker skills	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by the productivity increase from trained and skilled workers <i>*The concept includes that properly trained workers should have less errors and therefore less wastage when producing apparel product, leading to greater productivity</i>	
		Reduce costs associated with turnover rates	ER	Calculate turnover rate differential between company before and after design talent investment, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary <i>*This is especially important in sustainable design as investment in training and workers skill can produce product of greater workmanship</i>	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential and multiply by the number of employees and the cost of hiring per employee	✓
		Reduce costs associated with product development with focus on sustainability including technical workmanship	OE	Calculate cost differential of product development costs before and after investment in training and worker skills to achieve avoided cost savings <i>*This is especially important in sustainable design as investment in training and workers with required skillset will produce apparel that is better made</i>	

# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (2/4)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods	Financial Impact Priority
Improve Benefit Programs	Invest in Direct Benefits (Healthcare, 401K, and more)	Increase in employee productivity due to investment in direct benefits	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by industry standard productivity increase from investment in direct benefits	
		Reduce costs associated with turnover rates	ER	Calculate turnover rate differential between company and industry standard turnover rates, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential and multiply by the number of employees and the cost of hiring per employee	✓
	Invest in Indirect Benefits (Environment, Work-Life Balance)	Increase in net benefits associated with programs such as employee well-being	ER	Calculate monetary benefit by assigning a value (such as # of days off) to a daily wage multiplier	
		Increase in employee productivity due to investment in indirect benefits	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by industry standard productivity increase from investment in indirect benefits	
		Reduce costs associated with turnover rates	ER	Calculate turnover rate differential between company and industry standard turnover rates, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential and multiply by the number of employees and the cost of hiring per employee	✓

# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (3/4)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods	Financial Impact Priority
Ensure Fair Compensation/ Increase Wages	Close Pay Equity Gap across Workforce <i>*Additional research required</i>	Increase in return on assets <a href="#">IMF source</a>	SE	Compare company's ROA against associated increased pay across the workforce	
		Increase in employee productivity due fair pay across workforce	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by industry standard productivity increase from reduction in pay gap	
		Reduce costs associated with turnover rates	ER	Calculate turnover rate differential between company and industry standard turnover rates, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential and multiply by the number of employees and the cost of hiring per employee	✓

# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (3/4 Cont.)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors		Proposed Monetization Methods	Financial Impact Priority
Ensure Fair Compensation / Increase Wages	Work with suppliers to improve living wage standard	Increase in return on assets due to increase in labor being paid a minimum wage	SE		Compare company's return on assets against associated increased labor costs	
		Increase productivity and quality of work based on workers being able to have an affordable living wage	SR		Calculate incremental profit by measurable output (less wastage and better workmanship) minus increase in freight on board (FOB) due to increase wages	
		Reduce costs associated with turnover rates	SR	ER	Calculate cost differential of before and after turnover rates multiplied by number of suppliers, annual salary, and turnover cost as a percentage of salary and compare against decrease in FOB	✓
		Reduce costs associated with hiring	SR	ER	Calculate cost differential of before and after turnover rates multiplied by the cost of hiring per employee and by number of employees and compare against decrease in FOB	✓

# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (3/4 Cont.)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods	Financial Impact Priority
Ensure Fair Compensation/ Increase Wages	Increase Wages/Promote Flexible Scheduling	Increase in return on assets due to increase in wages	SE	Compare company's return on assets against associated increased labor costs	
		Increase in employee productivity due to fair pay across workforce	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by industry standard productivity increase	
		Reduce costs associated with turnover rates	ER	Calculate turnover rate differential between company and industry standard turnover rates, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential and multiply by the number of employees and the cost of hiring per employee	✓
	Pursue Labor Certifications	Reduce likelihood of future regulatory issues regarding labor certification requirements	RM	Calculate estimated reduction in # of potential regulatory issues before and after implementation of labor certifications multiplied by cost per regulatory issue to achieve avoided cost savings	✓

# Investing in Employee & Supplier Well-Being

## Overview of Benefits and Monetization Methods (4/4)

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods	Financial Impact Priority
Improve Workforce Diversity	Train and Incentivize Managers to Hire and Provide More Diverse and Inclusive Work Environments	[Benefits highlighted in the next two rows below]	ER	[Proposed monetization methods highlighted in the next two rows below]	✓
	Hire More Diverse Talent	Increase in productivity due to hiring of diverse talent	ER	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by productivity increase from hiring more diverse talent	✓
	Create More Inclusive Work Environments	Reduce costs associated with turnover rates	ER	Calculate turnover rate differential between company and industry standard turnover rates, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary	✓
		Reduce costs associated with hiring	ER	Calculate turnover rate differential and multiply by the number of employees and the cost of hiring per employee	✓
	Report on Diversity Metrics	Increase likelihood of business opportunities / partnerships with stakeholders (i.e. NGOs)	SE	Calculate annual monetary / intangible value from business opportunities associated with reporting diversity metrics minus associated costs	✓