

# The Business Case for Sustainable Apparel

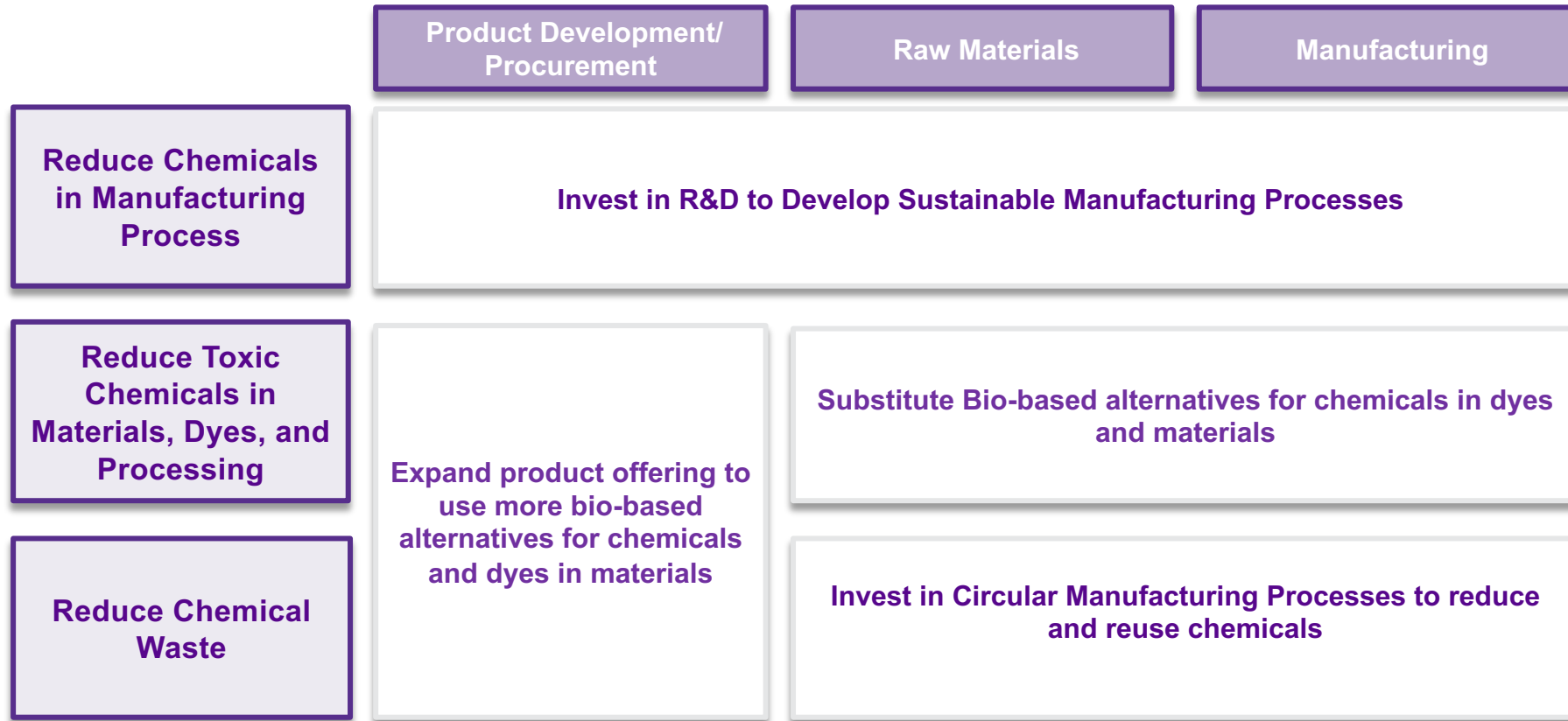
## Strategy for Reducing Chemical Impact

*Phase 1: December 2020*

*Phase 2: April 2021*



# Reducing Chemical Impact



# Reduce Chemical Impact

## Overview of Sustainability Strategy and Relevant Impact Categories

In the following slides, we will be focusing on benefits from the *Reduce Chemical Impact* sustainability strategy, which are categorized based on the relevant impact categories highlighted below

### *Sustainability Strategy Definition*

**Reduce Chemical Impact**

Company reduces the impact of chemicals in its supply chain

### *Relevant Impact Categories*

**Operational Efficiency (OE)**

Benefits that...  
Optimize corporate and supply chain efficiencies to lower cost and increase profits

**Innovation (IN)**

Create new revenue streams using sustainable business models

**Customer Loyalty (CL)**

Attract an increasing community of conscious buyers & consumers, while reducing retention costs

**Risk Management (RM)**

Encourage resilience within the supply base by decreasing supplier dependency

**Sales & Marketing (SM)**

Increase volume of sales through brand and marketing policies

**Stakeholder Engagement (SE)**


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

**Supplier Relations (SR)**

Improve upon the relationships between the company and its suppliers

# Reducing Chemical Impact

## Overview of Benefits and Monetization Methods (1/3)


| Practice                                  | Sub-Practice   | Proposed Benefits  | Impact Categories | Proposed Monetization Methods   | Financial Impact Priority   |
|---|--|--|-------------------|---|---|
| Reduce Chemicals in Manufacturing Process | Invest in R&D to Develop Sustainable Manufacturing Processes<br><br><i>*In partnership with suppliers or third-party and should include certifications such as Oeko-Tex and Bluesign</i> | Reduced operating costs for chemical management based on development of sustainable manufacturing processes<br><br><i>*Focus on reduction of chemical use with chemical waste as a bi-product</i>  | OE SR             | Calculate differential of waste management costs before and after reduction in chemical usage (minus associated costs such as expenditure for R&D and implementation of more sustainable processes) to achieve avoided cost savings<br><br><i>*Long-term investment approach with pass-through savings in FOB</i> |  |
|   |  | Increased opportunities and potential partnerships in sustainable manufacturing processes<br><br><i>*Company invests in research to develop new innovative manufacturing processes that use fewer resource and chemical inputs (ex: DyeCoo, waterless dyeing).</i> | SE                | Calculate annual profit from business opportunities associated with investing in reduced chemical usage   |   |
|   |  | Reduced reputational risk by investing in R&D of sustainable manufacturing processes to reduce chemical usage  | RM                | Calculate estimated reduction in # of lost sales and opportunities before and after R&D investment in sustainable manufacturing processes multiplied by cost per loss (or loss of sales per opportunity) and use NPV to determine future cost savings   |   |
|   |  | Reduced risk by preempting future chemical regulations   | RM                | Calculate cost differential of before and after investing in development of sustainable manufacturing processes and use NPV to determine future cost savings on increased chemical costs and taxation   |   |



= If implemented, this benefit can realize substantial financial impact

# Reducing Chemical Impact

## Overview of Benefits and Monetization Methods (2/3)

| Practice   | Sub-Practice  | Proposed Benefits  | Impact Categories |    | Proposed Monetization Methods   | Financial Impact Priority   |
|--|---|--|-------------------|----|---|---|
|  |   |  | OE                | SR |   |   |
| Reduce Toxic Chemicals in Materials and Dyes, and Processing | <p>Substitute bio-based alternatives for chemicals in dyes and materials</p> <p><i>*In Partnership with suppliers and should include certifications such as Bluesign – avoiding banned substances like formaldehyde, heavy metals, fragmented solvents, PVC, nickel, chrome as identified by the Higg Index</i></p> <p><i>*Examples include remove offering of durable chemicals applied to deliver specific technical performance such as water repellency, non-iron, wrinkle-free</i></p> | <p>Reduced operating costs for chemical management</p> <p><i>*Focus on reduction of chemical waste as a bi-product of substituting out toxic chemicals with bio-based alternatives</i></p> | OE                | SR | <p>Calculate differential of waste management costs before and after reduction in toxic chemical usage (minus associated costs for usage of bio-based alternatives) to achieve avoided cost savings</p> <p><i>*Company should achieve pass-through savings in FOB</i></p> <p><i>*Reduced operating costs based on reduction of hazardous wastewater to manage but will incur costs for alternatives such as waterless, heat transfer, and laser finishing. DyeCoo. Printing / Sublimation vs. traditional dye washing</i></p> |  |
|  |   | <p>Reduced reputational damage by substituting bio-based alternatives for harmful chemicals</p>  | RM                |    | <p>Calculate estimated reduction in # of lost sales and opportunities before and after implementation of the use of bio-based alternatives in place of chemicals multiplied by cost per loss (or loss of sales per opportunity) and use NPV to determine future cost savings</p>  |   |
|  |   | <p>Reduced risk by preempting future chemical regulations</p>  | RM                |    | <p>Calculate cost differential of before and after investing in development of sustainable manufacturing processes and use NPV to determine future cost savings on increased chemical costs and taxation</p>  |   |

# Reducing Chemical Impact

## Overview of Benefits and Monetization Methods (2/3 Cont.)

| Practice   | Sub-Practice  | Proposed Benefits  | Impact Categories | Proposed Monetization Methods   | Financial Impact Priority |
|--|---|--|-------------------|---|---------------------------|
| Reduce Toxic Chemicals in Materials and Dyes, and Processing | Expand product offering to use more bio-based alternatives for chemical and dyes in materials | Increased sales, given higher customer satisfaction and loyalty  | CL SM             | Calculate incremental profit attributed to increased product offering of bio-based alternatives to chemicals (profit differential before and after)<br><i>% increase of product offered within assortment, incremental as bio-based alternatives are substituted</i>  | ✓                         |
|  |   | Reduced operating costs for chemical management<br><br><i>*Focus on reduction of chemical waste as a bi-product of bio-based expanded product offering (an alternative to toxic chemicals)</i> | OE SR             | Calculate differential of waste management costs before and after reduction in toxic chemical usage (minus associated costs for usage of bio-based alternatives) to achieve avoided cost savings<br><i>*Company should achieve pass-through savings in FOB – increase in savings dependent on increase of product offered within assortment</i><br><i>*Reduced operating costs based on reduction of hazardous wastewater to manage but will incur costs for alternatives such as waterless, heat transfer, and laser finishing. DyeCoo. Printing / Sublimation vs. traditional dye washing</i> | ✓                         |
|  |   | Reduced reputational damage by substituting bio-based alternatives for harmful chemicals (with expanded offering)  | RM                | Calculate estimated reduction in # of lost sales and opportunities before and after implementation of the use of bio-based alternatives in place of chemicals multiplied by cost per loss (or loss of sales per opportunity) and use NPV to determine future cost savings   |                           |
|  |   | Reduced risk by preempting future chemical regulations   | RM                | Calculate cost differential of before and after investing in development of sustainable manufacturing processes and use NPV to determine future cost savings on increased chemical costs and taxation   |                           |

# Reducing Chemical Impact

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

| Practice              | Sub-Practice  | Proposed Benefits   | Impact Categories | Proposed Monetization Methods  | Financial Impact Priority |
|-----------------------|---|---|-------------------|--|---------------------------|
| Reduce Chemical Waste | Invest in circular manufacturing Processes to reduce and reuse chemicals<br><br><i>*In partnership with suppliers</i> | Reduced material costs from reuse of chemicals  | OE SR             | Calculate the cost differential between purchased raw chemicals and recycled chemicals for the same quantity to achieve avoided cost savings; when looking at a scenario with recycled costs, it needs to incorporate % used for purchased and recycled materials<br><br><i>*Company should achieve pass-through savings in FOB</i><br><i>*Reducing chemicals can also reduce water and energy usage for additional cost savings</i> | ✓                         |
|                       |   | Reduced operating costs for waste management based on reduction of chemicals through a circular manufacturing process<br><br><i>*Focus on reduction of chemical use with chemical waste as a bi-product</i> | OE SR             | Calculate differential of waste management costs before and after reduction in chemical usage to achieve avoided cost savings<br><br><i>*Company should achieve pass-through savings in FOB</i>  | ✓                         |
|                       |   | Reduced supply chain disruption, given decreased dependency on raw chemicals purchased  | RM                | Calculate estimated reduction in # of supply chain disruptions before and after implementation of the chemical recycling process multiplied by cost per disruption (or loss of sales per disruption) to achieve avoided cost savings   |                           |
|                       |   | Reduced risk by preempting future chemical regulations  | RM                | Calculate cost differential of before and after investing in circular manufacturing processes and use NPV to determine future cost savings on increased chemical costs and taxation  |                           |
|                       |   | Revenue from selling recycled chemicals as a bi-product   | INN               | Calculate annual profit from selling recycled chemicals: annual revenue from program minus costs associated with chemical recycling (i.e. processing)  |                           |