

Overview of the Return on Sustainability Investment (“ROSI”)™ Methodology & Collaboration

Phase 1: December 2020

Phase 2: April 2021

March 2022



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 - Apparel Sustainable Strategies Framework

Executive Summary

Executive Summary

Apparel companies are leveraging 8 strategies to positively impact their financial performance and drive better outcomes for environment and society

- Strategies identified include circularity and innovation, investments in employee and supplier well-being, and improving energy management for brand partners
- Financial value accruing to companies in areas such as greater employee productivity and retention, improvements in sales & marketing, lower customer acquisition costs, and reduction in transportation costs
- One company found a \$1.6M in annual savings by prioritizing lower carbon distribution methods; another identified \$34M in annual savings from investments in employee well-being

In this presentation we share our novel Apparel Industry Sustainable Strategies Framework, several case narratives, and monetization tools.

ROSI™ Introduction and Methodology Overview



Sustainability Creates Financial Value That is Not Being Tracked or Monetized

- Numerous studies find a positive correlation between corporate performance on material ESG issues and corporate financial performance
- However, individual corporations are not tracking the financial returns on their sustainability strategies



- **This means both corporate and investor decision-making is weakened by the lack of relevant financial information**
- **The challenge: how to measure the return on sustainability investment to enable transparency for both corporation management and investors**
- **By determining the quantitative value, there is opportunity for expanded investment in sustainability initiatives**

Most Companies & Investors are not Monetizing the Return on Sustainability Investment

For the following reasons, the Return on Sustainability Investment is typically not calculated; leaving financial value unlocked and limiting the opportunity for continued investments in sustainability

- Availability and quality of ESG Data
- Sustainability strategies are not tied to total return from the outset
- There are many different sustainability strategies (ESG); strategy and execution sit within different units
- Financial benefits are tracked differently (if at all) by different units and are not aggregated
- Some benefits are intangible and difficult to measure
- It is not clear to the Financial function that there is significant financial benefit that would justify tracking ROSI™
- Difficult to monetize risk avoided due to sustainability investments

Numerous studies find a **positive correlation between corporate performance on material ESG issues and corporate financial performance**. However, individual corporations are not consistently tracking the financial returns on their sustainability strategies. The ROSI™ Framework allows companies to **measure tangible and intangible benefits of their sustainability strategies and make the business case for sustainability investment**.

ROSI™ Framework

Sustainability Driver's of Financial Performance and Competitive Advantage

Embed:

When companies include ESG risks and opportunities in their strategy and decision-making processes, they...



Improve:

Risk Management
Stakeholder Engagement
Operational Efficiency
Talent Management
Supplier Relations
Media Coverage
Customer Loyalty
Sales & Marketing
Innovation

Drive:

Revenue Growth
Greater Profitability
Higher Corporate Valuation

Deliver:

Quantifiable Business Value & Positive Societal Impact



NYU | STERN

Center for Sustainable Business

The framework captures the ROSI™ methodology created by the NYU Center for Sustainable Business.

By embedding ESG risk and opportunities, the return on sustainable investment can be quantified, delivering the possibility of both financial value and positive societal impact.



Benefits of the ROSI™ Framework

Like other robust ROI processes, ROSI™ can help corporation and investors

Corporations

Support decision-making on individual initiatives or among alternative courses of action

Relevant for monetizing the costs and benefits of BAU, ongoing projects, and/or potential new initiatives

Flexible in addressing common forecasting challenges (e.g., those related to: data availability; data quality/credibility; uncertainty; attribution; allocation of benefits; etc.

Investors

Map material sustainability strategies by sector and types of practices that create value

Useful for due diligence screening for potential investments

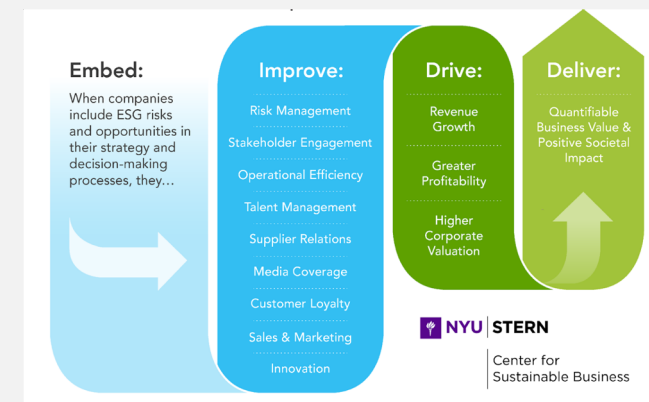
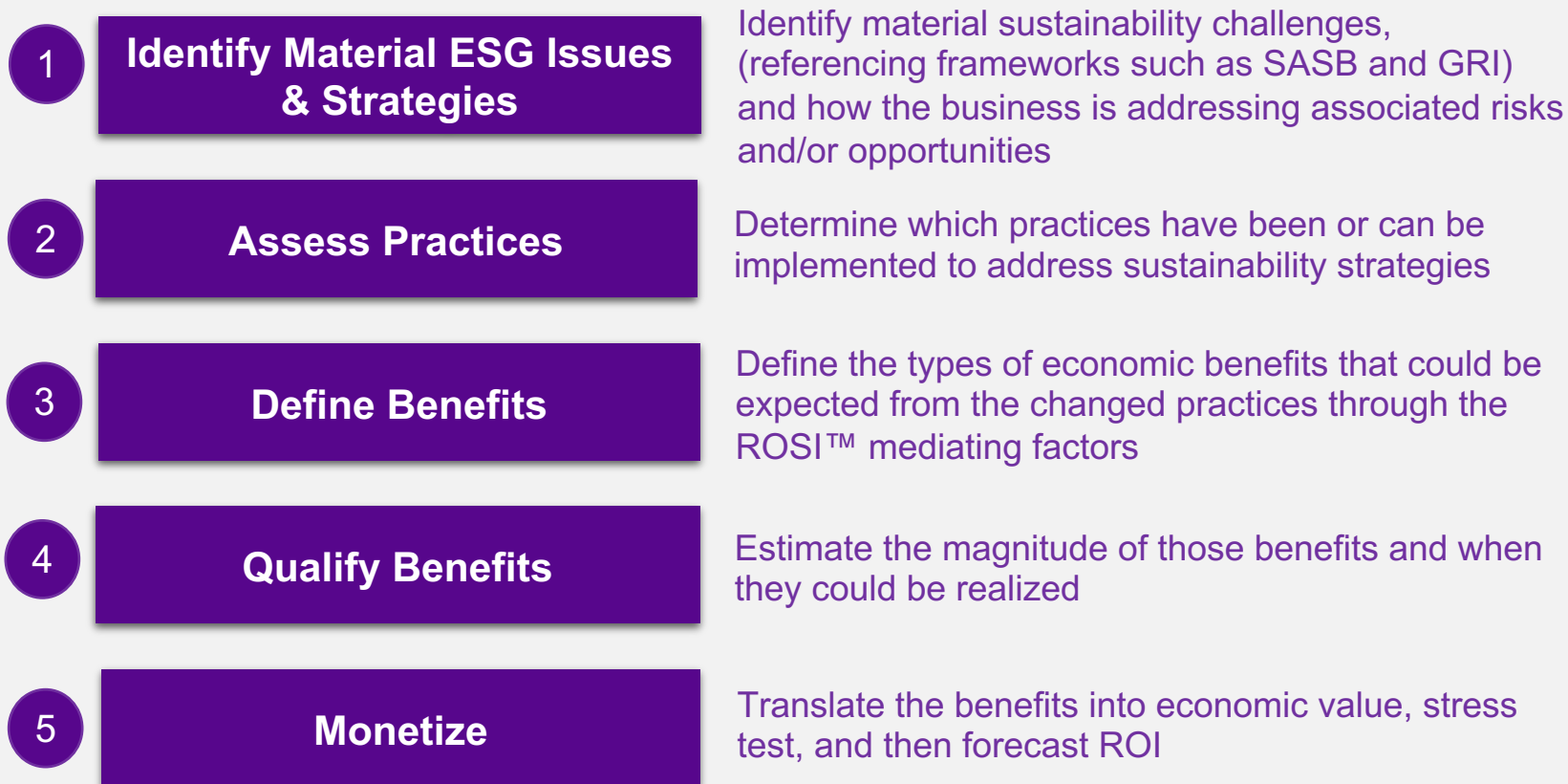
Provide questions to ask companies for research before owning stock/stake) and engagement (after owning stock/stake) purposes

Incorporate into valuation models when determining company intrinsic value



ROSI™ Methodology and Collaboration Process

For project collaborations, NYU Stern CSB works with company partners to implement the five-step ROSI™ framework process.



Overall approach across industries using ROSI

Companies and Investors can leverage industry-specific frameworks and tools for monetization casework. Additionally, companies can contribute to shifting industries by contributing to tools and cases. The NYU CSB implements the following approach using ROSI™ to collaborate with partners within various industries.



FRAMEWORK

We create industry specific thought leadership in quantifying benefits of material sustainability initiatives

Help companies understand which strategies and practices to prioritize

CASES

We partner with companies on cases linked to our identified strategies to prove the continued viability of the model

Provides a narrative overview and detailed accounting of our monetization method and results

TOOLS

We created excel tools focused on targeted practices to monetize and capture benefits for continued use after completion of the collaboration

Offers practical frameworks for companies to uncover benefits at their own organizations. May feed into other industry-wide or ESG frameworks like SASB.



Our ROSI™ Partners

NYU Stern CSB has collaborated with over 20 corporate and research partners to date on building and implementing ROSI™ including companies listed below





ROSI™ Apparel Overview



The Apparel Industry faces numerous environmental challenges

Apparel manufacturing has significant environmental impacts spanning land use, water pollution, air pollution, and bio-diversity among others.



...as well as labor and social challenges.

Apparel manufacturing faces challenges with child & forced labor, low wages in retail and factories, harmful chemical exposure, and poor safety practices, among others.



The industry also faces numerous threats and disruptions


Challenges in traditional brick and mortar, the rise of ecommerce and the COVID pandemic create new challenges for the industry.



The Opportunity to Leverage ROSI™ for the Apparel Industry

Despite enormous challenge, the apparel industry is prioritizing and investing in sustainability strategies to address material ESG issues, innovate and discover new business models, and drive financial performance

The challenge is how to measure and quantify these investment **to assess the value of benefits that can be accrued through more sustainable business practices**

Through partner sponsorship with  , NYU CSB delivered the following project objectives based on the ROSI™ methodology. The project served as the foundation for the CSB's apparel work launching the *Apparel Industry Sustainable Strategies Framework*; which provides sustainability strategies and practices across the value chain

- Leverage the NYU Stern CSB Return on Sustainability Investment (ROSI) methodology to help **estimate the tangible and intangible benefits** accruing to apparel companies by prioritizing sustainability
- Develop a **comprehensive framework** that lays out the key strategies, practices, and sub-practices companies are prioritizing
- Map associated benefits, articulate monetization methods, and quantify benefits
- Develop **case studies** with partners
- Develop **tools** to help companies undertake this work at their own organizations and to feed into existing industry tools like HIGG Index or ESG frameworks like SASB or GRI

NYU ROSI™ Apparel Project Research Overview sponsored by HSBC

NYU CSB conducted desk research and primary research with industry associations, brands, and parts of the value chain that contributed to an in-depth understanding of the leading apparel industry sustainability strategies and the complexities of the industry at large.

NYU CSB collaborated with **corporate partners** to answer a variety of pertinent sustainability-related questions, including:

What are the monetary and intangible benefits of incorporating and promoting a sustainably-focused corporate culture?

What are the monetary and societal benefits of transitioning to more carbon-efficient transportation modes of product shipments?

What are the monetary and intangible benefits of implementing and promoting circular business models (and other forms of innovation) for current and prospective customers?

Corporate Partners



Reformation

*Project supported by **HSBC**, the sponsor of NYU Stern CSB's sustainable apparel project

Case Studies: Participants Involved & Focus Areas Continued

Through desk research and interviews with project corporate partners, the key areas were determined that could be used to derive the Return on Sustainable Investment specific to each company and their existing practices.



Investing in Circularity and Innovation

Implement Product Take-Back Programs



Improving Energy Management

Shifting away from Air Transportation

Reformation

Investing in Circularity and Innovation

Implement Product Take-Back Programs



Investing in Employee and Supplier Well-Being

Invest in Indirect Benefits

ROSI™ Apparel Work Completed & Looking Ahead

Through the sponsorship of HSBC and work with corporate partners, NYU CSB completed the following:

FRAMEWORK We built the framework around 8 strategies, housing 25 practices and 66 sub-practices.

CASES We partnered with companies on several cases linked to our identified strategies.

TOOLS We created 18 excel tools focused on the circularity and innovation strategy to monetize and capture benefits.

*By creating and disseminating a sustainable apparel framework, case studies in collaboration with apparel partners, and industry specific monetization tools, **NYU Stern's CSB aims to encourage the development of sustainability initiatives across the industry.***

Future work will include developing additional monetization tools and cases.
We welcome partnership on future phases!



ROSI™ Apparel Framework



Apparel Industry Sustainable Strategies

In 2020, with funding from HSBC, we launched a framework with the apparel industry

We found that apparel companies are driving sustainability improvements using several strategies:

**Reducing Chemical
Impact**

**Improving Water
Management**

**Improving Energy
Management**

**Investing in Reduction
of Material Waste**

**Implementing
Sustainable Raw
Material Sourcing**

**Investing in Circularity
and Innovation**

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

**Investing in
Sustainable Brand
Marketing and
Communications**

Defining the Sustainability Strategies

Reducing Chemical Impact

Company reduces the impact of chemicals in its supply chain

Improving Water Management

Company focuses on water management through increased water efficiency, conservation, and reduction of wastewater quantity, while improving wastewater quality

Improving Energy Management

Company focuses on practices to decrease greenhouse gas emissions by focusing on improving energy efficiency, changing distributions modes, and increasing use of renewable energy

Investing in Reduction of Material Waste

Company implements practices to mitigate waste in areas such as fabric, consumer clothing, peripherals, and packaging

Implementing Sustainable Raw Material Sourcing

Company spurs innovation of new materials development and substitutes more sustainable materials in existing products and packaging

Investing in Circularity and Innovation

Company invests in innovation to achieve new circular business models which focus on product takeback and innovative design methods

Investing in Employee and Supplier Well-Being

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

Investing in Sustainable Brand Marketing and Communications

Company invests in marketing and education around sustainability through engagement campaigns and branding



Identified Sustainability Practices and Sub-practices

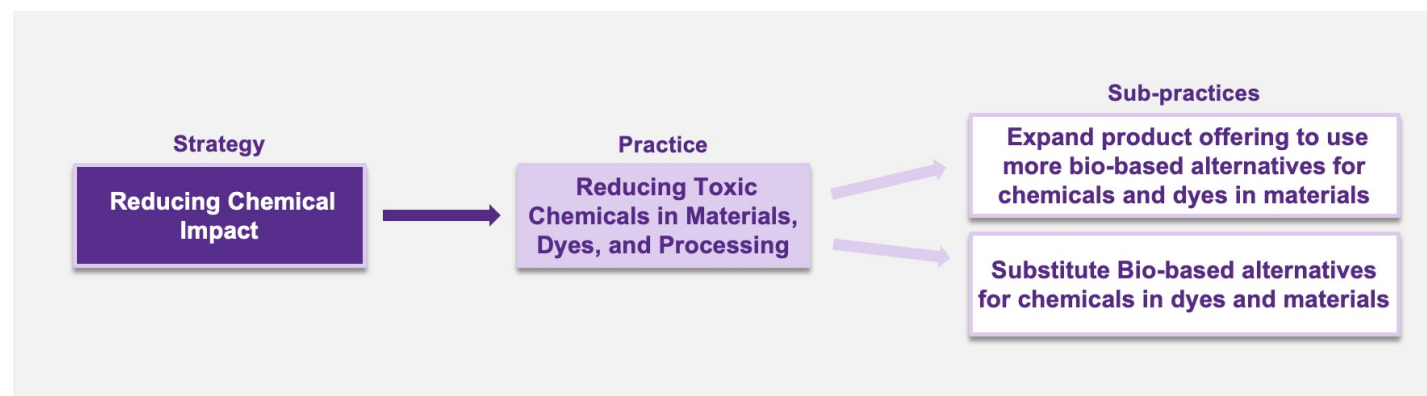
Through our research, we identified key sustainability **practices** and **sub-practices** companies implement to achieve their sustainability strategies.

The sub-practices provide specific methods to execute the sustainability practices designated within each strategy

The following diagram illustrates the methodology

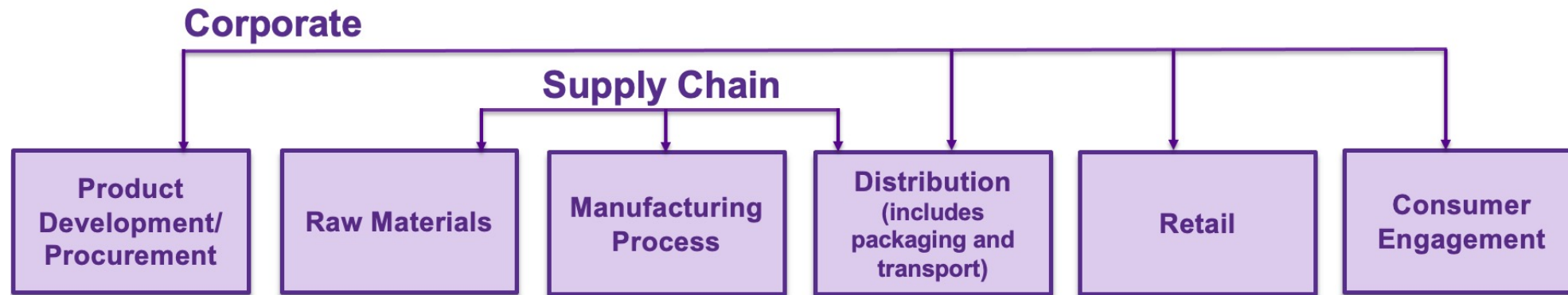


To the right is an example of how **practices** and corresponding **sub-practices** expand under the strategy of *Reducing Chemical Impact*



The Apparel Value Chain for the application of the Sustainable Strategies

We used a value chain approach to assess apparel sustainability efforts and map out the opportunities.



By differentiating between corporate and supply chain, we connected the practices within the sustainability strategies to the corresponding area(s) within the value chain.

We then determined where the responsibility lies and who could implement the practices, as well as the interdependencies helping to fortify a strategy that can drive change.

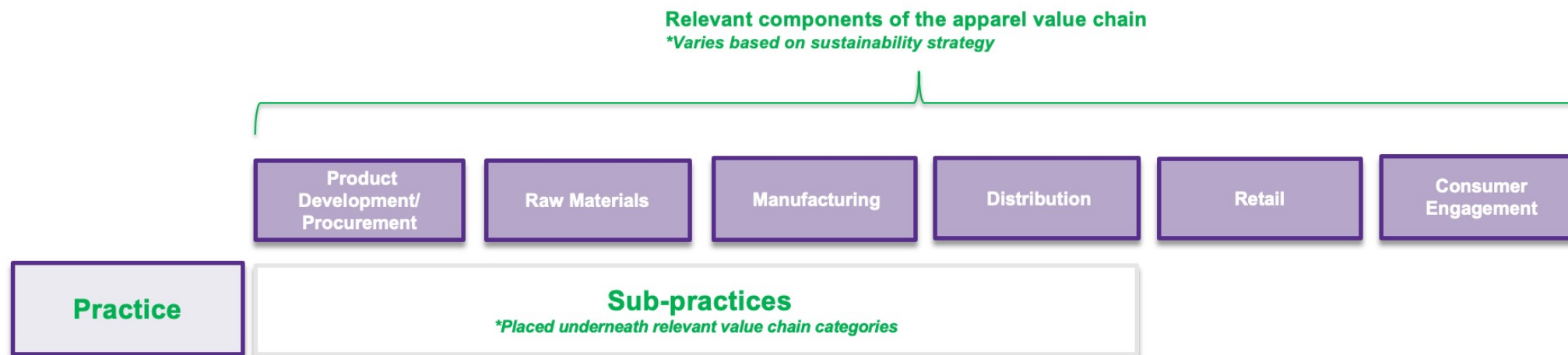
A challenge in implementation of key sustainability initiatives is understanding the drivers. With the complexity of the apparel system, the value chain is vital to determine the stakeholders for each practice as in some cases as many stakeholders and partnerships are often needed.

Sustainability Sub-practices mapped out along the value chain

We mapped **sub-practices** to the relevant parts of the apparel value chain to determine the drivers and impacted stakeholders

Each strategy includes sub-practices under each relevant component of the value chain, (if not relevant to a part of the value chain, it is excluded)

Please see diagram below of the framework layout, which is illustrated for each strategy in the *Apparel Industry Sustainable Strategies Framework*



Compliance / enforcement practices are not explicitly listed in this framework but should be considered when implementing the eight strategies

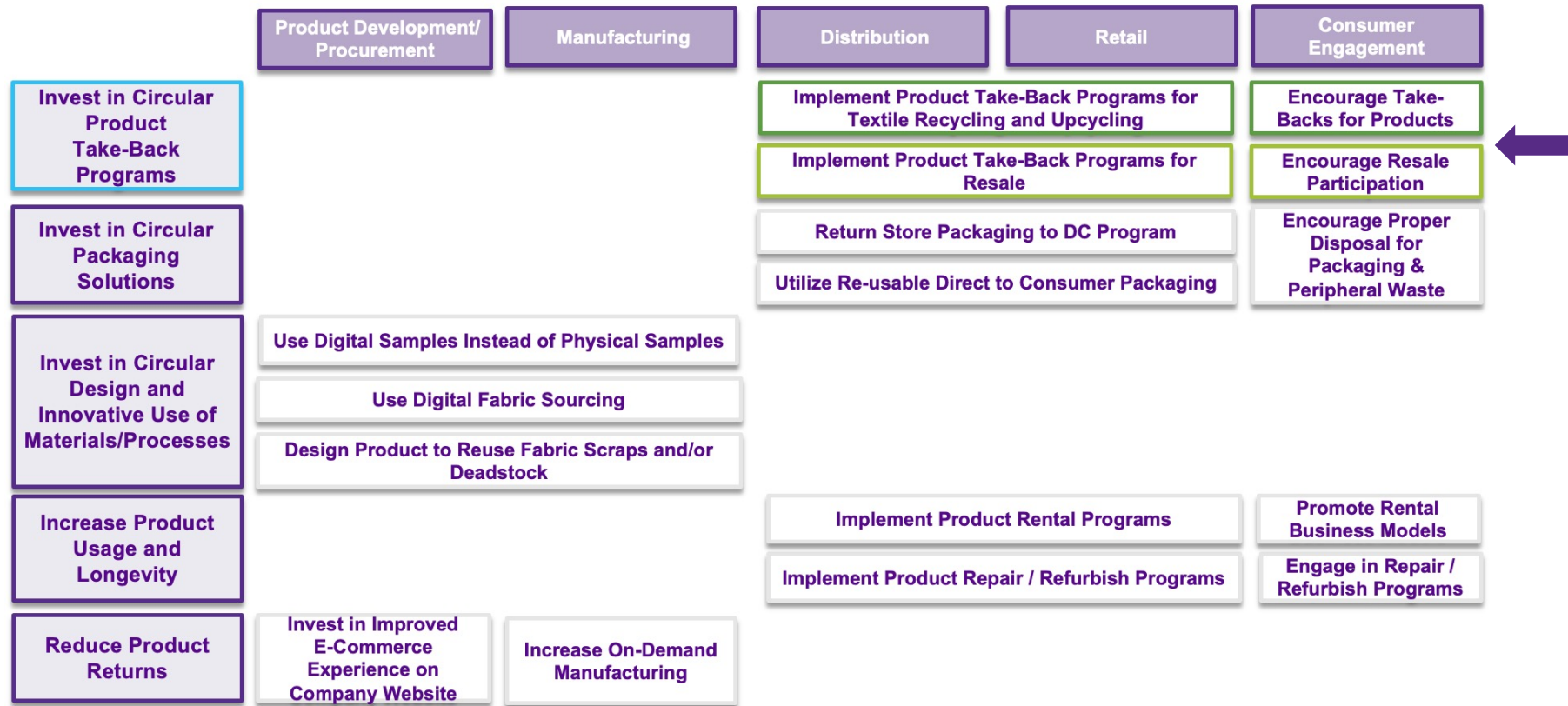


ROSI™ Walk-through Example for *Investing in Circularity and Innovation*



Focusing on the Practice of *Investing in Circular Product Take-Back Programs*

For the project collaboration with *Reformation* and *Eileen Fisher*, NYU Stern CSB identified the Strategy of Investing in Circularity and Innovation.



The sub-practice of **Implement Take-Back Programs** along with **Encouraging Participation**, whether taking product back to a company or resale purchases, was determined as most material under the practice of **Invest in Product Take-Back Programs** (as highlighted to the left)

The value chain most impacted with the implementation was Distribution, Retail, and Consumer Engagement.

Overview of Sample Benefits and Monetization Methods

Using the five-step ROSI™ framework process, the benefits, mediating factors and monetization methods were determined.

Each sub-practice led to a benefit (or multiple benefits) that intersect with different areas along the value chain. The proposed monetization methods captured the impacted areas and determined the value of the return on sustainability investments.

Practice	Sub-Practice	Proposed Benefits	Mediating Factors		Proposed Monetization Methods
Invest in Circular Product Take-Back Programs	Implement Product Take-Back Programs for Resale	Profit from reused items within resale programs <i>*For strategic recommendations, working with third-parties is beneficial but there is upside to developing these capabilities in- house (incremental parent company profit, etc.)</i>	INN		Calculate annual profit from resale program: annual revenue from resale program sales minus costs associated with selling reused items (i.e., sorting and cleaning costs)
	Encourage Resale Participation	New purchase sales from participation in resale programs	CL	SM	Calculate incremental profit to the company from sales spurred by the existence of resale programs (i.e., shopping credit to purchase products) minus associated costs (i.e., shopping credit costs)
		Lower customer acquisition costs	CL	SM	Calculate estimated # of customers who purchase parent company products for the first time (via the resale program) multiplied by customer acquisition costs per customer to achieve avoided cost savings
		Unpaid earned media	MC		Calculate cost per media exposure multiplied by # of unpaid media exposures (given program visibility) to achieve avoided cost savings

Overview of Relevant Mediating Factors and Benefits for *Investing in Circular Product Take-Back Programs*

Benefits are quantified by mediating factors from the implemented sub-practices as illustrated below -

Relevant Mediating Factors

Innovation (INN)

Customer Loyalty (CL)

Sales & Marketing (SM)

Media Coverage (MC)

Benefits that...

Create new revenue streams using sustainable business models

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

Increase volume of sales through brand and marketing policies

Increase a company's media presence with the development of both traditional and social media content

Overview of Circularity Monetization Tools

Using the ‘Implement Product Take-Back Programs for Resale’* practice as an example – over the next few slides, we illustrate the monetization of the following three benefits:

1. New purchase sales: Sales generated by the parent company** from customer participation in resale programs

E.g., a customer who gives in a used item of clothing (to the resale program) is provided a gift card to spend at the parent company; the customer spend is defined as ‘new purchase sales’

2. Lower customer acquisition costs: Cost savings due to attraction of “free” resale customers to parent company products

3. Unpaid earned media: Value of “free” media generated due to resale program visibility

*Benefit monetization examples assume it’s an in-house resale program

**Parent company owns the in-house resale program but has separate benefits to monetize

Case 1: By Implementing the RENEW Circular Take-Back Program, EILEEN FISHER Accrues Financial and Brand-related Benefits

EILEEN FISHER

Benefits & Associated Costs Explored

Profit from RENEW program



Incremental EILEEN FISHER profit from RENEW program



Customer acquisition cost reduction



Increase in earned media

Total net benefit of **\$1.8 million for 2019**

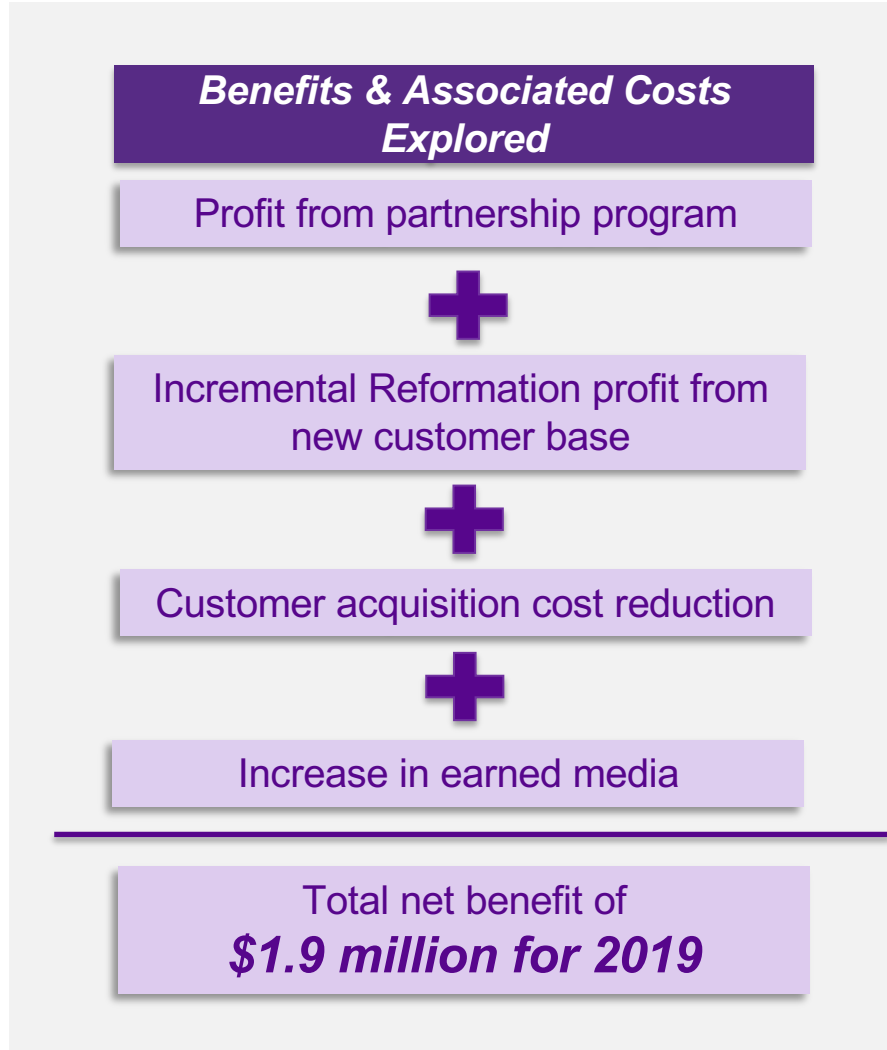
NYU Stern CSB collaborated with Eileen Fisher to monetize the implementation of a Circular Take –Back Program



Photos by
EILEEN FISHER

Case 2: By Partnering with thredUP on a Circular Take-Back Program, Reformation Accrues Financial and Brand-related Benefits

Reformation



NYU Stern CSB collaborated with Reformation to monetize the implementation of a Circular Take-Back Program



Monetization Tools for Industry Application: Circularity Examples

With the development of template monetization models, apparel companies can leverage these tools for future sustainable investment decisions:

Example Apparel Template Monetization Models for In-House Resale Program*

1. New purchase sales

Sustainable Apparel ROI Monetization
Invest in Circular Product Take-Back Programs
*Assuming in-house resale program
**All figures are illustrative

Sub-practice: Encourage Resale Participation
Benefit: New purchase sales from participation in resale programs

DATA INPUTS: Company Data & Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Customer Behavior Data						
Number of Resale Program Customers who Purchase Company Products	-	600	650	670	690	710
Average Spending per Customer	\$ -	\$ 110	\$ 120	\$ 124	\$ 127	\$ 131
Number of Transactions	-	600	650	670	690	710
IF APPLICABLE: Average Shopping Credit (or Other Incentive) per Transaction	\$ -	\$ 72	\$ 75	\$ 77	\$ 80	\$ 82
Additional Costs to Consider	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate Assumptions						
Growth Rate		3%	3%	3%	3%	3%
Discount Rate						8%

CALCULATED: Incremental Profit from Sales Spurred by the Existence of Resale Programs	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue Components						
Number of Resale Program Customers who Purchase Company Products	-	600	650	670	690	710
Average Spending per Customer	\$ -	\$ 110	\$ 120	\$ 124	\$ 127	\$ 131
Revenue from Purchasing Company Products	\$ -	\$ 66,000	\$ 78,000	\$ 82,750	\$ 87,790	\$ 93,135
Total Revenue	\$ -	\$ 66,000	\$ 78,000	\$ 82,750	\$ 87,790	\$ 93,135
Cost Components						
Number of Transactions	-	600	650	670	690	710
IF APPLICABLE: Average Shopping Credit (or Other Incentive) per Transaction	\$ -	\$ 72	\$ 75	\$ 77	\$ 80	\$ 82
IF APPLICABLE: Cost of Shipping Credit (or Other Incentive) Given to Additional Costs to Consider	\$ -	\$ 43,200	\$ 48,750	\$ 51,719	\$ 54,869	\$ 58,210
Total Cost	\$ -	\$ 43,200	\$ 48,750	\$ 51,719	\$ 54,869	\$ 58,210
Incremental Profit	\$ -	\$ 22,800	\$ 29,250	\$ 31,031	\$ 32,921	\$ 34,925

*Assumes one unique customer per transaction and assumes, if applicable, shipping credit as the incentive

FINAL RESULTS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total Net Benefits	\$ -	\$ 22,800	\$ 29,250	\$ 31,031	\$ 32,921	\$ 34,925
NPV	\$ -	\$ 112,730				

2. Lower customer acquisition costs

Sustainable Apparel ROI Monetization
Invest in Circular Product Take-Back Programs
*Assuming in-house resale program
**All figures are illustrative

Sub-practice: Encourage Resale Participation
Benefit: Lower customer acquisition costs

DATA INPUTS: Company Data & Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing Costs						
Total Company Sales & Marketing Expense	-	168,000	170,000	175,100	180,353	185,784
Number of Customer Acquisitions	-	95	100	103	106	109
Customer Behavior Data						
Number of Resale Customers Who Purchase Any Parent Company Item for the First Time	-	110	130	134	138	142
Rate Assumptions						
Growth Rate		3%	3%	3%	3%	3%
Discount Rate						8%

CALCULATED: Reduction in Customer Acquisition Costs for Parent Company from Attraction to Resale Program	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Acquisition Cost Per Customer	\$ -	\$ 1,768	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700
Number of Resale Program Customers Who Purchase Any Parent Company Item for the First Time	-	110	130	134	138	142
Avoided Cost for Customer Acquisitions	\$ -	\$ 194,526	\$ 221,000	\$ 227,630	\$ 234,459	\$ 241,493
Total Avoided Cost for Customer Acquisitions	\$ -	\$ 194,526	\$ 221,000	\$ 227,630	\$ 234,459	\$ 241,493

FINAL RESULTS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total Benefits	\$ -	\$ 194,526	\$ 221,000	\$ 227,630	\$ 234,459	\$ 241,493
NPV	\$ -	\$ 886,979				

3. Unpaid earned media

Sustainable Apparel ROI Monetization
Invest in Circular Product Take-Back Programs
*Assuming in-house resale program
**All figures are illustrative

Sub-practice: Encourage Resale Participation
Benefit: Unpaid earned media

DATA INPUTS: Company Data & Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Media Components						
Average Annual Paid Media Cost	\$ -	\$ 1,150,000	\$ 1,200,000	\$ 1,236,000	\$ 1,273,080	\$ 1,311,272
Number of Media Placements	0	75	77	79	82	84
Number of Unpaid Earned Media Placements (Due to Resale Program Visibility)	0	5	7	7	7	8
Rate Assumptions						
Growth Rate		3%	3%	3%	3%	3%
Discount Rate						8%

CALCULATED: Unpaid Earned Media	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Average Cost of Media Placement	\$ -	\$ 15,333	\$ 15,584	\$ 15,584	\$ 15,584	\$ 15,584
Number of Unpaid Earned Media Placements (Due to Resale Program Visibility)	0	5	7	7	7	8
Avoided Cost for Earned Media	\$ -	\$ 76,667	\$ 109,091	\$ 112,364	\$ 115,735	\$ 119,207
Total Avoided Cost of Earned Media	\$ -	\$ 76,667	\$ 109,091	\$ 112,364	\$ 115,735	\$ 119,207

FINAL RESULTS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total Benefits	\$ -	\$ 76,667	\$ 109,091	\$ 112,364	\$ 115,735	\$ 119,207
NPV	\$ -	\$ 415,812				

Example 1: New Purchase Sales Template Monetization Model

Benefit: New purchase sales for the parent company from participation in resale programs

Sustainable Apparel ROSI Monetization

Invest in Circular Product Take-Back Programs

*Assuming in-house resale programs

**All figures are illustrative

Sub-practice: Encourage Resale Participation

Benefit: New purchase sales from participation in resale programs

DATA INPUTS: Company Data & Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Customer Behavior Data						
Number of Resale Program Customers who Purchase Company Products	-	600	650	670	690	710
Average Spending per Customer	\$ -	\$ 110	\$ 120	\$ 124	\$ 127	\$ 131
Number of Transactions	-	600	650	670	690	710
IF APPLICABLE: Average Shopping Credit (or Other Incentive) per Transaction	\$ -	\$ 72	\$ 75	\$ 77	\$ 80	\$ 82
Additional Costs to Consider	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate Assumptions						
Growth Rate		3%	3%	3%	3%	3%
Discount Rate						8%

CALCULATED: Incremental Profit from Sales Spurred by the Existence of Resale Programs	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue Components						
Number of Resale Program Customers who Purchase Company Products	-	600	650	670	690	710
Average Spending per Customer	\$ -	\$ 110	\$ 120	\$ 124	\$ 127	\$ 131
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Additional Costs to Consider	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cost	\$ -	\$ 43,200	\$ 48,750	\$ 51,719	\$ 54,869	\$ 58,210
Incremental Profit	\$ -	\$ 22,800	\$ 29,250	\$ 31,031	\$ 32,921	\$ 34,926

*Assumes one unique customer per transaction and assumes, if applicable, shopping credit as the incentive

FINAL RESULTS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total Net Benefits	\$ -	\$ 22,800	\$ 29,250	\$ 31,031	\$ 32,921	\$ 34,926
NPV	\$ -	\$ 118,790				

*Figures are illustrative



Example 2: Lower Customer Acquisition Costs Template Monetization Model

Benefit: Lower customer acquisition costs, given attraction of resale customers to parent company products

Sustainable Apparel ROSI Monetization

Invest in Circular Product Take-Back Programs

*Assuming in-house resale program

**All figures are illustrative

Sub-practice: Encourage Resale Participation

Benefit: Lower customer acquisition costs

DATA INPUTS: Company Data & Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing Costs						
Total Company Sales & Marketing Expense	- \$	168,000 \$	170,000 \$	175,100 \$	180,353 \$	185,764
Number of Customer Acquisitions	-	95	100	103	106	109
Customer Behavior Data						
Number of Resale Customers Who Purchase Any Parent Company Item for the First Time	-	110	130	134	138	142
Rate Assumptions						
Growth Rate		3%	3%	3%	3%	3%
Discount Rate						8%
CALCULATED: Reduction in Customer Acquisition Costs for Parent Company Given Attraction to Resale Program						
Acquisition Cost Per Customer	\$ -	\$ 1,768	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700
Number of Resale Program Customers Who Purchase Any Parent Company Item for the First Time	-	110	130	134	138	142
Avoided Cost for Customer Acquisitions	\$ -	\$ 194,526	\$ 221,000	\$ 227,630	\$ 234,459	\$ 241,493
Total Avoided Cost for Customer Acquisitions	\$ -	\$ 194,526	\$ 221,000	\$ 227,630	\$ 234,459	\$ 241,493
FINAL RESULTS						
Total Benefits	\$ -	\$ 194,526	\$ 221,000	\$ 227,630	\$ 234,459	\$ 241,493
NPV	\$ 886,979					

*Figures are illustrative



Example 3: Unpaid Earned Media Template Monetization Model

Benefit: Unpaid earned media for the parent company due to resale program visibility

Sustainable Apparel ROSI Monetization

Invest in Circular Product Take-Back Programs

**Assuming in-house resale program*

***All figures are illustrative*

Sub-practice: Encourage Resale Participation

Benefit: Unpaid earned media

DATA INPUTS: Company Data & Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Media Components						
Average Annual Paid Media Cost	\$ -	\$ 1,150,000	\$ 1,200,000	\$ 1,236,000	\$ 1,273,080	\$ 1,311,272
Number of Media Placements	0	75	77	79	82	84
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Rate Assumptions						
Growth Rate		3%	3%	3%	3%	3%
Discount Rate						8%
CALCULATED: Unpaid Earned Media						
Average Cost of Media Placement	\$ -	\$ 15,333	\$ 15,584	\$ 15,584	\$ 15,584	\$ 15,584
Number of Unpaid Earned Media Placements (Due to Resale Program Visibility)	0	5	7	7	7	8
Avoided Cost for Earned Media	\$ -	\$ 76,667	\$ 109,091	\$ 112,364	\$ 115,735	\$ 119,207
Total Avoided Cost for Earned Media	\$ -	\$ 76,667	\$ 109,091	\$ 112,364	\$ 115,735	\$ 119,207
FINAL RESULTS						
Total Benefits	\$ -	\$ 76,667	\$ 109,091	\$ 112,364	\$ 115,735	\$ 119,207
NPV	\$	419,912				

*Figures are illustrative





Additional Case Study Findings with Apparel Partners



Case 3: EILEEN FISHER Finds Financial Cost Savings and Societal Benefit by Shifting Away from Air Transportation

EILEEN
FISHER

NYU Stern CSB collaborated with Eileen Fisher to monetize shifting its transportation mix away from air and towards sea and trucking transports

Transportation Cost Savings

In 2019, the company spent ~\$1.6 million less in transportation costs than in 2015

Societal Benefit

From 2015 to 2019, the company achieved a cumulative societal benefit of ~\$150,000* due to the reduction in its GHG emissions

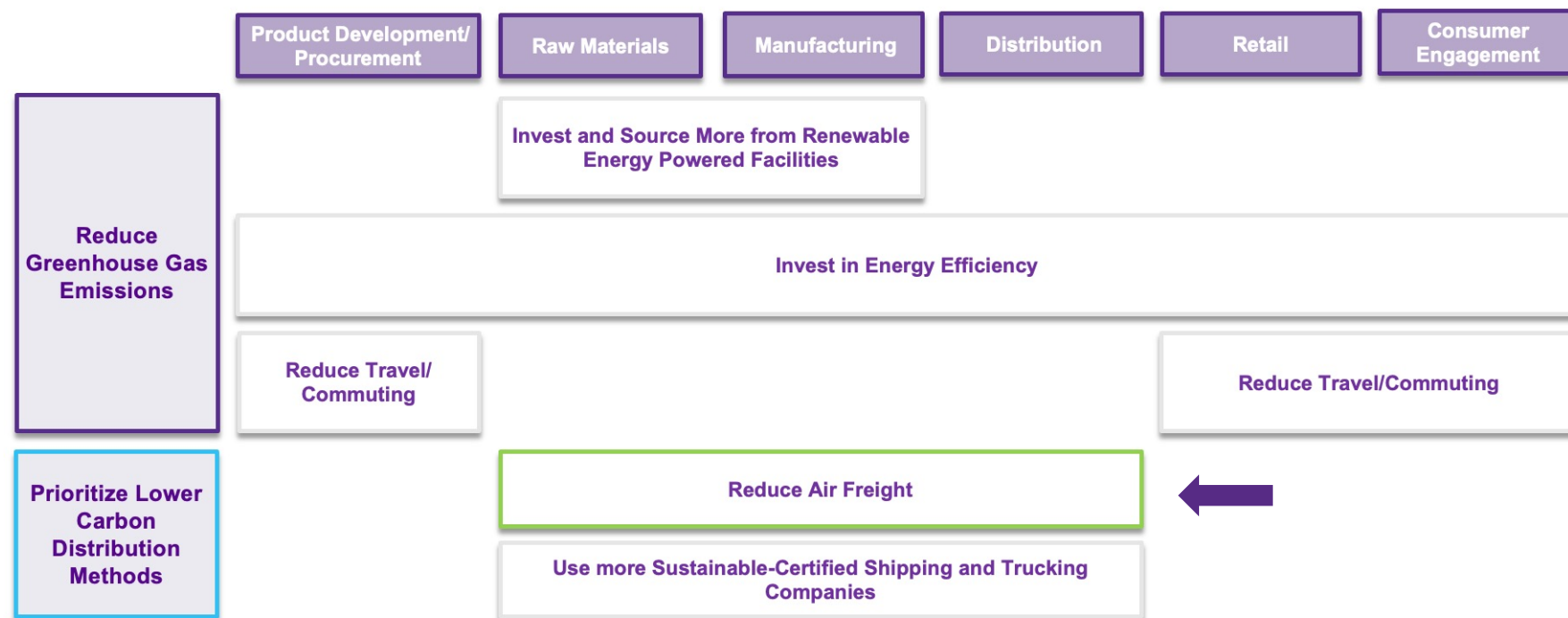


**Using \$50 per MT CO₂e as the social cost of carbon*



Focusing on the Practice of *Prioritizing Lower Carbon Distribution Methods*

For the project collaboration with *Eileen Fisher*, NYU Stern CSB identified the Strategy of **Improving Energy Management**



Under the practice of **Prioritize Lower Carbon Distribution Methods**, the sub-practice of **Reduce Air Freight** was determined as most material (as highlighted above).

The value chain most impacted with the implementation was Raw Materials, Manufacturing, and Distribution.

Overview of Sample Benefits and Monetization Methods

for sub-practice of *Reduce Air Freight*

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods
Prioritize Lower Carbon Distribution Methods	<i>Reduce Air Freight</i>	Reduced transportations costs (by shifting transport towards sea and trucking)	OE	Calculate cost differential of shipping costs before and after shift in transport mode (from air to sea and trucking) to achieve avoided cost savings
		Increased Societal Benefit through a reduction in GHG emissions	SE	Calculate savings in societal benefit using the reduction of GHG emissions (from shift in transport mode) by the social cost of carbon
		Reduced impact for future regulations on emissions	RM	Calculate differential of GHG emissions before and after shift in transport mode (from air to sea and trucking) and use NPV to determine future cost savings on estimated carbon and regulatory taxes

Benefits are quantified by mediating factors from the implemented sub-practices as illustrated below -

Operational Efficiency (OE)

Stakeholder Engagement (SE)

Risk Management (RM)

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

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

Encourage resilience within the supply base by decreasing supplier dependency

Case 4: REI's Sustainability Program Delivers HR Results



NYU Stern CSB collaborated with REI to monetize investment in Employee Sustainability Programs

Employee Sustainability Program Benefits and Cost for 2019

Reduced turnover and hiring costs



Increased productivity amongst high performers



Mission-aligned investments, including paid time off days

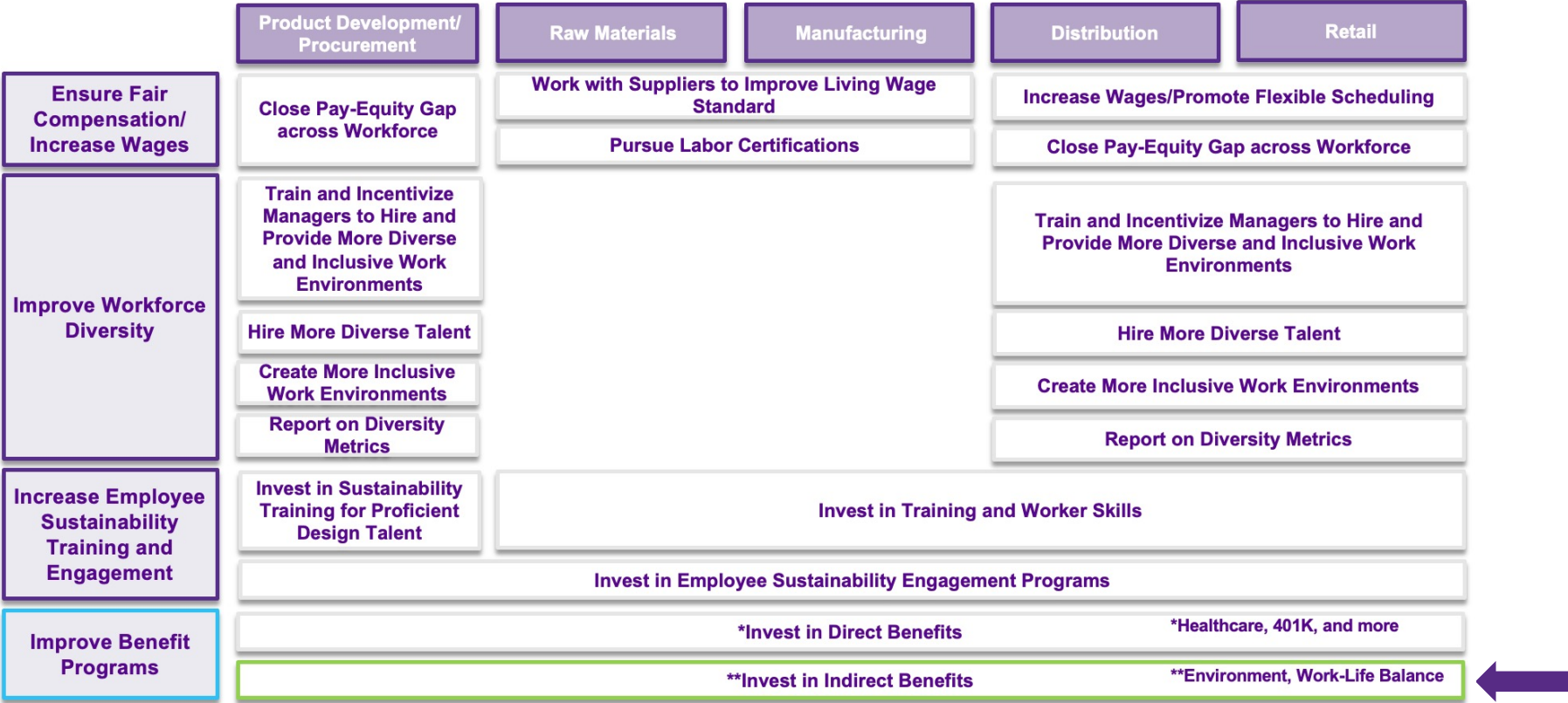
Total net benefit of
\$34 million*



**This figure is ~5% of payroll expenses*

Focusing on the Strategy of *Improve Benefit Programs*

For the project collaboration with *REI*, NYU Stern CSB identified the Strategy of **Investing in Employee and Supplier Well-Being**



The sub-practice of **Invest in Indirect Benefits** was determined to be most material under the practice of **Improve Benefit Programs** as highlighted above.

Overview of Sample Benefits and Monetization Methods

for sub-practice of *Invest in Indirect Benefits*

Practice	Sub-Practice	Proposed Benefits	Mediating Factors	Proposed Monetization Methods
Improve Benefit Programs	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

Benefits are quantified by mediating factor(s) from the implemented sub-practices as illustrated below -

Employee Relations (ER)

Improve employee workplace culture and retain talent

ROSI™ Resources



Press for NYU Stern CSB Apparel Work

Apparel Project Launch



[HSBC, Eileen Fisher, REI on Driving Profits Through Sustainability](#)

At the Bloomberg Sustainable Business Summit, CSB Director Tensie Whelan moderates a panel of participating project partners as they discuss Return on Sustainability Investment (ROSI) across the apparel industry and in their companies.



In the Press



[The Business Case for Sustainable Apparel](#)



[Resale's contradiction: Selling 'new' on secondhand sites](#)



[There's a New Apparel Sustainability Framework - and Eileen Fisher, Reformation, and REI Are on Board](#)



[Circular Business Model Lessons from IKEA, REI, and Eileen Fisher](#)



[Fashion Goes Green to Raise Capital](#)

ROSI Apparel Resources & Tools

NYU Stern CSB offers in-depth resources on the apparel framework, including details by strategy, case studies with our apparel partners, and Excel monetization tools for download at our [website](#)



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APPAREL INDUSTRY SUSTAINABLE STRATEGIES FRAMEWORK

To dive deeper into each of our eight strategies, please click on the corresponding sector that you are interested in learning more about.

Reducing Chemical Impact

Improving Water Management

Improving Energy Management

Reduction of Material Waste


Sustainable Raw Material Sourcing

Circularity & Innovation

Employee & Supplier Well-being

Sustainable Brand Marketing & Communications


Details on apparel framework strategies



Case Study: Employee Wellbeing

As a company with a strong commitment to culture and values, REI sought to better understand whether or not its investments in an embedded sustainability strategy and a strong culture focused on sustainability leads to higher employee engagement, and by extension, higher employee retention and overall higher employee satisfaction.

READ THE CASE STUDY




Case Study: Circularity and Energy Management

As a leading sustainable apparel company, EILEEN FISHER sought to identify and monetize its current financial and societal benefits of prioritizing lower carbon modes of transportation and investing in circular take-back programs.

READ THE CASE STUDY

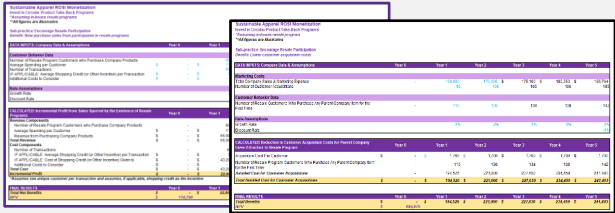
Case study narratives with our apparel partners



Sustainable Apparel Monetization Toolkit

[Back to Full List of Strategies](#)

The goal of our Return on Sustainability Investment (ROSI™) collaborations is ultimately to develop tools that companies can use to explore how these benefits might accrue to their own organizations. Below please find a set of tools we've constructed as part of our research collaboration. We propose the types of data a company might gather and the internal functional teams that may be called upon to assist with data aggregation.



Excel monetization tools that can be applied across the apparel industry

Recent Thought Leadership from NYU Stern CSB (as of April 2021)

ESG Research

[Report: Determining the Financial Impact of ESG Investing](#)

Meta-studies examining the relationship between environmental, social, and governance (“ESG”) and financial performance have a decades-long history. Almost all the articles they cover, however, were written before 2015. Those analyses found positive correlations between ESG performance and operational efficiencies, stock performance, and lower cost of capital. In collaboration with Rockefeller Asset Management, we examine the relationship between ESG and financial performance in more than 1,000 research papers from 2015 – 2020.

Consumer Insights Research

[Updated Sustainable Share Market Index](#)

In the latest installment of the Sustainable Share Market Index™ launched in 2019, NYU Stern CSB finds that sustainability-marketed products are responsible for more than half of the growth in consumer-packaged goods from 2015 to 2019, and that this growth continues despite the COVID-19 pandemic.

Articles

[Making a Better Business Case for ESG](#)

In a recent article in the Stanford Social Innovation Review, NYU Stern CSB Director Tensie Whelan explains how embedding ESG initiatives into core business strategy is not only good for profits, but also essential to customer allegiance and risk mitigation - as proven by ROSI.

[How to Talk to Your CFO about Sustainability](#)

By now most companies have committed to sustainability efforts—and yet many CFOs still see those efforts as a cost rather than a source of value. That makes it hard to unlock the internal financing needed to scale them up. Particularly now, as companies scrutinize budgets threatened by the COVID-19 pandemic, the ROSI analysis can help CFOs improve organizational finances through sustainability investments that create value for investors, employees, customers, and the world at large.

[Boards Are Obstructing ESG – at Their Own Peril](#)

Given recent developments in 2020, investors and chief executives now take ESG seriously in their decision making; however, one impactful group is lagging: corporate boards. Recent research conducted by NYU Stern CSB illustrates that many corporate boards have minimum ESG-related expertise, and many do not recognize the need to pay attention to material sustainability issues.



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Appendix

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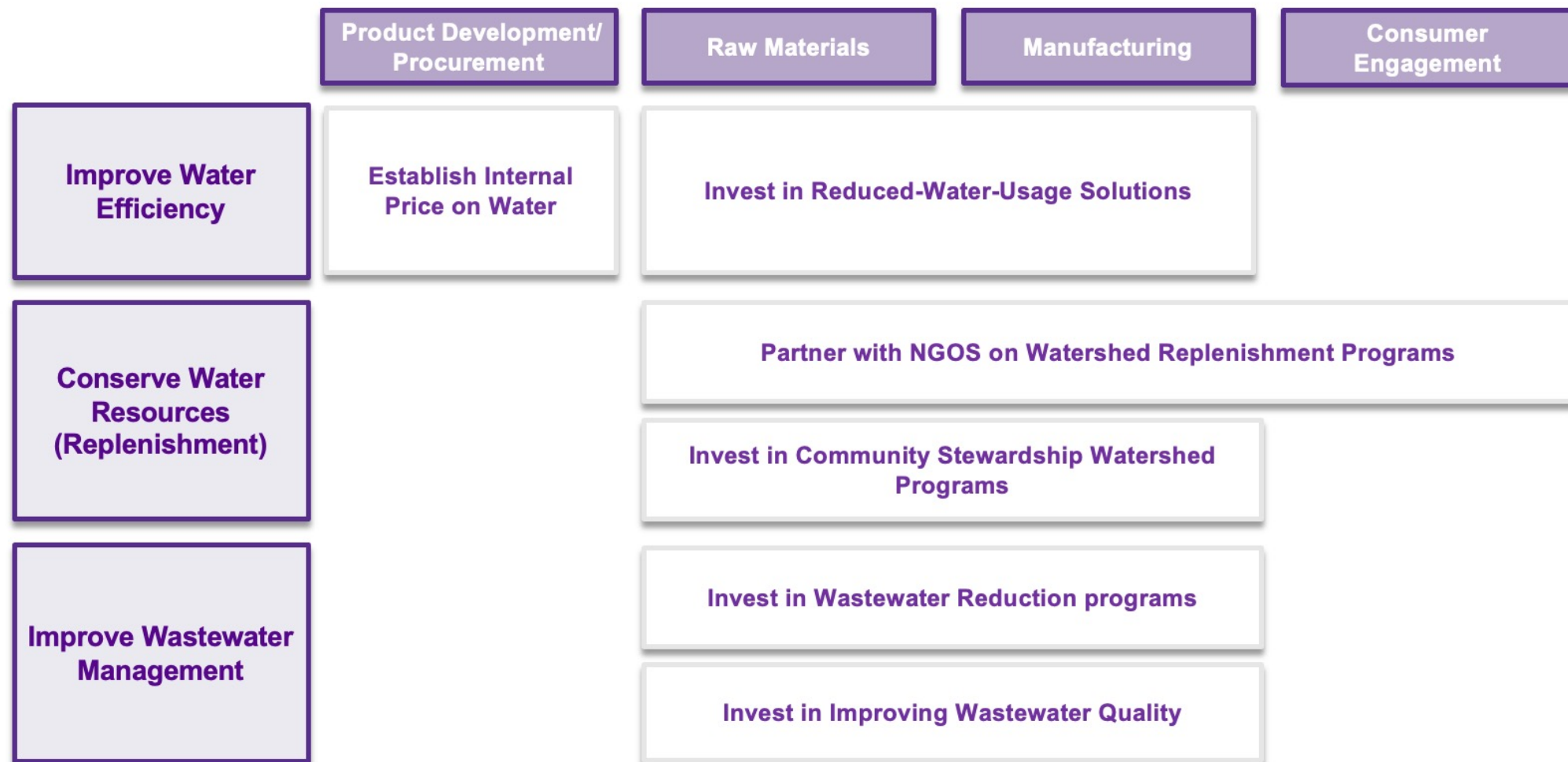
Apparel Industry Sustainable Strategies Framework



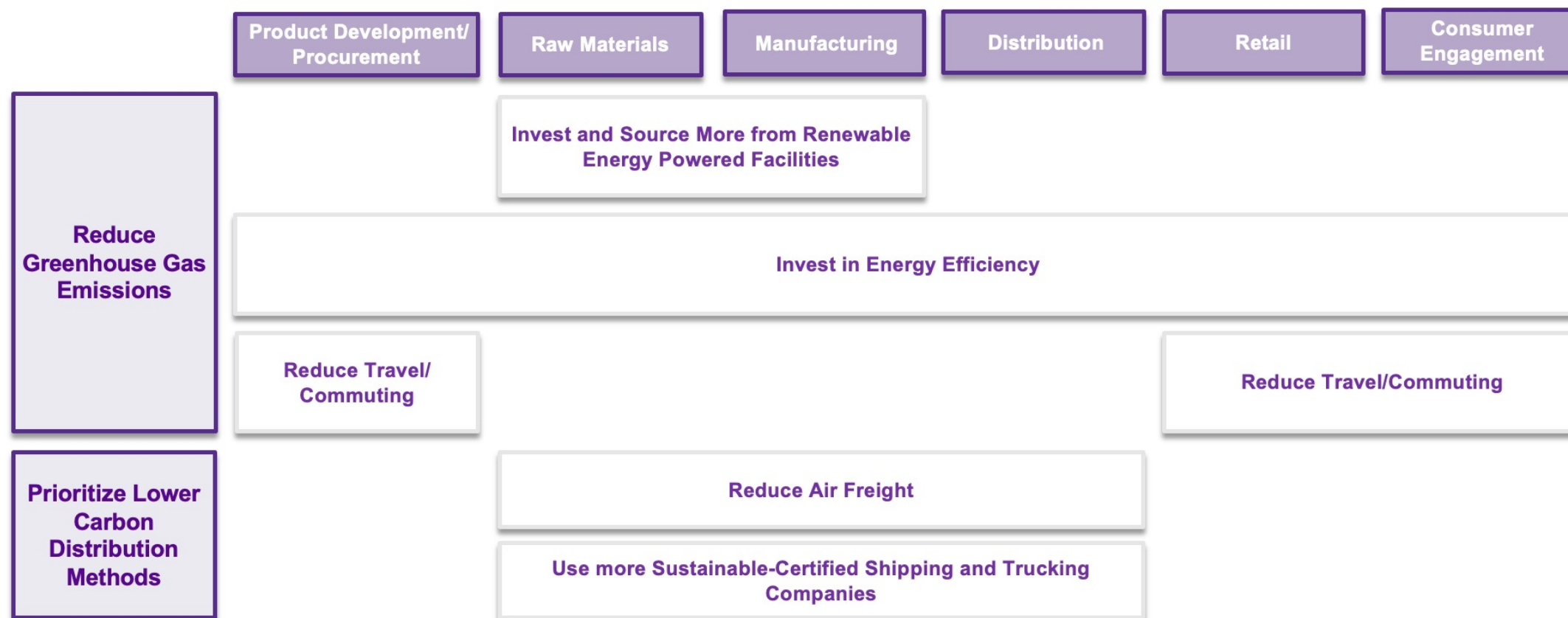
Reducing Chemical Impact



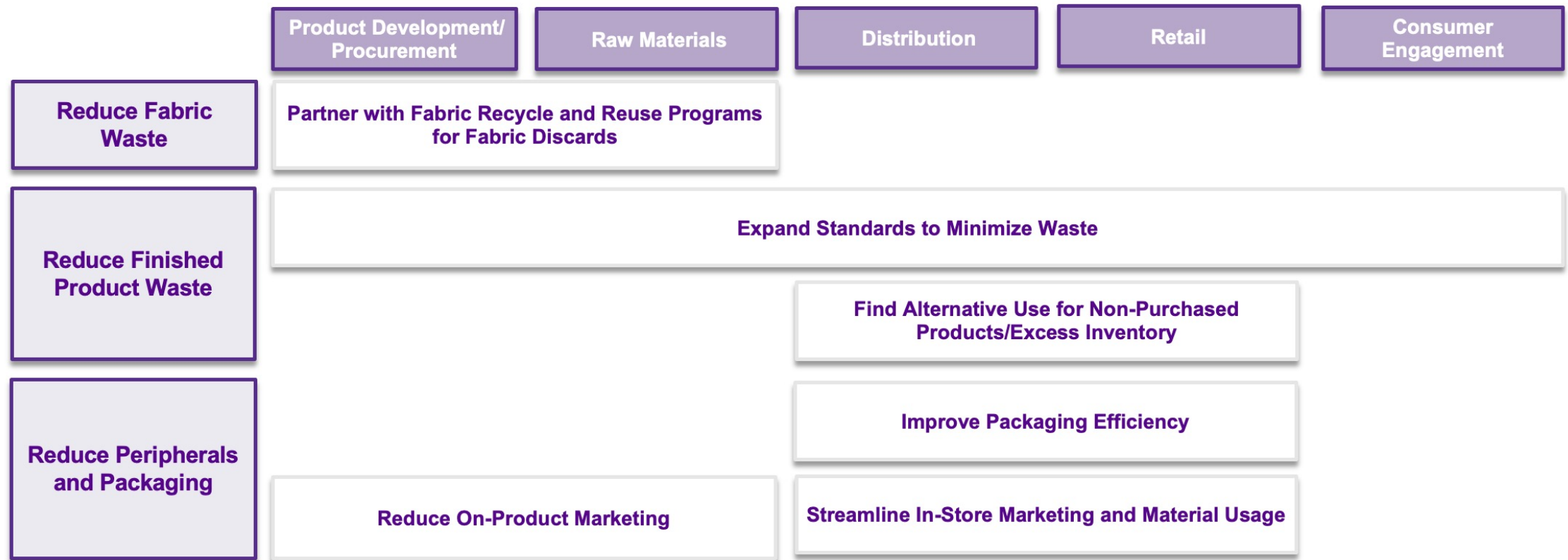
Improving Water Management



Improving Energy Management

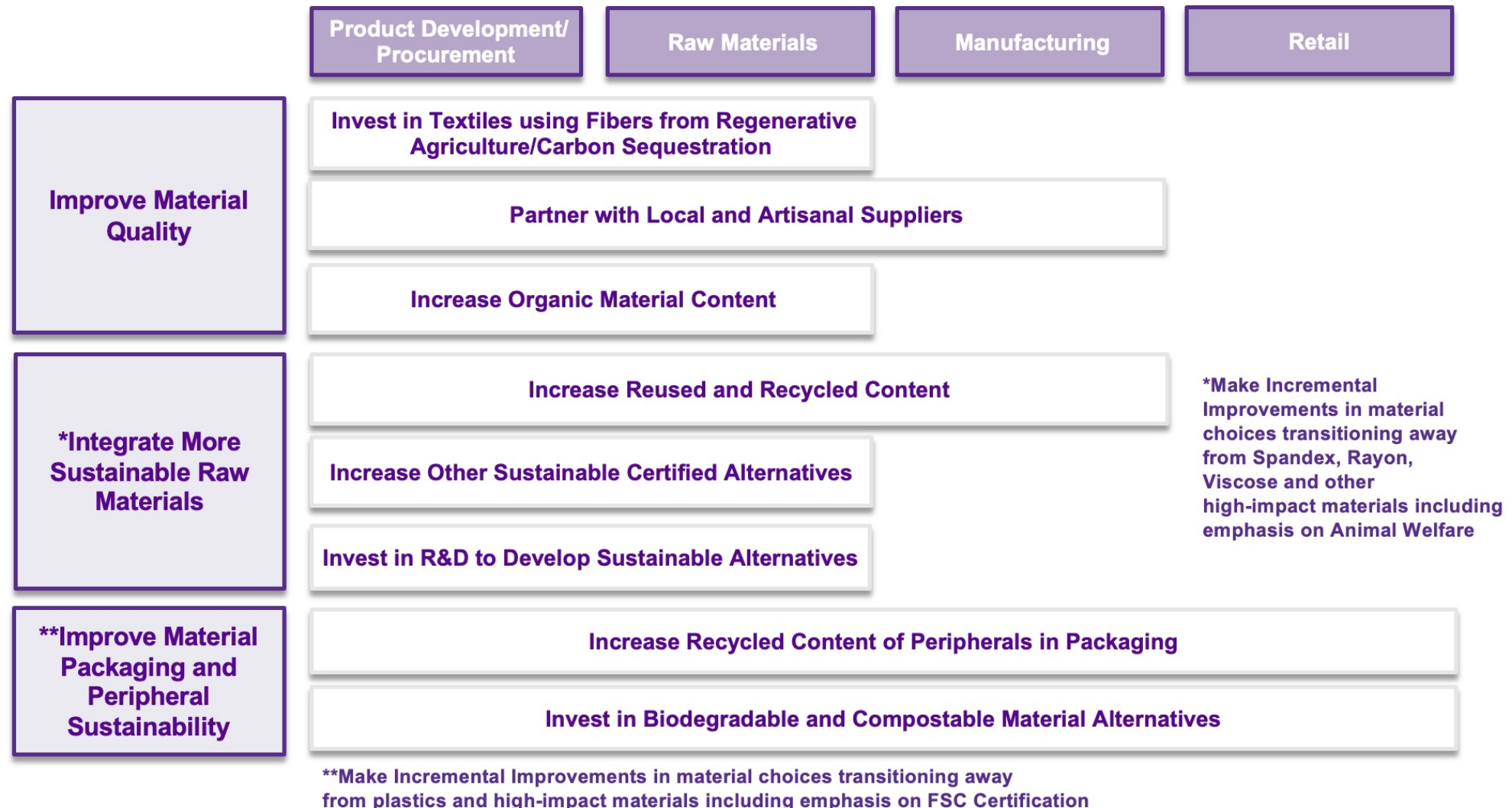


Investing in Reduction of Material Waste*

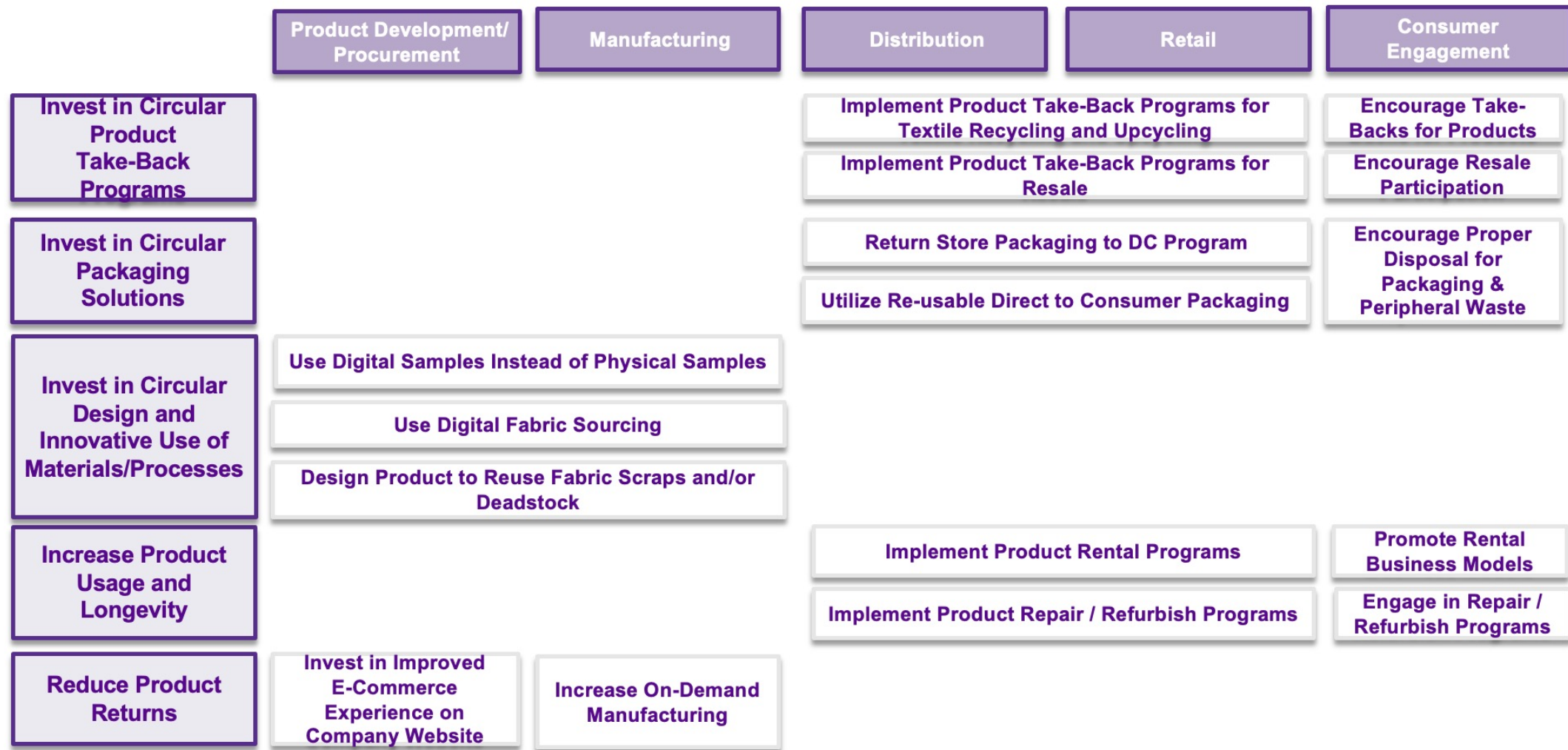


*Includes Fabric, Packaging, Consumer

Implementing Sustainable Raw Material Sourcing



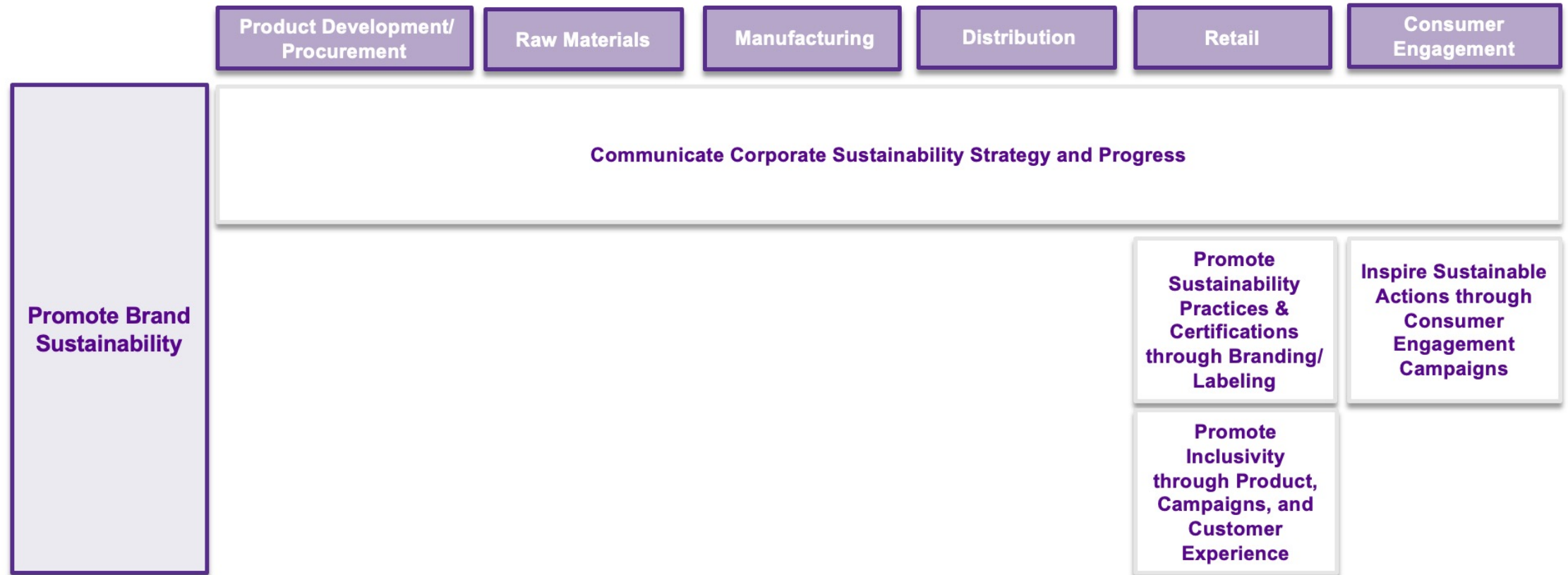
Investing in Circularity and Innovation



Investing in Employee and Supplier Well-Being

	Product Development/ Procurement	Raw Materials	Manufacturing	Distribution	Retail
Ensure Fair Compensation/ Increase Wages	Close Pay-Equity Gap across Workforce	Work with Suppliers to Improve Living Wage Standard		Increase Wages/Promote Flexible Scheduling	
		Pursue Labor Certifications		Close Pay-Equity Gap across Workforce	
Improve Workforce Diversity	Train and Incentivize Managers to Hire and Provide More Diverse and Inclusive Work Environments			Train and Incentivize Managers to Hire and Provide More Diverse and Inclusive Work Environments	
	Hire More Diverse Talent			Hire More Diverse Talent	
	Create More Inclusive Work Environments			Create More Inclusive Work Environments	
	Report on Diversity Metrics			Report on Diversity Metrics	
Increase Employee Sustainability Training and Engagement	Invest in Sustainability Training for Proficient Design Talent	Invest in Training and Worker Skills			
		Invest in Employee Sustainability Engagement Programs			
Improve Benefit Programs		*Invest in Direct Benefits		*Healthcare, 401K, and more	
		**Invest in Indirect Benefits		**Environment, Work-Life Balance	

Investing in Sustainable Brand Marketing and Communications*



*Includes Employees, Customers, and Other Stakeholders



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