

# The Business Case for Sustainable Apparel

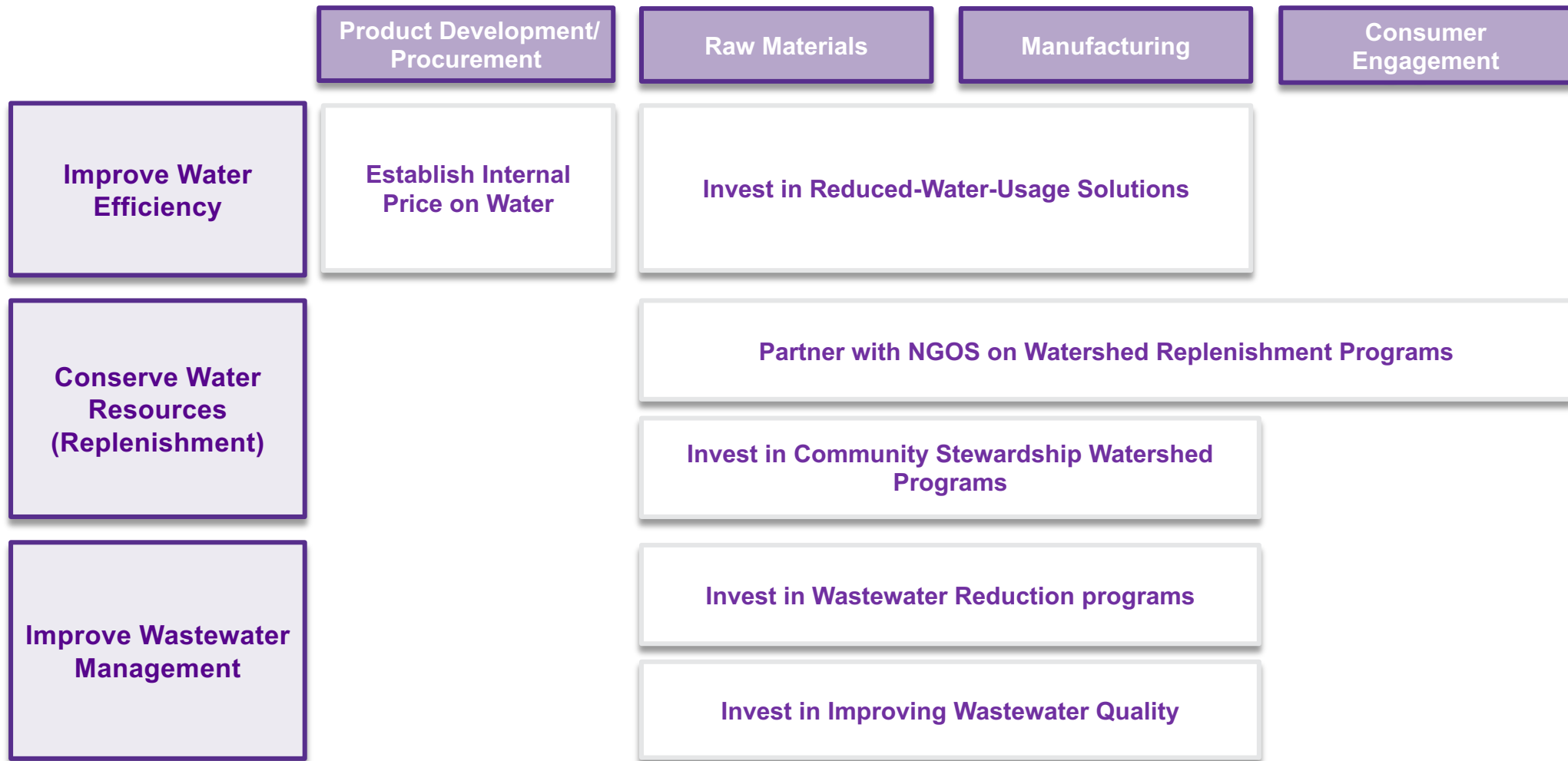
## Strategy for Improving Water Management

*Phase 1: December 2020*

*Phase 2: April 2021*



# Improving Water Management



# Improve Water Management

## Overview of Sustainability Strategy and Relevant Impact Categories

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

### *Sustainability Strategy Definition*

#### Improve Water Management

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

### *Relevant Impact Categories*

#### 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 resilience within the supply base by decreasing supplier dependency

#### 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

# Improving Water Management

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



Practice	Sub-Practice	Proposed Benefits	Impact Categories	Proposed Monetization Methods	Financial Impact Priority
Improve Water Efficiency	Establish Internal Price on Water	Reduced operating costs for wastewater management <i>*Reduced wastewater as a bi-product of reduced water usage, based on establishing an internal price on water with suppliers</i>	OE SR	Calculate differential of waste management costs before and after reduction in water usage (from established price on water) to achieve avoided cost savings <i>*Company should achieve pass-through savings in FOB</i> <i>*Reduced operating costs based on reduction of wastewater to manage</i>	
		Reduced impact of potential increases in water prices	RM	Calculate cost differential of internal price on water and estimate future costs based on water consumption and use NPV to determine future cost savings based on usage	
		Reduced risk for preempting future water regulations	RM	Calculate cost differential of before and after establishing internal price on water and use NPV to determine future cost savings on increased water costs and taxation	



= If implemented, this benefit can realize substantial financial impact

# Improving Water Management

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

Practice	Sub-Practice	Proposed Benefits	Impact Categories	Proposed Monetization Methods	Financial Impact Priority
Improve Water Efficiency	Invest in Reduced Water Usage Solutions  <i>*In partnership with suppliers – focusing on management of water through product creation (textiles and products)</i>	Reduced operating costs for using less water  <i>*This benefit includes reuse of water and alternative waterless processes for reduction in water usage</i>	OE SR	Calculate differential of water input costs before and after reduction in water usage (minus CapEx for equipment and/or associated costs for alternative waterless processes) to achieve avoided cost savings  <i>*Company should achieve pass-through savings in FOB *Reduced operating costs based on reduction of water – such as water leak detection and preventative maintenance, as well as reusing cooling water, reusing condensate, reusing process water *Other alternative waterless processes such DyeCoo, waterless dyeing and Ozone technology for denim, Waterless processing as well as</i>	
		Reduced operating costs for wastewater management based on reduction in water usage  <i>*Focus on reduction in wastewater as a bi-product of reduced water usage</i>	OE SR	Calculate differential of waste management costs before and after reduction in water usage to achieve avoided cost savings  <i>*Company should achieve pass-through savings in FOB *Reduced operating costs based on reduction of wastewater to manage</i>	
		Reduced impact for supply disruptions due to water scarcity	RM	Calculate estimated reduction in # of supply chain disruptions before and after implementation of reduced water usage solutions multiplied by cost per disruption (or loss of sales per disruption) to achieve estimated cost savings  <i>*Price of water estimated to increase as overconsumption and deterioration of water resources</i>	
		Reduced risk for preempting future water regulations	RM	Calculate cost differential of before and after establishing reduced water usage and use NPV to determine future cost savings on increased water costs and taxation	

# Improving Water Management

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

Practice	Sub-Practice	Proposed Benefits	Impact Categories	Proposed Monetization Methods	Financial Impact Priority
Conserve Water Resources & Replenishment	Partner with NGOs on Watershed Replenishment Programs	Reduced operating costs based on watershed replenishment through NGO partnership	OE SR	Calculate differential of infrastructure costs before and after implementation of watershed replenishment programs (through partnership with NGOs) to achieve avoided cost savings <i>*Company should achieve pass-through savings in FOB and/or reduced fabric costs</i>	✓
		Increased productivity based on implementation of watershed replenish programs <i>*Watershed replenishment programs provide accessible drinking water leading to improvements in health outcomes (and increased yields for raw materials)</i>	ER SR	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by the productivity increase from greater access to drinking water <i>*Company should achieve pass-through savings in FOB and/or reduced fabric costs</i>	
		Increased opportunities and potential partnerships	SE	Calculate annual profit from business opportunities associated with partnering with NGOs on watershed replenishment programs	
		Reduced impact for future supply chain disruptions due to water scarcity	RM	Calculate estimated reduction in # of supply chain disruptions before and after partnering on watershed programs multiplied by cost per disruption (or loss of sales per disruption) to achieve estimated cost savings <i>*Price of water estimated to increase as overconsumption and deterioration of water resources</i>	
		Reduced risk for preempting future water regulations	RM	Calculate cost differential of before and after establishing reduced water usage and use NPV to determine future cost savings on increased water costs and taxation	


# Improving Water Management

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

Practice	Sub-Practice	Proposed Benefits	Impact Categories		Proposed Monetization Methods	Financial Impact Priority
			OE	SR		
Conserve Water Resources & Replenishment	Invest in Community Stewardship Watershed Programs  <i>*In partnership with the supplier community and should include certifications</i>	Reduced costs associated with turnover rates <i>*Based on improved health conditions from access to clean water</i>	OE	SR	Calculate turnover rate differential before and after the company's investment in community stewardship watershed programs, then multiply by number of employees, annual salary, and turnover cost as a percentage of salary <i>*Company should achieve pass-through savings in FOB and/or reduced fabric costs</i>	✓
		Increased productivity based on investing in community stewardship watershed programs <i>*Watershed stewardship programs provide accessible drinking water leading to improvements in health outcomes (and increased yields for raw materials)</i>	ER	SR	Calculate monetary increase by multiplying number of employees by average annual salary and then multiplying by the productivity increase from greater access to drinking water	
		Reduced impact for future supply chain disruptions due to water scarcity	RM		Calculate estimated reduction in # of supply chain disruptions before and after investing in community stewardship watershed programs multiplied by cost per disruption (or loss of sales per disruption) to achieve estimated cost savings <i>*Price of water estimated to increase as overconsumption and deterioration of water resources</i>	
		Reduced risk for future water regulations	RM		Calculate cost differential of before and after investing in stewardship watershed program and use NPV to determine future cost savings on increased water costs and taxation	

# Improving Water Management

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

Practice	Sub-Practice	Proposed Benefits	Impact Categories	Proposed Monetization Methods	Financial Impact Priority
Improve Wastewater Management	Invest in Wastewater Reduction programs <i>*In Partnership with suppliers</i>	Reduced operating costs for wastewater management (including water treatment) <i>*Focus on reduction of wastewater as a by-product of reduced water usage</i>	OE SR	Calculate differential of waste management costs before and after investing in wastewater reduction programs (minus associated implementation costs) to achieve avoided cost savings <i>*Company should achieve pass-through savings in FOB *Reduced operating costs based on reduction of wastewater to manage but will incur costs of upfront CapEx for technology to reduce wastewater volume such as flow equalization and pH adjustment</i>	
		Reduced impact for future supply chain disruptions due to water scarcity	RM	Calculate estimated reduction in # of supply chain disruptions before and after implementation of wastewater reduction programs multiplied by cost per disruption (or loss of sales per disruption) to achieve estimated cost savings	
		Reduced risk for future water regulations	RM	Calculate cost differential of before and after investing in wastewater reduction programs and use NPV to determine future cost savings on increased water costs and taxation	



# Improving Water Management

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

Practice	Sub-Practice	Proposed Benefits	Impact Categories	Proposed Monetization Methods	Financial Impact Priority
Improve Wastewater Management	Invest in Improving Wastewater Quality  <i>*In Partnership with suppliers with focus on improved cleaning of water infrastructure</i>	Reduced operating costs for wastewater management <i>*Focus on improving wastewater quality in order to reuse and reduce amount of supplied water</i>	OE SR	Calculate cost differential of waste management before and after improvement in wastewater quality (minus associated costs such as CapEx for technology) to achieve avoided cost savings <i>*Company should achieve pass-through savings in FOB</i> <i>*Reduced operating costs based on reduction of wastewater to manage and achieve cost savings for reuse of water</i>	✓
		Reduced impact for future supply chain disruptions due to water scarcity	RM	Calculate estimated reduction in # of supply chain disruptions before and after improved wastewater quality multiplied by cost per disruption (or loss of sales per disruption) to achieve estimated cost savings	
		Reduced risk for future water regulations	RM	Calculate cost differential of before and after investing in improving wastewater quality and use NPV to determine future cost savings on increased water costs and taxation	