Agenda

• Intro about SAC and overview of the Higg index
• Where do the SAC Higg tools fit into your program?
  • Materiality & Strategy – Brand & Retailer level
  • Supply chain
  • Product & Materials
  • Reporting
• Q&A
• Wrapping up
Intro about SAC and overview of the Higg index
Our Vision

An apparel, footwear, and home textiles industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.
The Coalition Stakeholders

- Brands
- Manufacturers
- Industry Associations
- Service Providers
- Academia
- Nonprofits
- Government
- Retailers
Diverse Global Membership

Brands & Retailers

Manufacturers

Industry Affiliates

Nonprofit, Academia, Government

Leadership & Sustainability
We **develop** tools. We **support** adoption of tools. We **enable** transparency on results.
Higg Tools for each step along the Value Chain

**DESIGN & PRODUCTION**
- Design & Developments Module (DDM)

**CONSUMERS & COMMUNITIES**
- Product Environmental Footprint (due 2018)

**RETAIL**
- Brand & Retail Module Pilot (due 2018)

**RAW MATERIALS**
- Materials Sustainability Index (MSI)
- Data Contributor
- Data Explorer

**MANUFACTURERS**
- Facilities Environment Module (FEM)
- Facilities Social/Labor Module (FSLM)

**BRAND**
- Brand Environment Module (BEM)
- Brand Social/Labor Module (BSLM)
Where do the Higg tools fit into your program?
Brand & Retailer: Materiality & Strategy
What is the process to develop a sustainability strategy?

1. Explore the need / Review
2. Materiality Assessment
3. Sustainability Strategy Development
4. Implementation
5. Performance Assessment & Reporting
Materiality – Value Chain Approach

Management Processes:
- Innovation
- Marketing
- Design
- Concept
- Product Development
- Sourcing

Business Processes:
- Manufacturing
- Supply Chain Management
- Distribution
- Sales
- Use (external)
- End of Life

Support Processes:
- Human Resources
- Communication
- IT
- Finance

Leadership & Sustainability
Which sustainability aspects to pick?

Aspects generated by your business strategy

- GRI
- SASB
- SDG – Sustainable Development Goals
- ISO 26000
- Global Compact

Trends

- CDP

Sustainability Aspects

- Energy & Water Conservation
- Environmental Management
- Community Involvement
- Climate Change Mitigation
- Infrastructure Resilience
- Capacity Building
- Child Labour

Leadership & Sustainability
<table>
<thead>
<tr>
<th>Sustainability aspects</th>
<th>Business Strategy &amp; Management</th>
<th>Innovation</th>
<th>Suppliers</th>
<th>Own Manufacturing</th>
<th>Warehousing</th>
<th>Transport</th>
<th>Use</th>
<th>End of Life</th>
<th>Support processes (comm; HR; IT)</th>
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<tbody>
<tr>
<td>Sustainability practices</td>
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<td>EMS; ISO 14001</td>
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<td>Ethics/social</td>
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<td>Human rights, social</td>
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</tbody>
</table>

- **Significant potential**
- **Neutral; some potential; Less relevant**
- **Significant impacts, etc., and very good programs implemented**
- **Not relevant/ not assessed**

Leadership & Sustainability
Brand Modules – Areas of Assessment

Brand/Retail Modules

**ENVIRONMENT**
1. Management
2. Materials
3. Packaging
4. Manufacturing
5. Transportation
6. Product Care & Repair
7. End of Use

**SOCIAL / LABOR**
1. Internal S/L Performance Management
2. S/L Performance Management System for Partners in Value Chain
3. External Engagement; Community Impact; Transparency & Public Disclosure

Leadership & Sustainability

Assessing all Brands’ sustainability policies and practices
# Strategy Development – What do sustainability leaders do?

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Organizational characteristics that are true of the respondents’ companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We set <strong>aggressive external targets or goals</strong> for our sustainability initiatives</td>
</tr>
<tr>
<td></td>
<td>We have <strong>a unified sustainability strategy</strong> with clearly articulated strategic priorities (eg. no more than 5 focus areas)</td>
</tr>
<tr>
<td></td>
<td>We set <strong>aggressive internal targets or goals</strong> for our sustainability initiatives</td>
</tr>
<tr>
<td></td>
<td>A <strong>broad leadership coalition is involved</strong> in shaping or co-creating the sustainability strategy, goals and milestones</td>
</tr>
<tr>
<td></td>
<td>The <strong>financial benefits of sustainability are clearly understood</strong> across the organization</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Sustainability leaders, n= 264</th>
<th>All other respondents, n=2 370</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11</td>
<td>53</td>
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<td></td>
<td>19</td>
<td>69</td>
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<td></td>
<td>17</td>
<td>60</td>
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<tr>
<td></td>
<td>19</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>51</td>
</tr>
</tbody>
</table>

1. Out of 12 characteristics that were presented as answer choices in the question.
Examples of a strategy program

<table>
<thead>
<tr>
<th>Sustainability aspects</th>
<th>Business Strategy &amp; Management</th>
<th>Innovation</th>
<th>Suppliers</th>
<th>Own Manufacturing</th>
<th>Warehousing</th>
<th>Transport</th>
<th>Use</th>
<th>End of Life</th>
<th>Support processes (comm; HR;IT)</th>
</tr>
</thead>
</table>

**Sustainability practices**

<table>
<thead>
<tr>
<th>Environment - process</th>
<th>Management system &amp; Sustainability communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMS; ISO 14001</td>
<td>ISO 14001 for all business processes</td>
</tr>
<tr>
<td>Energy consumption &amp; Carbon</td>
<td>Corporate energy program</td>
</tr>
<tr>
<td>Environment - product</td>
<td>Product index</td>
</tr>
<tr>
<td>Ethics/social</td>
<td>Anti-corruption program</td>
</tr>
<tr>
<td>Human rights, social</td>
<td>Diversity program</td>
</tr>
</tbody>
</table>
Supply chain level & For manufacturers

Leadership & Sustainability
Sustainable Supply Chain Challenges

- Need **to reach beyond Tier 1** in the supply chain to manage environmental, health & safety risks
- Different standards:
  - SAC (Sustainable Apparel Coalition) Higg Index – Self – Assessment and **Verification**
  - ZDHC (Zero Discharge of Hazardous Chemicals) **Audit protocol** - audit approach
  - BEPI, GSCP, FWF, FLA
- **Fast – changing** supply chain and lack of visibility
- Joint **purchasing power** isn’t leveraged in working together with other Brands
- Multiple buyers at a single supplier lead to multiple audits at that supplier; **audit fatigue**
- Technical **complexity of manufacturing** is significant
- Joint **supplier engagement** platform is not available
- Need to integrate several **topics relevant** to the supply chain: environment, chemicals management, H&S, labor, compliance, etc.
# Supply chain assessment matrix – Hot Spots

## Sustainability aspects

<table>
<thead>
<tr>
<th>Sustainability practices</th>
<th>Apparel T1</th>
<th>Apparel T2</th>
<th>Accessories T1</th>
<th>Accessories T2</th>
<th>Materials cotton</th>
<th>Materials polyester</th>
<th>Materials silk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment - process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMS; ISO 14001</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
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</tr>
<tr>
<td>Ethics/social</td>
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</tr>
<tr>
<td>Ethics</td>
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<tr>
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</tr>
</tbody>
</table>

- **Significant potential**
- **Neutral; some potential; Less relevant**
- **Significant impacts, etc., and very good programs implemented**
- **Not relevant/ not assessed**
Higg Facilities Modules - Areas of Assessment

**Facilities Modules**

**ENVIRONMENT**
1. Environmental Management System
2. Energy Use & GHG Emissions
3. Water Use
4. Wastewater/ Effluent
5. Emissions to Air
6. Waste Management
7. Chemicals

**SOCIAL / LABOR**
1. Recruitment & Hiring
2. Compensation
3. Hours of Work
4. Worker Involvement & Communications
5. Worker Treatment & Development
6. Health & Safety
7. Termination & Retrenchment
8. Value Chain Performance
9. External Engagement; Community Impact; Transparency & Public Disclosure

Assessing all Facilities’ sustainability policies and practices

Leadership & Sustainability
Product & materials
Strategic decisions at product level

- Assessing the fabrics used and selecting preferable fabrics
- Product Indexing
- Footprinting and LCA (Lifecycle assessments)
<table>
<thead>
<tr>
<th>Material Type</th>
<th>Score</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acetate, Triacetate fabric</td>
<td>27</td>
<td>Textiles</td>
</tr>
<tr>
<td>Acrylic fabric</td>
<td>47</td>
<td>Textiles</td>
</tr>
<tr>
<td>Aramid fabric</td>
<td>69</td>
<td>Textiles</td>
</tr>
<tr>
<td>Bast fiber fabric</td>
<td>37</td>
<td>Textiles</td>
</tr>
</tbody>
</table>
80% of a product’s environmental impact is determined at the concept and design phase - Sustainable Development, Energy and the City.
Introducing the Design and Development Module (DDM)

**Goal:** Design Negative Environmental Impacts out of products

**Target User:** Designers/Product Developers

**How:** Assess concept early in product creation. Focus on action and education

**What:** Internal-facing score, not for external communication

**Business Value:** Prepare companies to evaluate and address critical impact areas to be evaluated for public-communication in Footprinting
## Create A Custom Product Library (I)

![Product Library](image)

### Lower Impact is Better!

<table>
<thead>
<tr>
<th>Product</th>
<th>Category</th>
<th>Season</th>
<th>Last Edited</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Court Crew Tennis shirt</td>
<td>T-shirt (polo)</td>
<td>Spring 2015</td>
<td>2 hours ago</td>
<td>20</td>
</tr>
<tr>
<td>Vintage Leather Scooter Jacket</td>
<td>Jackets</td>
<td>Spring 2015</td>
<td>12 hours ago</td>
<td>88</td>
</tr>
<tr>
<td>Nike Air MAX 2015</td>
<td>Sports</td>
<td>Winter 2015</td>
<td>1 day ago</td>
<td>19</td>
</tr>
<tr>
<td>Havaianos Brazil</td>
<td>Leisure / Lifestyle</td>
<td>Summer 2015</td>
<td>4 days ago</td>
<td>70</td>
</tr>
</tbody>
</table>
Create A Custom Product Library (II)

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Category</th>
<th>Season</th>
<th>Date Released</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Court Crew Tennis shirt</td>
<td>T-shirt (polo)</td>
<td>Spring 2015</td>
<td>Jul 21st 2015</td>
<td>32</td>
</tr>
<tr>
<td>Vintage Leather Scooter Jacket</td>
<td>Jackets</td>
<td>Spring 2015</td>
<td>Jul 29th 2015</td>
<td>35</td>
</tr>
</tbody>
</table>
Compare Product Designs For Environmental Impact (I)

Product comparison

Power Court Crew Tennis shirt
Apparel, T-shirt (polo), Spring 2016
Impact: 88
Materials: 25% Nylon fabric (c.e. 75%)
75% Rubber (c.e. 75%)

Agossi Tennis shirt
Apparel, T-shirt (polo), Spring 2016
Impact: 27
Materials: 25% Nylon fabric (c.e. 75%)
75% Rubber (c.e. 75%)

Power Court Crew Tennis shirt Eco
Apparel, T-shirt (polo), Spring 2016
Impact: 88
Materials: 35% Nylon fabric (c.e. 75%)
40% Cotton fabric (c.e. 75%)
25% Rubber (c.e. 75%)

Company average
Averaged over Apparel, T-shirt (polo), Spring 2016
Impact: 72
Materials: 25% Nylon fabric (c.e. 75%)
75% Rubber (c.e. 75%)

Industry average
Impact: 55
Materials: 25% Nylon fabric (c.e. 75%)
75% Rubber (c.e. 75%)
## Compare Product Designs For Environmental Impact (II)

<table>
<thead>
<tr>
<th>Category</th>
<th>Power Court Crew Tennis shirt Apparel, T-shirt (polo), Spring 2016</th>
<th>Agossi Tennis shirt Apparel, T-shirt (polo), Spring 2016</th>
<th>Power Court Crew Tennis shirt eco Apparel, T-shirt (polo), Spring 2016</th>
<th>Company average</th>
<th>Averaged over Apparel, T-shirt (polo), Spring 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td>+0</td>
<td>+10</td>
<td>+0</td>
<td>+3.3</td>
<td>+3.3</td>
</tr>
<tr>
<td></td>
<td>Laser Beam, Seamless garment dyeing, Stain resists / Stain release Sublimation Printing</td>
<td>Denim: light (chemical or mechanical), Laser Beam, Seamless garment dyeing</td>
<td>Stain resists / Stain release Sublimation Printing</td>
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</tr>
<tr>
<td><strong>Care &amp; repair</strong></td>
<td>+4.7</td>
<td>+2.1</td>
<td>+0</td>
<td>+2.3</td>
<td>+2.3</td>
</tr>
<tr>
<td></td>
<td>Made design choices to minimize amount of care</td>
<td>Made design choices to minimize amount of care</td>
<td>Made design choices to minimize amount of care</td>
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<tr>
<td></td>
<td>Product is designed to be repaired through a repair program.</td>
<td>Product is designed to be repaired through a repair program.</td>
<td>Product is designed to be repaired through a repair program.</td>
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<tr>
<td><strong>End of use</strong></td>
<td>+4.7</td>
<td>+2.1</td>
<td>+0</td>
<td>+2.3</td>
<td>+2.3</td>
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<tr>
<td></td>
<td>Designed for closed/open loop</td>
<td>Designed for closed/open loop</td>
<td>Designed for closed/open loop</td>
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<tr>
<td><strong>Quality and lifetime</strong></td>
<td>+1.5</td>
<td>+1.5</td>
<td>+1.5</td>
<td>+1.5</td>
<td>+1.5</td>
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<tr>
<td></td>
<td>Yes, meets average lifetime requirements</td>
<td>Yes, meets average lifetime requirements</td>
<td>Yes, meets average lifetime requirements</td>
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</table>
Reporting
Market Test and Pilots 2016

Pilot Objectives

1. Test a standard for the industry to measure and communicate the environmental impact of products to consumers to enable informed purchase decisions

2. Test if communicating environmental information to consumers may trigger an improvement in the overall environmental performance of products:

Pilot Approach for Market Test

• Testing a label on selected footwear products in brick and mortar stores and online
• Testing through 6 focus groups
• In UK, Spain, Poland
• 300 in-store interviews (100 per country)
• Online surveys (on brand websites)

Leadership & Sustainability
Discussion & Questions
Wrapping up
About Leadership & Sustainability

“Sustainable Innovation for Industries, Corporations and Organizations”

We promote

• Sustainability as Corporate Strategy
• Sustainability as Business Model
• Sustainability as Leadership quality

**Leadership & Sustainability combines sustainability expertise with leadership capabilities – to support you in becoming a true Leader in Sustainability.**

• Our platform of solutions covers Consulting, Empowerment, Sustainable Business Models and Software & Tools.

Our Expertise, Outreach and Partnerships are global, with anchors in **Europe, Asia and America.**

• Our mission is transformation and embedding of sustainability into business processes over the entire value chain.

Leadership & Sustainability
SAC related services

- Materiality assessment & Strategies
- Higg index verification and audit practices; management of audit programs
- EHS & energy management systems. Chemicals management and implementation according to „ZDHC protocol“ and / or the German partnership (Textilbündnis)
- Good manufacturing practices
- Product portfolio strategy
- KPIs & Performance improvements
- Training packages (L&S is an approved SAC trainer)
  - On the above topics
  - Training / Supervision of auditors on site
  - Supplier trainings
Leadership & Sustainability Project examples

- Materiality assessment, benchmarking and strategy development
- Chemicals management consulting
- Training on how brands are organised
- Supply chain management project, including audits
- Supply chain management: materiality, EH&S guidelines, audit approach, etc.
- Workshop about sustainability strategy
- ISO workshop
- Software for supply chain management
- SAC FEM3.0 Verification
- EIA – Environmental Impact Assessment
Thank you & Contact

Sign up to our newsletter here

Leadership & Sustainability

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