The Higg Index 1.0

Index Overview Training

Presented by Ryan Young
Index Manager, Sustainable Apparel Coalition

August 20th & 21st, 2012
Webinar Logistics

- The webinar is being recorded for those who cannot attend, and will be posted, *without the Q&A at the end*, to: http://www.apparelcoalition.org/training

- Please hold all questions until the end of the training
  - All participants are muted ("listen only")
    - **YOU MUST ENTER YOUR AUDIO PIN** (if using a phone)
    - Otherwise, we cannot un-mute you if you have a question

- 2 Options to Ask a Question
  1. Type your question in the Question box
  2. "Virtually" raise your Hand (we will un-mute you to speak)
REMINDER:
Sustainable Apparel Coalition antitrust guidelines

Summary: Members are free to exchange or discuss publicly available information. However, the Members should avoid any discussions or joint efforts regarding confidential competitive information such as non-public cost or price information, non-public volume information, strategic plans or other information that is not “reasonably necessary” to achieve SAC’s goals.

Detailed guidelines

- Do not agree or discuss how each of the Members will price their own goods or related products;
- Do not agree to allocate certain geographic markets (i.e., territories) or product markets (i.e., types of products) among each other;
- Do not discuss or agree to the cost or method of pricing products manufactured or sold by each other or otherwise direct each other’s business activities that are outside the scope of SAC;
- Do not compare cost information that is confidential, such as labor cost, manufacturing costs or other variables affecting pricing;
- Do not agree among yourselves to not do business with certain vendors (potential “boycott”) or otherwise pressure other competitors or vendors to comply with certain pricing or cost policies;
- SAC and its Members should not share with each other or discuss confidential, competitive information for individual Members or any information that might affect the Members’ own day to day business decisions related to cost, price or output of their own products. For example, this confidential competitive information may include: price lists or pricing plans, volume, rebate or refund programs, discount policies, credit policies, advertising credits or program allowances, slotting allowances, product cost variables or profit margins, customer lists or specific complaints, supplier contract terms, current or future marketing plans, bidding plans, purchasing plans, planning strategies, capital improvement plans, terms of sale or other contract terms, or competition in the sale or manufacture of competing products;
- SAC should not facilitate agreements or coordination among Members for the prices they charge for the products they manufacture or sell or other collusive conduct, including market allocation or refusals to deal with suppliers or customers, or organize boycotts against other manufacturers or retailers; and
- SAC should not publish or share any information that would be suggestive or conclusory as to how any individual Member should deal with individual contracting or other third party issues
- SAC or its Members may discuss or share non-confidential, publicly available information or data
1) Index Overview (Aug. 20/21)
   - What the Index is and is not
   - How the Index is structured
   - How Brands can get started using the Index
   - How Facilities can get started using the Index

2) Facilities Module (Aug. 21/22)
   - How to use the Facilities module

3) Brand Module (Aug. 22/23)
   - How to use the Brand Module

4) Product Module (Aug. 27/28)
   - How to use the Product Module
   - What information you’ll need to get from facilities
Additional Training Materials Available

- Detailed, step-by-step Tutorial for *Brand and Product Modules*
  - [http://www.apparelcoalition.org/training/](http://www.apparelcoalition.org/training/)

- Detailed, step-by-step Tutorial for *Facilities Module*
  - [http://www.apparelcoalition.org/training/](http://www.apparelcoalition.org/training/)

- FAQs
  - [http://www.apparelcoalition.org/index-faqs/](http://www.apparelcoalition.org/index-faqs/)

- Future training videos and materials
  - Will be posted to [http://www.apparelcoalition.org/training/](http://www.apparelcoalition.org/training/)
The Higg Index 1.0 – Index Overview Webinar

**Target:** By the end of this session, attendees will have a deeper understanding of what the Higg Index is, how it is structured, and how they can leverage it in their own organizations to understand and quantify sustainability impacts and drive business value

**Objectives**

- Review what the Higg Index is, what it is intended for, and how it is structured
- Spend time in the Index tool itself to begin to familiarize users with how to navigate the tool
- Encourage you to explore the Index further to see how it can benefit your organization
Agenda

- Introduction to the Higg Index
- Overview of the Index in Excel
- How your organization can get started now
Our focus

The focus of the Sustainable Apparel Coalition is the development and support of the **Higg Index**: a self-assessment tool designed to measure the sustainability impacts of apparel and footwear products.
Higg Index Goals

Understand and quantify sustainability impacts of apparel and footwear products

Dramatically reduce redundancy measuring sustainability in the apparel and footwear industries

Drive business value through reducing risk and uncovering efficiency

Create an common means to communicate sustainability to stakeholders
# Higg Index Design Principles

<table>
<thead>
<tr>
<th>Creates Business Value</th>
<th>Credible</th>
<th>Transparent</th>
<th>Collaborative Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Quantifiable improvement</td>
<td>- Based on life-cycle thinking</td>
<td>- Transparent scoring algorithm</td>
<td>- Participation by many layers of the supply chain</td>
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<tr>
<td>- Reduce redundancy and leverage existing resources</td>
<td>- Created through multi-stakeholder process</td>
<td>- Easy to understand for all levels of the supply chain</td>
<td>- Inputs and critiques by NGO community</td>
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<tr>
<td>- Inform decision making</td>
<td>- Consistent widely agreed upon weightings</td>
<td>- Dynamic and adjusts over time</td>
<td>- SAC Members directly contribute to the content for and future direction of the Higg Index</td>
</tr>
<tr>
<td>- Pooling of industry data</td>
<td>- Reviewed by scientists</td>
<td>- Open-source tool available to the public</td>
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Building Blocks of the Higg Index

Sustainable Apparel Coalition
Higg Index 1.0

Outdoor Industry Association (OIA)
Eco Index

Environmental Design Tool

Global Social Compliance Program (GSCP) Environmental Facilities Assessment

Level 1
Level 2
Level 3
Higg Index: What it measures

Where do the impacts occur?

Materials → Packaging → Manufacturing → Transport → Use & Service → End of Life

What are the impacts?

Water, Energy/CO2, Waste, Chemicals, Biodiversity, Land Use, Social

Which ones are being addressed?

Now, Now (but to a lesser extent currently), Soon
The Index measures impacts throughout the supply chain through 3 assessment modules:

- **Materials**: Complete once per facility, contains facility-level practices not specific to a particular product/garment, completed by supplier.
- **Packaging**: Complete once per product/garment, contains product-level decisions and practices specific to a garment.
- **Manufacturing**: Complete once per brand, contains brand-level (e.g., “product policy”) applicable to all apparel products for that brand.
- **Transport**: Complete once per product/garment, contains product-level decisions and practices specific to a garment.
- **Use & Service**: Complete once per product/garment, contains product-level decisions and practices specific to a garment.
- **End of Life**: Complete once per product/garment, contains product-level decisions and practices specific to a garment.
How to represent a product’s environmental impact? (social/labor impact coming soon)

Suppliers

• Raw Materials (fabrics, trims, etc.)
• Packaging
• Cut/sew/assembly

How are they managing the facilities this product comes from?

Product

• What material is it made of?
• How is it packaged?
• How efficient is the pattern?
• Were graphics / screenprinting applied?
• How is it transported?
• Does it tell consumers the least impactful way to care for it?

Brand

• RSL and verification policy?
• Environmental guidelines for manufacturing suppliers?
• Transportation policies and carrier selection?
• Programs to understand its Use & Service and EOL impacts?

Are product creation teams aware of the impacts? Are they factoring this information into their design and development process?

Is the company aware of its product’s impacts? Is it creating a platform of policy/programs that support reduced impacts?
Agenda

- Introduction to the Higg Index
- Overview of the Index in Excel
- How your organization can get started now
The 3 modules of Higg Index are contained in two separate Excel files

- **Brand Module**
- **Product Module**
- **Facilities Module**

**Brand Module**
- One Excel file contains both the Brand and Product Modules, since these will be typically used by one or more people within a brand organization
- Allows for one file to be used for evaluating multiple brands and products

**Product Module**
- One Excel file contains the Facilities Module, since these will be filled out for each facility site by the supplier
- These files can then be shared with brands and incorporated into the Brand/Product Module Excel file
Live Demo
Longer-term Index Roadmap

- We’re anticipating another Higg Index release in 2013 that may include the following:
  - Footwear environmental indicators
  - Social/Labor indicators for both apparel and footwear
  - 1.0 improvements
  - Potential for systems improvements (i.e., web-based)
  - Potential for chemicals indicators

- We’re also working in parallel on adding metrics to the Index in addition to “Yes/No” indicator questions
Introduction to the Higg Index

Overview of the Index in Excel

How your organization can get started now
The Higg Index 1.0 is:

- a self-assessment tool that enables rapid learning through identification of environmental sustainability hot spots and improvement opportunities.
- a starting point of engagement, education, and collaboration among stakeholders in advance of more rigorous assessment efforts.
  - It targets a spectrum of performance that allows beginners and leaders in environmental sustainability, regardless of company size, to identify opportunities.

The Higg Index 1.0 is not:

- a tool that can be used to communicate scores outside of an organization (e.g., to other businesses or consumers)
- a process-based environmental life cycle assessment (LCA)
- a compliance tool - instead, it seeks to capture a spectrum of performance
- a supplier selection tool - instead, it is a platform for engagement with suppliers
1) Download the latest Brand/Product Module file from http://www.apparelcoalition.org/higgindex/

2) Appoint an “Index Lead” in your organization who will be responsible for ensuring completion

3) Have the Index Lead thoroughly review the training materials, especially the tutorial for the Brand/Product Modules

4) Decided which brand(s) you would like to start with

5) Fill in the Brand Module for each brand
   – You will likely need to get data/information from multiple sources in your organization – check the “General Guidance” tab in the Index Excel file for a list of typical roles at a brand that are relevant to each section
   – You will also need to get some basic packaging information, potentially from an outside vendor

6) Make a list of key insights and observations in filling out the self-assessment
   – In what sections is your brand strong? In what sections does your brand have opportunities?
   – If you have evaluated multiple brands, how do the assessments differ and why?

7) Begin to consider the next steps of choosing specific products to use for the Product Module

8) Review Product Module training materials
I am a supplier with one or more facilities. How can I get started with the Higg Index 1.0?

1) Download the latest Facility Module file from [http://www.apparelcoalition.org/higgindex/](http://www.apparelcoalition.org/higgindex/)

2) Appoint an “Index Lead” in your organization who will be responsible for ensuring completion

3) Have the Index Lead thoroughly review the training materials, especially the tutorial for the Facilities Module

4) Decide which facilities you would like to start with (e.g., this may be based on whether a certain brand is a key customer)

5) Fill in the Facility Module for each facility site

6) Make a list of key insights and observations in filling out the self-assessment
   - In what sections are your facilities strong? In what sections do your facilities have opportunities?
   - If you have evaluated multiple facility sites, how do the assessments differ and why?

7) Consider contacting your brands to let them know you have filled out the Facilities Modules, and share key insights and areas of opportunity
The Higg Index was built to help you and your organizations

- We highly encourage you to use the Higg Index 1.0 and let us know your thoughts, comments, suggestions, etc.
  - This is the way the Index will improve over time

The next step is to register, download it, start using it, and provide us with feedback via

http://www.apparelcoalition.org/feedback.
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