Introduction to the Higg Index 1.0 for Suppliers

October 11, 2012

CITA

Emily Spear, Implementation Lead, Sustainable Apparel Coalition (SAC)
Agenda

- Welcome and Introductions
- Overview of Higg Index and the Sustainable Apparel Coalition (SAC)
- Panel Discussion with Q&A
  - Delman Lee, President and Chief Technology Officer, TAL Apparel Limited
  - Kurt Kipka, TSS Sustainability Manager, Target
  - Myrna Grief, Topson Downs, Director of Imports and Global Compliance
  - Sean Cady, VP Product Stewardship and Sustainability, VF Corp
- Break
- Introduction to Facility Module
- Facility Module Demo
- Case Study: Central Textiles Facility Module 1.0
  - Pat-Nie Woo, Director, Central Textiles and Chairman, SFBC
- Q&A
- Closing Remarks
Overview of the Higg Index & the SAC

Ryan Young, Index Manager, SAC
Who is the Sustainable Apparel Coalition?

- We are a coalition of over 65 leading global apparel and footwear organizations. Our Members are:
  - Brands
  - Retailers
  - Suppliers
  - Trade associations
  - Non-profits
  - Academic institutions
  - Government organizations

- Our Members represent over 30% of the global market share of the apparel and footwear industries

Note: As of August 2012
SAC Members: Brands

Note: As of August 2012
SAC Members: Retailers

YOUR M&S

Target

C&A

JCPenney

otto group

Kohl’s

Nordstrom

Mountain Equipment Co-op

Walmart

L.L. Bean

Note: As of August 2012
SAC Members: Suppliers

- Arvind
- AVERY DENNISON
- DuPont
- DyStar
- Esquel Group
- Gore
- LI & FUNG
- Huntsman
- Lenzing
- Makalot
- Pratibha
- TLC
- Teijin
- Tional Corporation
- TAL Group

Note: As of August 2012
SAC Members: Associations, Universities, Non-Profits, and Government

Note: As of August 2012
Our Vision

An apparel and footwear industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.
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 in 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
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
Representing a Product’s Environmental Impact

Facility

- How are facilities managed where the product or product components come from?

Product

- What are the materials and their relative impacts in the product?
- How efficient are the materials (i.e. marker efficiency)?

Brand

- Is the company aware of its product’s impacts?
- Is it creating a platform of policy/programs that support reduced impacts?
Measures Impacts through 3 Modules

1. **Materials**
   - Materials

2. **Packaging**
   - Packaging

3. **Manufacturing**
   - Manufacturing

4. **Transport**
   - Transport

5. **Use & Service**
   - Use & Service

6. **End of Life**
   - End of Life

**Brand Module**
- Complete once per brand
- Contains brand-level (e.g., “product policy”) applicable to all apparel products for that brand

**Product Module**
- Complete once per product/garment
- Contains product-level decisions and practices specific to a garment

**Supplier Facility Module**
- Complete once per facility
- Contains facility-level practices not specific to a particular product/garment
- Completed by supplier
The Higg Index 1.0 was launched July 26, 2012
Using the Higg Index 1.0

Brands and their supplier partners fill out an Excel-based self-assessment form:

- They answer “indicator” questions that describe environmental performance
- Questions are given points and then weighted to determine an overall module score out of 100 points

**GEN-B-2 Direct Assistance to Suppliers**

| GEN-B-2.1 | Materials (raw material and textile finishing) and related processes | 10 |
| GEN-B-2.1 | If yes, describe: |
| GEN-B-2.2 | Packaging (raw materials) and related processes | 10 |
| GEN-B-2.2 | If yes, describe: |
| GEN-B-2.3 | Manufacturing (cut/sew/assembly) and related processes | 10 |
| GEN-B-2.3 | If yes, describe: |

Max: 30
The Higg Index 1.0: Uses and Limitations

- The Higg Index 1.0 is:
  - a great way to understand and measure environmental impacts
  - a *self-assessment tool* that enables rapid learning through identification of environmental sustainability improvement opportunities
  - a starting point of *engagement, education, and collaboration* among stakeholders
  - transparent and open source

- The Higg Index 1.0 is *not*:
  - 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
  - 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)
  - 100% comprehensive – does not include Social/Labor indicators and Footwear indicators (the SAC is piloting this content starting Nov. 2012)
The Value of SAC Membership

Lead through development

- **Lead within the apparel and footwear industry** in the ongoing development of the Higg Index

- **Work with key stakeholders** throughout the entire value chain to improve sustainability impacts and business value in the Higg Index

- Have a **significant head start** on the rest of the industry as the Higg Index becomes a standard

Support adopting the Higg Index

- **Support from SAC staff** in developing plans for implementing the Higg Index within a company’s supply chain

- Ongoing **training opportunities**

- **Network of peers** in apparel and footwear industry who are facing same challenges

Radical Collaboration

- **Best network** of sustainability and corporate responsibility leaders in the entire apparel and footwear industry

- Recognition that sustainability is most impactful through **collaboration instead of competition**

- Dramatic **willingness to share** company experiences, practices, and programs openly with peers
SAC Working Groups

Charter and Scope

Develop and improve the content, structure, and scoring for the environmental aspect of the Higg Index 1.0; increase adoption of the Index through support and training

Pilot footwear-specific content, structure, and scoring to be included in the next release of the Higg Index

Pilot social/labor-specific content, structure, and scoring to be included in the next release of the Higg Index

Generate a prototype that defines the structure, content, and scoring for the Higg Index with Primary Data, including quantitative LCA-based metrics

To architect and implement systems solutions for the Higg Index that efficiently deliver scalable, user friendly, and effective cross supply chain information solutions to a broad array of supply chain stakeholders, so that sustainability may be set on a path of continuous improvement and optimization

Design and implement a long-term organizational/revenue model solution for the Coalition, and oversee implementation of the current (interim) governance model

Manage external communications about the Sustainable Apparel Coalition, including PR/media relations, web site communications and other stakeholder engagement
Ryan Young

Index Manager, Sustainable Apparel Coalition
ryan@apparelcoalition.org

For SAC Membership inquiries, please contact Danielle Guerin:
danielle@apparelcoalition.org

http://www.apparelcoalition.org
Panel Discussion

Delman Lee, President and Chief Technology Officer, TAL Apparel Limited
Kurt Kipka, Sustainability Manager, Target
Myrna Grief, Director of Imports and Global Compliance, Topson Downs
Sean Cady, VP Product Stewardship and Sustainability, VF Corp
Panel Questions

- Why are you participating in the SAC’s efforts and using the Higg Index (i.e., what is the impetus for involvement)?
  - What are the benefits of being part of an industry-wide effort as opposed to doing this on your own?
  - How might suppliers benefit from an industry-wide effort?
  - How will the Higg Index create value along the entire value chain?

- How have you used the Higg Index internally to date?
  - What learning and/or business value have been uncovered as a result?

- What are your future plans to use the Index?

- What are the challenges to using the Index? What are ways that you have overcome these challenges?
Panel Discussion Q&A
BREAK – 15 mins
*Please be back promptly by 10:15am
Introduction to Facility Module
Who Applies to Facility Module?

- Three types of suppliers
  - **Materials Facilities**
    - Finished material suppliers, including mills and dye houses
  - **Manufacturing Facilities**
    - Cut/sew/assembly suppliers; garment finish facilities; screen printing facilities
  - **Packaging Facilities**
    - Finished packaging suppliers (e.g., corrugate boxes, hangers, etc.)
Facility Module Overview

- Site-specific or facility-specific questionnaire
- Complete one for each facility (even if you get requests from different customers)

7 Sections

1. Environmental Management System (EMS)
2. Energy/GHGs
3. Water Use
4. Wastewater/Effluent
5. Emissions to Air
6. Waste Management
7. Pollution Prevention/Hazardous Substances
Facility Module Overview (Cont’d)

- Based on *Global Social Compliance Programme’s (GSCP) Environmental Implementation Guidelines*
  - Level 1 = awareness and understanding (30 points)
  - Level 2 = planning and managing (30 points)
  - Level 3 = demonstrating performance and progress (40 points)

- Composed of primary and secondary questions
  - **Primary** = “yes” or “no” questions
  - **Secondary** = once you answer “yes” to a primary question, you MUST answer the secondary question in order to receive a score (provide additional detail and information)

- Should update questionnaire *at least once a year*
Facilities Module Sections & Scoring

Same questions regardless of facility type (e.g., materials, packaging, or manufacturing)

Facility Module
- Env. Mgmt. System
- Energy & GHG
- Water Use
- Wastewater
- Emissions to Air
- Waste Mgmt.
- Hazardous Substances

Scoring System

<table>
<thead>
<tr>
<th>Max. Points</th>
<th>Section Weighting</th>
<th>Max. Weighted Points</th>
<th>N/A Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 pts</td>
<td>14.3%</td>
<td>14.3 pts</td>
<td>16.67 pts</td>
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</tbody>
</table>

100% 100 pts 100 pts
How to Get Involved

Steps to Participate:

1. Download tool off SAC website
2. Appoint “Index Lead” who will ensure completion within your organization
3. Review additional training materials
4. Gather key insights as you processed forward to capture challenges and other observation
5. Provide feedback to SAC and your customers/partners
Download Facility Module

1. Go to the SAC website at www.apparelcoalition.org/HiggIndex
Download Facility Module

2. Register before you can download the excel files

Welcome to The Higg Index 1.0. This Index is free and available to the public.

To download the Higg Index, follow the prompts to complete all three steps:
   Step 1: Register below

   Step 2: Continue on to create an account

   Step 3: Login to download

Already have an account? Login here.
Facility Module Demo
(Switch over to Excel)
Case Study: Central Textiles
Pat-Nie Woo, Central Textiles
Outline

Who we are

Our Involvements & Demonstration

Experience sharing & Lessons Learned

Conclusion
Outline

Who we are

Our Involvements & Demonstration

Experience sharing & Lessons Learned

Conclusion
1,118 employees

DENIM

36 m
yarns/year

DENIM FABRICS

36,000 tonnes/year

DAI CHUNG TEXTILES

CHUNG CHARM TEXTILES

1,118 employees

CENTRAL TEXTILES GROUP

OUR COMPANY
WHERE WE OPERATE

C H I N A

ZHANJIANG

GUANGDONG

HONG KONG
CENTRAL TEXTILES GROUP

CENTRAL HISTORY

1953
Central Textiles (Hong Kong) Limited was established

1993
Chung Charm Textiles Limited was established

2003
Central Fabrics Limited was established

2006
Dai Chung Textiles Limited was established
Outline

Who we are

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Conclusion
Our Involvements with the index

THE OUTDOOR INDUSTRY ECO INDEX™ (Pilot run) 2010 FEEDBACK GIVEN

SUSTAINABLE APPAREL COALITION SAC INDEX (Pilot run) 2011 FEEDBACK GIVEN

SUSTAINABLE APPAREL COALITION HIGG INDEX 1.0 (launched on July 2012) 2012 FIRST mill independently assessed by Reset Carbon
Facilities Module Content

Environmental Management System + Energy use & GHG Emissions + Water Use + Wastewater / Effluent

Emission to air + Waste Management + Pollution Prevention / Hazardous Substance = Overall Facilities Score

Each of the seven sections has total 100 pts and then weighted to calculate a combined weighted average score of 100 pts.

Note: Emission to air is the only section that allows to be skipped if not applicable.
Levels of performance within each section

LEVEL 1
Basic Awareness and Compliance

LEVEL 2
Proactive Management and Performance Improvement

Level 3
Inspirational/leading Practice

Detailed general guidance on all areas are provided

There are two type of questions: Primary and Secondary questions
Note: in order to receive points for an answer, you must answer Primary Question and ALL Secondary

Primary questions are the main question that answering “YES” or “NO”
Note: answer “Yes”, you will not see a score until ALL Secondary questions are answered

Secondary questions need supplier to provide additional details on your Primary questions.
Demonstration on Energy Use & GHG Emissions Section
Outline

Who we are

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Conclusion
Experience Sharing on Facility Module

Grounded into Environmental Management System

Extensive Data Collection

Full Documentation Requirements

EXPERIENCES

PDCA Cycle

More about continuous improvement than where you are

Self-assessment VS Independent-assessment
# Lessons Learned from implementation

<table>
<thead>
<tr>
<th>Item</th>
<th>Project activity and measure</th>
<th>Priority</th>
<th>Complexity</th>
<th>Timeframe</th>
<th>Cost Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Setting GHG Target</td>
<td>High</td>
<td>Medium</td>
<td>1-3 Months</td>
<td>Medium</td>
</tr>
<tr>
<td>2</td>
<td>Establish waste inventory</td>
<td>Medium</td>
<td>Low</td>
<td>1 Month</td>
<td>Low</td>
</tr>
<tr>
<td>3</td>
<td>Higg Index Audit Trail Maintenance</td>
<td>High</td>
<td>Low-Medium</td>
<td>2-3 Months (should be integrated into the ISO system)</td>
<td>Low</td>
</tr>
</tbody>
</table>
Lessons Learned from implementation

1. GHG Target setting
   - Understand the reduction potential and opportunities
   - Focus on what can be done to save energy
   - Analyze how much GHG reduction can reduce against time
   - What measures will be taken? Are they all justified?

2. Establish waste inventory
   - build a robust inventory to collect, record and consolidate waste data on disposal, recycling, replace and reuse

3. Higg Index Audit Trail Maintenance
   - to integrate the Higg into the current EMS infrastructure
Outline

Who we are

Demonstration on
Energy Use & GHG emission section

Experience sharing

Conclusion
Conclusion

1. The index is extensive and detailed

2. Substantial data required

3. Focus on continuous improvement

4. Index helps to guide you to the specific areas for improvement

5. It gives a new metric for buyers to assess suppliers
CENTRAL TEXTILES GROUP
Sustainable Appeal Coalition (SAC)
Higg Index 1.0
Facilities Module Tutorial

Q & A
- The End -

Presented by Mr. Pat-Nie Woo
11th October 2012
Q&A
Thank you!

Emily@apparelcoalition.org