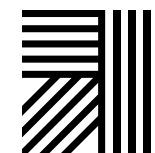


Annual Impact Report 2022

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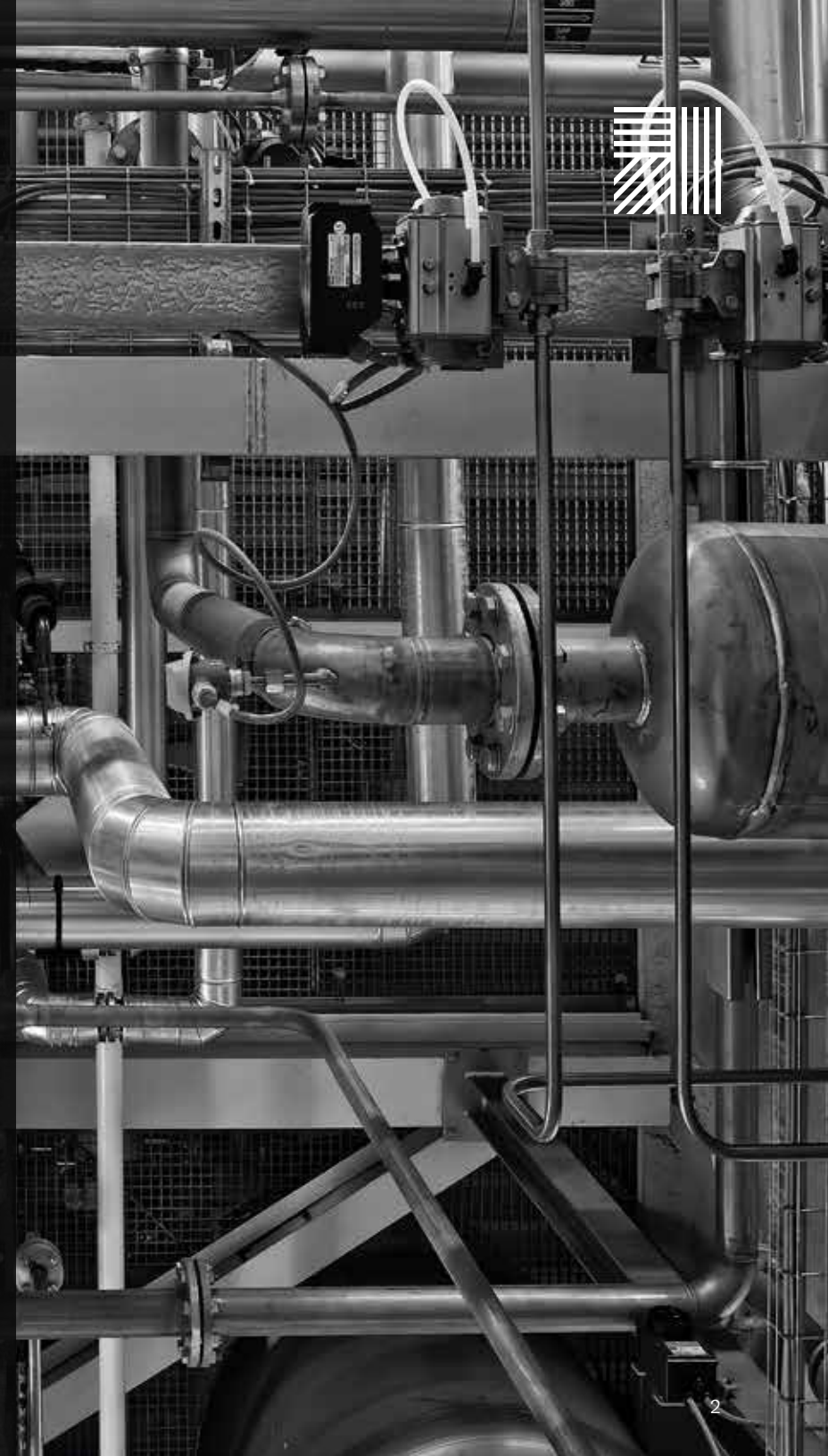
WEBSITE apparelimpact.org
INSTAGRAM [@apparelimpactinstitute](https://www.instagram.com/apparelimpactinstitute)

FACEBOOK [@apparelimpactinstitute](https://www.facebook.com/apparelimpactinstitute)
TWITTER [@apparelimpact](https://twitter.com/apparelimpact)

LINKEDIN [@apparel-impact-institute](https://www.linkedin.com/company/apparel-impact-institute)
YOUTUBE [Apparel Impact Institute](https://www.youtube.com/ApparelImpactInstitute)



I. The Urgent Need to Decarbonize the Fashion Industry



Everything We Make Has an Impact on the Planet



The world has woken up to the climate crisis, the effects of which are already being felt. Significant changes are needed to put the world back on track.

The \$1.3 trillion clothing industry¹ generates tremendous economic value, but its current practices take a toll on the planet and value isn't distributed fairly among the people that generate it.

The number of garments produced annually has doubled since 2000 and exceeded 100 billion for the first time in 2014: nearly 14 items of clothing for every person on earth.² Worldwide, 92 million tons of clothing head to landfills annually, and less than 15 percent is recycled.³

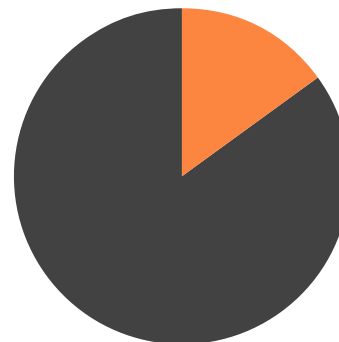
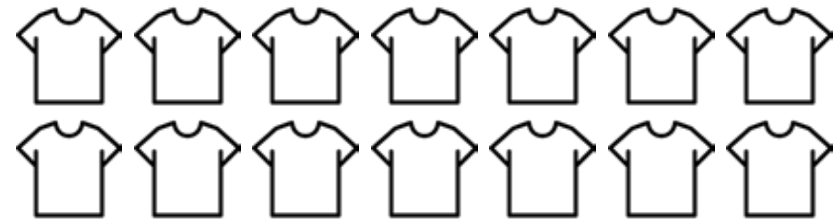
Given its size, structure, and complexities at every stage of production, from farms and manufacturing to the consumer lifecycle, the fashion industry creates a number of environmental issues. Furthermore, our clothes are made by some of the most impoverished people in the world living in regions that are most vulnerable to the climate crisis and water scarcity.⁴ Most critically, the carbon footprint of the fashion industry is globally significant, evidenced by a growing number of studies.⁵

Using data from the Sustainable Apparel Coalition, Higg, and Textile Exchange, WRI and Aii estimated apparel sector emissions to be 1.025 Gt of carbon dioxide equivalent in 2019, or roughly 2 percent of annual global greenhouse gas emissions.⁶

Value of global clothing industry

\$1,300,000,000,000

Items of clothing produced/year for every person on earth: **14**



92 MILLION TONS

of clothing heads to landfills annually

LESS THAN 15%
is recycled

1 Fashion and the circular economy, Ellen MacArthur Foundation

2 Style that's sustainable: A new fast-fashion formula, McKinsey

3 The Chronicle of Philanthropy, *To Address the Clothing Industry's Climate Problems, Philanthropy Needs to Get in Fashion*

4 The Chronicle of Philanthropy, *To Address the Clothing Industry's Climate Problems, Philanthropy Needs to Get in Fashion*

5 Fashion for Good & Aii: Unlocking The Trillion-Dollar Fashion Decarbonisation Opportunity (apparelimpact.org)

6 WRI & Aii: Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector (apparelimpact.org)

Everything We Make Has an Impact on the Planet



The textile, apparel, and footwear industries, being one of the most significant contributors to carbon emissions, have therefore set a significant target to reduce CO₂ emissions in the supply chain.

To limit global warming to 1.5 degree Celsius, in alignment with the Paris Agreement and science-based targets, the apparel sector's emissions should at least reduce to 0.565 Gt CO₂ emissions by 2030, representing a 45% reduction and achieving net zero emissions by 2050.⁷

Beyond the 1.5 degree Celsius limit, the prevalence of extreme weather patterns will drastically increase and the effects will be catastrophic and irreversible.

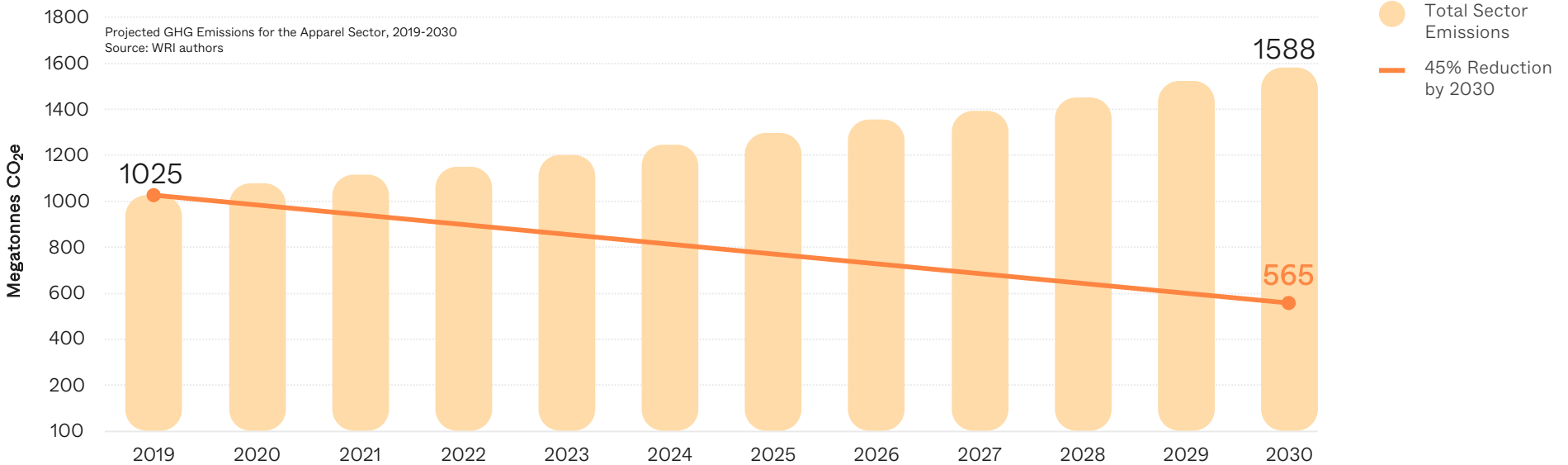
To keep our planet from disastrous levels of warming we need nothing short of a total disruption of business as usual in the apparel industry. The key environmental challenges are complex and interrelated, but most broadly fall under: land use, water use, chemical use, biodiversity loss and greenhouse gas emissions.⁸

The scale of the challenge requires a coordinated approach between various stakeholders, including brands, facilities, philanthropic institutions, governments, investors, and NGOs.

Clear, fast action is needed to meet the industry's 2030 climate commitments. Industry leaders are ready to act, but unmet needs still exist, slowing the pace of change. We're not going to meet the 2030 science-based targets, unless we do something different.

The first people to benefit will be the industry's most burdened workers, who deserve safe, healthy, and pollution-free workplaces and communities. They need our help — and so does the planet.

Mission: 45% reduction by 2030...and net zero by 2050



⁷ WRI & Aii: Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector (apparelimpact.org)

⁸ WRI & Aii: Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector (apparelimpact.org)

Letter from Lewis Perkins



Dear Friends,

As I write this note on the heels of a truly significant year at the Apparel Impact Institute, I am encouraged and inspired by what we have achieved. Yet even as our reach and impact have expanded, the need for change has only grown greater. At the same time, climate scientists continue to warn us of the major inevitable and irreversible climate changes occurring each year.

Strategically, our work is designed to maximize global carbon reductions in the industry. We do this through programmatic work testing and scaling innovation climate solutions and through engagement with diverse stakeholders within the industry to build an ecosystem of actors, companies, and organizations with a shared commitment to improving the industry's impact on the planet.

In 2022, 380 facilities around the world completed an Aii program, and 220 facilities were active in an Aii program, which included participation in Clean by Design, Carbon Tech Assessment or our Carbon Target Setting. In all cases, our programs are aligned with interventions identified in the Roadmap to Net Zero Report we co-authored with WRI. In our programs and partnerships, we are convening the most cost-effective and scalable solutions to reduce carbon in the apparel supply chain.

Recognizing that limited access to finances may hinder some facilities from participating in impactful solutions programs, and more innovators could boost the industry's decarbonization efforts with appropriate funding, we launched the Fashion Climate Fund in June 2022. This fund is a platform from which we will better identify, fund, scale and measure impactful climate solutions. With our lead funders H&M Group, H&M Foundation, lululemon, the PVH Foundation, Target Corporation, and The Schmidt Family Foundation, we are building a \$250 million donor collaborative, putting those funds into action to unlock \$2 billion in financial capital to support cutting carbon emissions in half by 2030.

2022 was our foundational year, and in January 2023, we opened the call for submissions for the Climate Solutions Portfolio, the tool to deploy grants of \$50k-250k from our catalytic Fashion Climate Fund.

As we move into the new year, I am looking forward to shifting the deep planning and programmatic work we have done since Aii's founding to significantly increasing action across the global apparel supply chain.

Thank you for your efforts, partnership, and support. We are delighted that you have joined us in this vital work.



Lewis B. Perkins

Lewis Perkins

President, Apparel Impact Institute

Aii's Theory of Change



The Apparel Impact Institute was founded in 2017 with the objective to accelerate positive impact in the apparel, footwear, and textile industry to transform the impact that the sector has on people and the planet.

The starting point of our theory of change is the report “Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector” published by WRI and Aii in 2021.⁹ It identified six solutions the fashion industry can adopt to deliver the GHG reductions needed to stay within the 1.5°C pathway by 2030.

The solution categories enable a net-zero industry to be achieved by 2050, with a combined GHG emissions reduction potential of 2.5 Gt CO₂e, of which 1.2 Gt (47% of combined solution categories) will be contributed by solutions already existing today, 1.0 Gt (39%) by innovative solutions, and 0.3 Gt (14%) by other solutions including materials efficiency and reducing overproduction.

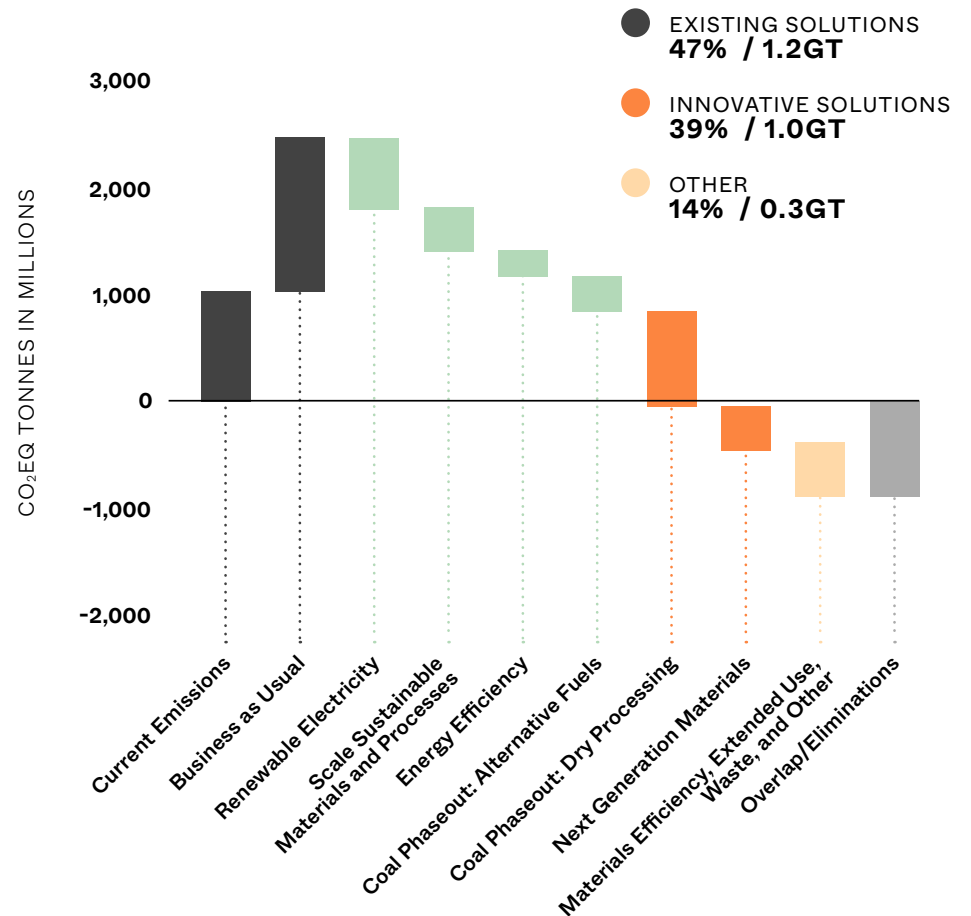
Our research indicates that it will cost \$1 Trillion for the apparel industry to fully decarbonize its supply chain by 2030. Much of this investment has a positive financial ROI and can be funded by financial institutions.¹⁰

Therefore, Aii applies a blended capital approach, utilizing funds from apparel brand and philanthropic foundations to catalyze investment from debt and equity providers, thereby achieving greater impact and scale.

Furthermore, Aii offers our own program portfolio and we are starting to build the Climate Solutions Portfolio. Through both, we are establishing a deliberate, scientific approach to selecting the most cost-effective and scalable solutions to reduce carbon in apparel supply chains.

All Aii programs are aligned with science-based targets with the goal of reducing apparel sector carbon emissions by 45% by 2030 and to net zero by 2050.

Pathway to Net-Zero: Reduction Potential by 2050

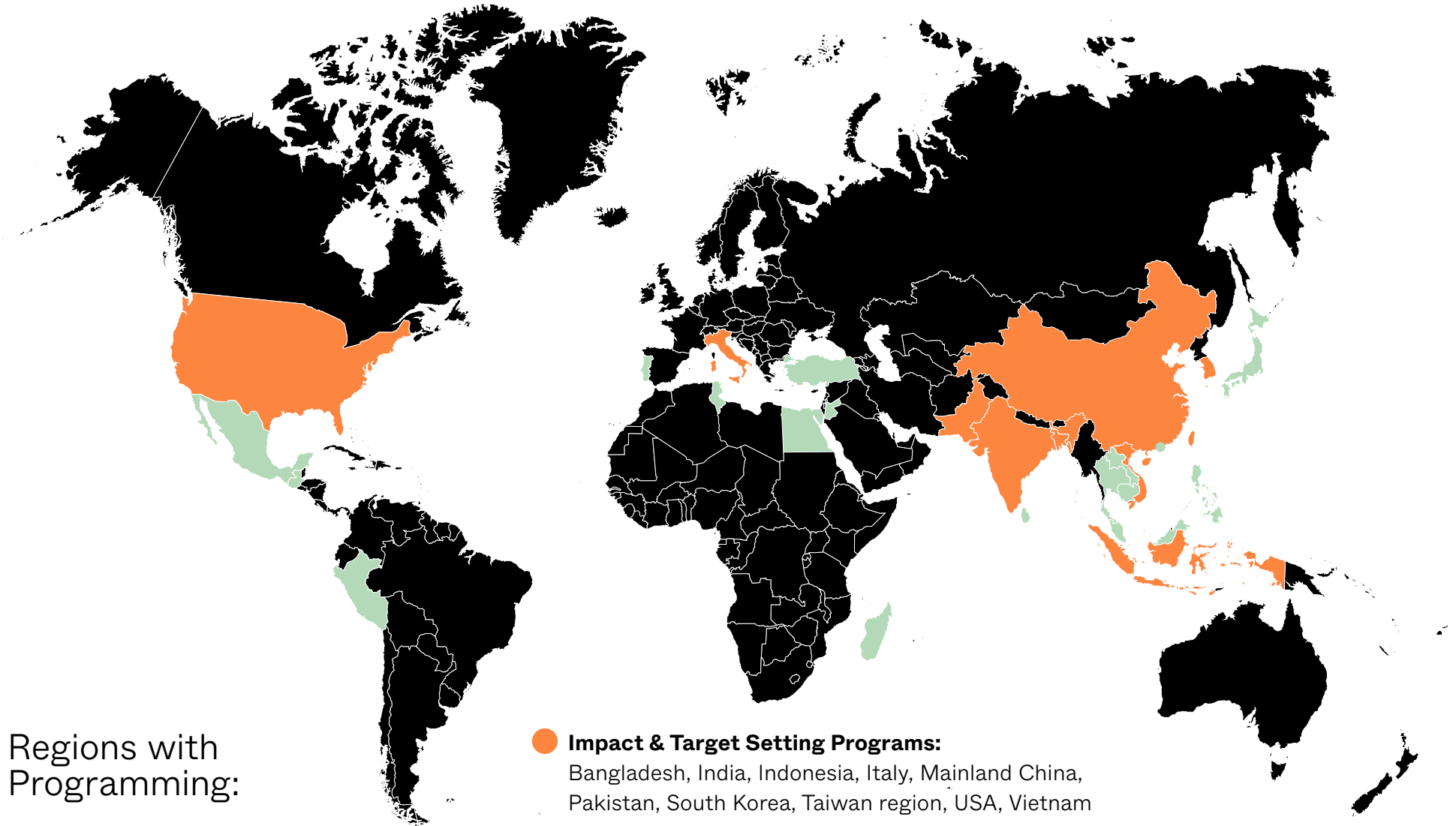


⁹ WRI & Aii: Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector (apparelimpact.org)

¹⁰ Fashion for Good & Aii: Unlocking The Trillion-Dollar Fashion Decarbonisation Opportunity (apparelimpact.org)

Solution categories that enable a net-zero fashion industry by 2050. Source: Aii and FFG analysis (2021).

Our Impact in 2022 at a Glance



Regions with Programming:

- **Impact & Target Setting Programs:** Bangladesh, India, Indonesia, Italy, Mainland China, Pakistan, South Korea, Taiwan region, USA, Vietnam
- **Target Setting Programs Only:** Cambodia, Egypt, Guatemala, Japan, Jordan, Laos, Macau, Madagascar, Malaysia, Mauritius, Mexico, Peru, Philippines, Portugal, Sri Lanka, Thailand, Tunisia, Turkey



Key Impact Results of Facilities That Completed an Aii Program in 2022

Total no.
of facilities

380

Total no.
of brands

29

Total no.
of manufacturers¹¹

1

Investments made
by factories in 2022

\$8,018,256

Savings made
by factories in 2022

\$4,795,754

VS

**Annual average
investment** per facility

\$501,141

**Annual average
savings** per facility

\$299,735

Average payback period: 20 months*

*Note that this includes solar panel installation investments at 2 facilities.
Without these two facilities, the average payback period would be 14 months.

¹¹ Apparel, footwear, or textile manufacturing companies who provide funding to Aii to achieve environmental improvement programs and impact reductions





Key Impact Results of Facilities That Completed an Aii Program in 2022



Total GHG emissions savings equal to **12,127 cars removed from the roads** in 2022

Based on the assumption that there is an emission of 4.646 t CO₂ per car per year with an average passenger vehicle driving an average of 18,507.41km per year; Source: EPA, [Greenhouse Gas Emissions from a Typical Passenger Vehicle | US EPA](#)



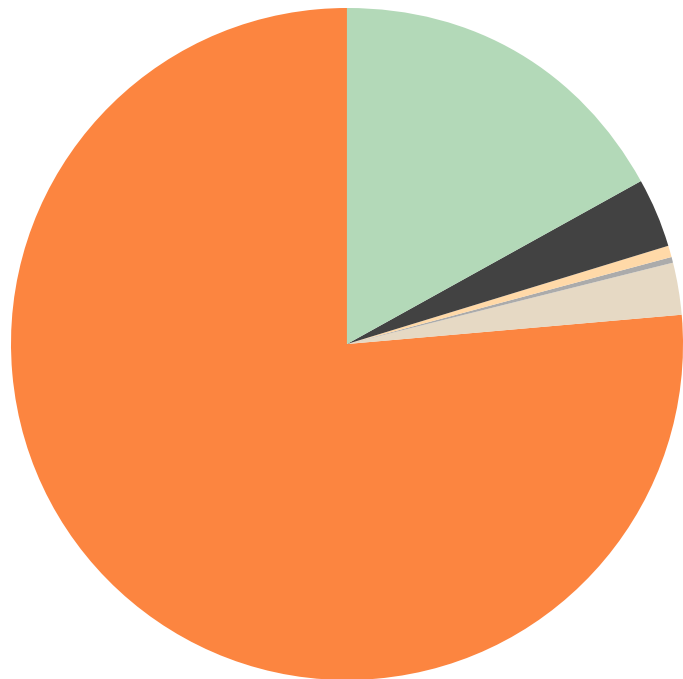
Total water savings equal to almost **714 olympic sized swimming pools**

One olympic sized swimming pool contains 2,500 m³ of water; Source: FINA FACILITIES RULES 2015-2017, [Wayback Machine \(archive.org\)](#)



Total energy savings equal to **3,504 washing machines not used** in 2022

Washing machines not used calculated on the assumption that the machine is used for 100 cycles per year, and the following model is used: Miele washing machine WWD020 WCS, capacity: 8kg, [EU energy class: A](#); Source: [Washing machines and washer-dryers \(europa.eu\)](#)



- **76.3%**
CTA
- **17.1%**
CTS
- **3.4%** →
CbD Energy & Water Efficiency
- **0.5%** →
Facilities in CbD Energy & Water Efficiency with Solar Panel Investment
- **0.3%** →
CbD+
- **2.4%**
Renewable Energy Procurement

Total GHG Emissions Savings in Ton CO ₂ eq.	Total Energy Savings in Mjoule	Total Water Savings in m ³
56,346	592,919	1,784,920
Average factory GHG Emissions Savings in Ton CO ₂ eq.	Average factory Energy Savings in Mjoule	Average factory Water Savings in m ³
3,522	37,057	111,558
Average % of GHG emissions Savings	Average % of Energy Savings	Average % of Water Savings
14.37%	14.60%	11.41%



Key Impact Results of Facilities That Are Currently Active¹² in an Aii Program in 2022

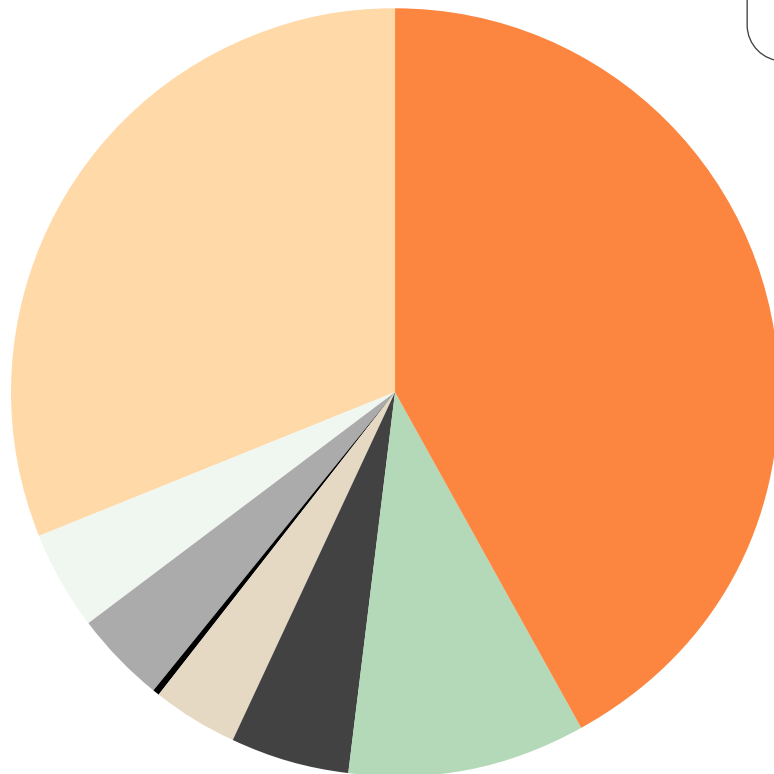
Total no.
of facilities

220

Total no.
of brands

31

Impact Programs:		
	CbD Energy & Water Efficiency	New Construction
	CbD+	Factory Optimization
	CbD Chemistry & Wastewater Management	Production Waste Management
	Renewable Energy Transition Initiative	Renewable Energy Procurement



- 42.3%** CbD Energy & Water Efficiency
- 10%** CbD+
- 5%** CbD Chemistry & Wastewater Management
- 3.6%** Renewable Energy Transition Initiative
- 0.5%** New Construction Factory Optimization
- 3.6%** Production Waste Management
- 4.1%** CTA
- 30.9%** CTS

¹² Explanation: As Aii's Impact Programs have a duration of 12-18 months, during our reporting period of Jan-Dec 2022, some facilities had not yet completed the full program cycle. These facilities are called "active" and can only report on potential savings rather than actual savings. However, it does not mean that all "active" facilities started the programs in 2022; some might have started in 2021.

Executive Summary



2022 was a time of expansion and momentous growth for Aii.
Over the last year we:

Broadened our reach, **increasing the number of regions we serve in our Target Setting programs to 28.** Of that group, 10 regions are also participating in Implementation programs.

Expanded our intervention offerings from 2 to 5.

Forged relationships with a myriad of brands, manufacturers, and facilities.

Enhanced our portfolio of implementation partners, giving us increased capacity to cover more regions, programs, and facilities.

Launched the ambitious, groundbreaking \$250M Fashion Climate Fund which has the potential to unlock \$2B of blended capital.

Onboarded five new staff members to support the delivery of the roadmap to 2030.

Strengthened and refined our governance by **creating the CSP Advisory Council and welcoming a new Board Member.**

We're proud to share our 2022 successes and look forward to continuing our efforts to innovate and lead change over the coming years.



II. Who We Are

Our Vision, Mission and Values



OUR VISION

A transformed apparel, footwear, and textile industry that has a positive impact on people and planet.

OUR MISSION

We identify, fund and scale proven quality solutions to accelerate positive impact in the industry.

OUR VALUES

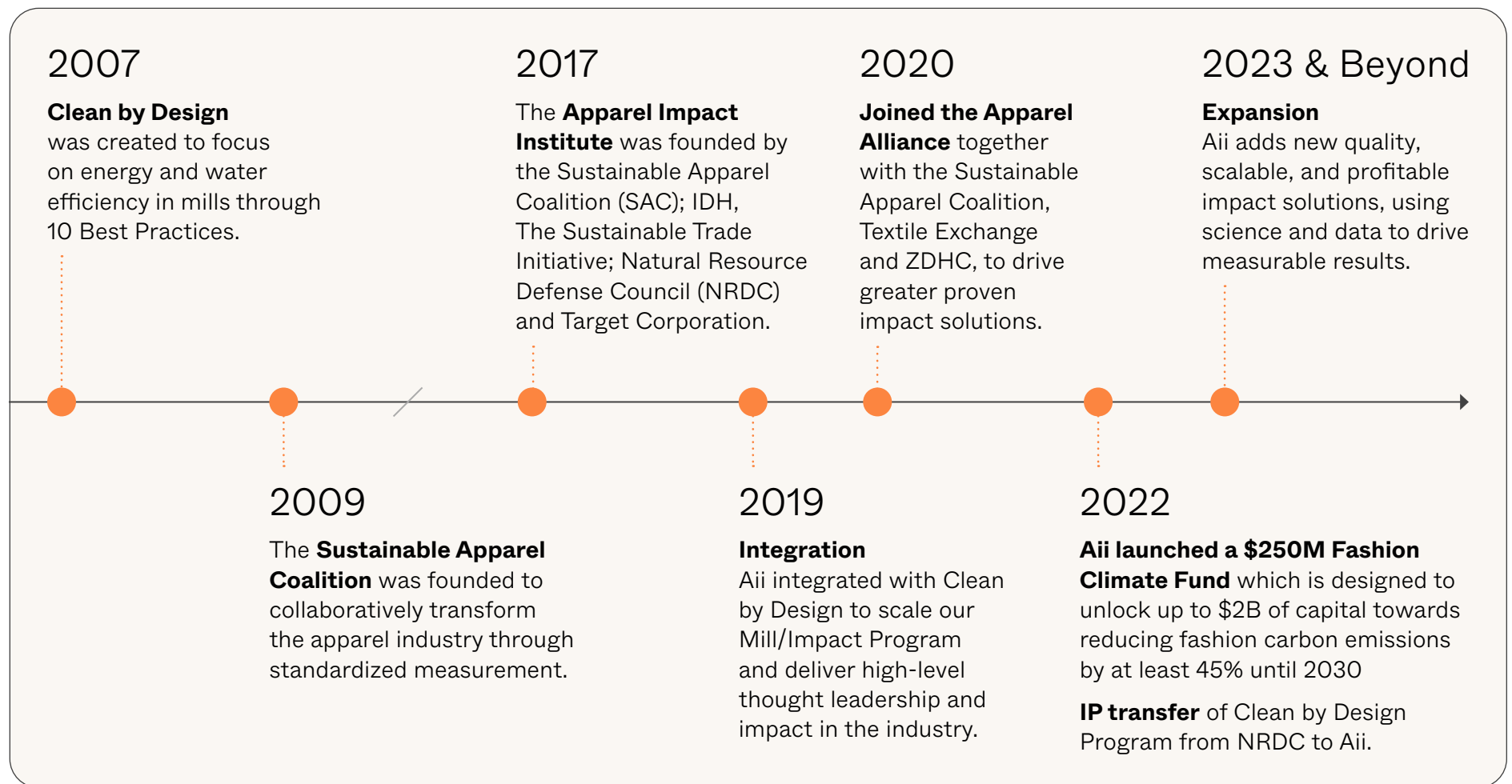
- **Passionate and purpose-driven:** We are ambitious about making a positive impact, and we'll go the extra mile for the cause. We're grounded, brave, bold, and intellectually curious.
- **Trustworthy and real:** We value working together in a manner that is transparent, authentic, credible. We can be trusted to do what we say we will do.
- **Human-centered:** We believe humans are the path to delivering data driven solutions and impact. We bridge people to people, people to ideas, and people to tools. We work with mutual respect for each other's diverse viewpoints and examine our own bias.
- **Collaborative:** We seek to partner and align with existing impact-related workstreams rather than reinvent the wheel, and yet we are ready to build new pathways when gaps exist.

Our History



The Apparel Impact Institute is a not-for-profit registered in the state of California (501c3), founded in 2017 by four industry leaders: the Sustainable Apparel Coalition (SAC), the Sustainable Trade Initiative (IDH), Natural Resource Defense Council (NRDC) and Target Corporation. The organization emerged organically as a result of a real need that apparel brands and retailers self-identified.

Today, Aii is recognized as an ecosystem leader in carbon reduction programming.



Our Focus Areas

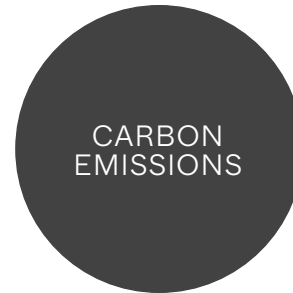


Our immediate priority is carbon reduction to work towards a zero-carbon fashion industry. The following secondary impact areas result from this work.

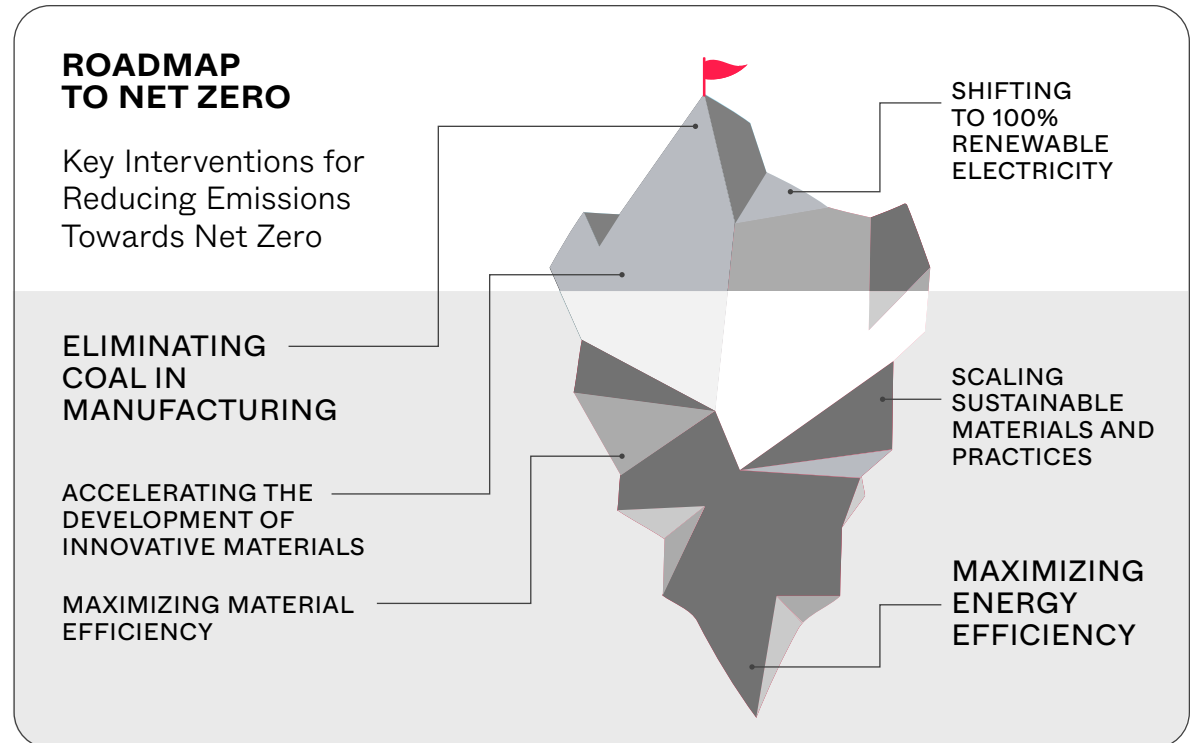
To achieve our primary impact area, we identified our focus areas. Intensive research conducted and published by WRI and Aii in the report Roadmap to Net Zero, concluded that six interventions would help the sector deliver the reductions needed for a 1.5C pathway:¹³

- 1. Maximizing material efficiency.**
- 2. Scaling sustainable materials and practices.**
- 3. Accelerating the development of innovative materials.**
- 4. Maximizing energy efficiency.**
- 5. Eliminating coal in manufacturing.**
- 6. Shifting to 100 percent renewable electricity.**

Primary Impact Area



Secondary Impact Areas



¹³ [WRI & Aii: Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector](https://www.apparelimpact.org/roadmap-to-net-zero) (apparelimpact.org)

Our Focus Areas



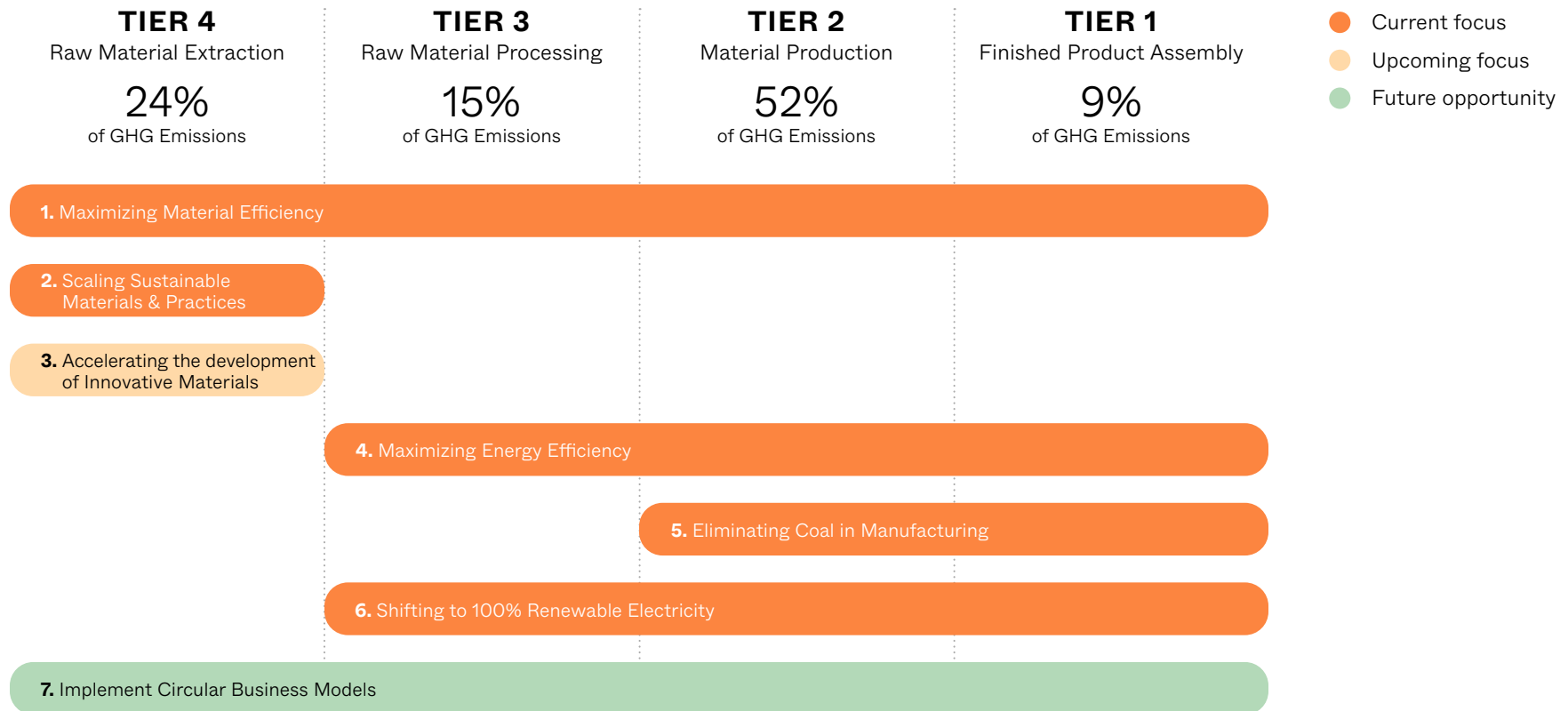
Beyond the six interventions, the paper also identified the potential benefits of circular business models and practices.

All seven areas are critical to decarbonizing the supply chain.

Aii currently focuses on five out of the seven areas, and will integrate the others in upcoming years.

As shown in the previous figure, material production is the biggest hotspot of emissions (52% of total) followed by raw material extraction (24% of total). Therefore, Aii's programs currently focus mainly on material production.

Aii has focused its work around driving impact through its programming, including its inaugural Clean by Design Energy & Water Efficiency Program, the launch of [Fashion Climate Fund](#), and designing the governance structure and intake process for the [Climate Solutions Portfolio](#).





How We Work

Aii provides access to, implementation and tracking of programs that result in positive environmental impacts in the production of apparel and footwear products. Aii programs look at climate through a holistic lens, including impacts on water, air, land, biodiversity, and chemical use with a focus on reducing carbon.

We identify, fund, and scale science-based, measurable programs within the apparel and footwear industry.

IDENTIFY:

Identify and validate opportunities that align with current industry roadmap interventions and industry demand.

FUND:

Catalyze industry and philanthropic funding and organize deployment around pre-seed innovation, program testing and derisking, and accelerating validated impact programs.

SCALE:

Accelerate implementation of impact programs and projects that meet our criteria for quality programming: science-based, measurable results, profitable, globally scalable.



How We Deploy Programs

With climate action becoming an integral part of most brands' sustainability strategies, facilities have shifted to strategically work towards factory decarbonization.

This has led to a significant demand for Aii's Carbon Target Setting Solution, which helps facilities to set 2025 and 2030 carbon reduction targets, develop a prioritized CO₂e reduction action plan utilizing Aii's Carbon Toolkit, and build the necessary capacity to continuously update the action plan and monitor progress against targets. Sixty-five factories in 9 regions set their carbon reduction targets in 2022.

While target setting is a great entry point to carbon reduction, it is neither the only entry point nor the end of this important workstream.

We must recognize that some of the seven interventions, like the elimination of coal, gain significantly more public attraction than others.

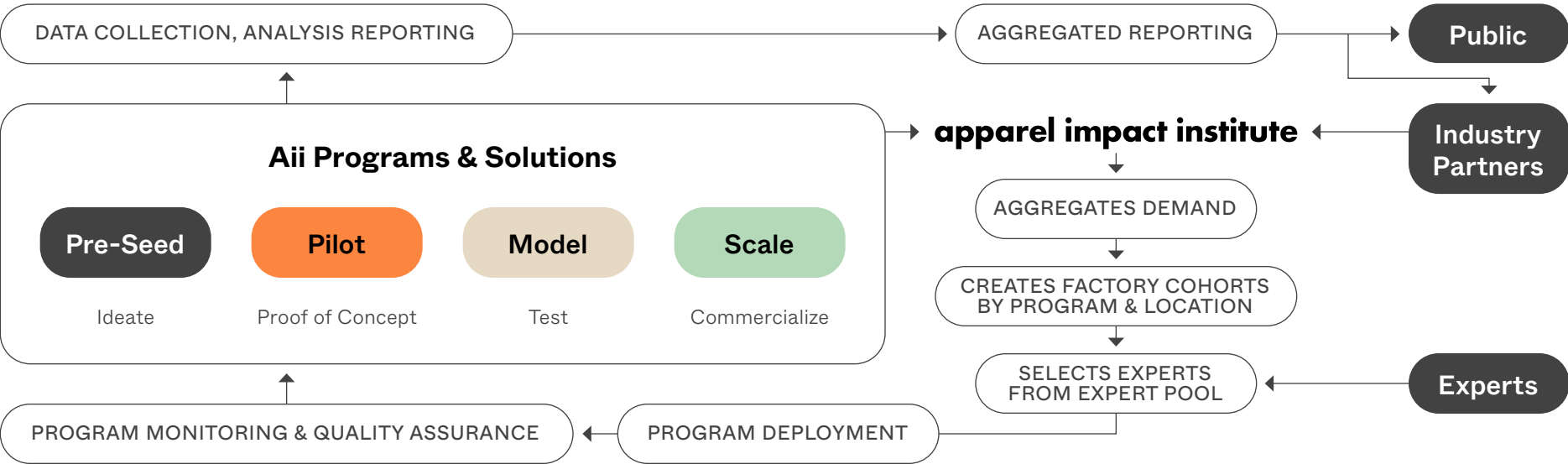
It is correct that shifting from coal to lower-carbon alternatives for thermal energy and moving to 100 percent renewable electricity are vital to decarbonizing

the apparel sector. A 50 percent shift to renewable energy in global supply chains' spinning, textile formation, and finished goods assembly facilities would reduce emissions by an estimated 213 Mt CO₂e.¹⁴

However, the maximization of energy efficiency also has a high potential to reduce emissions (estimated at 64 Mt CO₂e¹⁵), requires relatively low investment, and offers a quick payback period of only 1-2 years. At the same time, with rising energy prices, it can bring almost immediate economic savings. Production processes with high energy use benefit the most, such as wet-processing.

If we want to achieve our 45% reduction target by 2030, it is therefore important to understand that only the combination of interventions, including the reduction of energy consumption, can lead factories to decarbonize.

Aii's inaugural Clean by Design Energy & Water Efficiency program has proven an effective and scalable solution in the "energy efficiency intervention" with an average of 8.27% energy and 8.24% GHG emission savings for wet-processing units since 2018.



14 WRI & Aii: Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector (apparelimpact.org)

15 WRI & Aii: Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector (apparelimpact.org)

Fashion Climate Fund

In 2022, Aii proudly launched the \$250M Fashion Climate Fund with lead funders lululemon, H&M Group, the PVH Foundation, Target, H&M Foundation, and The Schmidt Family Foundation.

Pioneering a collaborative funding model between philanthropy and corporate entities, the Fund is designed to unlock an estimated \$2B in blended capital¹⁶ in additional asset classes to help meet the industry's ambition to halve carbon emissions by 2030. By activating a blended capital solution between industry and philanthropy, we can do more than we ever have, faster than we ever have.

The Fashion Climate Fund will aggregate funding to apply toward identifying and rapidly scaling proven CO₂ emissions interventions inside a shared global supply chain. Aligning philanthropic and government grant makers alongside industry funding and blended capital with a shared and agreed upon suite of solutions will allow us to reach the ambitious timeline set by the science-based targets. We see the greatest need to apply philanthropic and industry funds to early and mid-stage projects where catalytic funding can derisk unproven solutions in order to unlock financial capital to reach scale.

The Fashion Climate Fund is a rapid acceleration of existing Aii programmatic work to achieve our collective SBTs.



¹⁶ See its definition at the end of the Impact Report

To find out more: [Fashion Climate Fund](#)



Fashion Climate Fund



The Fashion Climate Fund also supports the development of a digital tool for transparent, standardized impact reporting: the Climate Solutions Portfolio. This will be an online registry to identify, fund and scale impact programs leading to scope 3 emissions reduction in the apparel sector.

Such a registry will create greater transparency for the impact work being financed via the fund by aligning the industry’s disparate programs and providing data assurance based on clearly defined impact criteria.

Targets we are aiming for by 2030:

- All industry opportunities will be scoped and every carbon reduction program is registered with the Climate Solutions Portfolio.
- Aii will aggregate industry and philanthropy funds to unlock \$2 billion in capital to accelerate decarbonization.
- Aii’s stakeholders will widely adopt proven impact solutions across all tiers and interventions.



To find out more: [Fashion Climate Fund](#)



Aii Program Foundation

Our foundational work brings together a community of practitioners who focus on scaling proven strategies for improving operational and environmental efficiency.

- Clean by Design Energy & Water Efficiency
- Clean by Design Chemistry & Wastewater Treatment
- Carbon Leadership Program
- & Others

Brand-sponsored model — Brand-identified Opportunities

Fashion Climate Fund

The Fashion Climate Fund aggregates corporate contributions and philanthropic funding to apply toward identifying and rapidly scaling proven CO₂ emissions interventions inside our shared global supply chain.

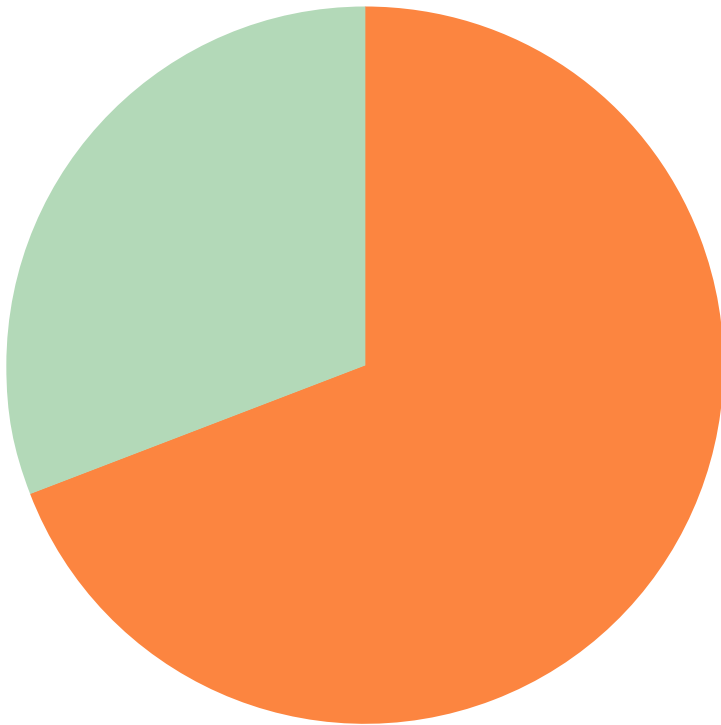
The Fashion Climate Fund accelerates existing Aii programmatic work—moving from the target setting and incubation phase into rapid implementation—by providing the necessary capital investment in technologies to achieve our collective science-based targets. The funding also supports the exploration of new innovations required to achieve these ambitious goals.

True collective-action model — Aii-identified opportunities

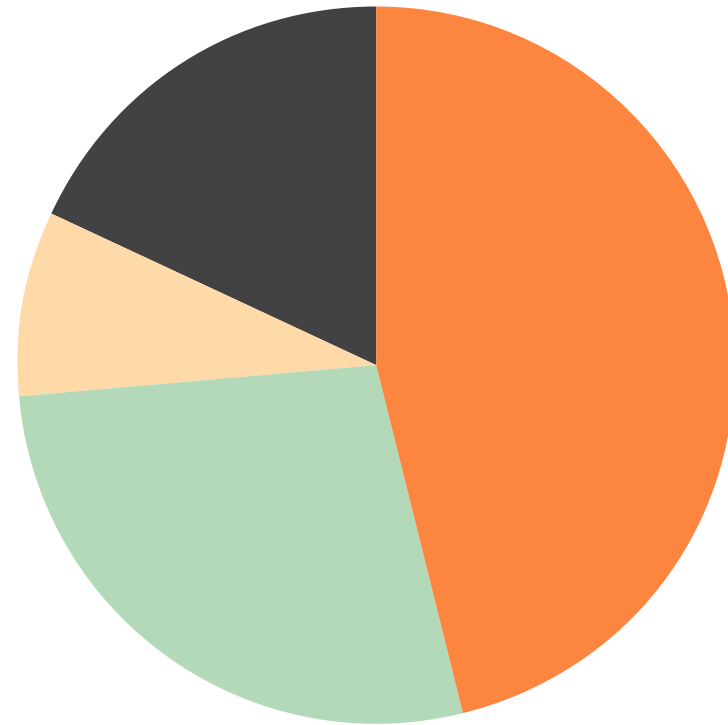
Allocation of Funds



Program Related Expenses in 2022 in Detail



- Program Related Expenses: **68.9%**
- General and Administrative: **31.1%**

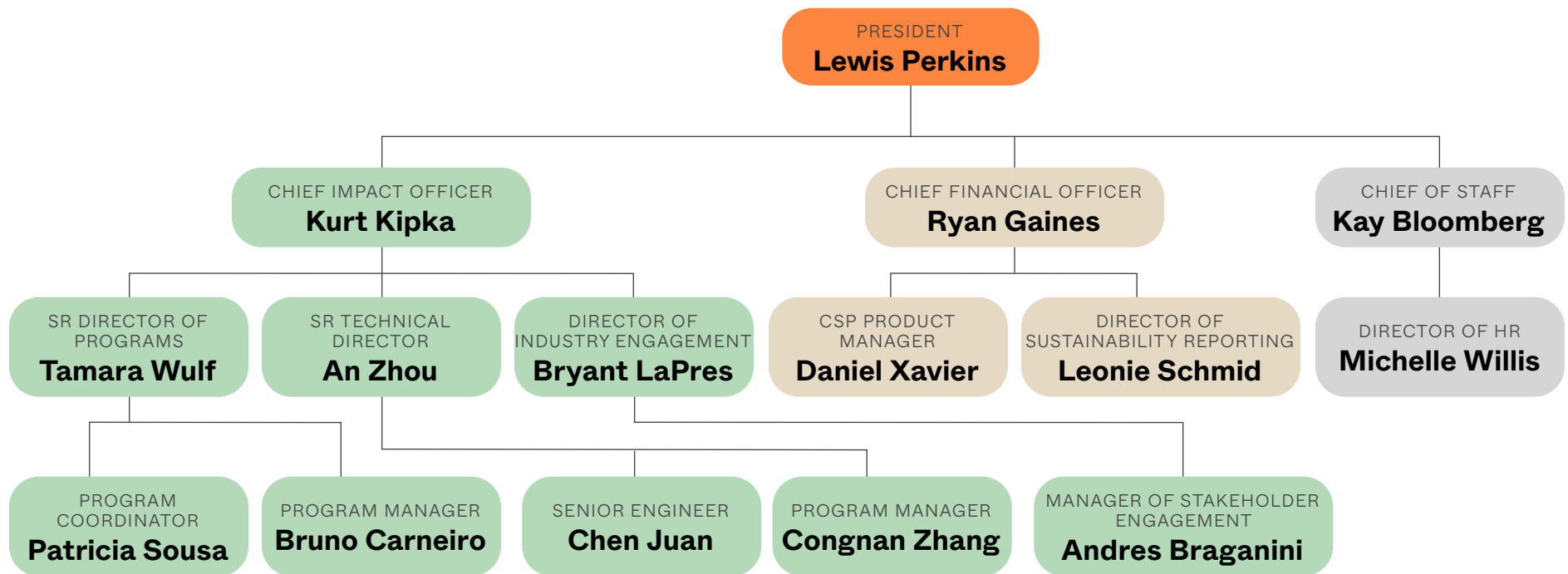


- Impact Programs: **46.1%**
- Target Setting Programs (CTA& CTS): **27.5%**
- Program Operations, Data and Reporting: **8.4%**
- Ecosystem Leadership: **17.8%**

Aii Team



Within the organization, Aii’s management and major decisions are led by the executive team, composed of the President, Chief Impact Officer, Chief Financial Officer, and Chief of Staff.¹⁷

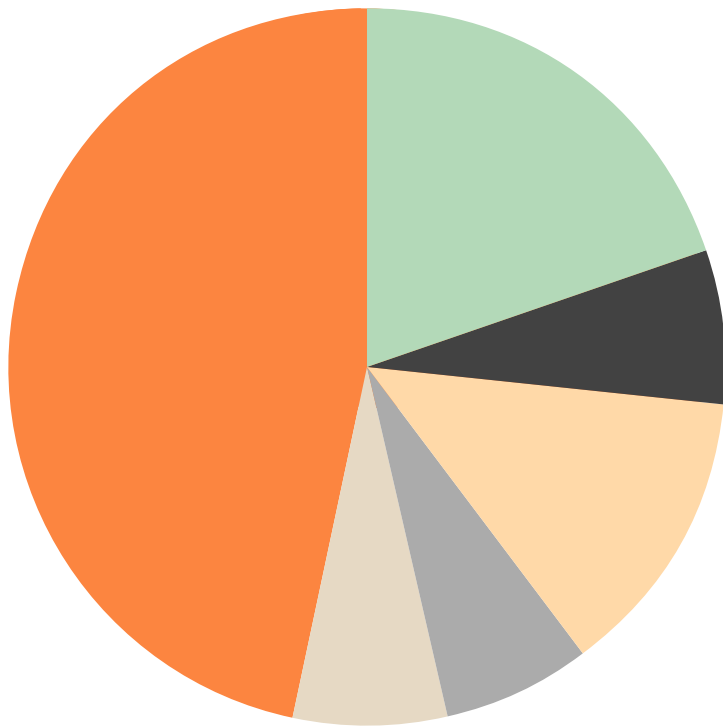


¹⁷ Employees and job titles during the financial year 2022 until 31.12.2022

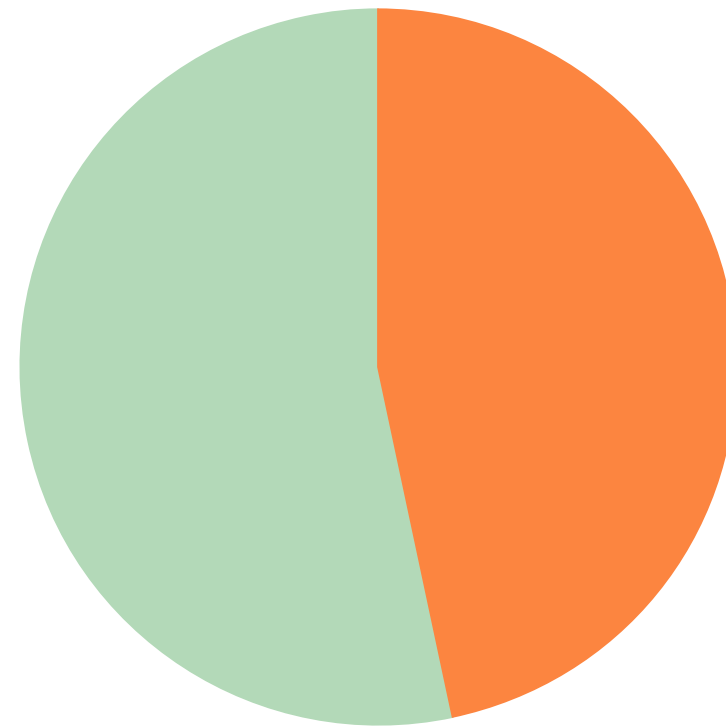


Geography & Demographics of the Team

Aii is proud to be a growing, international, and diverse team, with 15 employees from 5 different nationalities based in 6 countries over 3 continents in 2022.



- China: **20%**
- Germany: **6.7%**
- Portugal: **13.3%**
- Spain: **6.7%**
- United Kingdom: **6.7%**
- United States: **46.6%**



In 2022, Aii's team represented almost an equal distribution of male and female employees.

Aii's executive team is composed of 4 people — 75% identifying as male and 25% as female.

- Total Identifying as Female: **46.7%**
- Total Identifying as Male: **53.3%**



Aii Governance

Board of Directors

Aii is governed by its Board of Directors, whose role includes:

- Determining mission and purpose of Aii.
- Monitoring and strengthening programs and services.
- Ensuring adequate financial resources.
- Protecting assets and providing proper financial oversight.
- Building a competent Board, including articulating prerequisites for candidates, orienting new members, and periodically and comprehensively evaluating their own performance.
- Maintaining legal and ethical integrity.
- Enhancing the organization's public standing.
- Establishing a balance of representation from a variety of fields on the Board to maintain diversity and encourage inspiration and innovation from a wide range of sources.
- Approving the final Fashion Climate Fund allocations as part of the budgeting process.

Aii Board Members serve a two-year term and attend quarterly Board Meetings. The Board has two established committees: Audit and Finance.

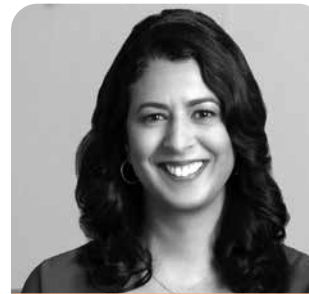
As of February 2023, we have welcomed Claire Bergkamp, CEO at Textile Exchange, as the newest member of our Board of Directors



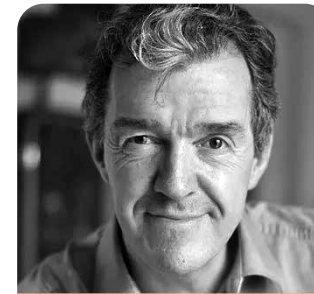
Punit Lalbhai
Arvind Mills
BOARD CHAIR



Melissa Fifield
Bank of the West
BOARD MEMBER



Amina Razvi
Sustainable Apparel
Coalition
BOARD MEMBER



Ted Van Der Put
IDH, Sustainable Trade
Initiative
BOARD MEMBER



Devon Rothwell
Condé Nast
BOARD MEMBER



Amanda Tucker
Target Corporation
BOARD MEMBER



Claire Bergkamp
Textile Exchange
BOARD MEMBER

CSP Advisory Council

The CSP Advisory Council is a multi-stakeholder group focused on determining which solutions, from a programmatic impact perspective, should be included in the Climate Solutions Portfolio.

This advisory group is named by the Aii Board of Directors for the purpose of vetting programs for funding.

The role of the Council includes:

- Reviewing the entire cohort of applicants.
- Connecting Lead Funder representatives with Apparel Impact Roundtable.
- Reviewing and analyzing applications for impact opportunities.
- Calling upon a pool of experts as needed.

In 2023 we will fill an open position on the Council for a supply chain representative.



Linda Greer, Ph.D.
Environmental Scientist
and Impact Advisor



Phil Patterson
Managing Director,
Colour Connections
Textile Consultancy



Beth Jensen
Director, Climate+
Impact, Textile Exchange



Crispin Wong
Senior Director of
Product Sustainability &
Environment, lululemon



Mallory McConnell
Vice President of
Corporate
Responsibility, PVH Corp

Apparel Impact Roundtable

The Apparel Impact Roundtable (AIR) is a strategic advisory body consisting of brands, retailers, and manufacturers responsible for driving the strategic scale and implementation of sponsored initiatives.

The Apparel Impact Roundtable is composed of the industry partners contributing to the Fashion Climate Fund along with additional strategic industry partners. Their primary responsibility is to review and provide feedback on the recommended docket of the fund.



2022 Stakeholders



2022 Partners

Fashion Climate Fund Strategic Collaborators

Non-profit organizations with expertise and knowledge of the apparel, footwear, and textile industry or adjacent sectors collaborating with and providing guidance and insights to Aii.

- Fashion for Good
- Solidaridad
- Textile Exchange

Fashion Climate Fund Lead Partners

Organizations committing at least \$10M to the \$250M Fashion Climate Fund.

- H&M Foundation
- H&M Group
- lululemon
- PVH Foundation
- The Schmidt Family Foundation
- Target

Thought Partners

Organizations with expertise and knowledge on issues relevant to the apparel, footwear, and textile sector collaborating with and providing guidance to Aii.

- Accelerate Circularity
- Fashion Conveners
- Fashion Pact
- Global Fashion Agenda
- Mill Improvement Alliance
- Natural Resources Defense Council (NRDC)
- Pakistan Environment Trust
- Race to the Top
- Sustainable Apparel Coalition (SAC)
- The Industry We Want (TIWW)
- United Nations Fashion Industry Charter for Climate Action (UNFCCC)
- Value Change Initiative
- World Resources Institute (WRI)
- World Wildlife Fund (WWF)
- ZDHC Foundation

Brand Partners¹⁸

Apparel, footwear, or retail companies who nominate, sponsor, or provide funding to Aii to drive facility level environmental improvement programs and impact reductions.

- | | | | |
|---------------------|----------------|-----------------|-------------------|
| Abercrombie & Fitch | Eileen Fisher | Levi Strauss | Shein |
| Amazon | Farfetch | LL Bean | Stella McCartney |
| Amer Sports | Fast Retailing | Marks & Spencer | Tchibo |
| American Eagle | Fila | Nemo | The Reformation |
| Arc'teryx | Fjällräven | New Balance | Under Armour |
| ASICS | Gap | Nike | Vaude |
| ASOS | Haglofs | Otto Group | Vera Bradley |
| Burberry | HellyHansen | Primark | VF Corp |
| Burton | Icebug | Puma | Victoria's Secret |
| C&A | JCPenney | Ralph Lauren | W.L. Gore |
| Columbia | J. Crew | REI | |
| Decathlon | Kering | REWE | |

¹⁸ Partners include organizations that previously contributed and/or currently contribute funding to Aii.



2022 Stakeholders

Manufacturing Partners

Apparel, footwear, or textile manufacturing companies who provide funding to Aii to achieve environmental improvement programs and impact reductions.

Artistic Milliners

Arvind Mills

Membership Associations

Membership based organizations who collaborate with Aii to offer their membership environmental impact reduction programs.

European Outdoor Group

Outdoor Industry Association

Funding Partners¹⁹

Organizations who provide funding to Aii to advance our mission for the apparel, footwear, and textile sector.

Bank Of The West

Chaiken Foundation

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Fair Wear Foundation

HSBC

IDH

Roy A. Hunt Foundation

Sustainable Apparel Coalition

¹⁹ Industry & Funding Partners include organizations that previously contributed and/or currently contribute funding to Aii.

2022 Implementation Partners²⁰

Solution providers with specialist knowledge in countries that implement Aii's programs.

Act Renewable

IDH

Albini Energia

IEM

Allotrope Partners

Legambiente

Cascade Energy

National Renewable Energy Laboratory (NREL)

cKinetics

NimkarTek

Clean Energy Investment Accelerator (CEIA)

Pozzi Leopoldo Srl

Crest China

Ren Energy

Elevate

RESET Carbon

Enerteam

BluWin Ltd. (Sustainable Textile Solutions)

Espire Consult

The Bhive

Green Energy Associates

Vietnam Cleaner Production Center

Hongyu

Yujin Energy Technology

ICF Consulting

ZDHC Implementation HUB

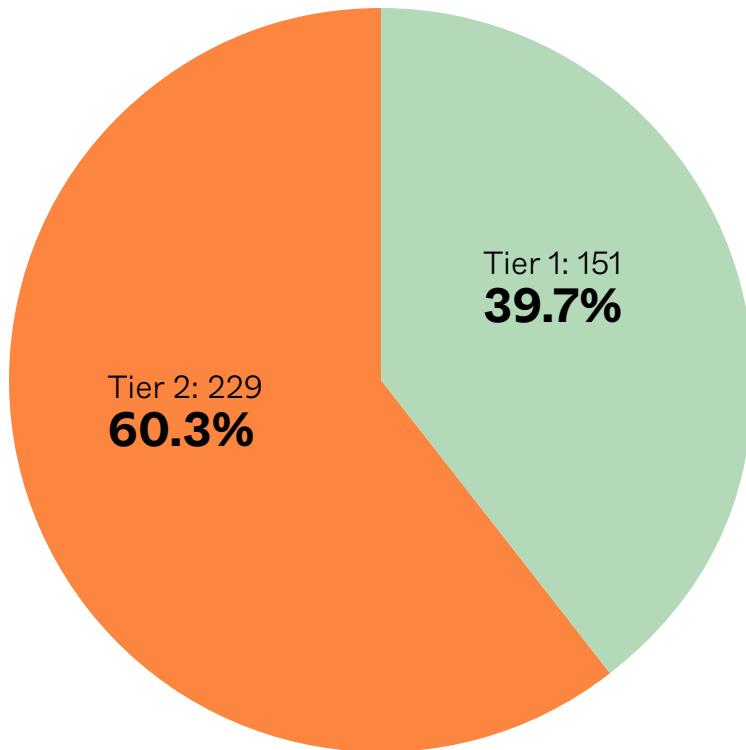
²⁰ Implementation Partners include current or past partners that have supported Aii's programs implementation.

2022 Facilities Implementing Aii Programs



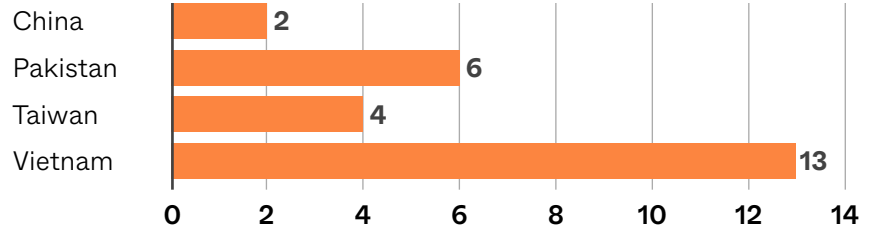
Facilities That Completed an Aii Program in 2022

Distribution by Tier²¹

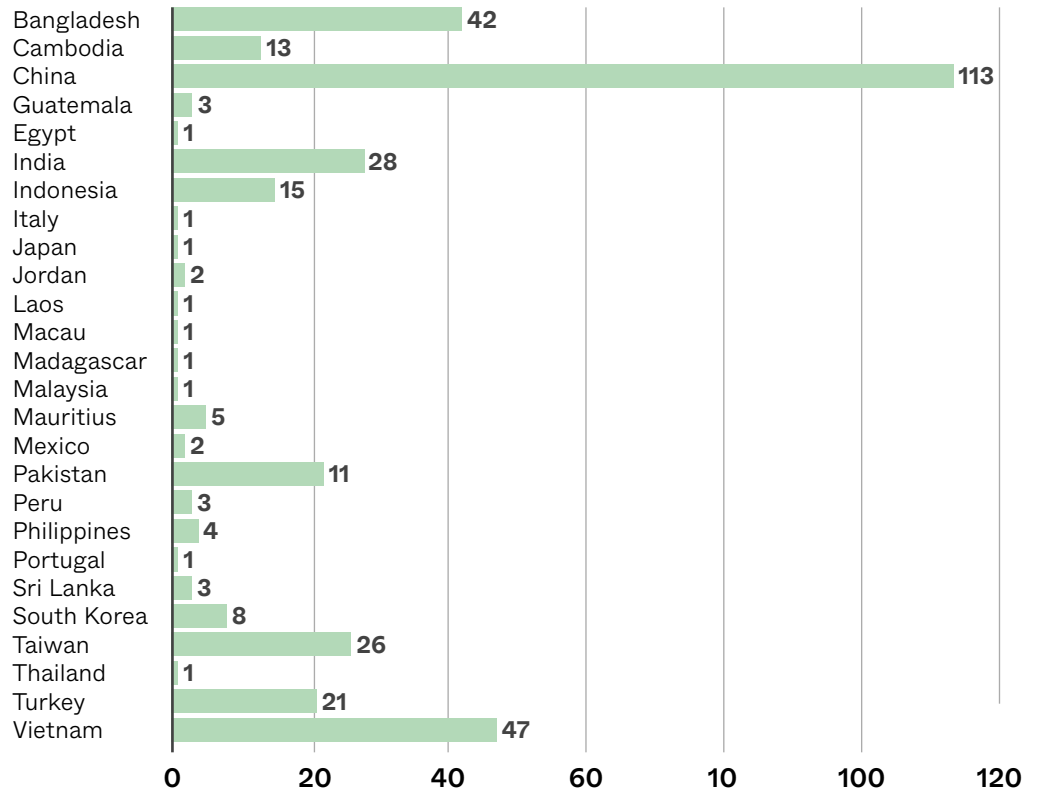


Distribution by Country

IMPACT PROGRAMS



TARGET SETTING PROGRAMS



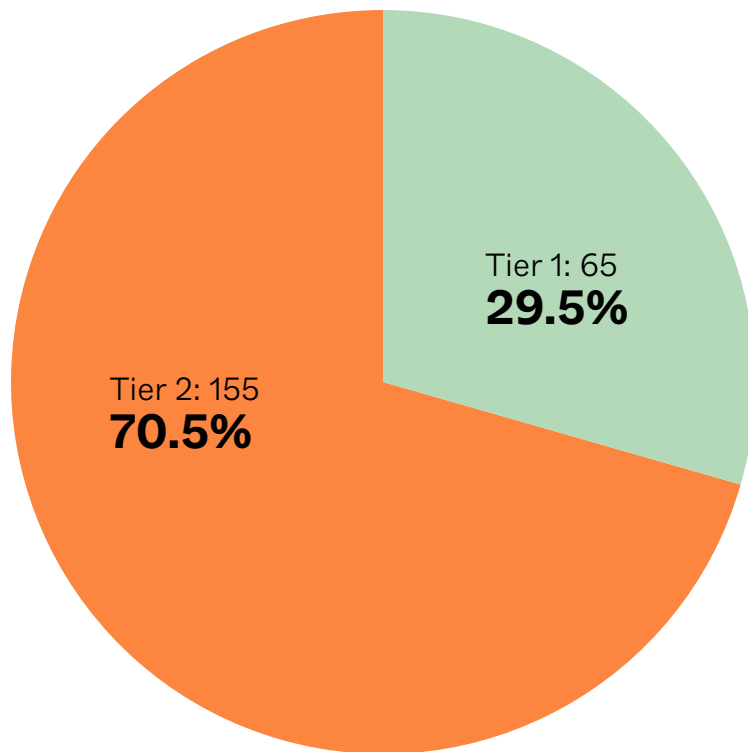
21 Aii's definition of tiers can be found at the end of the report.



2022 Facilities Implementing Aii Programs

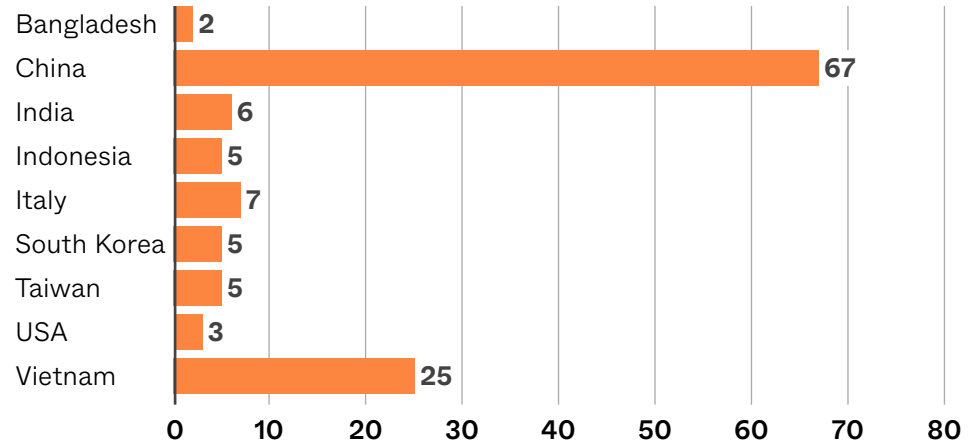
Facilities That Are Currently Active in an Aii Program in 2022

Distribution by Tier²²

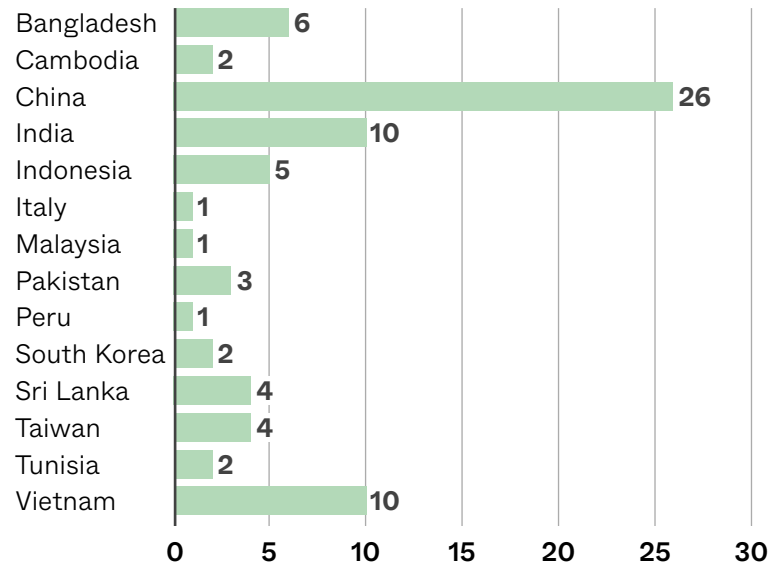


Distribution by Country

IMPACT PROGRAMS



TARGET SETTING PROGRAMS



²² Aii's definition of tiers can be found at the end of the report.



III. What We Do: Our Impact Programs in 2022



Intro to Impact by Kurt Kipka

In 2022, Aii continued to grow the geographical coverage and the scope of our programs and the impact they generate for our partners and the industry. Throughout the year we, like many of our partners, felt the momentum building for frameworks that take climate commitments and translate them into climate action and we began to position ourselves as the industry aggregator of impact solutions accordingly. We also proudly announced the Fashion Climate Fund which will supercharge Aii's ability to rapidly identify, fund and scale carbon reduction projects for the sector. We now stand poised to fill the void between ambition and action for achieving carbon reduction goals.

Turning Ambition to Action

- We refined our Carbon Leadership Program to formally connect planning activities like benchmarking and target setting with implementation programs like Clean by Design in order to represent the full change management framework.
- We standardized our data gathering, tracking and reporting framework, readying our programs and our partners for a more rapid scale in years to come. The standardized approach enables more sophisticated data analysis and modeling capabilities as we seek to bring on brands, manufacturers, and implementation partners into our decarbonization framework.
- We introduced the Climate Solutions Portfolio, the Fashion Climate Fund's program evaluation and deployment mechanism. In this "Year 0" of Climate Solutions Portfolio development, we established a groundbreaking project assessment methodology and the CSP Advisory Council that will put it to good use in years to come.
- We prepared a call for applications to receive grant funding via the Fashion Climate Fund, a first-of-its-kind process aimed at rapidly identifying and growing the industry's programs with the most impact potential.

As I look ahead to 2023 and beyond, I am particularly excited about the potential that the Climate Solutions Portfolio and Aii's decarbonization framework can have for the industry. We will continue to map the path to net zero for the industry through existing initiatives and those that are yet to be discovered while ushering our partners along a path that turns ambition into action and, most importantly, data-driven results.



Kurt Kipka
Chief Impact Officer, Apparel Impact Institute



Aii's Programs Impact Benchmarking



In 2022, we began understanding the impact of Aii programs relative to the cost expended. We benchmarked the greenhouse gas emissions reduced through Aii programs as compared to alternatives, such as switching energy sources from coal-fired boilers to using offshore wind.

The comparison data was taken from publicly available analysis published in the International Monetary Fund in 2018. For the data, an estimate of the unsubsidized costs of various technologies to reduce greenhouse gas emissions

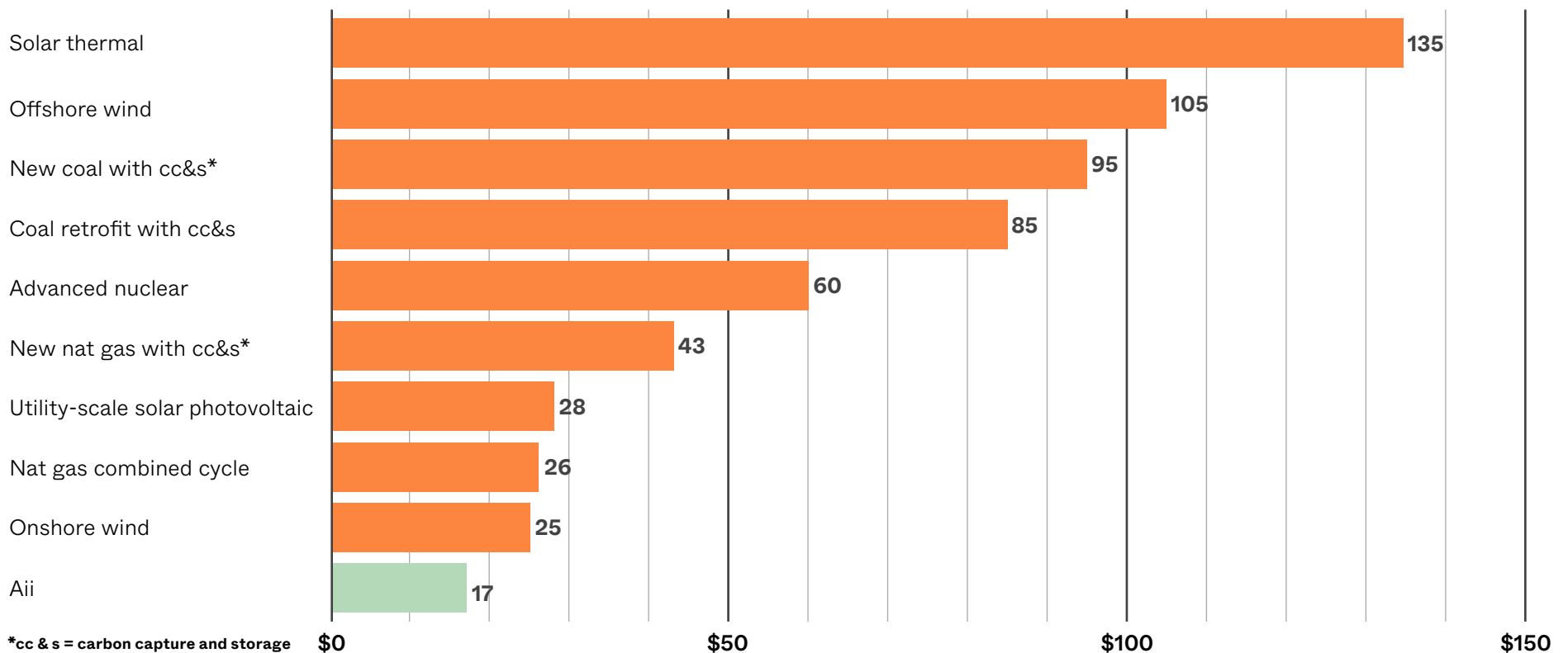
was taken based on a review of recent economic literature. It is important to highlight that these estimates are averages from the United States.²³

Aii's data show the costs for an Aii program to reduce CO₂e emissions by one ton, including Aii's total spending (G&A and program related cost) as well as the invested capital by the facility to implement the actions.

The following bar chart shows the results for each of the solutions in cost per ton of reduction of CO₂e over useful life.

Impact Benchmarking

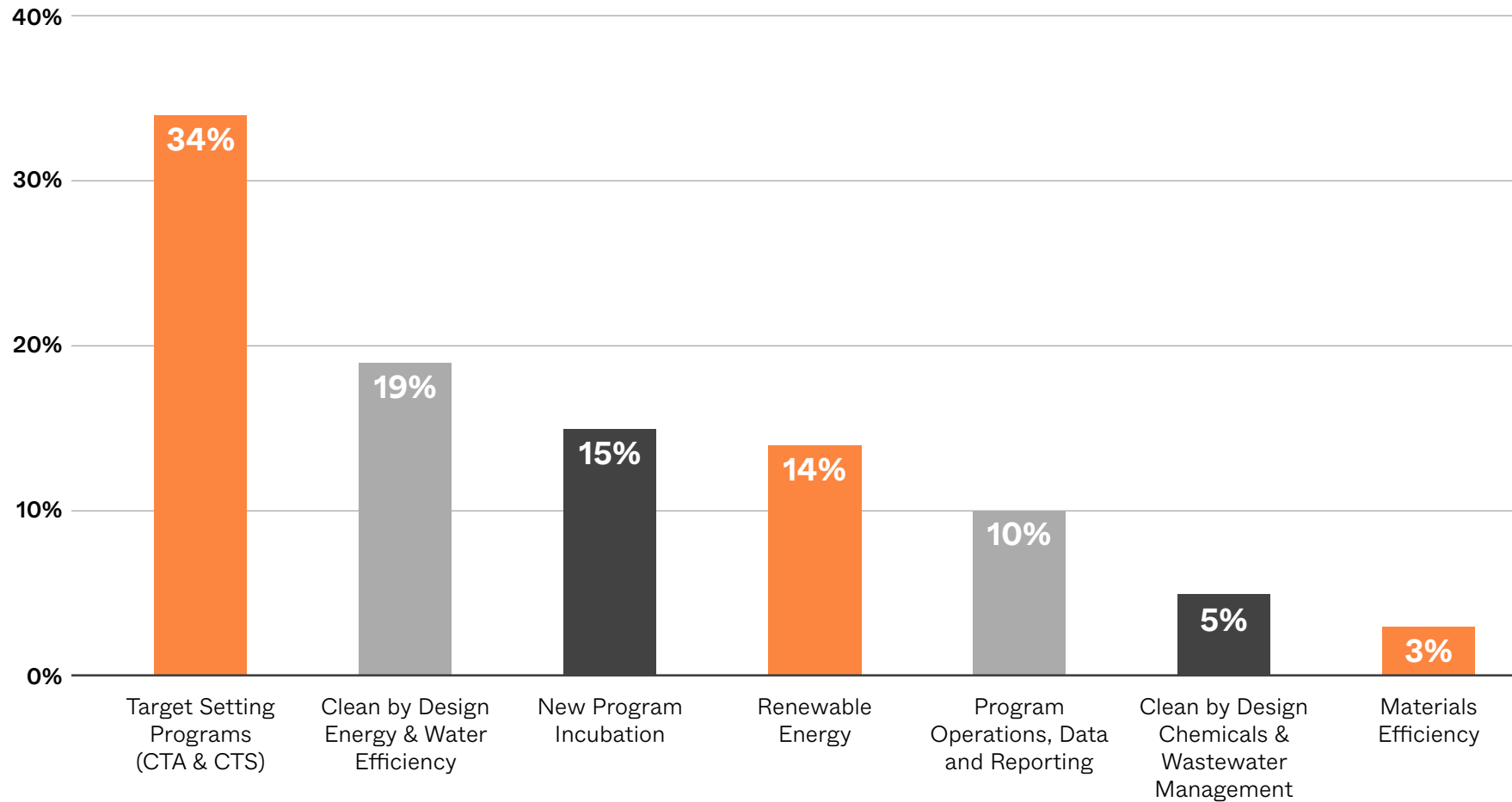
Cost per Ton of Reduction of CO₂e Over Useful Life



23 [The True Cost of Reducing Greenhouse Gas Emissions – IMF F&D | DECEMBER 2019](#)

Source: Kenneth Gillingham and James H. Stock. "The cost of Reducing Greenhouse Gas Emissions". Journal of Economic Perspectives 32, no. 4 (Fall 2018): 53-72.

Program Funding



Overview of Our Programs



The programs offered by Aii in 2022 were:

● Early-stage ● Model ● Available at scale

PROGRAM	TIER 1	TIER 2	GHG REDUCTION	ENERGY EFFICIENCY	WATER REDUCTION	CLEANER CHEMICALS	WASTE-WATER	RENEW-ABLES	COAL PHASE-OUT	MATERIAL EFFICIENCY
Carbon Technology Assessment (CTA)	X	X	X	X	X			X	X	
Carbon Target Setting (CTS)	X	X	X	X	X			X	X	
Clean By Design Energy & Water Efficiency (CbD)	X	X	X	X	X					
Clean By Design Plus (CbD+)		X	X	X	X			X		
Clean By Design Chemistry & Wastewater Management (CbD Chem)		X			X	X	X			
Renewable Energy Transition Initiative (RETI)	X	X	X					X		
Renewable Energy Procurement	X	X	X					X		
Production Waste Management	X		X							X
New Construction Factory Optimization		X	X	X	X	X	X	X	X	

In 2022, Aii evolved the Carbon Leadership program developed in collaboration with RESET Carbon Ltd by adding its heritage impact programs, such as the Clean by Design Program, to the benchmarking and carbon target setting elements of the program.

The **Carbon Leadership Program** offers a holistic solution to successfully decarbonize apparel supply chains and covers benchmarking, target setting, implementation, carbon target monitoring and third-party data validation.

The **Climate Solutions Portfolio** will further become an important lever to drive low carbon manufacturing.

Climate Solutions Portfolio

The apparel/textile industry is facing three key challenges in achieving its necessary GHG reductions:

1. What solutions exist to reduce emissions?

Stakeholders struggle to locate science-backed initiatives and programs with the potential to support their GHG reduction goals.

2. Which solutions are credible and verifiable?

A limited amount of unstandardized data on the effectiveness of many of these solutions creates uncertainty and confusion about their efficacy.

3. Which solutions do we prioritize?

Fragmented coordination across the industry around priorities and timelines slows down the scaling of proven programs.

Failure to “follow the tons of CO₂e” opens the door to spending time and money where it is easiest to start rather than to where it delivers the largest results. The Apparel Impact Institute’s Climate Solutions Portfolio has been established to find, fund, monitor, and report on climate impact solutions. The CSP will identify proven programming and funding opportunities in the climate impact space, allowing fashion and apparel/textile companies to connect to programs that deliver on their science-based targets, supplying verified data as validation towards GHG reductions and impact.



**P
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**CLIMATE
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SOLUTIONS**

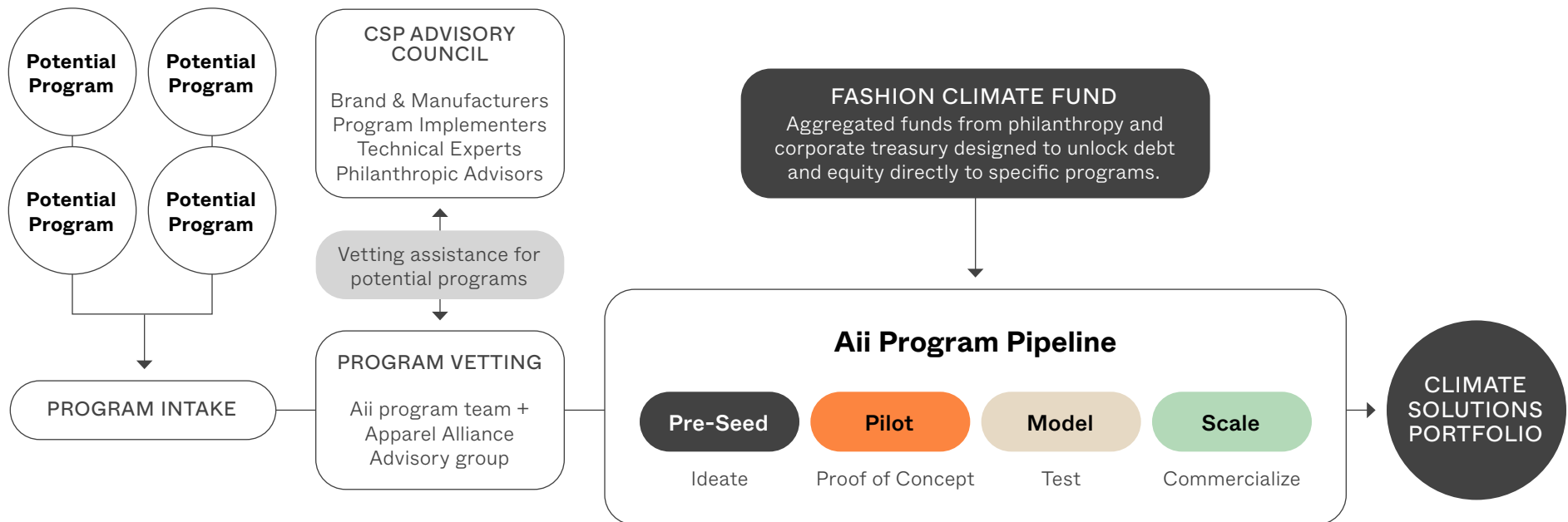
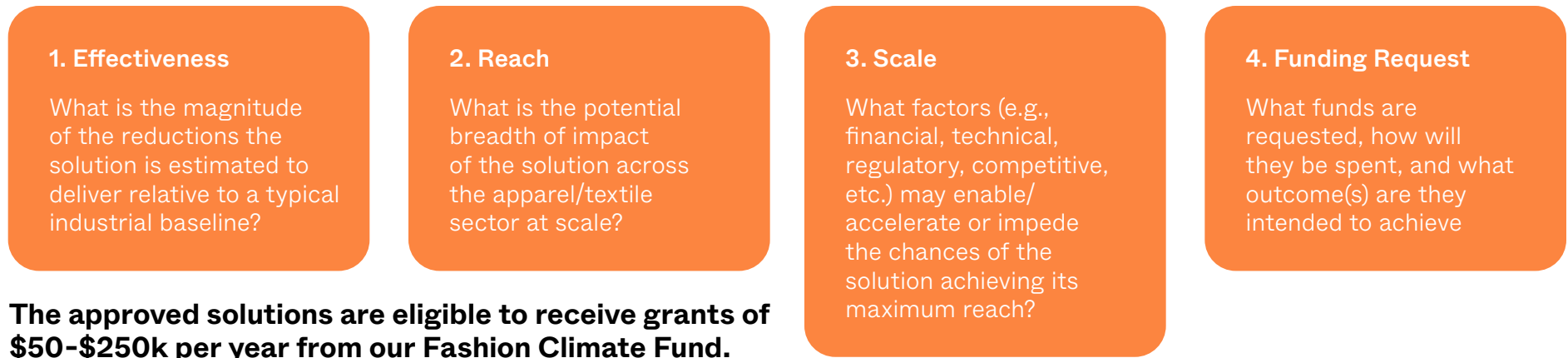




Criteria and Process for Program Evaluation

The CSP application is designed to identify solutions with data that indicate real GHG reductions for apparel manufacture. We will apply four criteria areas when evaluating applications:

To find out more: [CSP and Application Process](#)





CSP Timeline

Step 01

Applicants should download and carefully read the Application Guidance. We advise using it as a workbook to crunch numbers and compose answers, so you can complete the application form itself in one sitting.

Step 02

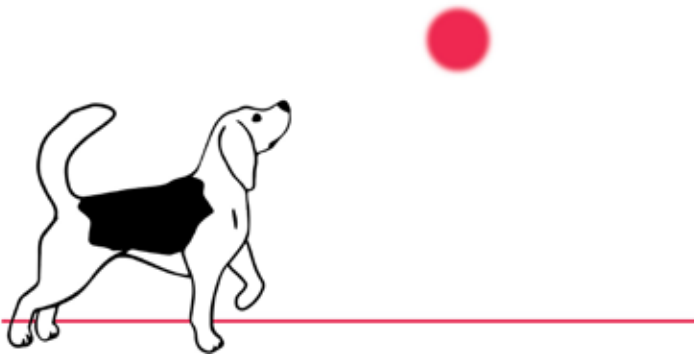
Applications for the first round of funding will be accepted between January 31, 2023 and March 31, 2023.

Step 03

Grant finalists will be identified and communicated to applicants in June 2023.

Step 04

The Climate Solutions Portfolio registry populated by identified applicants will go live to the public in Summer 2023.



Carbon Leadership Program



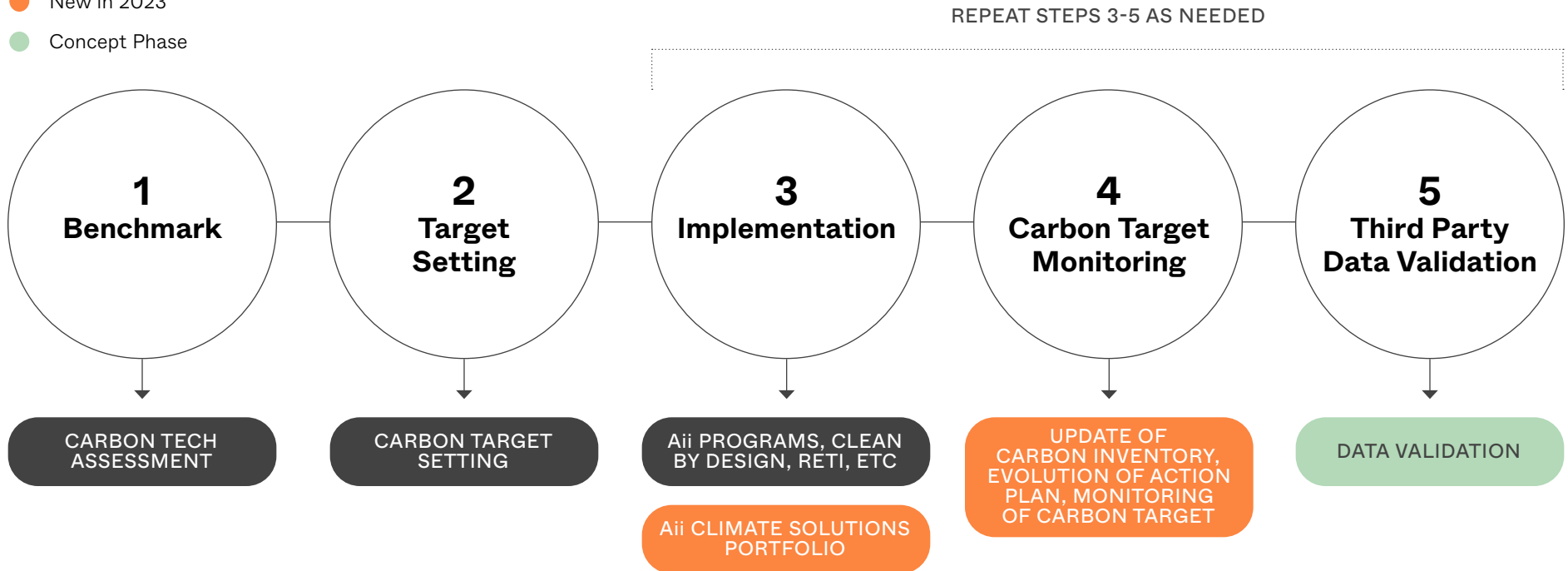
The objective of Aii's Carbon Leadership Program is to put the industry on a collective action roadmap to factory decarbonization.

The Program consists of 5 steps:

- Step 1.** Benchmark
- Step 2.** Target Setting
- Step 3.** Implementation
- Step 4.** Carbon Target Monitoring
- Step 5.** Third Party Data Validation

In 2022, we made great progress to drive scale for Carbon Tech Assessments and Carbon Target Setting as a starting point to put factories in impact programs like our Clean by Design program.

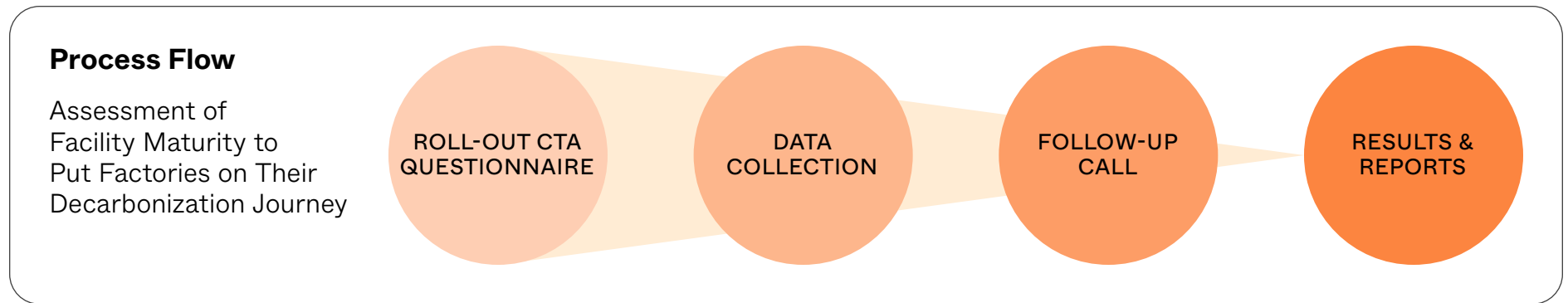
- Current
- New in 2023
- Concept Phase



Step 1: Benchmark



Carbon Technology Assessment (CTA)



<p>OBJECTIVE:</p> <ul style="list-style-type: none"> Identify facility performance and maturity. The CTA tool targets facility engineering teams to generate insights on Carbon performance at Facility Level. Identify top reduction measures that can be scalable to capture most of the reduction in the supply chain. Trigger supplier engagement through technical benchmarking methodology and a reduction target estimation methodology. Estimate carbon reduction potential and opportunities for reducing carbon emissions. 	<p>PROGRAM STAGE: Available at scale</p>	<p>IMPACT:</p> <p>Gives facilities and brands an understanding of the carbon reduction potential of the site and the maturity level.</p>
	<p>PROGRAM DURATION: 3 months</p>	
	<p>SCOPE: Tier 1 & 2</p>	<p>FACILITIES REACHED:²⁵ 355</p>
	<p>REGIONS:²⁴</p> <p>Bangladesh, Cambodia, China, Egypt, Guatemala, India, Indonesia, Italy, Japan, Jordan, Laos, Macau, Madagascar, Malaysia, Mauritius, Mexico, Pakistan, Peru, Philippines, Portugal, South Korea, Sri Lanka, Taiwan Region, Thailand, Turkey, Vietnam</p>	

²⁴ All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022.

²⁵ Total number of facilities that completed this program since Aii's start until the end of December 2022.

Step 2: Target Setting



Carbon Target Setting (CTS)

OBJECTIVE: <ul style="list-style-type: none"> • Set carbon, energy, water, wastewater, and fugitive emissions baseline. • Identify reduction potential through in-depth assessment. • Set 2030 targets for carbon reduction. • Derive a prioritized and feasible carbon reduction action plan. • Achieve commitment to implementation of actions. 	PROGRAM STAGE: Available at scale	REGIONS: ²⁶ Bangladesh, Cambodia, China, Ethiopia, India, Indonesia, Italy, Malaysia, Mauritius, Pakistan, Peru, South Korea, Sri Lanka, Taiwan Region, Tunisia, Turkey, Vietnam
	PROGRAM DURATION: 6 months	
	SCOPE: Tier 1 & 2	IMPACT: Gives facilities and brands a concrete understanding of the carbon reduction plan of the site.
	FACILITIES REACHED: ²⁷ 130	

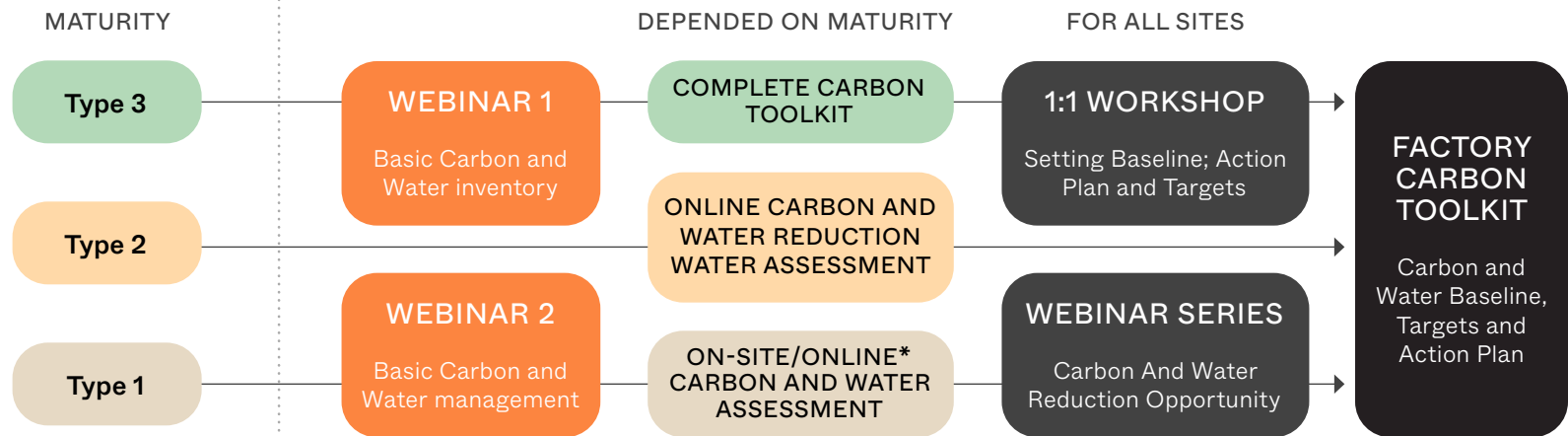
²⁶ All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022.
²⁷ Total number of facilities that completed this program since Aii's start until the end of December 2022.

Carbon Tech Assessment



CTA leads to multiple pathways in target setting.

Target Setting And Capacity Development





Step 3: Implementation

At Aii, we identify and validate program opportunities that drive decarbonization on the factory level. Once a program is selected, we pilot and test it before we bring it to a model phase and ultimately scale it.

It is important to us to accelerate the implementation of impact programs and projects that meet our criteria for quality programming: science-based, measurable results, profitable, and globally scalable.

The CbD program in Vietnam is implemented in close collaboration with IDH.

a. Clean by Design Energy & Water Efficiency

Clean by Design Programs Methodology

Clean by Design programs follow a continuous improvement approach where facilities make progress over a maturity curve of 12-18 months.

Earn certification for your participation that builds reputation and business value.

Demonstrate improvement, calculate savings and verify payback in as little as 12-18 months

Work alongside a cohort of peers to surface ideas, best practices and opportunities for collaboration.

Opportunity/Results Assessment

Benchmark assessment of facility performance to surface opportunities for continuous improvement.

Recognize & Report Impact

Benchmark KPIs

On-site improvement efforts are led by technical experts who serve as a trusted advisor.

Project Implementation

Learning & Workshop

Ongoing coaching and support (in person and online) offer multiple opportunities for growth.

FACILITY











Prioritized Action Plan

OBJECTIVE: Implement actions on water and energy savings as well as GHG reductions which are low hanging fruits, practical and easy to implement, and have a fast payback period.	PROGRAM DURATION: 12 months	IMPACT: <ul style="list-style-type: none"> • Average water savings = 87,389 m³ • Average energy savings = 28,738 MJoule • Average GHG savings = 3,269 Ton CO₂ eq Average savings are calculated per facility per year since Aii's start (from 2018 to 2022).	KNOWLEDGE PRODUCTS: Case Study
	SCOPE: Tier 1 & 2		FACILITIES REACHED: ²⁹ 129
	REGIONS: ²⁸ China, India, Vietnam, South Korea, Indonesia, Italy, Pakistan, Taiwan Region, USA		
PROGRAM STAGE: Available at scale			
²⁸ All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022. ²⁹ Total number of facilities that completed this program since Aii's start until the end of December 2022.			

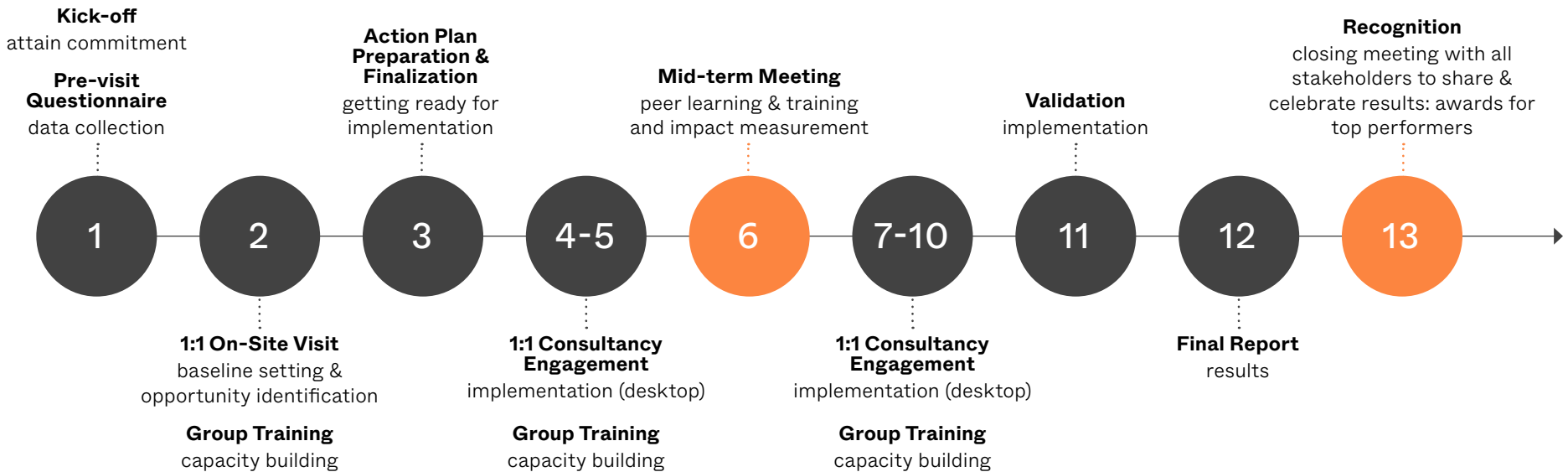
Step 3: Implementation



10 Best Practices

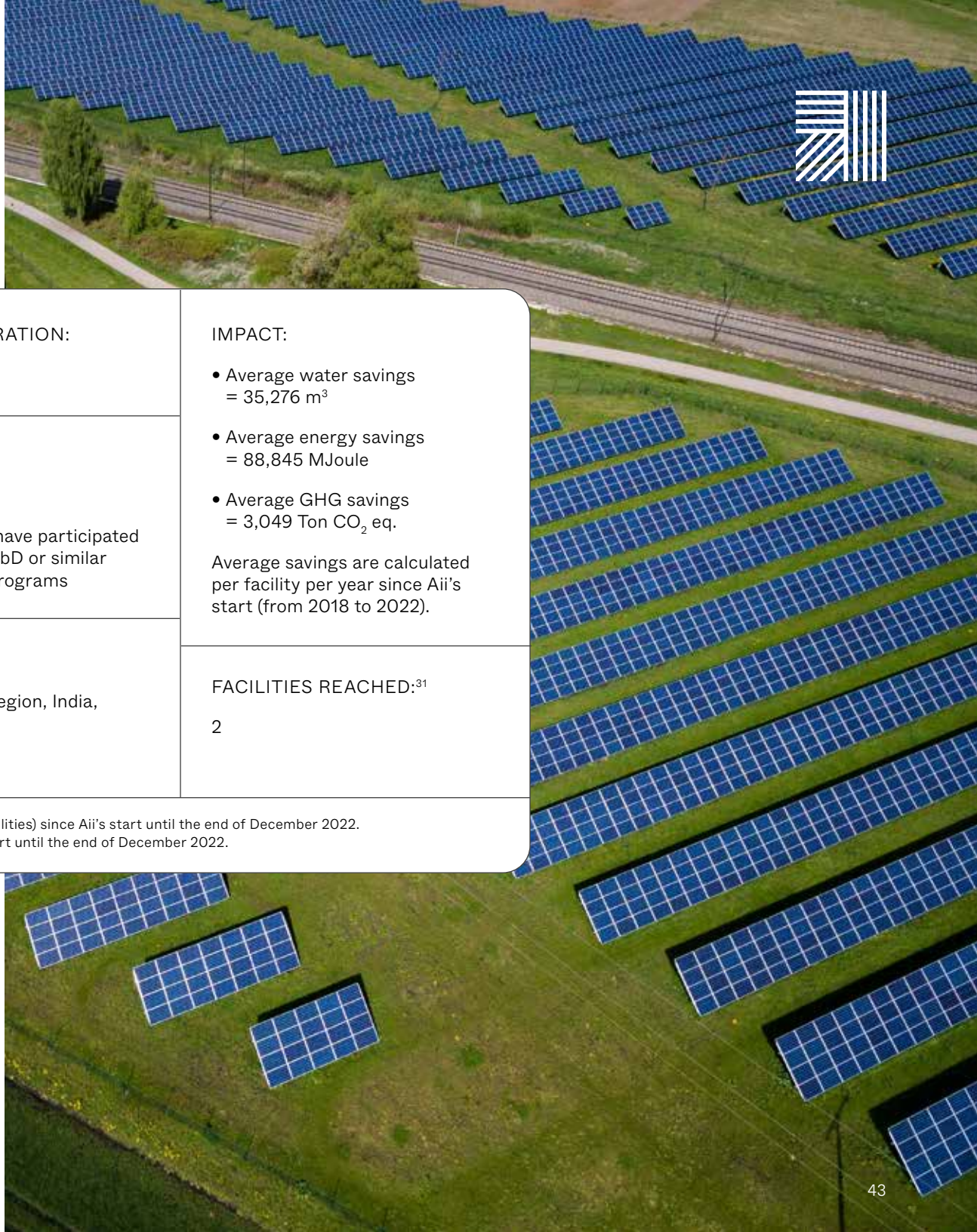
-  Metering & Data Management
-  Improve Boiler Efficiency
-  Condensate Recovery
-  Steam System Optimization
-  Cooling Water Reuse
-  Improve Insulation
-  Process Water Reuse
-  Heat Recovery from Hot Exhaust Air
-  Heat Recovery from Wastewater
-  Optimizing Compressed Air System

Key Milestones & Timeline



Step 3: Implementation

b. Clean by Design Plus



OBJECTIVE: <ul style="list-style-type: none"> • Target oriented program that helps factories find the most cost effective and feasible technical roadmap to the target. • Building on CbD, it offers deeper analytical insights, target-setting methodologies, and advanced-level environmental improvement opportunities for good factories. 	PROGRAM DURATION: 12-18 months	IMPACT: <ul style="list-style-type: none"> • Average water savings = 35,276 m³ • Average energy savings = 88,845 MJoule • Average GHG savings = 3,049 Ton CO₂ eq. Average savings are calculated per facility per year since Aii's start (from 2018 to 2022).
	SCOPE: <ul style="list-style-type: none"> • Tier 2 • Facilities that have participated in traditional CbD or similar international programs 	
PROGRAM STAGE: Available at scale	REGIONS: ³⁰ China, Taiwan Region, India, Vietnam	FACILITIES REACHED: ³¹ 2

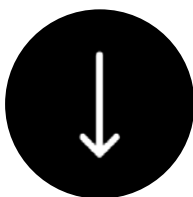
³⁰ All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022.
³¹ Total number of facilities that completed this program since Aii's start until the end of December 2022.

Step 3: Implementation



c. Clean by Design Chemistry & Wastewater Management

OBJECTIVE:



Quantitative reduction of chemicals

- Commodity chemicals
- ETP chemicals
- Dyes/and or Auxiliaries as it is not controversial to the outcomes related to cleaner chemistry



Cleaner Chemistry

- Quantitative increase of ZDHC MRSL Conformant chemicals (Level 1-Level 3)
- Identification and elimination of risky chemicals



Wastewater Quality

Reduction of wastewater effluent non-conformities (ZDHC Conventional & MRSL Parameters)



ZDHC

- ZDHC Supplier to Zero Foundational ZDHC Technical Industry Guide Training & Wastewater Management Trainings,
- Performance InCheck Report



Higg FEM

Build capability to improve Higg FEM Chemicals & Wastewater Management Scoring

PROGRAM STAGE:

Available at scale

SCOPE:

Tier 2

KNOWLEDGE PRODUCTS:

[Case Study](#)

PROGRAM DURATION:

12-18 months

REGIONS:³²

Bangladesh, China, India

FACILITIES REACHED:³³

7

³² All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022.

³³ Total number of facilities that completed this program since Aii's start until the end of December 2022.

Step 3: Implementation



10 Best Practices for Chemicals & Wastewater Management:



Chemical Inventory Management



Improve Chemical Selection



Match Recipes with Usage



Optimize Equipment Size and Capacity



Recover and Reuse Chemical Inputs



Enhance Communication Between Key Personnel



Manage Key Process Waste Streams



Manage Wastewater Influent Temperature



Monitor Wastewater Influent & Effluent

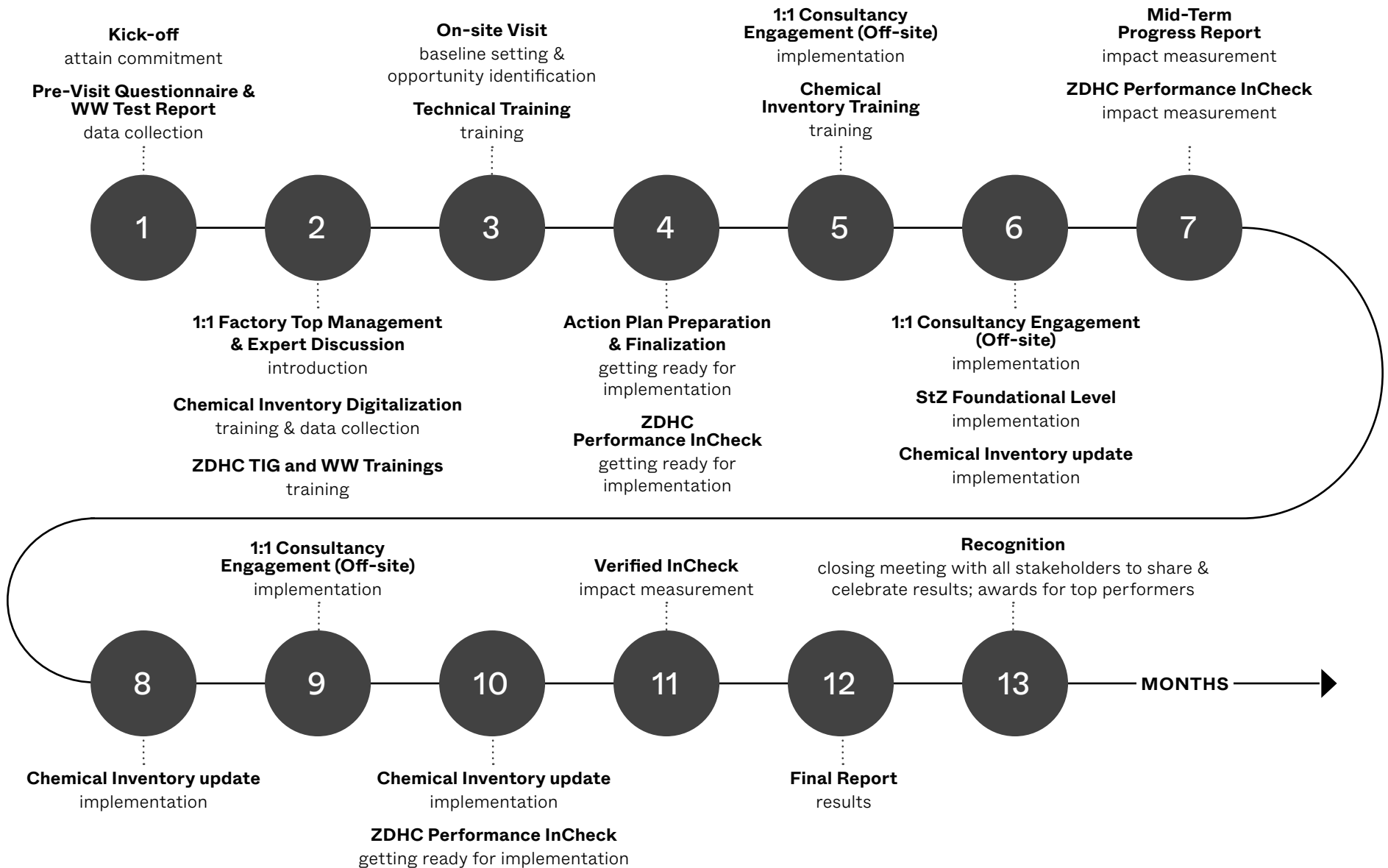


Ensure Effluent Treatment Plant Emergency Preparedness

Step 3: Implementation



The Transformation Journey

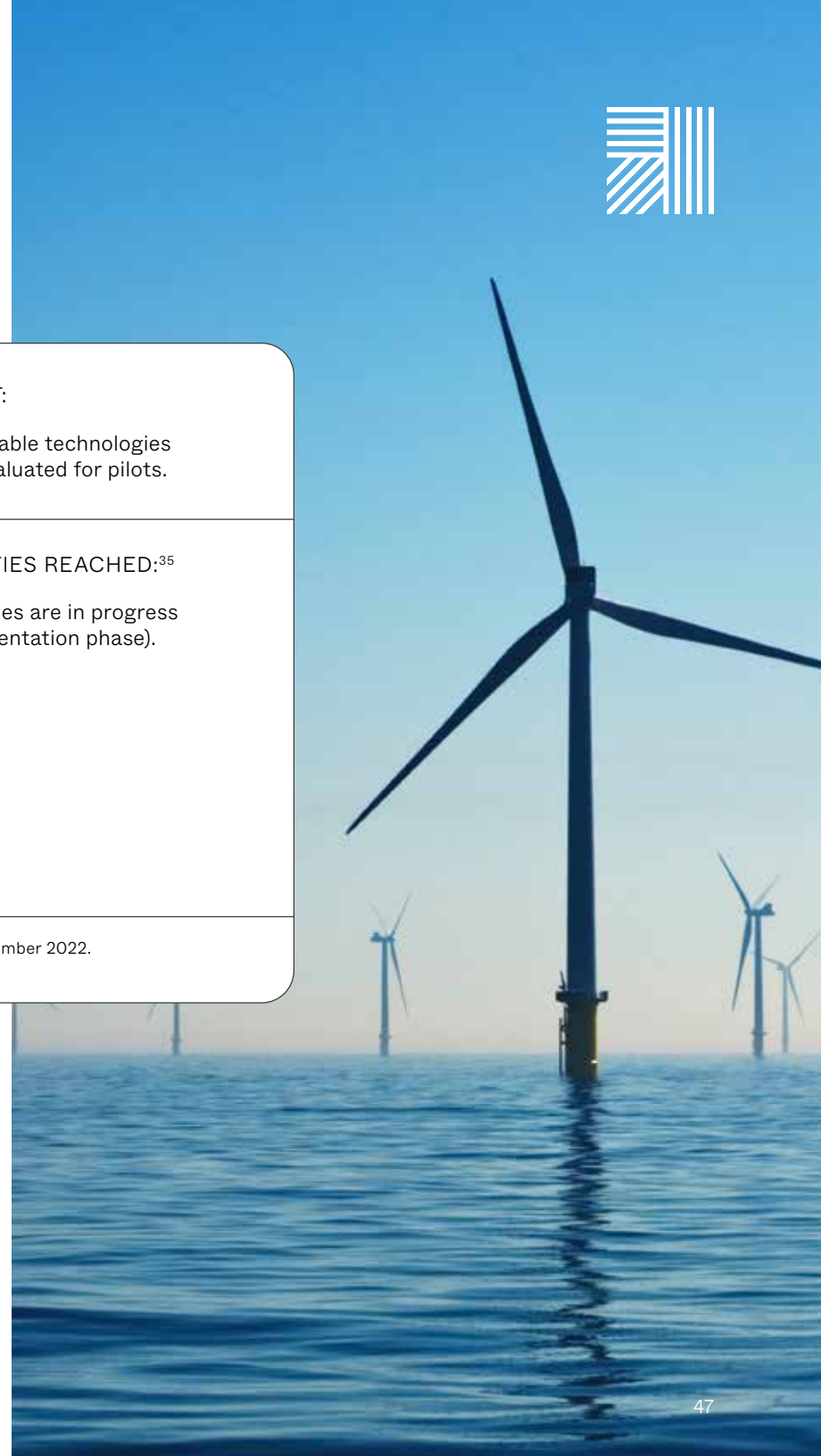




Step 3: Implementation

d. Renewable Energy Transition Initiative (RETI)

OBJECTIVE: <ul style="list-style-type: none"> Assess all renewable energy resources of factories and figure out the renewable energy potential. Identify the main benefits and challenges to deploy renewable energy. Elaborate on the renewable energy implementation plan with the factory. Guide the factory in implementing the feasible renewable energy and track the progress. 	PROGRAM STAGE: Early Stage	IMPACT: 9 renewable technologies were evaluated for pilots.
	PROGRAM DURATION: 12 months	
	SCOPE: Tier 2	
	REGIONS:³⁴ China	
<small>34 All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022. 35 Total number of facilities that completed this program since Aii's start until the end of December 2022.</small>		



Step 3: Implementation



e. Renewable Energy Procurement

To find out more: [Renewable energy procurement in Vietnam’s apparel manufacturing sector: lessons learned](#)

<p>OBJECTIVE:</p> <ul style="list-style-type: none"> • Support corporate procurement of rooftop solar photovoltaic systems in Vietnam with the goals of testing innovative procurement mechanisms and disseminating tools and knowledge to the market. • Concerted efforts by global brands combined with strong commitment from their manufacturing suppliers results in more successful clean energy procurement that contributes to accelerating the decarbonization process for the brands, the manufacturers, and the country. 	<p>PROGRAM STAGE:</p> <p>Early stage</p>	<p>IMPACT:</p> <ul style="list-style-type: none"> • Received 17 proposals from solar developers, representing an average savings of approximately 30% when compared to standard utility rates. • Supported negotiations between developers and suppliers, resulting in the potential for 10 MW of installed renewable energy capacity in Vietnam and roughly 9000 t CO₂eq reductions annually. • Made publicly available tools and resources to support and encourage wide adoption and implementation of on-site PV projects through increased awareness in the market and improved decision maker confidence. 	<p>KNOWLEDGE PRODUCTS:</p> <p>Rooftop Solar Toolkit for industrial energy users</p>
	<p>PROGRAM DURATION:</p> <p>12-18 months</p>		<p>FACILITIES REACHED:³⁷</p> <ul style="list-style-type: none"> • 9 textile and garment manufacturers participated in the aggregated procurement process and therefore completed the Aii program at the end of 2022.
	<p>SCOPE:</p> <p>Tier 1 and Tier 2</p>		<ul style="list-style-type: none"> • 9 textile and garment manufacturers participated in the aggregated procurement process and therefore completed the Aii program at the end of 2022. • Aii, through IDH, will continuously monitor the implementation progress to see the actual impact savings.
	<p>REGIONS:³⁶</p> <p>Vietnam</p>		
<p>³⁶ All regions which had this program available (completed & active facilities) since Aii’s start until the end of December 2022.</p> <p>³⁷ Total number of facilities that completed this program since Aii’s start until the end of December 2022.</p>			

Since 2021, Aii has collaborated with CEIA — a public-private partnership supporting the acceleration of the corporate clean energy transition in key emerging markets — and IDH to address barriers and enable replication of rooftop solar solutions across Vietnam’s apparel and footwear industry and create apparel sector-focused tools and processes that could be adapted and utilized in future phases.

Alongside motivated brands and a focused subset of suppliers, Aii, CEIA, and IDH applied an aggregated approach for onsite solar energy procurement in Vietnam that resulted in an RFP. By using economies of scale driven by group

procurements, shared learnings, and standardized resources, the project partners are working to establish sector-specific tools to overcome existing barriers for renewable energy implementation and enable replication and expansion.

The project outcome has proven that aggregation helps bring prices down. CEIA used the RFP to request proposals at different price points to reflect the anticipated amount of MW the overall project bidder may win. Bids indicated that winning a high percentage of the projects on a MW basis would result in up to a 6% discount.

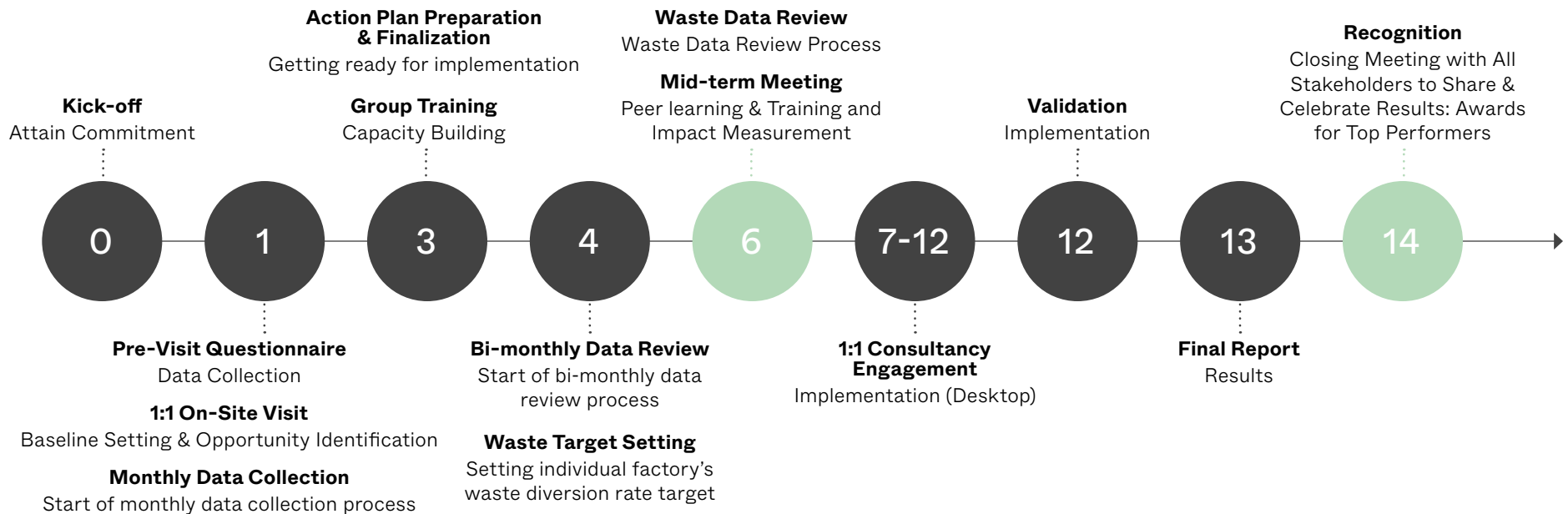
Step 3: Implementation



f. Production Waste Management

OBJECTIVE: Reduce the manufacturing waste to landfill and incineration by 25% through a 12 month long program.	PROGRAM STAGE: Early Stage	SCOPE: Tier 1 Currently only footwear facilities	IMPACT: No results yet, as the pilot is still in progress.
	PROGRAM DURATION: 12 to 15 months		
<small>38 All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022. 39 Total number of facilities that completed this program since Aii's start until the end of December 2022.</small>			

Production Waste Management: Key Milestones & Timeline



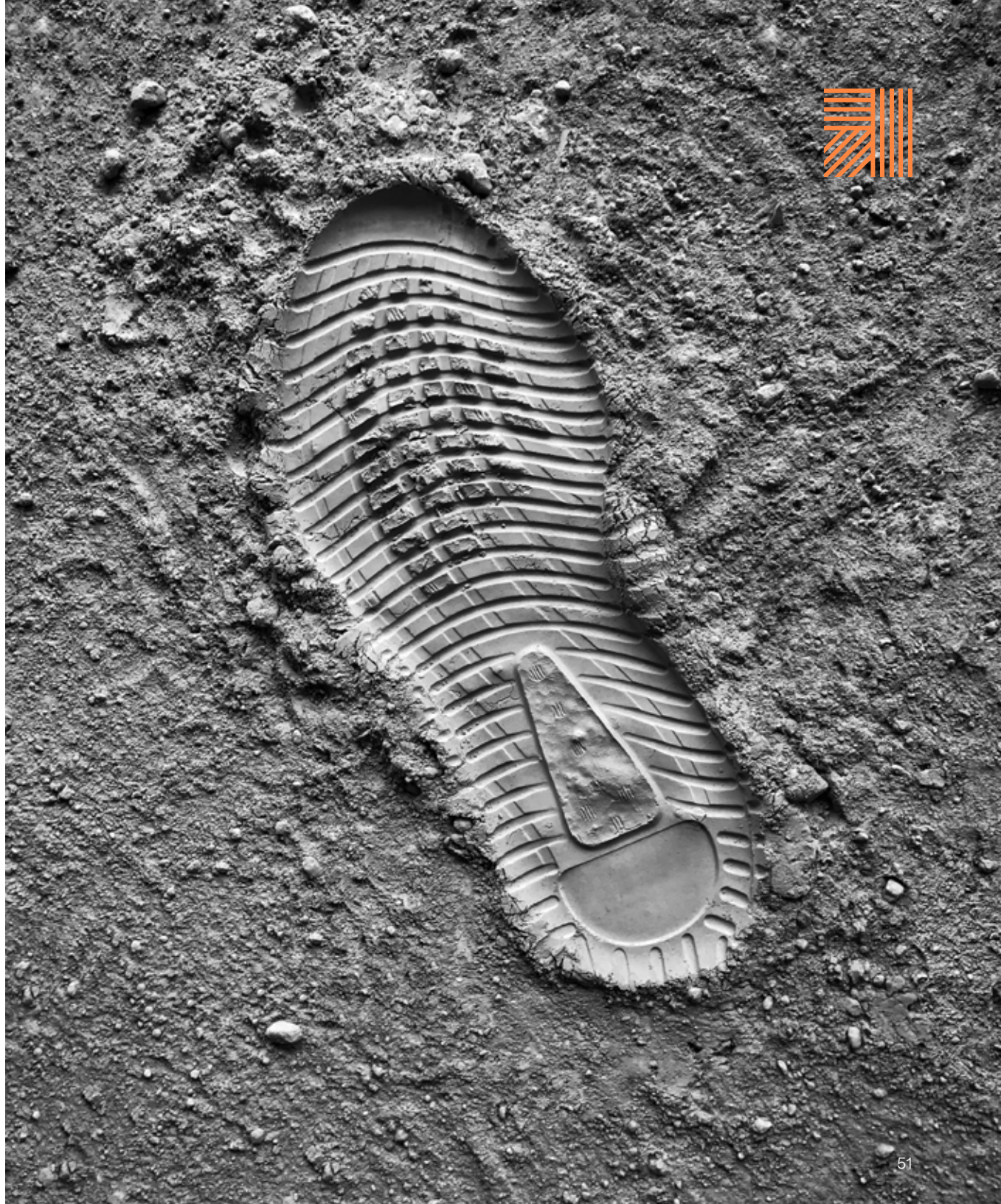
Step 3: Implementation

g. New Construction Factory Optimization

OBJECTIVE: <ul style="list-style-type: none"> • Help a new factory to adopt low carbon technologies from the construction stage. • Help the factory to achieve compliance with the most advanced green standard. • Support the factory to set a more ambitious construction plan to avoid low efficiency investment. • Guide the factory in implementing feasible practices and track progress. 	PROGRAM STAGE: Early Stage	IMPACT: Compared to the original plan: <ul style="list-style-type: none"> • 5,000 tons of GHG reduced, 16% of total. • 37,000 m³ of water consumption was reduced, 9% of total.
	PROGRAM DURATION: 12 months	
	SCOPE: Tier 2	FACILITIES REACHED:⁴¹ 1 pilot
	REGIONS:⁴⁰ China	
<small>40 All regions which had this program available (completed & active facilities) since Aii's start until the end of December 2022. 41 Total number of facilities that completed this program since Aii's start until the end of December 2022.</small>		

Step 4: Carbon Target Monitoring

With implementation being core to achieving carbon reduction on the factory level, continuous carbon target monitoring through regular action plan follow-up with facilities is an important tool to drive progress and an opportunity to celebrate achievements to date. Aii will launch the fourth step of the program in early 2023.



Step 5: Third-Party Data Validation

Going forward, Aii is building out an approach to data validation to support carbon accounting practices that will include external third-party verification. In an industry effort, agreements will be discussed and aligned within the Value Change Initiative Apparel & Footwear Working Group in 2023.





III. What We Do: Ecosystem Leadership in 2022

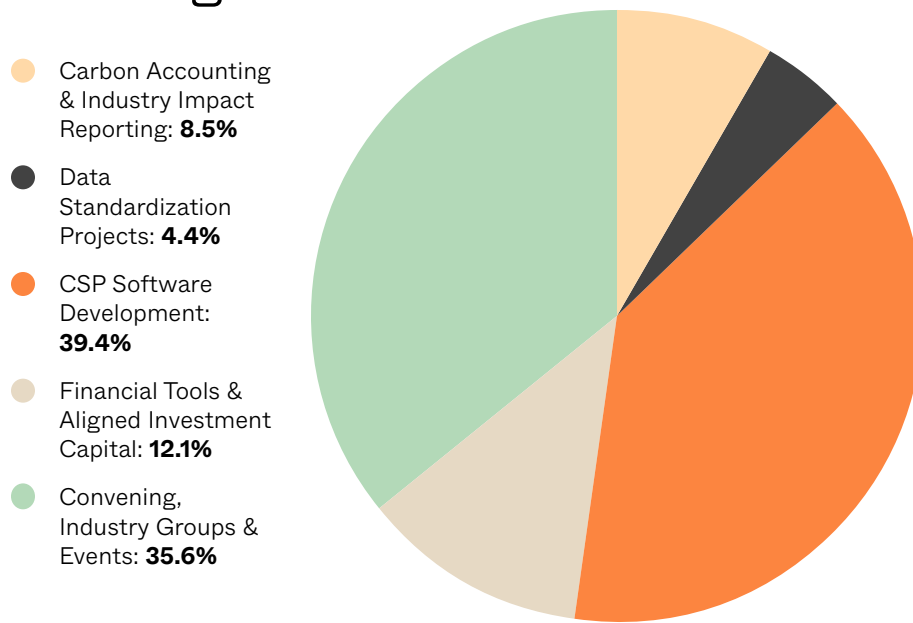
Overview of Ecosystem Leadership



Aii's work to build ecosystem leadership centers on three key categories of results:

- Developing a Climate Solutions Portfolio (CSP) technology platform to support Aii and industry-wide tracking of carbon reduction efforts and results.
- Supporting industry-wide publicly available tools, frameworks, reports.
- Building the foundation to secure blended capital to amplify the impact of Aii's work.

Ecosystem Leadership Funding Allocation



Events & Stakeholder Engagement

Aii's ability to achieve our mission is dependent on strong connections with brand partners, implementation partners, collaborators, policymakers, and the financial community. It's critical that we raise awareness about our work and the work of our partners. To that end, Aii is active on social media and participates in speaking engagements. Our executives are considered thought leaders in the industry.

Here are some highlights from 2022:

Media Highlights:

- 4 announcements
- 120 stories
- 1,846,391,400 total impressions
- Expanded on the 2021 launch of Lewis and Friends [Fashion Climate Conversations](#) with guests from finance, sustainability, and materials.

Speaking Engagement Highlights:

- Global Fashion Summit
- NEST Summit at New York Climate Week
- BlueZone at Cop27
- Global Change Award Accelerator Week
- Reuters Transform Supply Chains Conference
- Fashion Takes Action WEAR Conference
- Textile Exchange Conference
- Sustainable Apparel Coalition Annual Meeting

Media Highlights



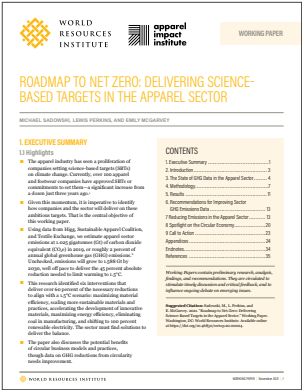


Data & Reporting

Roadmap to Net Zero

In 2021, the World Resources Institute (WRI) and Aii published Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector. In this report, WRI and Aii developed an estimate of annual apparel sector GHG emissions and projected these emissions out to 2030. The authors also identified the specific ways in which the apparel sector could reduce GHG emissions to stay in line with a 1.5C trajectory.

Going forward, Aii will collaborate with The Industry We Want and Michael Sadowski, research consultant to WRI, to provide an annual progress update, with the next one to be released in spring 2023.



GFA Monitor

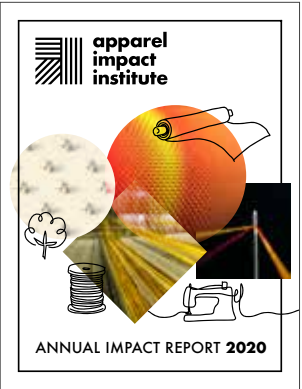
The GFA Monitor is published by the Global Fashion Agenda and is intended as a resource to guide fashion leaders towards a net positive fashion industry. The Monitor builds on the Fashion CEO Agenda framework established in 2018 and puts forward a vision statement for the fashion industry that highlights the imperative need for social and environmental sustainability. The priorities outlined in the report present opportunities for fashion brands, retailers and manufacturers to set fact-based sustainability strategies and take action to achieve the vision.



Aii's Annual Impact Report

Since 2020, Aii has published an annual impact report that transparently communicates the achievements of the last reporting year and offers a look ahead to the future roadmap to 2030.

The 2020 report serves as a baseline as we move towards successfully meeting the 45% carbon emissions reduction goal as aligned with the UNFCCC Climate Charter for Fashion and the Science-Based Targets initiative to remain under a 1.5 degrees Celsius temperature increase by 2030. In future years, we anticipate our impact report will include aggregate industry results from our "alliance" partners and other key stakeholder programs.



Climate Solutions Portfolio Technology Platform



CSP Software: Objectives

PROGRAM DISCOVERY

Find established programs that have shown promise of efficacy in reducing Scope 3 carbon emissions

PROGRAM IMPLEMENTATION & MANAGEMENT

Ensuring suppliers are staying on track with their program implementation and/or overall performance.

PROGRAM IMPACT

Data & reporting capabilities to understand the overall impact programs are having on carbon reduction.

The vast majority of the fashion industry’s carbon emissions come directly from its use of heat, cooling, steam or purchased electricity in its supply chain factories, which are not owned and operated by fashion brands. These emissions along the supply chain are hard to measure from the farm to the final “cut and sew” stage of assembly. The sector has endeavored over the past decade to make supply chains more transparent and to identify the sources of carbon emissions along the way. Many solutions already exist, such as the Sustainable Apparel Coalition’s data sets and Higg Index Tools and the data coming from Textile Exchange’s tools and resources.

Aii is currently gathering CO₂ emission reduction impact data from our own programs in factories. However, this data is not always standardized in a way that would allow for more robust and complete decision making and insights for driving solutions into the supply chain. We realize that now is the time to bring these datasets together and increase the ability to verify the data, particularly if we are to provide the industry with verified CO₂ emission reduction data for tracking their public commitments, such as science-based targets.

Therefore, we are developing the Climate Solutions Portfolio Technology platform as an online registry to identify, fund and scale impact programs leading to scope 3 emissions reduction in the apparel sector. Such a registry will create greater transparency by aligning the industry’s disparate programs and providing data assurance based on clearly defined impact criteria and impact reporting on all registered programs.

Critically, many of the major apparel brands have pledged to submit programs to the registry, adding much needed transparency and coordination to the industry.

The final version of the CSP is expected to include:

- Agreed upon criteria for evaluating impact potential and verifying programs.
- Transparency to all brand partners and key partner programs;
- Robust impact reporting for all programs.
- A networking function to assist with the expansion of industry programs beyond key partners.
- Functionality for brands, manufacturers, academia, and funders to add, view, discover, connect with, and fund programs.
- Functionality for program providers to connect with brands, manufacturers, implementation partners, funders, and investors.

The Climate Solutions Portfolio Beta will be the first iteration of the registry based on learnings from initial brand partners.

CSP Software: Timeline

Q2 2022

Q3 2022

Q4 2022

Q1 2023

Q2 2023

Q3 2023

Workshops with brands, define priorities & functionality

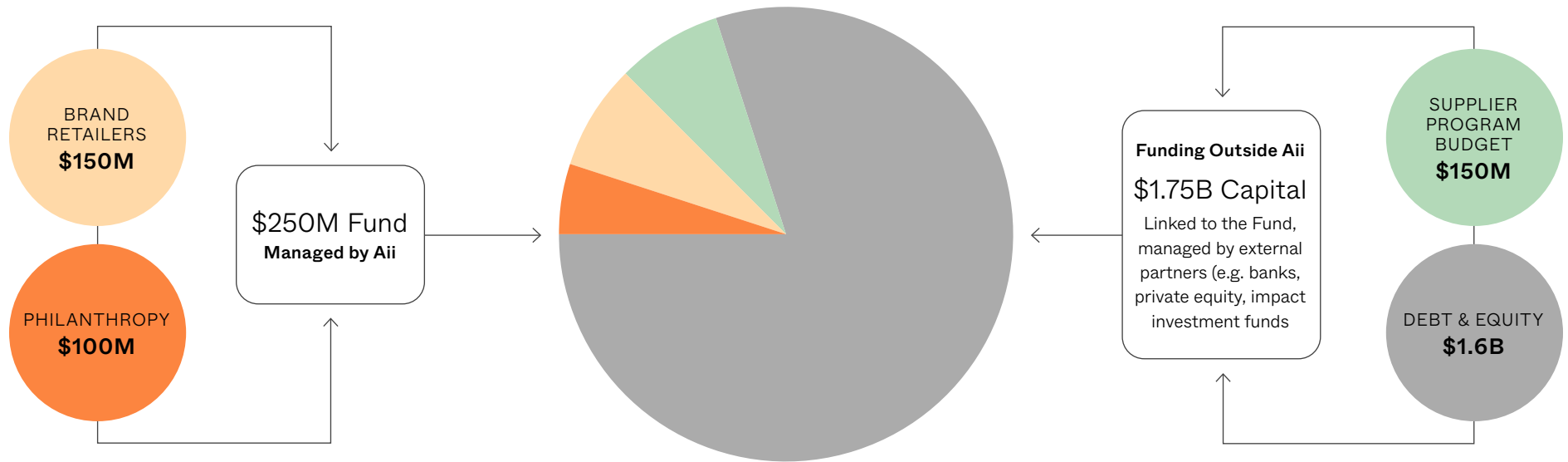
Climate Solutions Portfolio Beta Development

Identify priorities for next phase

Aligned Investment Capital



\$2B Blended Capital Unlock Over 8 Years



Apparel Impact Institute is building a coalition of partners to collectively fund the decarbonization of the apparel and footwear industry supply chain through a mix of capital sources.

As a first step, Aii has launched its \$250M Fashion Climate Fund with philanthropic contributions from H&M Group, H&M Foundation, lululemon, the PVH Foundation, Target Corporation, and The Schmidt Family Foundation. Aii is now securing aligned investment capital of \$1.75B towards financing of renewable electricity, energy efficiency, and coal phaseout (the "Climate Solutions Portfolio"), including \$400M of equity investment and \$1.2B of debt financing.

Many institutions are already setting targets in the trillions of dollars towards sustainable finance to address climate, but those investments are not finding readily available opportunities for deployment. We are building an inventory of investment-ready projects to decarbonize the textile, apparel, and footwear supply chain by providing project design funding, first loss funds and/or lower interest rates, aggregating smaller investments into larger check sizes and other risk mitigation measures, such as volume guarantees and concessionary capital.

We invite strategic partnerships with aligned investors — including commercial banks, development banks, and private equity and family offices — to collaboratively fund capital improvements and technological developments to decarbonize the apparel and footwear supply chain. Please contact info@apparelimpact.org for more information.

Aii will leverage our strategic network of brand partners, implementation partners, and manufacturing facilities to roll out the program and connect financing to investment opportunities.

Financing partners are invited to join the Financial Tools Working Group to share insight and align focus on the most actionable financing opportunities. Participants include brand partners, philanthropic foundations, multinational banks, and development banks.

Aii will also lead the oversight of project implementation and impact measurement. Financing collaborations that combine an optimal mix of debt, equity, and grants/concessionary capital, will be developed for each region and intervention (e.g., renewable electricity in Vietnam). Current regions of focus include Bangladesh, China, India, Indonesia, Italy, Pakistan, USA, and Vietnam.

Data Standardization Projects



Consolidated Data Standard and Assessment Framework

The textiles and garment industry undergoes many social and environmental audits. Consequently, similar data is being collected several times in a number of formats, creating a burden for producers and off-takers who have to manage and, at times, pay for the audits. Most critically, a lack of standardization of the data collected drains resources from improvement and makes assessing progress more difficult.

The Initiative for Global Solidarity (IGS), a project implemented by the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) works together with the Sustainable Apparel Coalition, ZDHC and the Apparel Impact Institute to develop an open assessment framework to implement due diligence for responsible business. Aii's role is to support the SAC and ZDHC in the development of the environmental assessment framework.

In 2022, the project launched with a strong focus on the social and labor assessment framework. For the environmental work stream, the work plan was formulated and an industry consultation process has been finalized to inform the next steps.



Value Change Initiative Apparel Working Group

The Value Change Initiative (VCI) Apparel and Footwear Working Group brings together Scope 3 experts, leading apparel sector organizations and brands to collectively identify barriers to scaling value chain decarbonization, propose and test practical solutions, and publish guidance on the consensus generated to solve some of the most pressing challenges.

In 2020, the VCI held the first working group in apparel. The outputs from these group discussions included:

- An addendum to VCI guidance clarifying the application of the supply shed concept within the sector and exploring the “aggregation of assumed supply” approach.
- A position paper explaining key concepts and recognizing the current limitations in traceability.

The VCI reinitiated the working group in 2022 with the aim to:

- Build capacity for companies and partners on Scope 3 accounting and guidance in the apparel sector.
- Share approaches on best practices and learnings related to Scope 3 in a precompetitive space.
- Collectively identify key Scope 3 accounting, reporting, and attribution challenges and priorities for the sector.
- Propose and validate innovative solutions for selected identified challenges. This will inform additional refinements or an addendum to the VCI Guidance to ensure it is “fit for purpose” for the apparel sector.
- Road-test VCI guidance and proposing sector-specific adaptations while identifying future areas of work for the sector and VCI.

After beginning discussions with VCI, Aii's member status changed to observer. We supported VCI during the [kick off of the roundtable](#), and in December 2022, we participated in the first VCI Apparel and Footwear Roundtable to discuss accelerating credible progress for a net zero fashion sector.



IV. Our Roadmap to 2030

Our Roadmap



MILESTONE	CURRENT	\$10MM BUDGET	\$15MM BUDGET	\$20MM BUDGET	\$30MM BUDGET
		END OF 2023	EARLY 2024	END OF 2024	UNKNOWN
Net Annual Carbon Reduction (tn/yr)	163,000	600,240	900,360	1,200,480	1,800,720
Number of Programs	7	9	19	33	58
Facilities Reached	-	308	447	582	805
Blended Capital Unlocked (annual)	\$20MM	\$60MM	\$100MM	\$150MM	\$250MM
Staffing	10	21	33	41	51

Aii is guided by a set of key long-term goals:

- Achieve impact.
- Catalyze \$2 billion of blended capital funding toward reaching 2030 science-based targets.
- Expand and effectively manage Aii’s internal infrastructure and processes to achieve goals.
- Expand Aii’s partnerships and ecosystem leadership to effectively achieve goals and communicate progress.

Both now and in future forecasts, Aii’s budget has been designed to achieve its overarching goal of maximizing carbon reduction. This is achieved by supporting innovative programs to reduce carbon emissions in different stages of the apparel manufacturing supply chain and strengthening stakeholder buy-in/engagement for carbon reduction in this industry as part of its ecosystem leadership work.

The organization’s budget is designed to optimize results in these two key areas (programs and ecosystem leadership) with the necessary management and administration support to provide a strong backbone for Aii’s ambitious goals.

Across Aii’s current and future milestone budgets, the organization targets a split across Programs, Ecosystem Leadership, and Management and Administration functions areas of 60, 25, and 15 percent respectively.

To achieve its strategic goals, Aii uses an annual Objectives & Key Results (OKRs) framework for internal goal setting and accountability. Each key result is further divided into activities or initiatives designed to contribute to this result, with measurable targets and responsible staff member(s) assigned. Aii’s approach to OKRs creates a concrete link between the larger-scale goals that the organization seeks to achieve, the human resources needed to achieve these goals, and the responsibilities of individual team members in contributing to Aii’s goals.

In 2023 we will review updates to industry target setting in response to the Fashion Industry Charter for Climate Action and will align our programs accordingly.⁴²

⁴² unfccc.int/sites/default/files/resource/Fashion%20Industry%20Carter%20for%20Climate%20Action_2021.pdf

Planned Program Expansion Areas

With 2030 quickly approaching, it's time to supercharge solutions to drive decarbonization.

At the end of 2022, Aii's experts projected that by implementing actions such as metering systems, enhanced maintenance practices or reduced leaks in compressor air systems, a factory in the Clean by Design program could save an average of 37,135 Mjoule of energy and more than 4,741 tons of CO₂e.

Recognizing we need to focus our efforts on regions that have the most significant carbon reduction potential for the apparel industry, we are expanding our programming to Mainland China, Bangladesh, Vietnam, and India. We are also exploring the significant opportunities in the textile sourcing hubs with the highest GHG emissions.

Aii will continue to advise the 65 factories that have set carbon reduction action plans by enhancing the factories' capability to monitor their carbon emission and providing implementation guidance as needed. Driven by the action plans, Aii will link factories to the appropriate Impact Program to accelerate impact while also driving standardization of Aii's GHG emission monitoring and reporting framework globally.

Through the CSP we aim to bring further new solutions aimed at renewable energy transition, materials efficiency and thermal energy to manufacturers.

Although programming has historically been driven through brand partnerships, Aii has recognized an increased interest by factories to work with us directly. To support this growth, we've hired a Manager of Manufacturing Engagement to actively cultivate these relationships.

In addition, we've hired a Manager of Stakeholder Engagement to strengthen relationships with key stakeholders. An example of this work is a collaboration with the International Apparel Federation (IAF) — the world's leading federation for apparel manufacturers, (SME) brands, their associations, and the supporting industry. This is an important step to bring Aii programs to IAF's members from more than 40 countries that directly and indirectly represent over 100,000 companies and 20 million employees.





Planned Program Expansion Areas

● Asian Region

In 2022, Aii launched an initiative with Ren — an organization that develops tools that empower organizations to decarbonize their supply chains — with the objective to explore opportunities for aggregated clean energy procurement in Taiwan. Ren solves the complex financial, technical, and logistical challenges associated with sourcing renewable energy to cover supply chain emissions, unlocking cost savings and the ability to meet carbon commitments on time.

Together, Ren and Aii are taking collective action across three flagship brands to make their supply chains renewable. The pilot program will be launched in early 2023.

● Southeast Asia Region

Aii and IAF will spend 2023 working alongside local associations in Bangladesh, a country with significant CO₂e saving potential, to deploy carbon target setting and impact programs directly to manufacturers.

We're onboarding a Regional Lead for Southeast Asia in mid-2023 to oversee and refine the continuously evolving programmatic work in the region. An example of this work is the localized Clean by Design Program Aii launched in Indonesia in 2022 and expanded by evaluating opportunities for rooftop solar installations.

● American Region

In the US, we will continue recruiting Tier 1 and Tier 2 facilities to participate in our Clean by Design program to reduce energy consumption and carbon emissions. We are expanding relationships in the greater L.A. market to identify the textile sector's needs and how Aii can best convene stakeholders to drive impact. We have begun discussions around the potential intervention areas of Renewable Energy, Circularity and Sustainable Design principles.

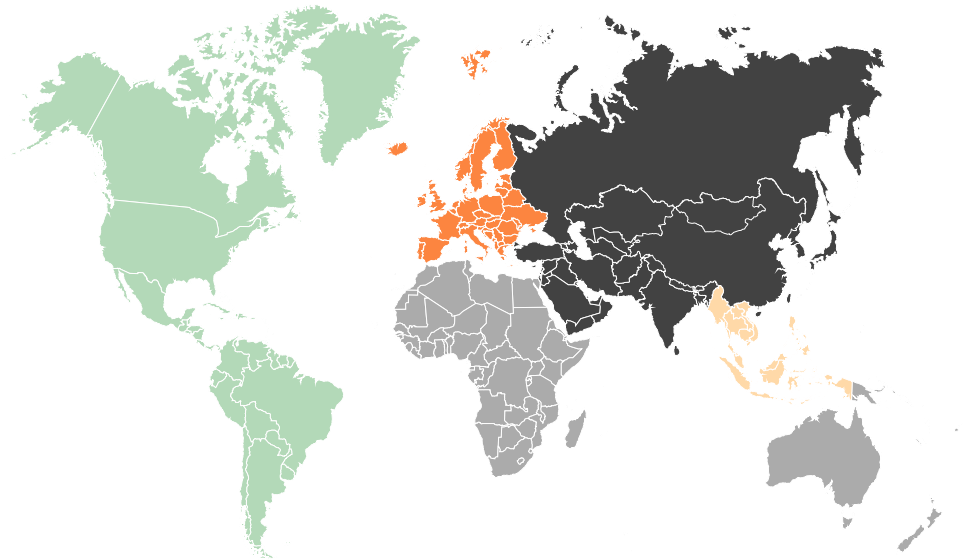
● European Region

Italy produces some of the finest and most exclusive fashion products, making it a strategic sourcing country for high premium and luxury brands.

2022 was a year that disrupted the global energy market and brought an unprecedentedly high inflation rate, placing Italian manufacturers under tremendous financial pressures. With the climate crisis calling for decarbonization and manufacturers calling for cost savings, an opportunity emerged: drive operational savings from energy efficiency, low carbon manufacturing and switching to renewable energy.

The achievements of those programs demonstrate the huge potential for saving along the Italian value chain. The country has the capacity to pave the way in the decarbonization path — the most innovative carbon solutions are available in this country and they can accelerate the carbon transition worldwide.

To unlock this potential and support manufacturers, Aii will employ a locally-based Regional Lead, Italy, who will collaborate with leading Italian experts to develop a localized pathway towards decarbonization. Heritage manufacturers in Italy have different needs than mass manufacturers around the globe, and it is essential to identify and quantify Italian carbon reduction opportunities and required investments against 2030 targets.



Planned Ecosystem Leadership



In addition to direct support of programs, Aii amplifies its impact by engaging in several lines of work that are designed to strengthen the capacity and engagement of industry stakeholders to further the goal of reducing carbon emissions across the sector. Aii’s work to build ecosystem leadership centers on three key categories of results:

- Developing a Climate Solutions Portfolio (CSP) technology platform to support Aii and industry-wide tracking of carbon reduction efforts and results.
- Supporting industry-wide public goods.
- Establishing the foundation to secure blended capital to amplify the impact of Aii’s work.

	Milestone \$10 million	Milestone \$15 million	Milestone \$20 million	Milestone \$30 million
(1) CSP Platform	Development of a Climate Solutions Portfolio (CSP) technology platform to support Aii and industry-wide tracking of carbon reduction efforts and results.	Advance from initial beta development phase to include new functionalities.	Advance to include external integrations for external stakeholders to adapt Aii reporting and data methodologies using the platform.	Advance to include new stakeholder groups in the platform.
(2) Support of industry-wide public goods	Development of the Industry Carbon Accounting Framework and GHG Emissions Report.	Advance to support adoption of industry reporting and accounting frameworks across the sector, as well development of Aii “convener” strategy.	Continue work on existing public goods and Aii convener strategy.	Continue work on existing public goods and Aii convener strategy.
(3) Blended Capital	Build the foundation to secure blended capital to amplify the impact of Aii’s work.	Advance to secure 1-2 additional blended capital partners.	Advance to secure additional blended capital partners, unlocking \$1 billion.	Advance to secure additional blended capital partners, unlocking \$2 billion.



V. How We Report

How We Report



This 2022 Impact report was published on March 31, 2023 and covers the financial year from January 1, 2022 to December 31, 2022. This report provides a comprehensive view of Aii's approach to sustainability and highlights our progress and performance in 2022.

Please contact us with any questions about our Impact Report at Impact@apparelimpact.org

Definitions & Abbreviations



Savings

The type of savings a facility has depends on its program status. At Aii we therefore divide the savings into four different categories:

1. Potential savings are based on the full list of potential actions that have been identified at a facility when starting an Aii program. This would be the highest possible value and the other three data points would represent a subset of these actions.

2. Forecasted savings are based on a roadmap of interventions that we expect the facility to begin implementing over a multi-year period.

3. Projected savings are based on the sub-set of actions the facility has agreed to and is in the process of implementing.

4. Actual savings are based on actions that have been implemented and achieved results measured at the end of the Aii program.

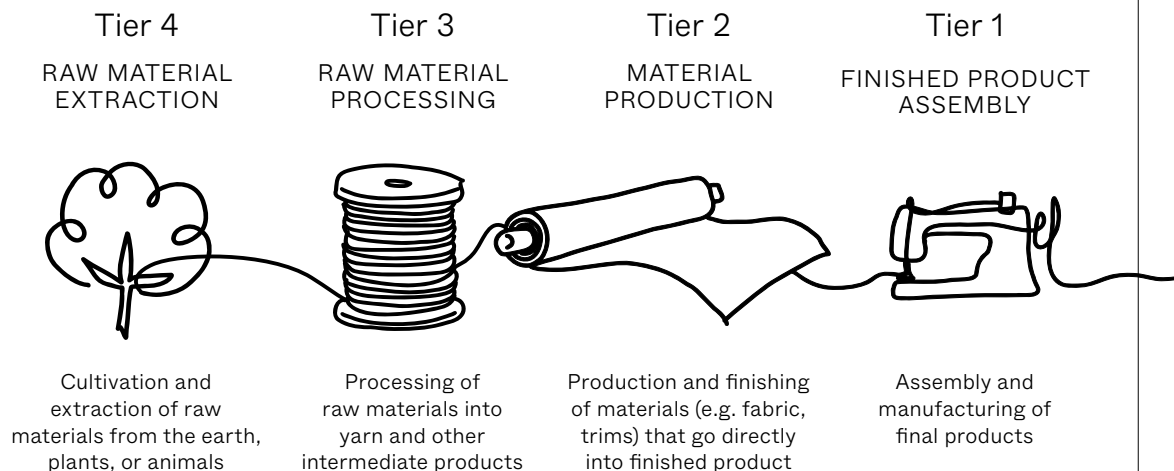
Blended Capital

A mix of funding sources, including public, private or non-profit grants, equity, and debt.

Impact Programs

Impact Programs at Aii are those programs that save actual emissions at factory level. They are applied in the implementation phase of the Carbon Leadership Program.

Aii Tiers Definition



Source: Climate Solution Portfolio application

Abbreviations

- Aii:** Apparel Impact Institute
- CO₂e:** Carbon dioxide equivalent
- CSP:** Climate Solutions Portfolio
- GHG:** Greenhouse Gas
- Gt:** Gigatons
- SBTs:** Science-Based Targets
- VCI:** Value Change Initiative