apparel impact institute

Annual Impact Report 2025

Contents

1. Introduction

Letter from Lewis Perkins

Dear Friends,

2025 was a year of clarity for our industry.

For more than a decade, sustainability was often framed as responsibility. Important? Yes. But too often separate from the core business strategy. Now, we're seeing a shift. Brands, suppliers, and investors are asking more direct questions: What happens if we move too slowly? Where does our real exposure sit? Which actions materially reduce risk? How does this affect long-term resilience?

In a year when some companies scaled back visible sustainability commitments, those who remained engaged became more disciplined. They moved beyond broad targets and focused more deliberately on operational execution. Effort concentrated around priority suppliers and the parts of the supply chain where emissions are most material, particularly thermal energy in Tier 2 mills. Electrification, heat pumps, and renewable integration became less theoretical and more central to investment planning. Capital decisions increasingly reflected both emissions impact and long-term cost stability.

That shift shaped our priorities.

In 2025, we expanded the deployment of low-carbon thermal solutions in key manufacturing regions, working directly with mills to assess feasibility, structure financing, and move projects into implementation. Through our Climate Solutions Portfolio, we directed catalytic funding toward commercially proven technologies with measurable emissions reductions and clear economic return.

Our Deployment Gap Grants moved from concept to proof. These grants were designed to unlock projects that had strong technical cases but stalled due to capital constraints or misaligned incentives. The early results reinforced what we have seen across regions: progress accelerates when suppliers have confidence that capital support and demand signals will be sustained. Trust and continuity matter.

We also strengthened engagement at the regional level. In priority markets, we worked with brands and manufacturers to connect decarbonization roadmaps with procurement and capital planning decisions. Ambition must connect to sourcing behavior and financial decision-making if it is to scale.

Across these efforts, one theme continued to surface. The constraint is often the shared discipline required to align capital, incentives, and long-term commitments across partners who each operate under real commercial pressure.

We recognize this transition is not simple. Suppliers manage thin margins and energy volatility. Brands balance regulatory shifts and cost competitiveness. Financial institutions are reassessing risk. Progress depends on sustained collaboration across these realities.

At the same time, the financial implications of delay are becoming more visible. Climate exposure influences energy costs, carbon pricing exposure, and raw material volatility, all of which ultimately shape the cost of goods sold. In a low-margin industry, even a modest one to three percent shift in input costs can materially affect operating profit.

The numbers in this report reflect a broader shift. Climate performance is no longer a parallel conversation; it is increasingly tied to how companies manage risk, allocate capital, and build long-term resilience.

The cost of inaction is rising. So is our readiness to act.

Warm regards,

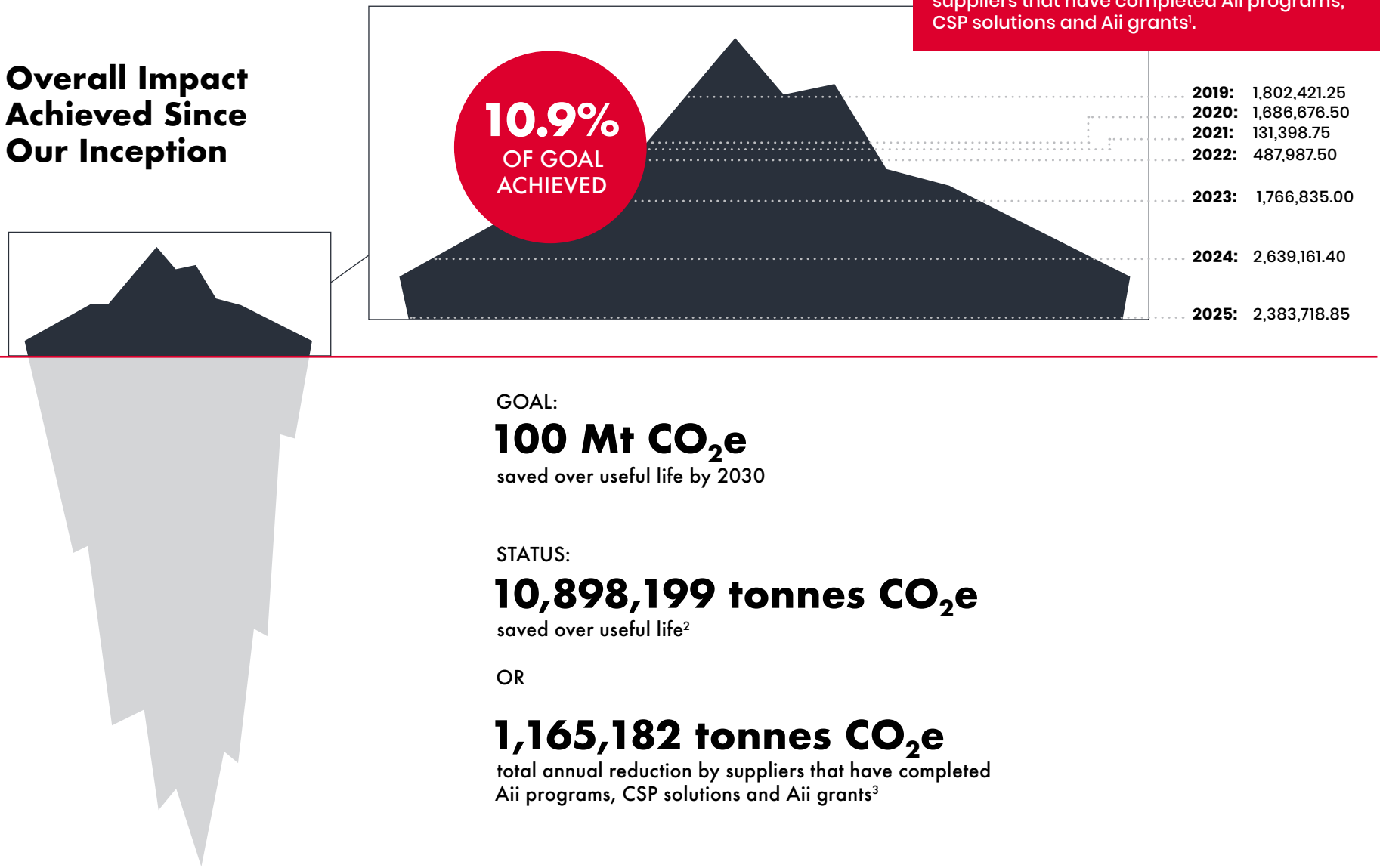
Lewis B. Perkins

Lewis Perkins
President and CEO, Apparel Impact Institute

Our Impact at a Glance

Total annual actual GHG emission reductions (in tonne CO_2e) per year over useful life by suppliers that have completed Aii programs, CSP solutions and Aii grants[1].

Overall Impact Achieved Since Our Inception



GOAL:

100 Mt CO_2e

saved over useful life by 2030

STATUS:

10,898,199 tonnes CO_2e

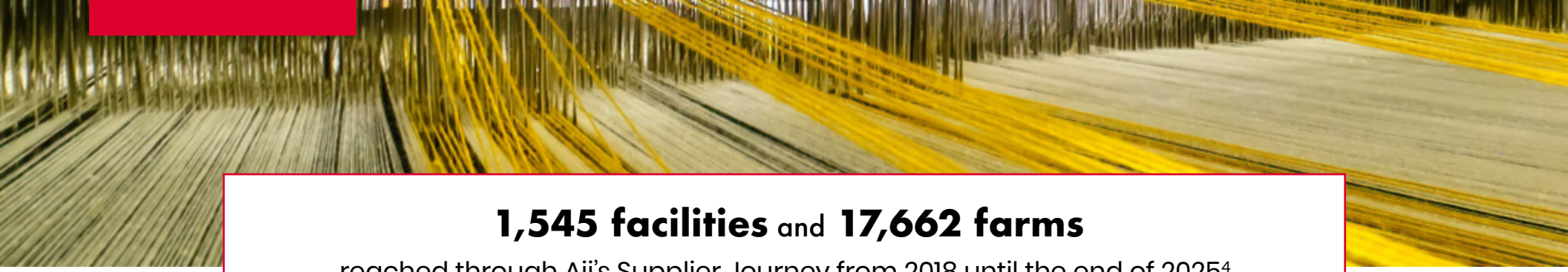
saved over useful life[2]

OR

1,165,182 tonnes CO_2e

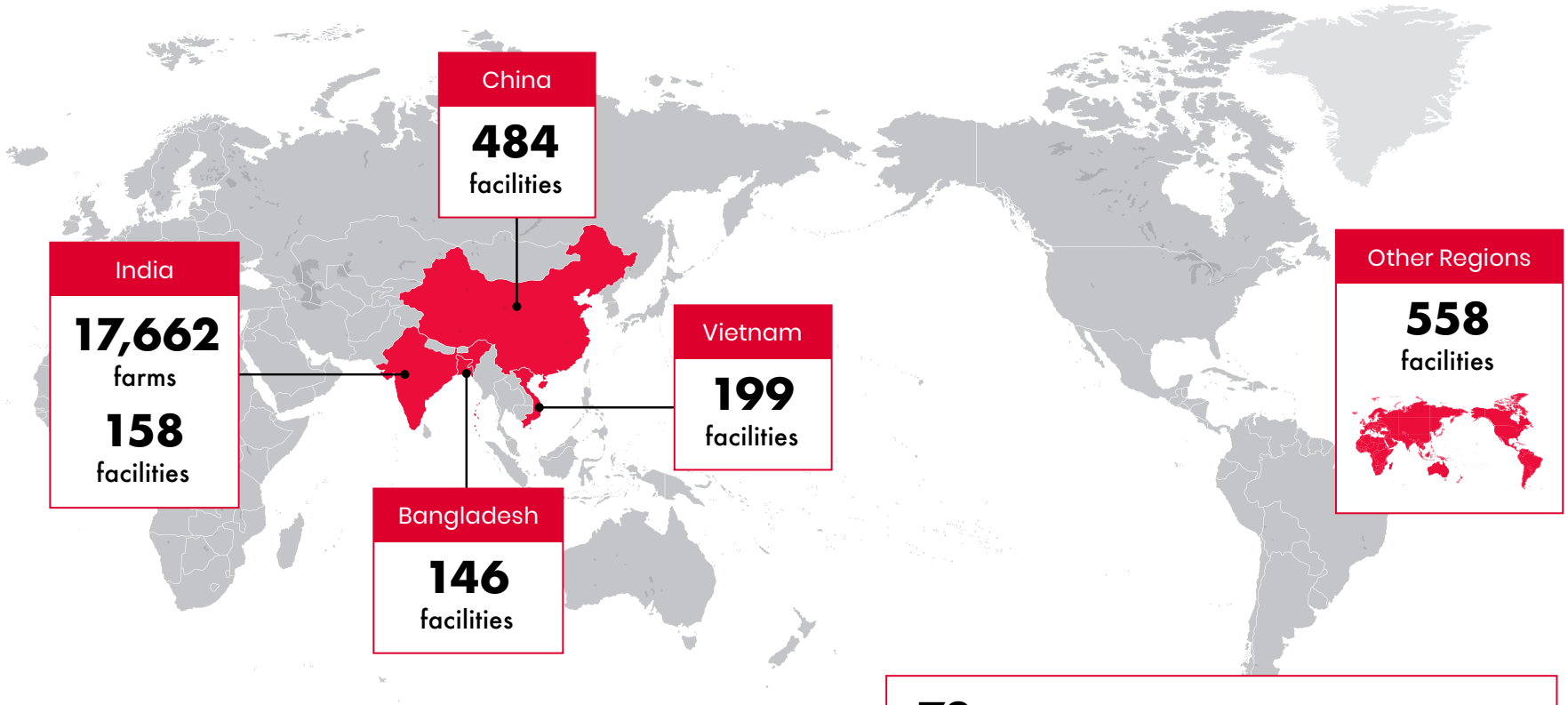
total annual reduction by suppliers that have completed Aii programs, CSP solutions and Aii grants[3]

1 We have updated the data set for emission and conversion factors to include annual development of emissions, and reflect the most accurate data. Consequently, we then update historic data sets, which may result in deviations from results achieved in previous years' Impact Reports.
2 Sum of total GHG emissions saved by producers participating in Aii's Supplier Journey in each year from 2018 until the end of 2025 multiplied by the respective useful life factor (see How We Report section)
3 Sum of total actual GHG emissions saved by producers participating in Aii's Supplier Journey in each year from 2018 until the end of 2025



1,545 facilities and **17,662 farms**

reached through Aii's Supplier Journey from 2018 until the end of 2025[4]



Aii's Supplier Journey is a framework designed to support suppliers on their journey toward decarbonization. For more information, read the chapter Our Programs and Processes.

78 brands worked together with Aii on their facilities decarbonization journeys

[4] total unique facilities/ farms active or completed at least 1 Aii program or CSP grant funded solution since 2018

Capital Unlocked

GOAL:

2 Billion $ capital unlocked by 2030

STATUS:

US $188,285,394

Total capital unlocked

=

US $144,597,578

total investments made by suppliers from 2018-2025

+

US $43,687,816

total Aii spending[5] from 2018-2025

9.41%
OF GOAL ACHIEVED

[5] This includes all expenses made by Aii, e.g. brand contributions, software development

Our 2025 Impact

TOTAL NO. OF ACTIVE SOLUTIONS

473 facilities & 17,662 farms

TOTAL NO. OF COMPLETED SOLUTIONS

297 facilities

TOTAL NO. OF BRANDS[6]:

48

TOTAL NO. OF REGIONS[7]:

48

Average actual cost per tCO_2e:

US $17.28

Average actual facility investment cost per tCO_2e:

US $13.27

Average actual Aii cost per tCO_2e:

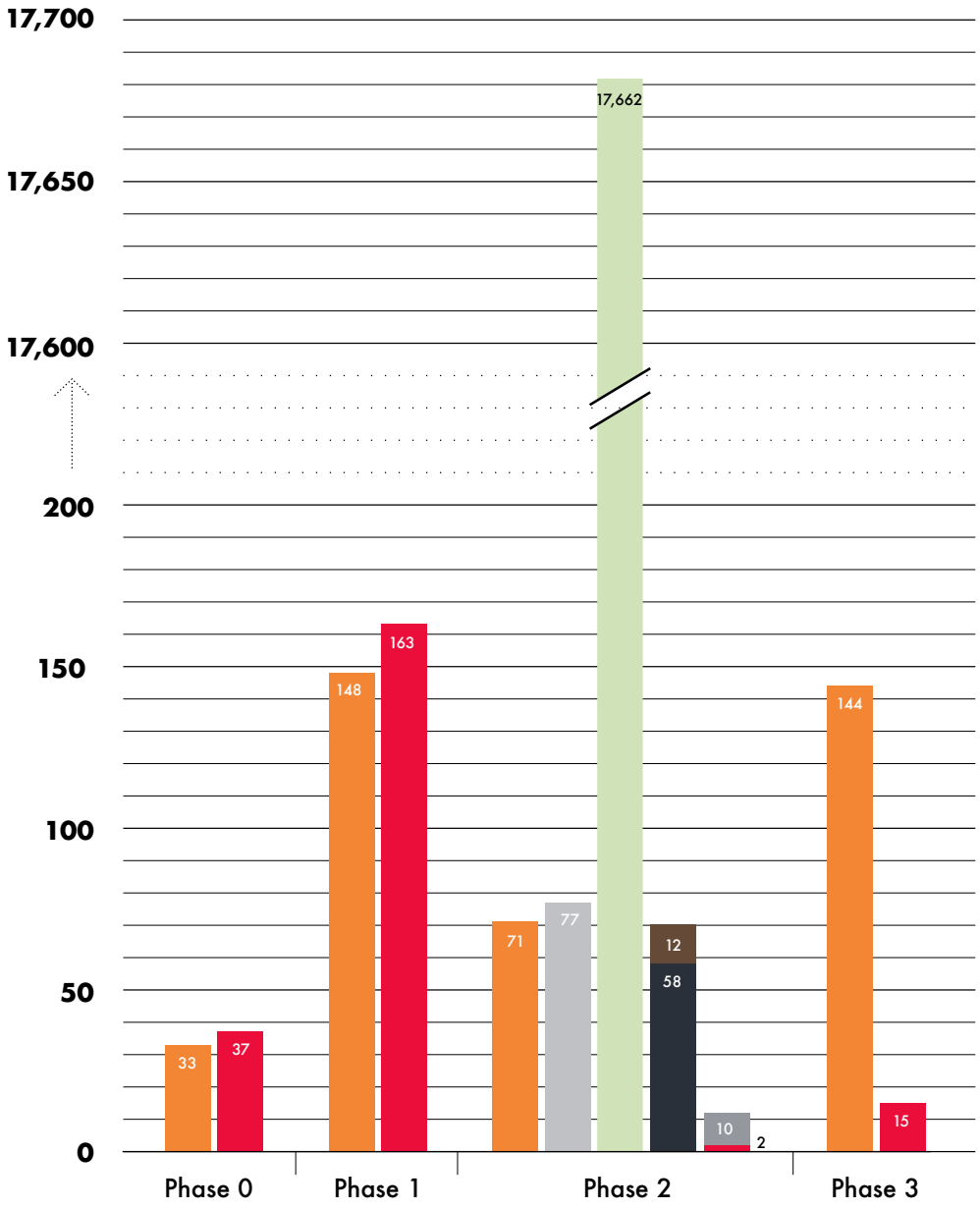
US $4.01

Average actual cost per tCO_2e includes Aii's total spending (i.e., all Aii G&A and program-related expenses) and supplier capital investments to implement actions between 2018-2025.

[6] Total number of brands Aii was working with in 2025 (active and completed programs). Brands include organizations that contributed funding to Aii in 2025.
[7] All countries/regions Aii offered programs in 2025. A region has at least one producer that has started program work with Aii.

Our 2025 Impact[8]

- NUMBER OF ACTIVE SOLUTIONS BY FACILITIES Aii Programs
- NUMBER OF ACTIVE SOLUTIONS BY FACILITIES CSP Solutions
- NUMBER OF ACTIVE SOLUTIONS BY FARMS CSP Solutions
- NUMBER OF COMPLETED SOLUTIONS BY FACILITIES Aii Programs assured
- NUMBER OF COMPLETED SOLUTIONS BY FACILITIES CSP Solutions assured
- NUMBER OF COMPLETED SOLUTIONS BY FACILITIES Aii Programs not assured
- NUMBER OF COMPLETED SOLUTIONS BY FACILITIES CSP Solutions not assured



[8] For more information about our Supplier Journey, please refer to the corresponding section in the Impact Report. Please note that solutions in Phase 0,1 & 3 cannot be assured as these are programs that do not create actual savings. In Phase 3, CbD Chemicals cannot be assured as it does not generate GHG, energy or water savings, and the CSP Cleaner Production System program did not pass our new QC process.

2025 Key Impact Results of Suppliers That Completed a Solution in Phase 2 of Aii's Supplier Journey

LEVEL 1 - ASSURED	LEVEL 2 - NOT ASSURED
Total actual GHG emission savings in tCO_2e	Total actual GHG emission savings in tCO_2e
191,846	***79,777***

Total actual GHG emission savings in tCO_2e: **271,623**

Average actual factory GHG emission savings in tCO_2e: **3,395**

Average % of GHG emission savings: **7.81%**

x 63,357

Total GHG emissions savings equal to **63,357 cars removed from the roads** in 2025

Total GHG emissions savings equal to 63,357 gasoline-powered passenger vehicles driven for one year. Source: United States Environmental Protection Agency

2025 Key Impact Results of Suppliers That Completed a Solution in Phase 2 of Aii's Supplier Journey

LEVEL 1 - ASSURED	LEVEL 2 - NOT ASSURED
Total actual water savings in m^3	Total actual water savings in m^3
3,385,759	**763,238**

Total actual water savings in m^3: **4,148,997**

Average actual factory water savings in m^3: **56,836**

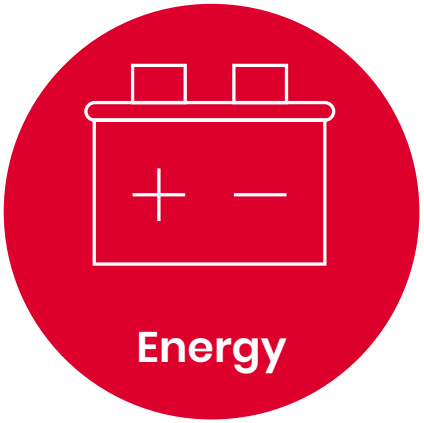
Average % of water savings: **7.53%**

x 1,660

Total water savings equal to almost **1,660 Olympic-sized swimming pools not filled** in 2025.

One Olympic-sized swimming pool contains 660,430 gallons of water. Source: FINA Facilities Rules 2015-2017, Wayback Machine (archive.org)

2025 Key Impact Results of Suppliers That Completed a Solution in Phase 2 of Aii's Supplier Journey



LEVEL 1 - ASSURED	LEVEL 2 - NOT ASSURED
Total actual energy savings in GJ **2,002,463**	Total actual energy savings in GJ **688,570**

Total actual energy savings in GJ: **2,691,033**

Average actual factory energy savings in GJ: **33,638**

Average % of energy savings: **6.36%**

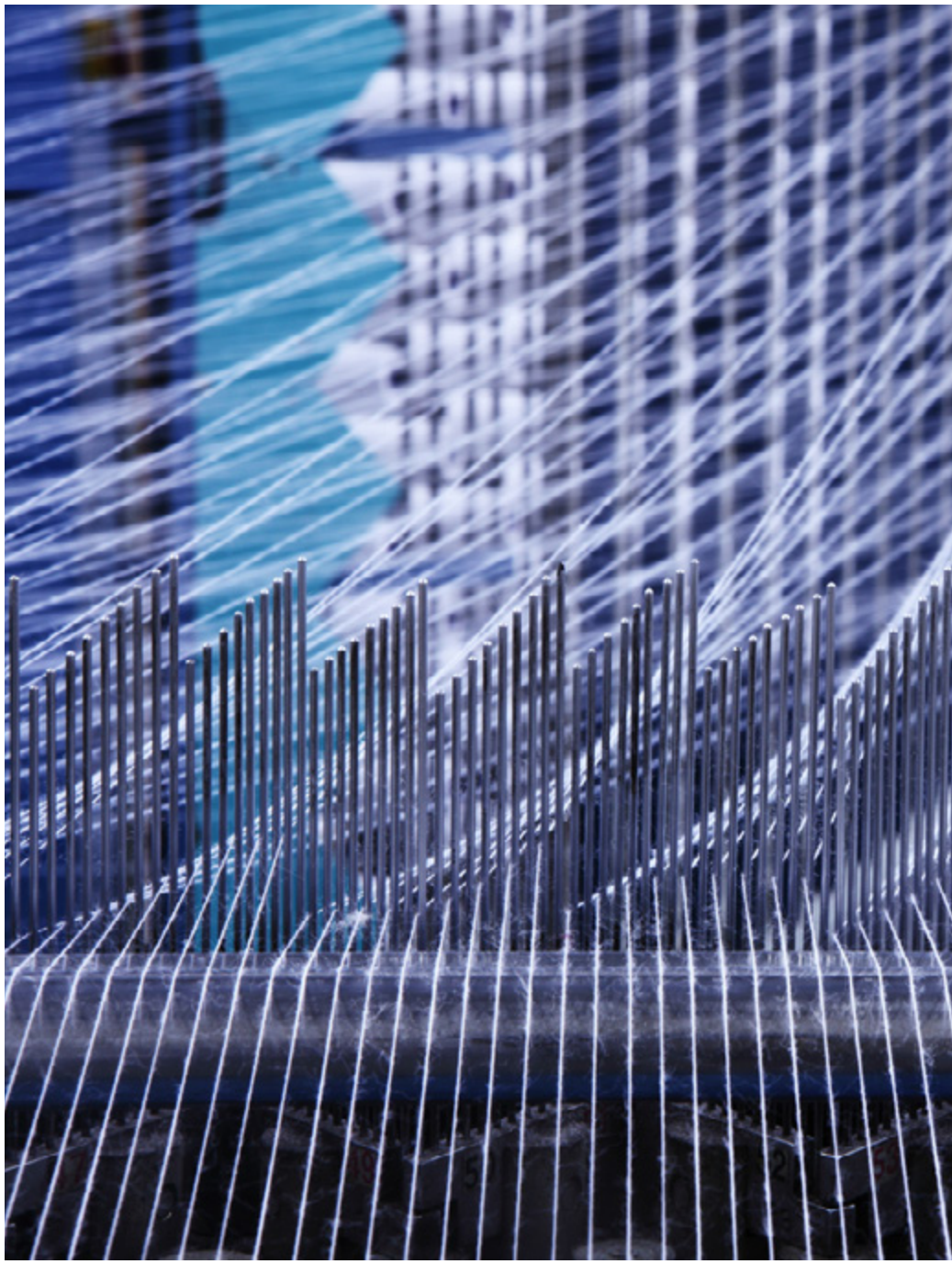
x 15,904,450

Total energy savings equal to **15,904,450 washing machines not used** in 2025.

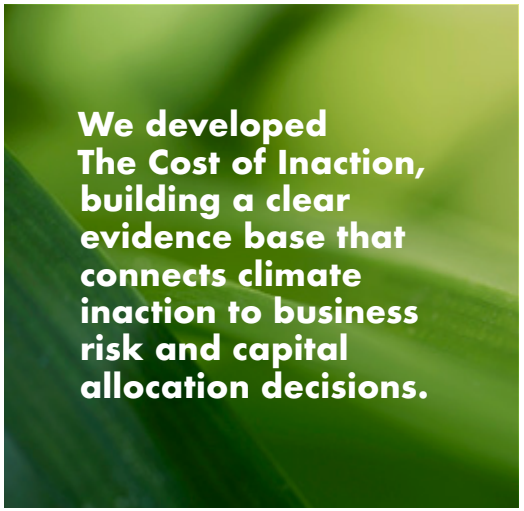
Washing machines not used are calculated using a 17.6 lbs capacity Miele WWD020 WCS machine and assuming it is used for 100 cycles per year. EU energy class: A; Source: Washing machines and washer-dryers (europa.eu)

2025 Key Impact Results of Suppliers That Completed a Solution in Phase 2 of Aii's Supplier Journey

AII PROGRAMS		CSP SOLUTIONS
Total annual actual GHG emission reductions in 2025 in tCO_2e **179,100**		Total annual actual GHG emission reductions in 2025 in tCO_2e **92,523**
Average actual factory GHG emission savings in tCO_2e **3,088**		Average actual factory GHG emission savings in tCO_2e **4,206**
Average % of GHG emission savings **7.32%**		Average % of GHG emission savings **9.10%**



Executive Summary



II. Our Roadmap to 2030

Transformational Impact

2025 in Practice: Building the Foundation

2025, the midpoint of our Roadmap to 2030, marked a year of structural progress. Rather than simply expanding programs, we strengthened the systems required to drive measurable decarbonization at scale.

We advanced several foundational pillars: The Carbon and Energy Benchmark established a standardized framework for facilities to assess performance against model processes and industry peers, reinforcing measurement and accountability. The launch of the Deployment Gap Grant (DGG) introduced a rebate-inspired mechanism to accelerate the adoption of commercially available but capital-intensive technologies. In parallel, electrification-focused grants and implementation support continued to test and validate higher-cost, higher-impact solutions. Together, these efforts strengthened the link between measurement, finance, and implementation, enabling the strategic shift now underway.

Strategic Shift: Prioritizing Higher Impact Projects (HIP)

Over the past several years, foundational efficiency programs have delivered meaningful progress. However, the scale of emissions reductions required by 2030 demands a more concentrated, high-impact approach rather than incremental gains. In response to this urgency, we are refining our capital allocation strategy to prioritize capital-intensive, technologically advanced interventions that are capable of delivering the most significant carbon reductions - particularly in wet processing.

To implement this refined strategy, we intend to enroll at least 20 facilities per year over the next five years in high-impact climate solutions and connect them to fit-for-purpose financing. This model is designed to demonstrate a clear, replicable business case for decarbonizing apparel production in the sector's most carbon-intensive regions.

Forecasting the Path to 2030

Achieving our ambition of 100 Mt CO_2e by 2030 will require sustained investment, capital mobilization beyond grant funding, and the scaling of HIPs across priority regions. To assess this pathway, we developed an Impact Forecasting Model that estimates cumulative GHG reductions based on projected facility completions, capital allocation strategies, and historical program performance. The model incorporates funding levels, the strategic allocation of capital toward foundational impact programs and HIPs, and multi-year implementation timelines.

Based on this analysis, we expect a meaningful acceleration in emissions savings beginning in 2028, when HIPs reach completion. This inflection reflects the compounding effect of early investment in capital-intensive interventions. As these projects mature, their impact increases significantly, reinforcing the importance of sustained and strategically allocated funding to achieve transformational decarbonization at scale.

III.
Who We Are

Vision, Mission, Values

Our VISION

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

Our MISSION

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

Our VALUES

We are humble.

We put aside ego or concerns about status.

We are quick to acknowledge our mistakes and to point out the contributions of others, and slow to seek recognition for ourselves.

We share credit, emphasize team over self, and define success collectively rather than individually.

We are empathetic.

We know how to effectively interact and authentically connect with others.

We understand the impact of our words and actions on others around us.

We actively listen and genuinely care for one another.

We work to understand each other's strengths and use them strategically.

We are ethical.

We uphold integrity and fairness, making decisions based on credible data.

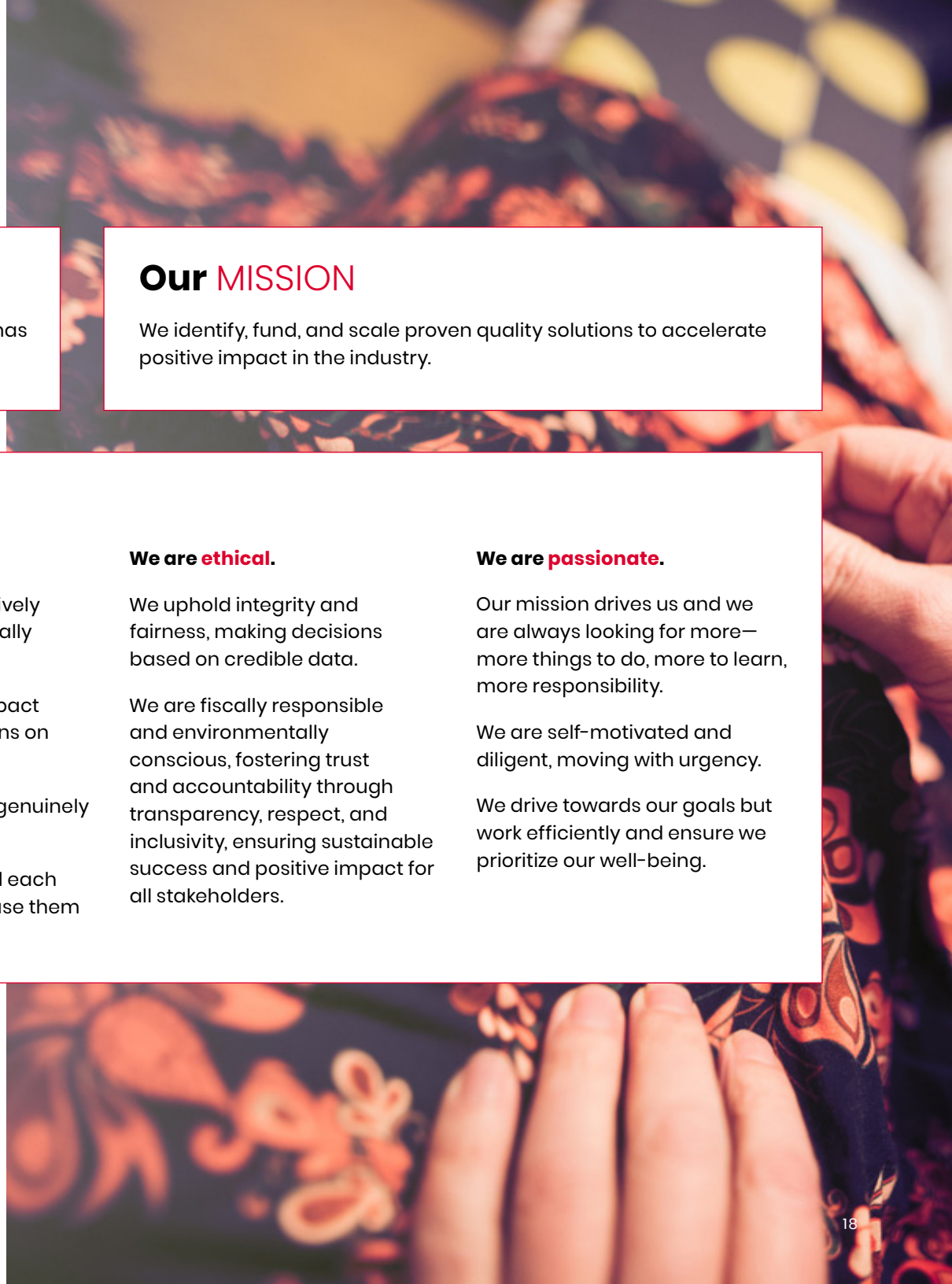
We are fiscally responsible and environmentally conscious, fostering trust and accountability through transparency, respect, and inclusivity, ensuring sustainable success and positive impact for all stakeholders.

We are passionate.

Our mission drives us and we are always looking for more—more things to do, more to learn, more responsibility.

We are self-motivated and diligent, moving with urgency.

We drive towards our goals but work efficiently and ensure we prioritize our well-being.



Our History

How We Work

Aii's Theory of Change

Our Focus Areas

Our programs and solutions are designed to:

- Reduce process demand for energy and reduce energy losses.
- Reduce/eliminate GHG emitted from generating heat and electricity.
- Reduce emissions from the production of natural & synthetic fibers.
- Minimize waste in each step of production.
- Maximize circular reuse of fibers, fabrics, or chemicals.

Our most recent annual update to the "Roadmap to Net Zero" identified material manufacturing as the biggest hotspot of emissions (55% of the total), followed by raw material production and primary processing (22% of the total) (see following figure). As a result, Aii's programs and solutions primarily focus on material manufacturing.

Emissions Breakdown Across Tiers, 2023

Total Apparel GHG Emissions: 944 Mt CO_2e (0.944 GT)

TIER 4

RAW MATERIAL PRODUCTION AND PRIMARY PROCESSING

Cultivation and extraction of raw materials from the earth, plants, or animals.

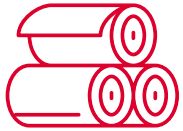
208.7 Mt CO_2e
22%

TIER 3

INTERMEDIATE MATERIAL PROCESSING

Processing of raw materials into yarn and other intermediate products.

138.9 Mt CO_2e
15%

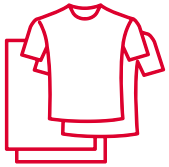


TIER 2

MATERIAL MANUFACTURING

Production and finishing of materials (e.g., fabric, trims) that go directly into finished products.

516.5 Mt CO_2e
55%



TIER 1

FINISHED PRODUCT MANUFACTURING

Assembly and manufacturing of final products.

80.2 Mt CO_2e
8%

TIER 0

BRANDING, RETAILING, AND DISTRIBUTION

Outside the scope of this analysis.

Note: 1 million tonnes = 1 million tonne (Mt), 1 billion tonnes = 1 gigatonne (Gt)

Fashion Climate Fund (FCF)

To make urgent and meaningful strides in decarbonizing the supply chain, Apparel Impact Institute has called upon industry leaders to pool $250 million in catalytic capital to unlock $2 billion in supply chain investment. With this support, we can support suppliers to cut 100 million tonnes of CO_2e emissions by 2030 by empowering them to adopt proven carbon-reducing solutions, secure essential financing, and measure their impact. This will drive substantial and replicable change across the industry.

This capital is strategically allocated across six key areas:

OUR PROGRAMS & PROCESS: We're directly supporting suppliers with subsidies to jumpstart carbon technology assessments, efficiency programs such as Clean by Design, and the development of thermal energy roadmaps. Our approach and supporting framework provide a clear pathway for suppliers to lead in carbon reduction.

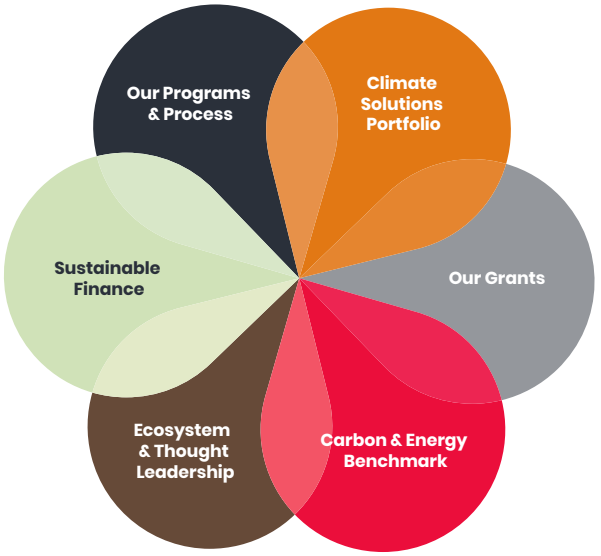
CLIMATE SOLUTIONS PORTFOLIO: Through our rigorous, data-driven Calls for Application and grantmaking processes, we're expanding our Climate Solutions Portfolio, which identifies and scales proven decarbonization programs, solutions, and technologies targeting Scope 3 emissions from production, the most significant source of carbon in the apparel industry.

OUR GRANTS: Besides offering CSP to new solutions that support decarbonization, we have also introduced a grant model that supports suppliers directly to advance high-impact thermal energy solutions with the Supplier Electrification Grant, and bridge the financing gap with the Deployment Gap Grant supporting the implementation of commercially available technologies with longer payback periods.

CARBON & ENERGY BENCHMARK: We are developing an independent, industry-aligned Carbon & Energy Benchmark that provides performance-based reference points for energy use and GHG emissions at the facility and process level. The Benchmark enables manufacturers to assess their performance, identify targeted improvement opportunities, and track progress over time, while giving brands a consistent and objective basis to compare suppliers and integrate energy and emissions performance into sourcing decisions.

ECOSYSTEM & THOUGHT LEADERSHIP: We fund activities that enable systemic changes, such as cutting-edge research, comprehensive reports, and innovative programs. We convene key stakeholders, including suppliers, brands, investors, philanthropies, and solutions providers. These initiatives are designed to activate and drive project deployment in facilities, unlocking substantial reductions in carbon emissions and fostering the shift to a more sustainable industry.

SUSTAINABLE FINANCE: To bridge the financing gap for suppliers, Aii embeds sustainable finance directly into facility action plans, ensuring projects are matched with appropriate financial tools at the right stage. We work with global and local financial institutions to lower risk and open new financing channels such as blended finance structures, green funds, and other mechanisms that make loans more affordable. By taking a portfolio approach, we can combine debt and non-debt incentives, guarantees, and other tools to unlock investment where it is most needed. This approach ensures that sustainable finance not only derisks lending but also builds long-term supplier capacity, accelerating decarbonization across the value chain and driving the systemic change needed to meet the industry's 2030 and 2050 climate goals.



SPOTLIGHT:

lululemon

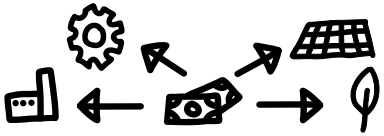
Together with Aii, lululemon is supporting efforts to decarbonize shared supply chains, support suppliers, and scale industry-wide change.

Here's a short Q&A with **Leann Speta**, Director of Responsible Supply Chain Environment at lululemon

Q1: WHAT MOTIVATED LULULEMON TO BECOME A LEAD PARTNER OF THE Aii FASHION CLIMATE FUND (FCF)?

- The decarbonization of apparel manufacturing requires systemic change and collaboration across the sector. Participation in industry coalitions is critical to identify and deploy scalable solutions.
- We helped launch this as a lead funder in 2022 to accelerate industry transformation towards lower carbon manufacturing through supplier training programs, technology dissemination and financing solutions. We also share learnings and apply them within our own supply chain to drive impact.

Aii's Fashion Climate Fund aims to help unlock an estimated US $2 billion in blended capital, driving collective action to tackle the industry's supply chain carbon emissions.



Since 2022, lululemon has been a founding member of Aii's Fashion Climate Fund, helping to drive collective climate action.

Q2: YOU SET A 25% BY 2025 SUPPLY CHAIN RENEWABLE ELECTRICITY TARGET TO SUPPORT THE CLEAN ENERGY TRANSITION. HOW ARE YOU BUILDING ON THIS MOMENTUM?

We've engaged with vendors on initiatives to develop carbon targets and reduction roadmaps, including participation in Aii's Carbon Leadership Program.

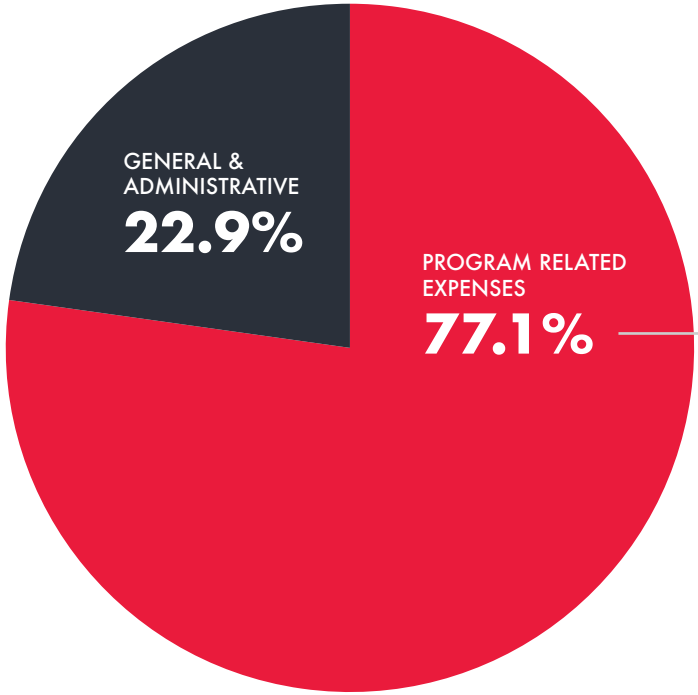
Building on 100% renewable electricity in our operations, and our initial 25% supply chain target, we are now working to achieve 50% renewable electricity across our core suppliers by 2030.

We also provide regional training opportunities for our suppliers, such as through our sponsorship of the Clean Energy Buyers Association (CEBA) Clean Energy Procurement Academy.

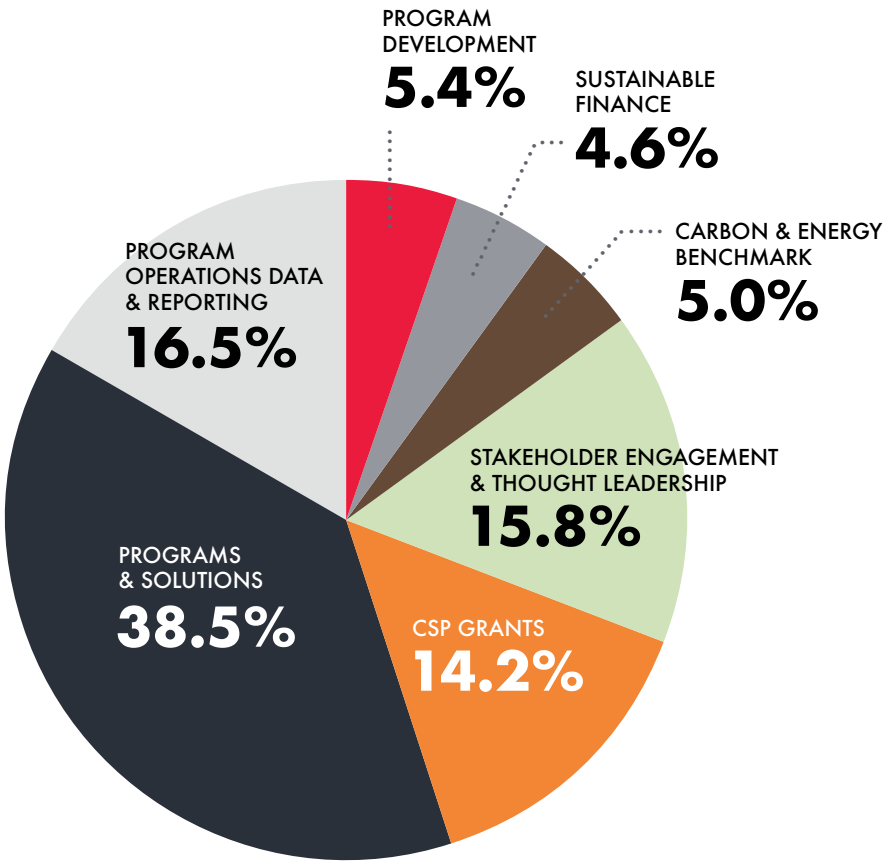
At the 2024 Vendor Leadership Summit we presented our evolved Vendor Climate Program, which outlines expectations for increasing renewable electricity, phasing out onsite coal boilers, and setting science aligned targets.

Find out more about our partnership with Aii online here.

Allocation of Funds



PROGRAM-RELATED EXPENSES IN 2025 IN DETAIL



Digital Transformation

In 2025, we successfully laid the foundation for our digital transformation journey. This year marked significant progress in establishing the systems, partnerships, and tools needed to deliver greater efficiency, scalability, and value to the industry.

A key milestone was our partnership with Made2Flow, enabling deeper data integration and automation across core programs. We also digitized several key products - including the Carbon Tech Assessment and Carbon Toolkit - and built supporting features like action builder and matchmaking. Together, these enhancements streamline the experience for facilities and partners while setting the stage for future innovation.

With this foundation, we are positioned to more effectively leverage technology in service of our mission - reinforcing data-driven decision-making, simplifying participation for facilities, and supporting the industry's collective progress toward its 2030 goals.

Outlook to 2026

As we move into 2026, Aii's focus will shift from building to advancing, turning our digital foundation into measurable impact.

DATA EXCELLENCE
We'll strengthen our data quality processes, ensuring the accuracy, consistency, and usability of the growing volume of information collected through Aii's programs.

OPERATIONAL EFFICIENCY
We'll continue simplifying program workflows, making it easier and faster for facilities to engage, complete requirements, and see their progress reflected in real time.

ENHANCED INSIGHTS
Our next phase of digital transformation will focus on generating deeper insights from data, empowering both Aii and the industry to act more strategically and effectively.

"This year reinforced something important for us: progress happens when people have the right information and the right support. We're working to connect visibility, data, and workflows in a way that helps our partners move from insight to action with confidence."

— DAN XAVIER, Head of Software

Aii Team

EXECUTIVE TEAM
SENIOR LEADERSHIP TEAM
STAFF

Aii Board of Directors

President
Lewis Perkins
USA, PT

Chief Impact Officer
Kurt Kipka
USA, CT

Sr Director of Finance & Engagement
Kristina Elinder Liljas
SWEDEN, CET

Chief Financial Officer
Ryan Gaines
USA, ET

Chief Operating Officer
Kay Bloomberg
USA, PT

VP of Technology
An Zhou
CHINA, CST

Assurance Engineer
Chen Juan
CHINA, CST

Climate Solutions Portfolio Manager
Hanlu Wang
CHINA, CST

Data Assurance Engineer
Rita Ho
TAIWAN, CST

Sr Director of Industry Engagement
Bryant LaPres
USA, CT

Sr Manager of Strategic Engagement
Andres Bragagnini
UK, BST

Regional Lead (SA & SEA)
Laxmikant Lawale
INDIA, IST

Regional Lead (Italy)
Daniele Massetti
SWITZERLAND, CET

Manager of Manufacturer Engagement
Disha Pande
INDIA, IST

Climate Programs Director
Lisa Frost
UAE, GST

Regional Lead (Greater China & Vietnam)
Xiaorui (Cherie) Bai
CHINA, CST

Data & Quality Assurance Manager
Bruno Carneiro
PORTUGAL, WET

Program Operations Manager
Patricia Sousa
PORTUGAL, WET

Program Operations Manager
Gloria Wang
CHINA, CST

Climate Portfolio Director
Pauline Op de Beeck
NETHERLANDS, CET

Sr Director of Sustainability Reporting
Leonie Schmid
SPAIN, CET

Sr Sustainability Reporting Coordinator
Alma Palacios
UK, BST

Accounting Manager
Mark Moore
USA, ET

Sr Director of HR
Michelle Willis
USA, PA

Head of Software
Daniel Xavier
USA, CT

Sr Marketing & Comms Manager
Nakia Granberg
USA, ET

Ops Manager
Chianne Shepherd
USA, ET

Executive Assistant
Desiree Cabrera
USA, PT

Geography & Demographics of the Team

Aii grew from 26 to 28 employees in 2025.

At the close of 2025, our team consisted of 61% of employees identifying as female and 39% as male. Aii's executive leadership team is composed of four people — 75% identifying as male and 25% as female.

As a smaller team, we are especially proud of our diversity, with employees distributed across 11 countries on three continents, and representing 12 different nationalities.

Graphic shows gender and nationalities of the Aii team

Employee Recruitment, Engagement, & Retention

Delivering our mission with the urgency it requires depends on recruiting, engaging, and retaining a team of high-quality and passionate talent.

- **Recruit** - We further strengthened our recruitment process this year, continuing to evaluate candidates not only for their skills and experience but also for their alignment with Aii's core values: humility, empathy, ethics, and passion. This intentional approach has helped us bring on team members who are both highly qualified and deeply connected to our mission.
- **Engagement** - We're proud that our employees continue to feel engaged and connected to their work, with an overall engagement score of 4.2 out of 5 on our annual survey. What stands out most are the areas where we consistently perform strongest: fostering an inclusive workplace where people feel respected and building a culture that is positive and supportive. This year, we also had a laser focus on strengthening strategic alignment across the organization, and it shows. Employees reported meaningful improvement in how well we communicate goals and strategies from senior leadership. These results highlight both the culture and clarity that keep engagement at the forefront of our success.
- **Retention** - This year, our retention rate rose from 92% to 96%, reflecting the success of our strategy to keep staff engaged, supported, and satisfied. By actively polling employees on what matters most to them and shaping initiatives around their feedback, we've built a stronger foundation for retention and will continue to refine our approach in the years ahead.

"Joining Aii has been a genuinely positive experience for me. From the selection process onward, everything felt transparent and thoughtful, which immediately built trust. Moving from academia to a nonprofit focused on industry transformation felt like a natural next step, allowing me to connect research with real-world impact. What I value most is applying analytical thinking to practical challenges and seeing how that work contributes to meaningful change across the apparel sector."

- ALMA PALACIOS, our senior sustainability reporting coordinator since August 1, 2025, explains her start at Aii

Remote Organizational Culture

As a remote, globally dispersed, and culturally diverse team, we know that building trust takes intentional effort. This year, we strengthened connections through quarterly virtual team-building activities and our annual staff retreat in Istanbul, where we deepened bonds and energized the team around our shared purpose.

Our Team in Istanbul

This year, we chose the city of Istanbul for our in-person staff retreat, not only because of its tradition of textile manufacturing, but also because of its central location, which was easily reachable for our global team.

In addition to the challenges of team building as a remote organization, we also face the challenge of working across cultures - and time zones. We address these challenges through a dedicated culture committee that meets quarterly to discuss obstacles, initiatives, and solutions to bridge any cultural gaps across our team.

GLORIA WANG, program manager:

"Gathering in Istanbul, a city that connects continents, felt symbolic of how our team operates. We bridge cultures, time zones, and expertise every day, but those few days together allowed us to align deeply on our work while also exploring a new place as colleagues. It reminded me why in-person connection matters, even for a remote team that collaborates seamlessly across time zones year-round."

CHIANNE SHEPHERD, operations manager:

"Visiting Istanbul for the first time with Aii gave me valuable perspective. Being in a city with such deep history while gathering with colleagues from around the world created the right environment for focused collaboration. The time we spent aligning on our work and priorities was productive and energizing, and it reinforced the importance of the impact we're achieving together."

Aii Governance

Board of Directors

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

- Determining Aii's mission and purpose.
- 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 three-year term and attend quarterly meetings. The Board has three established committees: Board Development, Audit, and Finance.

Claire Bergkamp
Textile Exchange
BOARD MEMBER

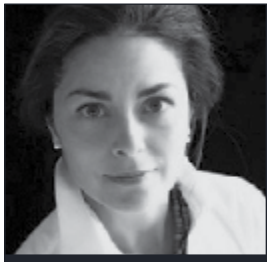
Pramit Chando
IDH
BOARD MEMBER

David Dahl
H&M Group
BOARD MEMBER

Melissa Fifield
Bank of Montreal
BOARD MEMBER

Hasitha Premaratne
Brandix Group
BOARD MEMBER

Amina Razvi
Industry Expert
BOARD MEMBER



Devon Rothwell
The San Francisco Standard
BOARD MEMBER

Amanda Tucker
Target Corporation
BOARD MEMBER

CSP Advisory Council

The Climate Solutions Portfolio Advisory Council (CSPAC) operates as a diverse multi-stakeholder entity with a primary focus on identifying solutions capable of significantly reducing CO_2e at scale within the textile industry. The aim is to include these impactful solutions in the Climate Solutions Portfolio (CSP).

The CSPAC is composed of Aii staff, apparel/textile experts, and industry representatives. When the CSPAC's expertise is limited, it engages subject matter experts to help evaluate applications.

For 2025, we are pleased to share that several members have renewed their roles, ensuring continuity as the CSP transitions from setup to scaling impact. At the same time, we warmly acknowledge that Sophie Mather departed in December 2025 after completing her one-year term, and we extend our appreciation for her thoughtful contributions to the CSP's evaluation process and strategic direction.

Looking ahead, the CSPAC remains a strong and essential body in advancing Aii's mission to accelerate the deployment of high-impact decarbonization solutions across the industry.

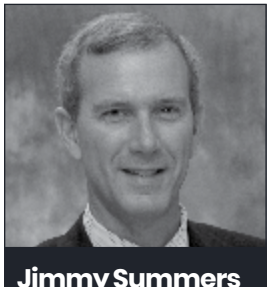
Abishek Bansal
Head of Sustainability, Arvind Mills

Kim Hellstrom
Senior Sustainability Manager, H&M Group

Beth Jensen
Chief Impact Officer, Textile Exchange

Kurt Kipka
Chief Impact Officer, Apparel Impact Institute

Sophie Mather
Material Futurist and founder, Bio8vition



Jimmy Summers
Vice President of Environment, Health, and Safety and Chief Sustainability Officer, Elevate Textiles

Lalit Toshniwal
Senior Director of Owned Brands Raw Materials, Target

Apparel Impact Roundtable

The Apparel Impact Roundtable is composed of industry partners contributing to the Fashion Climate Fund and other strategic industry partners. The Roundtable's primary responsibility is to review and provide feedback on the strategies and initiatives of the Fashion Climate Fund.

Supplier Council

The Aii Supplier Council (ASC) is a supplier advisory group, with intentional balance across regions, supply-chain tiers, and supplier size. The ASC is designed to elevate supplier perspectives and inform Aii's decarbonization strategy.

2025 Activities

In 2025, Aii focused on establishing the Council's foundation. Key activities included:

- Drafting the ASC Charter, clearly defining the Council's purpose, scope, and ways of working.
- Conducting a comparative analysis of Aii's three advisory bodies — the Apparel Impact Roundtable (AIR), Climate Solutions Portfolio Advisory Council (CSPAC), and ASC — to ensure clarity of roles and alignment within Aii's structure.
- Identifying and onboarding ASC nominators, followed by a nominator kickoff call.
- Developing and sharing a comprehensive Nomination Toolkit, including guidance materials and outreach resources.

2026 Plans

In 2026, Aii is advancing the formation of the Supplier Council through:

- Active outreach and solicitation of applicants.
- Review and scoring of applications through the nomination committee process.
- Submission of recommended members to the Aii Board for final approval.
- Initiation of onboarding and formal convening of the Supplier Council following approval.
- Recurring meetings on various climate topics to ensure the supplier perspective is included in Aii's strategy, ensuring these needs are considered and aligned with the industry opportunity.

Stakeholders in 2025

2025 Partners

BRAND PARTNERS

Apparel, footwear, or retail companies since Aii's inception that nominate, sponsor, or provide funding to Aii to drive facility-level environmental improvement programs and impact reductions[9].

Abercrombie & Fitch, Acne Studios, Amazon, Amer Sports, American Eagle, Anta, Arc'teryx, ASICS, ASOS, Balenciaga, Burberry, Carhartt, C&A, Columbia, Decathlon, Eileen Fisher, Express, European Outdoor Group, Everlane, Fast Retailing, Farfetch, FILA, Fjallraven, Gap, G-star, H&M Group, Helly Hansen, Hugo Boss, Icebug, Inditex, JCPenney, J. Crew, Kering, Kontoor, Levi Strauss, Li&Fung, LL Bean, lululemon, LVMH, Marks & Spencer, Moncler Group, Nemo, New Balance, Nike, Nordstrom, Otto Group, Outdoor Industry Association, Prada, Primark, Puma, PVH, Ralph Lauren, Rapha, REI, REWE, SHEIN, Stella McCartney, Tapestry, Tchibo, Tesco, The Reformation, Under Armour, Uniqlo, Vera Bradley, VF Corporation, Victoria's Secret, W.L. Gore, WSCG, Zalando

FASHION CLIMATE FUND LEAD PARTNERS

Lead Partners in the Fashion Climate Fund commit $10 million by 2030 to accelerate and scale decarbonization across the apparel sector's global supply chain.

This level of commitment provides catalytic funding to unlock blended finance, support supplier-led projects, and scale proven climate solutions across the industry.

H&M Foundation

H&M Group

HSBC

lululemon

PVH Foundation

The Schmidt Family Foundation

Target

FUNDING PARTNERS

Organizations that provided funding to Aii in 2025 to advance our mission for the apparel, footwear, and textile sector.[10]

Chaiken Foundation

Roy A. Hunt Foundation

BMO

THOUGHT PARTNERS

Organizations with expertise and knowledge on issues relevant to the apparel, footwear, and textile sector or adjacent sectors that collaborated with and provided guidance to Aii in 2025.

Apparel and Textile Transformation Initiative (ATTI)

Cascale

Fashion for Good

Global Fashion Agenda[11]

International Apparel Federation (IAF)

Solidaridad

Textile Exchange

The Fashion Pact

The Industry We Want (TIWW)

United Nations Fashion Industry Charter for Climate Action (UNFCCC)

Value Change Initiative

Workshop

World Resources Institute (WRI)

WWF

ZDHC Foundation

SOFTWARE PARTNERS

Made2Flow

Salesforce

[9] Partners include organizations that previously contributed and/or currently contribute funding to Aii. For confidentiality reasons, some names are not mentioned.
[10] Industry & Funding Partners include organizations that previously contributed and/or currently contribute funding to Aii.
[11] Impact Partners as part of GFA's Impact workstream

2025 Implementation Partners

Solution providers with specialist knowledge in countries that implemented Aii's programs in 2025.

BluWin Ltd.
India, Bangladesh, China, Mexico, Honduras, El Salvador, USA

Enerteam
Vietnam

Hongyu (Guangzhou Hongyu Ecological Technology)
China

Leyton ESG
Europe

Process Factory Italy

Reset Carbon
Multiple locations

Green Energy Associates
Pakistan

2025 Sustainable Finance Partners

Organizations that contributed finance and blended capital expertise to Aii in 2025 to further our Sustainable Finance Strategy objective of unlocking $2 billion in decarbonization/climate funding for the apparel and footwear industry.

Accenture

ADB

DFI

Guidehouse

HSBC

IFC

DBS

Standard Chartered

Workshop

British International Investment (BII)

Sida

GEAPP

BMO

Good Fashion Fund

Fashion for Good

Solidaridad

The Impact Investing Institute

2025 Suppliers Implementing Aii Programs[12]

Names and locations of suppliers

[12] Suppliers include facilities that are active or completed at least 1 Aii program (Phase 1-3) or CSP grant funded solution in 2025. For confidentiality reasons, some names are not mentioned.

IV.
WHAT WE DO

Our Programs and Process

Our Supplier Journey

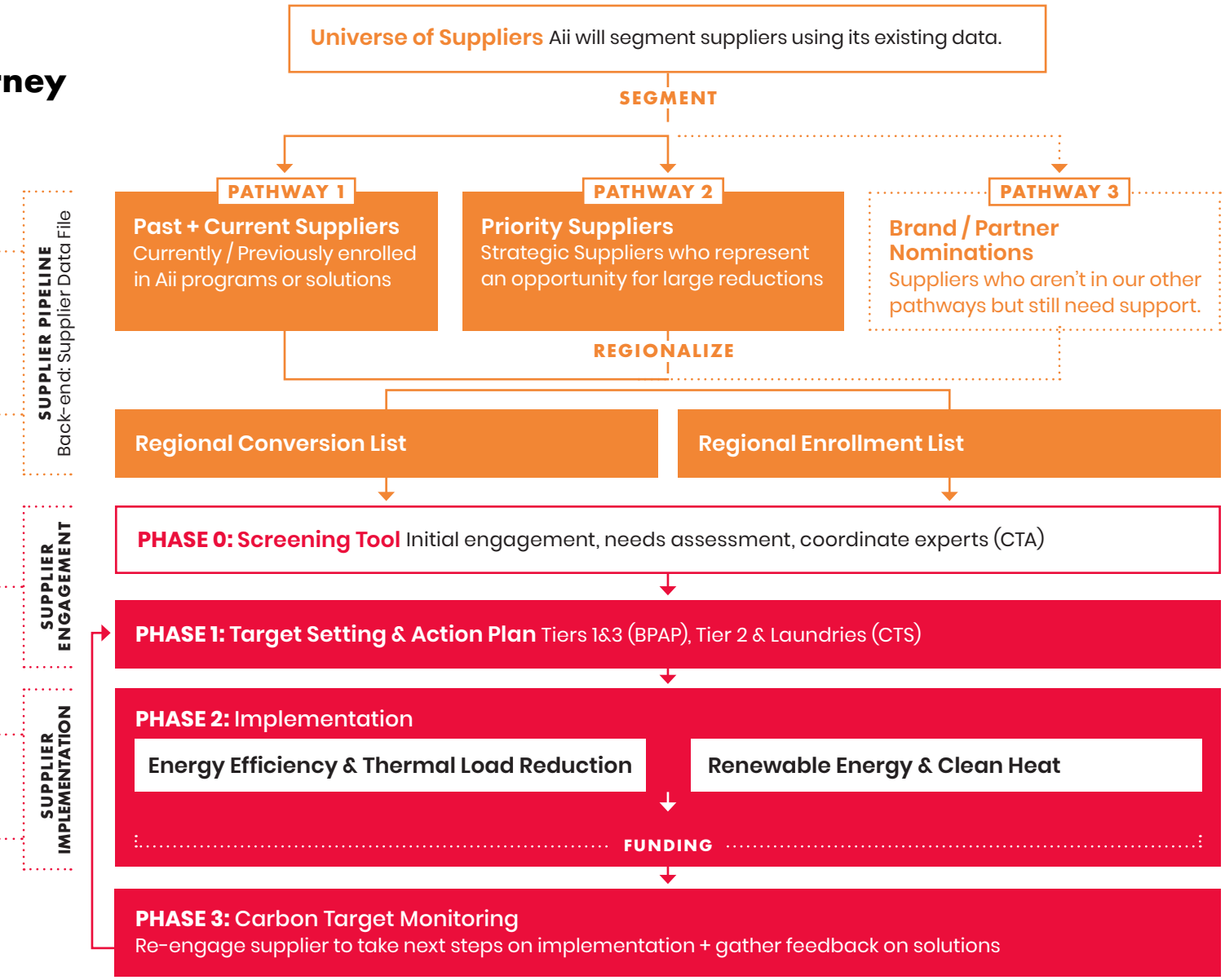
We are building a data-based system that meets suppliers where they are on their journey. The cornerstone of our system is a robust supplier data file, and the tools to filter and analyze supplier data.

To meet our goals, we will need to improve our conversion rate for current and past suppliers. We know suppliers face several barriers to implementation and we should focus our efforts on supporting them through their journey.

We decided that all suppliers must have an assessment and a target before starting implementation. If suppliers come into the Aii system with existing targets, roadmaps or action plans, we will accept these if they meet our criteria.

We are taking a more modular and solution-oriented approach to meeting supplier needs—not constrained to how we've historically bundled solutions inside programs.

This system can and should evolve over time, but we want to create a predictable cycle of updates for our processes and tools to create stability.



In 2025, we implemented the supplier journey framework to support our facilities and brands in meeting the challenge of significant carbon reduction.

Supplier Pathways

The supplier-centric, data-driven system supports suppliers through one of three pathways.

PATHWAY 1:

Past or Current Aii Supplier Participants

We strengthen and enhance our relationship with suppliers that have or are currently working with Aii, supporting them as they proceed to the next steps of their decarbonization journey.

PATHWAY 2:

Priority Suppliers

We partner with suppliers that offer the greatest potential for reductions. Engaging with these suppliers is key to enable HIPs and scaled reductions, ultimately achieving 100 Mt of carbon reduction.

PATHWAY 3:

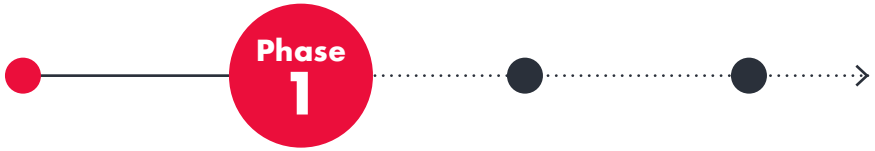
Other Suppliers & Brand Nominations

Working alongside our brand partners, we engage suppliers outside of our network and those that are considered strategic for industry decarbonization. This pathway allows Aii to support suppliers that may have completed action plans elsewhere. By implementing their existing plans, suppliers can continue their reduction efforts rather than starting from scratch.

Following these three pathways allows us to take a more modular, solution-oriented approach to meeting suppliers' needs rather than being constrained by programs.

Supplier Implementation

Suppliers complete a questionnaire - the Carbon Tech Assessment (CTA) - which undergoes an expert review. At this stage, we identify the supplier's baseline, determine their maturity level, and offer estimated carbon reduction potential.



The next stage is long-term action planning, which is the foundation for decarbonization implementation. Aii offers two options: Carbon Target Setting (CTS) and Best Practices Action Plan (BPAP).

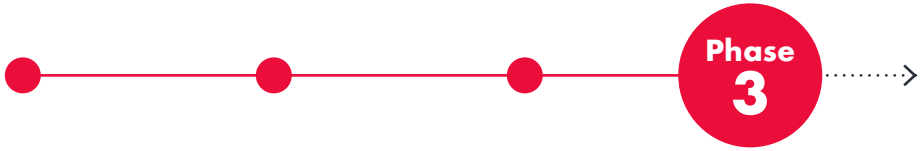
CTS is designed for large mills, dye houses, and garment washing plants that use more energy and have higher emissions. CTS starts the supplier on the mid-term journey to Net Zero with specific process- and regionally-focused carbon reduction solutions.

BPAP provides a "lighter-touch" action plan development program more suited to garment production units and facilities without wet processing operations. It focuses on industry best practices, renewable energy opportunities, and machinery upgrades.

Phase 2 focuses on turning longer-term targets into action. During this phase, suppliers are supported by local experts to implement action plan items, which may include Clean by Design or programs and technologies in our Climate Solutions Portfolio.

Implementation programs can be categorized into Energy Efficiency & Thermal Load Reduction as well as Renewable Energy & Clean Heat.

> "This program has been a truly enriching and valuable learning experience for our team. It helped us significantly in capacity building and enabled us to achieve tangible improvements in cost reduction, energy efficiency, and overall operational performance. The practical knowledge, structured guidance, and continuous encouragement provided by Dr. Laxmikant and Mr. Sajid made a real difference in helping us implement meaningful changes."
>
> — Ali Trading Co. (PVT) LTD about their participation in Aii's CbD program in 2025



Our Carbon Target Monitoring (CTM) program offers continuous improvement. Through quarterly online check-ins and progress reviews, an expert provides ongoing advice, data monitoring, and solutions updates, incorporating regional and industry knowledge to support further carbon reduction.

Our Programs and Solutions

To visualize the comprehensive nature of our programs and solutions, we've compiled an overview of the tiers and impact areas addressed by each. This overview also incorporates our CSP Solutions, which are an integral part of Implementation (Phase 2), providing you with a holistic understanding of the full scope of our initiatives.

PRE-SEED PILOT MODEL AVAILABLE AT SCALE

Phase		APPLICABILITY BY TIER LEVEL				IMPACT AREAS			
	PROGRAMS & SOLUTIONS	1	2	3	4	ENERGY EFFICIENCY	RENEWABLE ELECTRICITY	CLEAN HEAT	SUSTAINABLE MATERIALS & PRACTICES
1	Carbon Technology Assessment (CTA)	X	X			X	X		
2	Carbon Target Setting (CTS)	X	X			X	X		
2	BPAP	X				X	X		
2	Tanneries Assessment and Target Setting (CTA/CTS)		X			X	X		
3	Clean by Design Energy & Water Efficiency (CbD)	X	X	X		X			
3	Clean by Design Plus (CbD+)		X			X	X		
3	Clean by Design Chemistry & Wasterwater Management (CbD Chem)		X			X			
3	AI-Enabled, Real-Time Quality Control		X						X
3	Patented Ring Dyeing Technology		X			X			
3	Bluesign System	X	X			X	X		
3	Guangdong Energy & Water Efficiency		X			X	X		
3	Intelligent Facility Technology		X			X			
3	Wax-On, Bleach & Dye Technology		X			X			
3	Circum Print & Dyeing Washing Machine		X			X			
3	Dyeing & Resource Efficiency		X			X			
3	TexCoat® G4 Precision Spray Finishing Technology		X			X			
3	Waterless Colour System		X	X					X
3	Clean by Design Tanneries		X			X	X		
3	Clean by Design Bangladesh		X			X			

PRE-SEED PILOT MODEL AVAILABLE AT SCALE

Phase		APPLICABILITY BY TIER LEVEL				IMPACT AREAS			
	PROGRAMS & SOLUTIONS	1	2	3	4	ENERGY EFFICIENCY	RENEWABLE ELECTRICITY	CLEAN HEAT	SUSTAINABLE MATERIALS & PRACTICES
3	**Solar PV Installation Bangladesh**	X	X	X			X		
3	**Cleaner Production Systems**		X	X		X			
3	**Electrification of Hot Water Preparation**		X					X	
3	**Leaf Color Charts**				X				X
3	**Sustainable Heat from Waste Water**		X			X	X		
3	**Advanced Pigment Dyeing System**		X			X			
3	**Biomass Torrefaction**		X					X	
3	**Textile Printing Solution**		X			X			
3	**Renewable Energy Transition Initiative (RETI)**	X	X				X		
3	**Production Waste Management (PWM)**	X							X
3	**New Construction Factory Optimization (CFO)**	X	X			X	X		
3	**Facility Impact Measurement Software**	X	X			X			
3	**Dope Dyed Optical Color-Mixing**		X			X			
3	**Switching to Synthetic Lubricants**		X	X		X			
3	**Denim Mill Heat Pump Feasibility Study**		X					X	
3	**Nylon 6 Recycling via Chemical Depolymerization**			X	X				X
3	**Steam Generating Heat Pump**		X					X	
4	**Carbon Target Monitoring (CTM)**	X	X			X	X		

What are the stages of commercialization?
Pre-seed: Solutions that are at a concept level and in the process of evaluating and establishing their impact potential.
Pilot: Solutions that are in the process of testing their solution in order to demonstrate a proof of concept.
Model: Solutions that are working towards de-risking and reducing known barriers to scale.
Scale: Solutions that are commercially viable with a proven go-to-market strategy.

Case Study

Achieving decarbonization at scale requires more than individual action – it demands coordinated efforts across the entire supply chain. In this fireside chat, Aii brings together leaders from Smartex, Acatel, and Impetus to explore how collaboration is accelerating progress toward their climate goals.

Our Programmatic Highlights

High Impact Projects (HIP)

The textile sector is entering a new phase of decarbonization that requires transforming processes, energy use, and production lines. HIP-type technologies are a critical lever for deep factory reform.

In 2025, we prepared the HIP strategy to support the rollout of this new strategic focus in early 2026.

KEY ACHIEVEMENTS:

- Defined HIPs: Higher Impact Projects are high-carbon impact projects in wet processing facilities that move beyond foundational energy efficiency and require incentives and support to implement.
- Using this definition, one facility in China and three facilities in Vietnam started a HIP program in 2025.

The Apparel and Textile Transformation Initiative

Aii supported the Apparel and Textile Transformation Initiative's (ATTI) Bangladesh needs assessment as one of several funders.

Developed in response to member priorities, ATTI was launched by the International Apparel Federation (IAF) and the International Textile Manufacturers Federation (ITMF). It advances a manufacturer-led, nationally grounded, and globally coordinated approach to industry transformation, focused on key environmental priorities across the supply chain, including energy, water, and emissions.

In Bangladesh, this work is helping assess sector needs and inform practical, finance-aligned pathways for decarbonization.

Luxury Focus in Italy

2025 marked a significant expansion for Aii's work in Italy, with more than 10 brands and 100 facilities across every segment of the supply chain (tanneries, textiles, leather goods, jewelry, footwear, and metal accessories) completing or participating in programs. Despite a challenging market environment, many brands have joined forces in collective action, sharing a clear and unified message about the need to decarbonize following a shared roadmap.

This foundational work has made it possible to identify the most relevant local decarbonization opportunities and expand programmatic efforts into the implementation phase. This includes support for facilities seeking access to public funding and incentives for decarbonization.

Expert Performance Evaluation

Building on the QA standards and methodology we implemented in early 2025, we developed a comprehensive scorecard for experts deploying Aii programs. This scorecard will share performance data and feedback, identifying current and future experts who deliver the most viable recommendations and highest emissions reductions.

Our 2025 Pilot Programs

Platform Development with Made2Flow

We partnered with Made2Flow to integrate our program offerings into a new platform. Key brands and experts in CTA and CTS cohorts joined a pilot to share their thoughts on the platform's data gathering techniques, dashboard formats, report templates, action plan creation tools, benchmarking presentations, and raw data storage. With information gathered during demos and working sessions with these stakeholders, we built a program-driven database that supports our impact reporting, brand reporting requirements, and facility progress tracking.

KEY ACHIEVEMENTS:

- Began integrating CTA, CTS, and hybrid CTS/CbD programs into Made2Flow. Future CTA and CTS cohorts will be deployed on the platform.
- Conducted platform demos and working sessions to gather brand feedback and recommendations.
- Onboarded 60+ internal and external users, including all our key solution providers, into the platform.

Looking forward, CTM will be added to the platform in Q1 2026, testing will continue with a new CbD cohort in Q2 2026, and we anticipate a full rollout to all assessments and impact programs by mid-2026.

KEY LEARNINGS:

- Solution providers and experts need time to test the platform and adapt their Excel-based workflows before using live supplier data, particularly to align existing data fields with the platform's templates.

RETI in Vietnam

We expanded the Renewable Energy Transition Initiative (RETI) to Vietnam, building on the pilot phase previously completed in China and marking the program's evolution toward a more structured implementation model.

In Vietnam, five brands nominated three strategic suppliers, with several facilities involving collaboration across multiple brands. We also broadened the scope beyond wet processing to include larger Tier 1 manufacturers

RETI assesses renewable energy transition pathways across three core dimensions: policy alignment, technical feasibility, and economic viability, to identify priority routes tailored to each facility's unique situation. It remains in an early implementation stage, with full evaluation outcomes expected by mid 2026.

KEY ACHIEVEMENTS:

- 3 suppliers started a RETI program in Vietnam in 2025 and will complete the assessment phase by mid-2026.

KEY LEARNINGS:

- Facility-level decarbonization is deeply contingent upon localized factors, including regional renewable energy policies, industrial park lease structures, and EHS regulations. Navigating these multi-stakeholder complexities is a critical prerequisite for project viability.
- Electricity and thermal energy (steam/heat) remain the dominant energy sources and carbon drivers.
- Thermal decarbonization is the critical next frontier, especially for diesel, LPG, and natural gas use.
- Advanced solutions (wind, pressure-difference power generation) show strong site-specific potential.

Tanneries - Assessment and Target Setting (CTA/CTS)

Building on the success of our CbD Tanneries program deployment in Europe, we have created the Pilot Carbon Leadership Program (CLP) for Leather, a combined CTA-CTS program specifically for tanneries. In partnership with Reset Carbon and Tapestry Inc., we have designed a more ambitious assessment, target-setting, and action planning program focused solely on leather processing. In partnership with Reset Carbon and Tapestry Inc., we have created a more ambitious assessment, target-setting, and action planning program designed solely for the leather industry. This marks the first Aii program to be 100% deployed and tracked on the Made2Flow platform, which will support improvement recommendations related to beamhouse activities and the fleshing, tanning, dyeing, fatliquoring, and finishing of animal skins and hides. The program pilot will kick off in Q1 2026 in Vietnam, China, and South Korea, sponsored by six key brand retailers of footwear, handbags, wallets, and accessories.

Climate Solutions Portfolio

Aii's Climate Solutions Portfolio is the apparel and textile industry's registry for vetted climate solutions. It simplifies and accelerates the adoption of proven and promising solutions - innovations, projects, or programs - that create a positive impact and deliver measurable CO_2e reductions.

We achieve this by offering grant funding to less mature solutions, vetting mature solutions, and amplifying both on our Climate Solutions Portfolio registry. We facilitate and support the deployment and scale of these solutions through our programs, network of brands and suppliers, and blended capital strategy.

Our Approach

In 2025 we continued our focus on clean heat. This transition will take time to implement across the sector, but significant work must happen now to enable scale beyond 2030. For that reason our targeted call for grants continued its focus on piloting electrification (e.g. steam generating heat pumps) and electrification-supporting technologies (e.g. anything that reduces the thermal load of a facility). This thematic focus is reflected in the Deployment Gap Grant as well, which supports proven solutions that are at a more mature level of scale.

Aii's Clean Heat strategy goes beyond technical roadmapping and grantmaking, providing facilities with technical assistance for investment-grade feasibility assessments and impact tracking to enable replicable pathways toward sector-wide adoption.

Clean heat is implemented through a set of coordinated workstreams:

- The Renewable Energy Transition Initiative supports factories through on-site assessments, opportunity identification, and renewable energy implementation across technologies such as solar PV, electrification, and other enabling solutions.
- Heat pump feasibility and implementation support provides facilities with investment-grade assessments, system design, vendor selection, and post-installation performance verification to enable the cost-effective deployment of high-temperature heat pumps.
- Thermal load reduction activities take an efficiency-first approach, supporting process optimization, improved chemistry, and low-energy equipment to reduce heat demand and strengthen the electrification business case.
- Steam-generating heat pump grants enable pilot installations at supplier sites, generating real-world evidence to support broader adoption and scale. Steam-generating heat pumps have emerged as a key electrification solution, offering strong emissions reduction potential and cost-effectiveness in fully electrified textile mills. However, deployment remains constrained by high upfront capital costs, limited technical familiarity, and access to affordable renewable electricity — challenges that require coordinated, sector-wide action.

Registrants

Similarly, our focus on Solution recruitment is to continue to investigate, with partners like Fashion for Good, promising innovators and solutions addressing thermal load in processing. Attending ITMA Singapore in October, our team saw a lot of promising solutions tackling heat demand in textile factories and we look forward to vetting them and incorporating them into our solution recommendations and technical assistance work. This year we were excited to welcome Fibre52, Pluvia Circum Print & Dyeing Washing Machine, Dystar's Cadira® Polyester, Pigmentura by CHT, BW converting's TexCoat® G4 Precision Spray Finishing Technology and E-dyes Waterless Colour System into our registry.

Behind the scenes, Aii has been building a solution-facility matchmaking tool that we look forward to piloting in 2026. To explore all registrants, visit the CSP page on our website, a central tool for discovering emission reduction solutions and tracking their implementation and impact.

Outlook 2026

Increased supplier-led approach

We have found supplier-led grant applications to be the most successful way to pilot key electrification and electrification-supporting technologies. This led to the strategic decision to make all CSP grantmaking going forward supplier-centric and thematically focused on supporting electrification. Across all the projects we've funded, one consistent success factor has been proximity to suppliers, meaning much of the real-world due diligence has already been embedded in the project design. By realigning the CSP to focus on supplier-led and supplier-ready projects, we're narrowing the field, accelerating impact, and moving capital faster to solutions that are ready to pilot and positioned to scale.

At its core, this realignment reflects a simple principle: Suppliers are taking real risks to decarbonize their operations - often ahead of clear financial incentives. If we want to drive meaningful, sector-level decarbonization, we need to meet that ambition with targeted support. That's where we believe CSP can be most effective.

The CSP also plays a complementary role alongside initiatives like the Deployment Gap Grant and the Fashion Climate Fund. The CSP helps surface and test solutions; DGG helps de-risk first deployments; and the Fashion Climate Fund is designed to bring larger pools of capital to scale what works. Together, they form a pipeline that moves from innovation to industry-wide transformation.

The following section provides a detailed description of Aii's grant programs, including the Climate Solutions Portfolio.

"Our priority in 2025 was to align the sector on the direction of travel needed for clean heat, ensure that we could support suppliers taking risks to advance this topic and continue to investigate, vet, and plan for the scale of climate solutions that advance this topic. Through strategic grant support, we helped suppliers kick off projects that will help them and the sector evaluate real technical constraints, manage operational risk, and build credible business cases for clean heat."

- PAULINE OP DE BEECK, climate portfolio director

Our Grants

Climate Solutions Portfolio Grants

CSP Open Call 2025 Grant

Climate Solutions Portfolio grants provide essential funding to advance solutions that often struggle to secure support from brands, facilities, and other sources. Beyond financial support, selected grantees receive independent validation and access to connections with brands, facilities, and investors within Aii's network, helping accelerate the development and adoption of impactful climate solutions.

Our Grant Funding Thesis, published in January 2024, outlines Aii's funding priorities, key focus areas, and the core challenges we aim to address through the CSP. This thesis serves as a guidebook for CSP grantmaking and was used as the reference document for our March 3 open call for applications.

In late September 2025, we announced the latest CSP Grantees and the newest additions to the CSP Registry: **Arvind, Artistic Milliners, and NylaNova.**

Arvind Limited is a textile-to-retail conglomerate with focus on textiles, apparels, advanced materials, environmental solutions, telecom, and Omni-channel commerce. In collaboration with Peak Sustainability Ventures, a firm specializing in scaling innovative technologies, Arvind Limited is installing the first cotton stalk-based biomass torrefaction plant, allowing biomass to be used as a transition fuel without boiler replacement. With an estimated 55,106 tCO_2e reduction annually; wide applicability for most wet processing; and high viability in India, China, and other countries with large quantities of agricultural waste, this interim solution demonstrates responsible use of biomass as a transitional fuel source.

Artistic Milliners & WWF Pakistan are leading one of Pakistan's first feasibility studies on heat pump adoption for textile manufacturing. This pilot project - which will also include vendor selection, implementation support, and a case study - aims to replace fossil fuel-dependent thermal systems, reducing steam needs and fuel consumption. The project aims to integrate heat pumps into the dyeing department of Artistic Milliners' denim unit to fulfill hot water requirements for production processes and provide cooling for office spaces. While impact data will be confirmed following the study, Artistic Milliners is targeting a system that will save at least 40% of its unit's emissions annually.

NylaNova was born at Northwestern University in 2024, and the chemists behind it are on a mission: pioneering solutions to eliminate nylon waste. The awarded grant is aimed to help advance a breakthrough recycling technology from lab-scale to a 10 kg/day pilot, dramatically reducing the carbon footprint of Nylon-6 production, which traditionally emits over ten times more carbon than recycled alternatives. This solvent-free, chemically recycled process has the potential to deliver 75% emissions savings compared to virgin production.

Supplier Electrification Grant

Electrification of thermal processes is a critical step toward achieving net-zero targets, particularly in energy-intensive industries such as apparel manufacturing. Through the Climate Solutions Portfolio, we support first-of-their-kind projects that demonstrate how fossil-based thermal systems can be replaced with scalable, low-carbon alternatives.

In late 2024, we launched a Supplier Electrification Grant call to identify pilot-ready electrification and electrification-supporting processing technologies capable of accelerating the transition away from fossil-based thermal systems. The grant focused on solutions that either fully electrify key processes or significantly reduce their thermal energy demand, with priority project types including steam-generating heat pumps, low-energy dyeing, digital or spray dyeing, electrified bleaching, electric singeing, and other next-generation processing innovations.

The grantee was announced in Q1 2025, advancing the implementation of pilot projects that help strengthen the business case for electrification in textile manufacturing. The selected facility is described below.

Zhejiang Bangjie Digital Knitting Share Co., Ltd. is a textile manufacturer advancing low-carbon manufacturing through the installation of the first steam-generating heat pump in Vietnam's textile and apparel sector. The project, supported through the CSP grant, replaces coal and biomass by fully electrifying the facility's thermal energy demand, while also harnessing waste heat from existing processes, integrating onsite solar generation, and operating through a Direct Power Purchase Agreement.

The heat pump will supply thermal energy for dyeing, drying, and setting operations, while also improving worker comfort through air cooling. Despite strong environmental and operational benefits, the project faces a long payback period. CSP Grant support enables the installation to proceed, providing 96% direct capex support, with the remainder allocated to project management and impact monitoring. The facility has also received a loan from H&M Group to support project delivery.

Developed through a multi-stakeholder collaboration, the project serves as a real-world demonstration of electrified thermal energy in textile manufacturing and is expected to reduce approximately 6,089 tCO_2e per year, helping to strengthen the business case for electrification and support broader replication across key manufacturing regions.

"In 2025, we targeted thermal energy solutions for suppliers in key production regions. Together, the projects have a potential to reduce nearly 60,000 tonnes of CO_2e and they will provide proof points and learnings for Aii and the industry so that they can be replicated and brought to scale."

– KURT KIPKA, chief impact officer

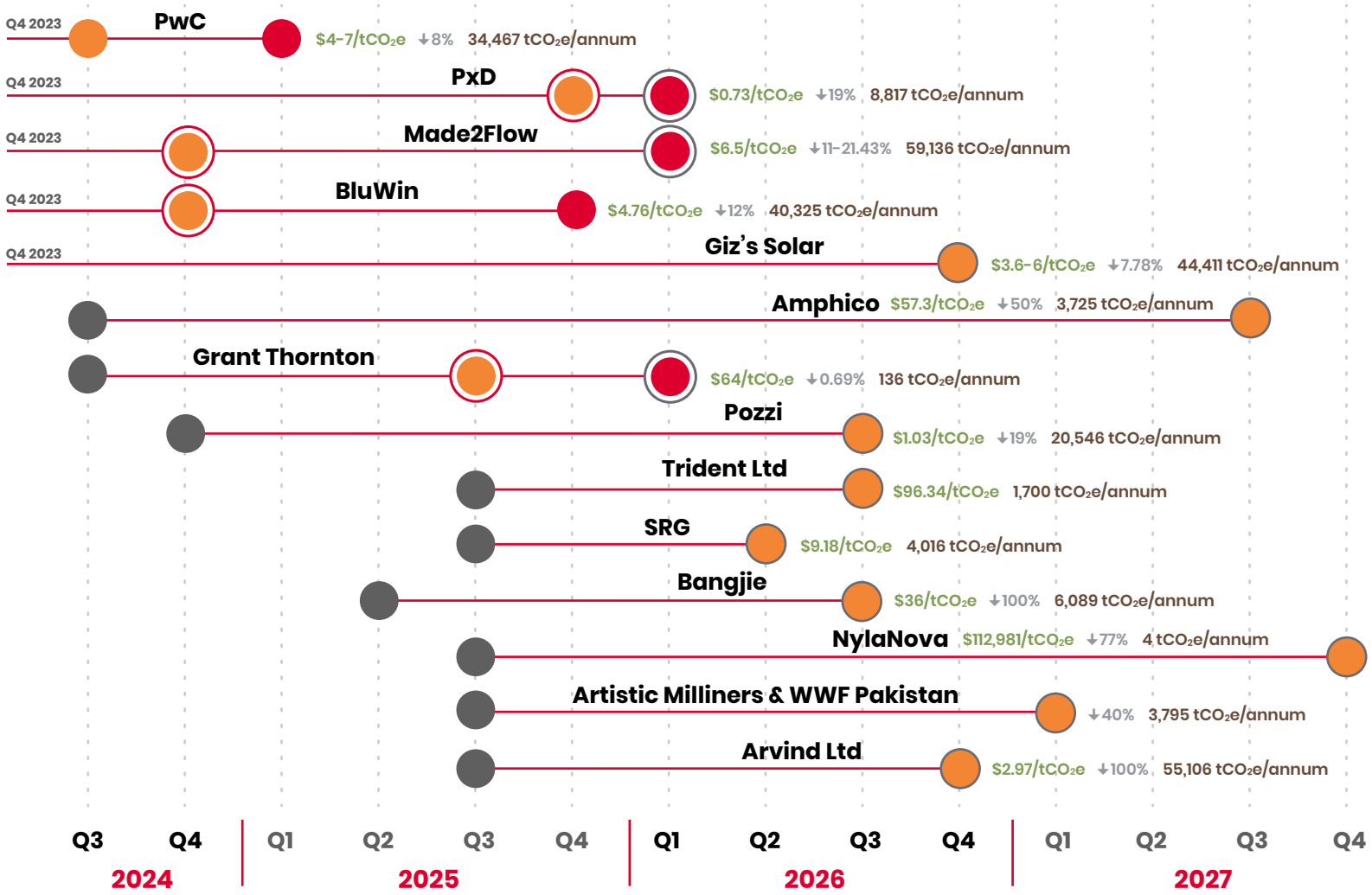
Deployment Gap Grant

This year, Aii launched the Deployment Gap Grant (DGG), a new financial mechanism outlined in our Finance Playbook and designed to unlock the deployment of proven decarbonization technologies that remain stalled due to long payback periods. Co-created over 100 days with suppliers and brands, the DGG bridges the gap between a facility's two-year ROI threshold and the longer payback periods associated with low-carbon thermal and electrification solutions. Supported by $1 million in seed funding from the Fashion Climate Fund, Aii launched the first pilot cycle in India, selecting two projects to test renewable thermal technologies and energy-efficient retrofits that prepare suppliers for full electrification:

- **SRG** has spent the past year reducing its steam demand to enable electrification. With DGG support, the facility will transition to a hot-water heat pump while sourcing 75% of its electricity from solar PV and corporate renewable contracts, with plans to reach 100% shortly thereafter.
- **Trident Ltd** will deploy solar-powered sludge dryers with automated climate control, using solar thermal energy to reduce moisture content in sludge as a low-energy, lower-emission alternative to conventional fossil-fuel-based drying systems.

As we compile learnings from these first-mover pilots, the DGG is set to evolve into an industry mechanism in 2026, scaling deployment through a shared-funding model that pools brand contributions, widening access to electrification-ready technologies, and enabling suppliers to adopt solutions that would otherwise remain financially out of reach. The 2026 mechanism will prioritize processing retrofits that reduce thermal demand, electrification pilots across key regions, and technologies identified as critical enablers of the low-carbon transition. By lowering financial barriers and accelerating sector-wide learning, the DGG aims to catalyze a new wave of decarbonization projects aligned with the apparel sector's pathway to 2030 and beyond.

Summary Overview of All Grant Projects[13,14]



STARTED

EXPECTED COMPLETION

COMPLETED

DELAYED

EXPECTED COMPLETION – ON TRACK

UNDER QA

$/tCO₂e for the grant project

↓% Effectiveness
% reduction potential
kgCO₂e/kg production of model process

Effectiveness per annum savings at the end of the grant project

[13] Calculations are explained in the methodology section
[14] For additional background on each grantee and project scope, please refer to the corresponding Impact Report.

Sustainable Finance

Our Sustainable Finance function is designed to unlock implementation by addressing the financial barriers that prevent suppliers from investing in decarbonization. This includes access to appropriate capital, risk allocation, and uncertainty around payback and returns on investment.

While capital is increasingly available for climate-aligned projects, many suppliers face challenges in translating decarbonization plans into financed projects. These challenges include long or uncertain payback periods, misalignment between who bears the upfront cost and who captures the value, limited risk appetite from lenders for first-of-a-kind or context-specific projects, and a lack of clear incentives or rewards for early action. Our Sustainable Finance work responds to these realities by focusing on risk-sharing, project readiness, and alignment across suppliers, brands, and financial institutions.

Sustainable Finance is embedded across our supplier journey and implementation model. We support suppliers as they move from assessment and action planning into project deployment, ensuring that high-impact decarbonization opportunities are matched with the right financial tools at the right stage.

Our approach prioritizes key production regions such as India, China, Bangladesh, and Vietnam, where emissions reduction potential is highest and where local financing conditions, policy frameworks, and energy markets shape investment decisions. By aligning finance deployment with active project pipelines and working closely with local and global financial institutions, Aii helps translate technical decarbonization opportunities into investable projects that reflect on-the-ground realities

2025 Activities and Achievements

- Launched the Deployment Gap Grant (DGG), co-developed with suppliers and brands, to address long payback barriers for low-carbon thermal and electrification solutions.
- Supported expansion of the Future Supplier Initiative (FSI) into India, advancing collective financing approaches that support supplier implementation.
- Researched and developed The Cost of Inaction report with Accenture, supported by Zalando, and convened brand partners, industry experts, and international financial institutions during New York Climate Week.
- Expanded supplier and industry capacity-building through educational online forums, focused on financial literacy and financial readiness.
- Deepened engagement with financial institutions, including collaboration with IFC on the development of a global debt fund to support supplier decarbonization.
- Conducted regional research and published country-specific landscape reports, informing project development and financial partner engagement.
- Developed a registry of attractive financing solutions by region and hosted activation events.

Brand Commitment Working Group

In 2025, we convened a motivated group of our brand partners to participate in a 90-day "sprint" effort to align on action-oriented market signals that can accelerate industry decarbonization. The group aligned on the core elements of a commitment framework, which Aii will embed into our short- and long-term strategies, particularly Sustainable Finance.

Future Supplier Initiative

The Future Supplier Initiative (FSI), was jointly launched in 2024 by The Fashion Pact, Apparel Impact Institute, Guidehouse, and DBS Bank, with the ambition to accelerate supply chain decarbonization in the fashion industry. The initiative has continued to evolve and now has seven brand members and cohorts in Bangladesh and India, offering a collective financing model to help apparel suppliers implement decarbonization strategies to achieve near-term science-based targets.

PARTICIPATING BRANDS

BESTSELLER Gap Inc. H&M MANGO M&S RALPH LAUREN Tchibo

Outlook 2026

Key priorities for 2026 include activating the Cost of Inaction report through targeted finance-focused convenings that engage CFOs, treasury teams, and financial institutions, and moving climate risk into capital allocation decisions.

At the same time, we aim to design and refine a clear operating model to help suppliers access sustainable finance, building an end-to-end financing pathway from project identification through structuring and deployment. Through instruments such as the Climate Solutions Portfolio (CSP), financial tools such as the Deployment Gap Grant (DGG), and other related mechanisms, we will mobilize capital into high-impact projects to strengthen proof of concept and scalability.

The Fashion Climate Fund will continue scaling blended finance to unlock private investment, while partnerships across brands and suppliers align stakeholders around credible, investable transition pathways.

The overarching objective for 2026 is to accelerate capital mobilization at scale and turn financial risk awareness into real investment across the apparel value chain.

Energy and Carbon Benchmark

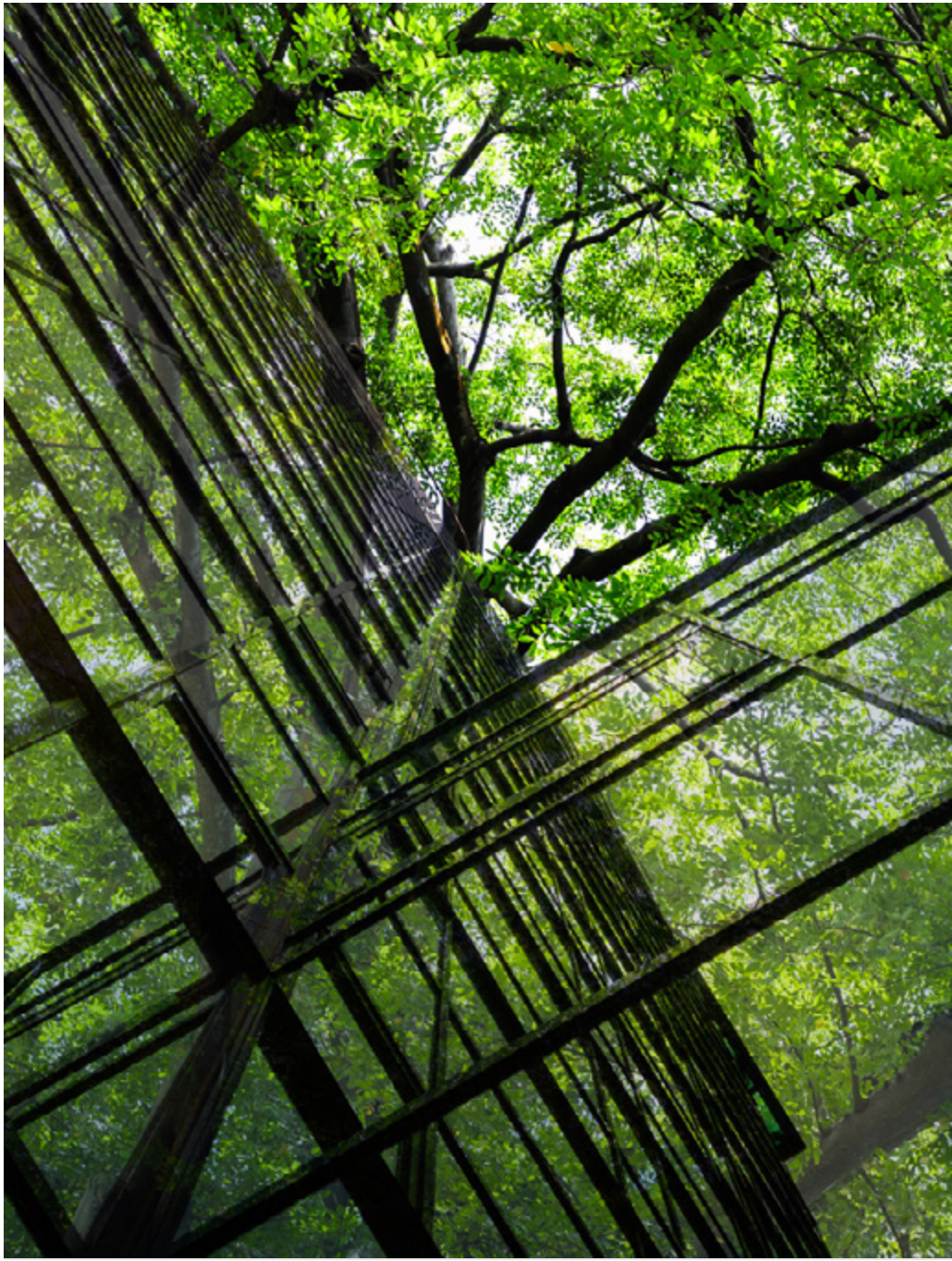
Our Approach

The apparel and footwear sector is under increasing pressure to deliver measurable emissions reductions in line with science-based targets. As brands translate these commitments into operational strategies, a critical gap has emerged: the need for robust, independent, and sector-aligned reference points that define what typical energy and GHG emissions performance looks like at the manufacturing process level.

Aii's Energy and Carbon Benchmark addresses this gap by providing an objective framework for textile and garment manufacturing facilities. Rather than prescribing specific technologies or interventions, the Benchmark establishes tailored energy and emissions intensity reference values against which facilities can assess their performance.

The methodology and baseline parameters were developed with technical specialists and reviewed by Aii's Technical Review Committee (TRC), which includes industry representatives from manufacturing, brands, technical consultancies, technology platforms, and non-profit organizations. This open, collaborative process ensures methodological consistency, transparency, and alignment with our broader energy and emissions datasets.

The Aii Benchmark differs from other sector tools by differentiating performance by production Tiers and process configuration. It covers spinning, weaving, knitting, wet processing (including garment washing), and garment manufacturing, distinguishing between single-tier and vertical facilities operating multiple processes on site. Tailored benchmark figures are generated based on energy sources, material types, and process configurations, using model processes that reflect typical industry practice rather than best- or worst-case scenarios.



2025 Activities and Achievements

TRC

Since its formation in early 2025, the Aii Energy and Carbon Benchmark Technical Review Committee has held 10 meetings to guide the Benchmark's development. The TRC plays a critical role in reviewing model processes, baseline assumptions, and key methodological parameters to ensure they reflect typical industry practice and remain consistent across materials and production Tiers. Through this structured and ongoing review process, the TRC strengthens the technical robustness, transparency, and sector credibility of the Benchmark as it evolves.

Public consultation

On November 14, 2025, we launched the Public Consultation for the Benchmark, marking an important step toward broader sector engagement and transparency. The consultation period was designed to present the draft Benchmark framework and gather structured feedback to refine and strengthen the tool prior to formal release.

The consultation included the publication of the draft methodology, a detailed FAQ document, and access to the Benchmark Calculator. The Calculator functions as a self-appraisal tool, enabling facilities to input operational data and generate tailored energy and GHG performance results. It was made publicly accessible and free of charge to encourage broad participation and practical testing. An informational webinar was also held to guide stakeholders through the methodology and respond to questions.

The public consultation period closed on December 12, 2025. By the close of the consultation, Aii had received more than 60 submissions through surveys and direct feedback. These inputs are currently being reviewed by Aii, in consultation with the TRC, and incorporated where appropriate to improve the robustness and usability of the Benchmark.

Pilot Phase

The pilot phase commenced in October 2025 with the release of v0.8 of the Benchmark Calculator in Excel format. Approximately 450 facilities engaged in this initial phase, using the tool to complete a self-appraisal and calculate facility-level energy and GHG performance results. In December 2025, the pilot progressed to v0.9, expanding participation to approximately 100 facilities through a digital platform administered by Made2Flow. Under this model, facilities submit production- and energy-related data through structured online questionnaires. The platform generates benchmark outputs based on submitted data, while maintaining alignment with the established methodological framework. Made2Flow, a Germany-based data company specializing in environmental data collection and validation across fashion supply chains, supports the secure and structured administration of the digital assessment process.

Both pilot phases were designed to test the calculator logic, evaluate platform functionality, and analyze real-world results to refine intensity figures and improve overall robustness. The pilot phase is scheduled to conclude in February 2026, after which data analysis and methodological adjustments will be undertaken to inform the Benchmark's next iteration.

Outlook 2026

Version 1.0 of the Benchmark is scheduled for release at the end of Q1 2026, marking the transition from pilot testing to formal sector deployment. This version incorporates refinements informed by the public consultation process, as well as additional intensity figures integrated during the pilot phase to better reflect the diversity of processes and materials across the industry. These updates strengthen both the methodological robustness and practical applicability of the tool.

The Benchmark has been intentionally designed as a continuous improvement framework. As adoption expands, we anticipate gaining deeper visibility into facility-level performance data, which may inform further refinement of baseline assumptions, intensity figures, and calculation logic.

In parallel, our vision for 2026 is to drive broader uptake of the Benchmark across brands and suppliers, positioning it as a widely adopted performance reference that integrates seamlessly with existing industry tools and reporting frameworks. The overarching objective is to support consistent, credible, and scalable performance measurement — accelerating sector-wide decarbonization without creating additional reporting burden for facilities.

Thought Leadership

Aii Events

India Activation Event

In Bangalore, we brought together the partners needed to align the ecosystem and accelerate decarbonization in India. During this three-day, supplier-focused convening, attendees conceptualized and shaped the Deployment Gap Grant to address capital barriers, secured participation in the Pozzi heat exchanger-heat pump feasibility study, and advanced the Future Forward Factory blueprint. Immediately following the event, we launched a structured 100-day sprint to sustain momentum through targeted engagements and project advancement. The Deployment Gap Grant (DGG) is now part of Aii's financial solutions portfolio and will pilot across two facilities with two application windows beginning in 2026. The Pozzi heat pump feasibility study is nearing completion across ten facilities.

New York Climate Week

During New York Climate Week in September 2025, our team contributed to several conversations around decarbonization and finance.

Lewis spoke at three events: a Global Fashion Agenda roundtable on driving climate finance to build corporate value, a Columbia University panel on new paradigms for fashion business, and a World Climate Foundation fireside chat on the case for nature-based climate adaptation.

Aii also joined Cascale, Textile Exchange, ZDHC, and other multistakeholder initiatives for The Climate and Nature Studio, a dedicated hub for the fashion, textile, and apparel industry to connect, collaborate, and drive action for climate and nature. As part of the program, Aii hosted two sessions, "The Cost of Inaction and the Financial Case for Decarbonization" and "Doubling Down on Supply Chain Decarbonization. Kristina also joined The Fashion Pact for a session on the Future Supplier Initiative.

CbD Award Ceremony

In July, we held the annual CbD Award ceremony in Hangzhou, China bringing participating facilities, brand representatives, factory representatives, and industry experts together for open discussions around low-carbon technology developments, practical barriers to implementation, and shared challenges around changing international market conditions.

Lineapelle Event

On February 25, we partnered with several luxury brands to co-organize “Clean by Design – Experiences and Opportunities for Tannery Decarbonization” at the Lineapelle Fair in Milan, Italy. The event brought together tanneries, brands, associations, and solution providers to explore how improving energy and water efficiency can drive sustainability in leather manufacturing.

We shared preliminary findings from the Clean By Design for Leather Program, which was launched with 4 luxury brands and 11 Italian tanneries. This foundational work is setting the stage for best practices, innovative solutions, and financial opportunities to scale across the industry, with preliminary results demonstrating that simple projects with low- to mid-investment can significantly reduce energy consumption, costs, and CO_2 emissions.

Inaugural BMO Climate Solutions Conference
APRIL 2025

Cascale Manufacturing Forum
MAY 2025

Sustainable Apparel and Textiles Conference USA, Innovation Forum
JUNE 2025

The Scope 3 Innovation Forum, Innovation Forum
JUNE 2025

Cascale Annual Meeting
SEPTEMBER 2025

UNFCCC Fashion Charter Annual Meeting
OCTOBER 2025

COP30
NOVEMBER 2025

Scope 3 Innovation Forum USA, Innovation Forum
DECEMBER 2025

External Events & Stakeholder Engagement

Inaugural BMO Climate Solutions Conference

Lewis Perkins, president and CEO joined a panel on sustainability & supply chains.

Sustainable Apparel and Textiles Conference USA, Innovation Forum

Kay Bloomberg, COO moderated a panel titled “Shared value in practice: Building stronger brand–supplier partnerships.”

The Scope 3 Innovation Forum, Innovation Forum

Kristina Elinder Liljas, senior director of sustainable finance and engagement joined the “Public-private partnerships: How to unlock the climate finance to deliver supply chain resilience” panel.

Cascale Annual Meeting

In September 2025, Aii introduced the Carbon and Energy Benchmark at Cascale's Annual Meeting in Hong Kong. During the session "Industry Benchmarking to Drive Decarbonization," our Climate Programs Director, Lisa Frost, provided an update on the development of the Benchmark and its alignment with broader industry efforts to standardize energy and carbon performance measurement. The session positioned the Benchmark within the wider ecosystem of supply chain decarbonization tools and highlighted its role in enabling consistent, scalable, and process-level performance assessment.

"Our invitation was met with huge enthusiasm and interest to learn more about the subject. Having an industry-wide performance benchmark for decarbonization and energy initiatives felt long overdue, and the brands were keen to hear about the progress and what part they could play in the development and validation of the tool. Our presentation was a call to action, and 14 brands stepped up with 100 facilities willing to participate in the digital pilot managed by Made2Flow."

– LISA FROST, climate programs director

In addition to the plenary session, Aii convened a focused discussion with 70+ brands, suppliers, and NGOs to present the Benchmark tool alongside Cascale's Effective Energy Carbon Intensity (EECI) metric as complementary initiatives aimed at understanding the energy (consumption) efficiency of all fuels used across the Industry. The session included participation from Phil Patterson, member of the TRC and technical expert, and provided participants with deeper insight into model process assumptions, performance metrics, and intended applications. This engagement marked an important step in building sector understanding and confidence ahead of broader implementation.

UNFCCC Fashion Charter Annual Meeting

"During the UNFCCC Fashion Charter Annual Meeting in Bonn, signatories and supporting organizations came together to review progress under the Charter. We introduced the development of the Aii Carbon and Energy Benchmark as a tool to help the industry define and measure what 'good' energy and carbon performance looks like. Drawing on leadership from pioneering brands and suppliers, we discussed how the Benchmark aims to establish a consistent, credible framework for assessing supplier facilities and informing sourcing decisions. Discussions highlighted how such an approach could enable fair comparisons, identify opportunities for improvement, and recognize high-performing manufacturers. The session also fostered collaboration among Charter signatories, who collectively explored the benefits and challenges of implementing an industry-wide benchmark."

– ANDRES BRAGAGNINI, senior manager of strategic engagement

COP30

Andres Bragagnini, senior manager of strategic engagement, spoke on a roundtable, “Financing as a Facilitator to Mainstreaming Renewables,” and moderated a panel, “Delivering Net-Zero and Circular Supply Chains”.

“One message rang louder than the Amazon itself: this is the Implementation COP.

Leaders, including the Brazilian COP presidency, framed it clearly: we’re no longer searching for solutions, we’re racing to remove the barriers that block them. And at Apparel Impact Institute, that’s exactly where our work lives every day: bridging deployment gaps, unblocking factory-level constraints, and helping the industry move from plans to real progress.

But the reality check is sharp. Fashion has momentum, SBTi commitments, facility-level action plans, expanding collaboration, yet we’re halfway through the decade of action and implementation remains behind ambition.

The UNFCCC Fashion Charter’s COP30 communiqué doubled down on what we already know and experience on the ground:

- Modernized grids;
- Renewable-friendly regulation;
- Predictable investment conditions;
- Removal of fiscal + legal barriers

And still, I left COP30 more energized than discouraged. Why? Because the tailwinds are strengthening. Renewable energy is expanding faster and becoming increasingly cost-competitive. And with coordinated action including Aii’s Climate Solutions Portfolio and the Fashion Climate Fund, we have the tools to accelerate implementation at the speed this moment demands.

COP30 was a reminder: the solutions are here. The path is clear. Now it’s on all of us to make implementation the legacy of this decade.”

– ANDRES BRAGAGNINI, senior manager of strategic engagement.

Scope 3 Innovation Forum USA, Innovation Forum

Bryant Lapres, senior director of industry engagement, joined a panel, “Financing decarbonization: Practical examples of effective partnerships and collective financing” and “Fashioning Climate Funding: The Collaborations Scaling Net Zero Efforts in the Fashion Sector.”

Media Highlights

Five major press announcements

March 11 - Aii Unveils Roadmap to Decarbonize Textile Industry with Low-Carbon Thermal Energy Solutions (press release)

April 16 - Apparel Impact Institute Releases 2024 Impact Report, Showcasing Milestones in Decarbonizing Fashion (press release)

May 8 - Opportunities to Finance the Bangladesh Textile Industry Decarbonization Funding Gap Highlighted in New Report (press release)

July 22 - Fashion Industry Sees 7% Emissions Spike, Driven by Overproduction and Polyester Use (press release)

December 9 - China Has Unique Opportunity to Accelerate Textile and Apparel Decarbonization, New Research Finds (press release; also submitted through wire in Chinese)

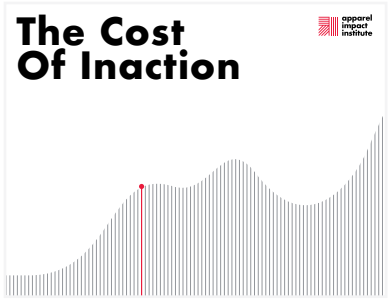
231 **TOTAL STORIES**

Data & Reporting

The Cost of Inaction: Quantifying Risk to Accelerate Climate Finance

In 2025, Aii researched and developed The Cost of Inaction, a landmark analysis created in collaboration with Accenture to quantify the financial and operational risks to apparel brands and suppliers if decarbonization is delayed. The report models exposure across material costs, energy costs, and carbon-related regulation, providing a clear evidence base that links climate inaction directly to business risk and investment decisions.

By reframing decarbonization as both a financial and environmental imperative, the analysis helps bridge sustainability, sourcing, and finance teams, enabling more strategic, climate-aligned investment across apparel supply chains.



Key insights include:

- Climate impacts could reduce apparel company margins by up to 34% in the near term, rising to as much as 67% by 2040.
- Under high-inaction scenarios, climate risks could reduce the value of the global fashion industry by up to 70% by 2040.
- Companies that invest in supply chain decarbonization now can face four to five times lower climate-related risk by 2040.
- Pooled and blended finance models enable brands to share risk, reduce costs, and accelerate supplier investment.

Taking Stock of Progress Against the Roadmap to Net Zero 2025

In 2021, Aii and the World Resources Institute published "Roadmap to Net Zero," a report evaluating the apparel industry's emissions and calling for system-wide, collective action to reduce emissions by 45 percent by 2030 and to net zero by 2050.

Published at the midpoint of the decisive decade, the 2025 update, Taking Stock of Progress Against the Roadmap to Net Zero 2025, examines industry progress and identifies key priorities and next steps for the sector. This reporting year, which is based on the calendar year 2023, marks the first significant increase since 2019, when Aii began calculating emissions. The primary reason for the increase in emissions is a growth in polyester fiber usage (and ultimately

garment production). While our methodology limits the attribution we can make to any specific company or category, we assume that the rise of ultra-fast fashion brands is a key contributor to this increase.

Low Carbon Thermal Energy Roadmap

The textile sector is at a crossroads: electrification is the clearest path to deep CO_2 reductions, but immediate action is needed for future success. What steps can brands and manufacturers take in the near, mid, and long term to implement electrification effectively?

Low-Carbon Thermal Energy Roadmap for the Textile Industry, the second report in a two-part series (read part one), authored by Global Efficiency Intelligence, assesses and develops a roadmap for adopting low-carbon technologies and energy sources in a typical wet-processing textile plant in five major textile-producing countries: China, India, Vietnam, Bangladesh, and Indonesia.

Aii published the Low Carbon Thermal Energy Roadmap not just to guide the sector, but also to drive its own work on this topic. In this whitepaper we outline our call to action for the sector and offer an overview of how we will support the sector in achieving this energy transition.

Landscape and Opportunities for the Decarbonization of China's Textile and Apparel Manufacturing Sector

Published by Aii in collaboration with Development Finance Initiative, Inc., this report maps the scale of China's decarbonization opportunity and outlines practical pathways to accelerate progress. With more than 40,000 suppliers ready to act - and 1,300-plus industrial parks that can accelerate shared planning - China has the infrastructure to lead the sector's low-carbon transition.

"Landscape and Opportunities for the Decarbonization of China's Textile and Apparel Manufacturing Sector" breaks down the near-term levers for progress, what's holding the sector back, and the investment needed to cut emissions in half by 2030.

Landscape and Opportunities to Finance the Decarbonization of Bangladesh's Apparel Manufacturing Sector

As of 2023, Bangladesh is among the top five countries with the largest potential for greenhouse gas emissions reductions in the apparel and textile industries, which account for more than 80% of the country's foreign export revenue and are well-positioned to deliver significant emissions reductions nationwide. However, manufacturers face major financial constraints: a $6.6 billion investment is needed to cut emissions in half by 2030, but only $1.8 billion is currently available or anticipated, leaving a $4.8 billion gap.

Landscape and Opportunities to Finance the Decarbonization of Bangladesh's Apparel Manufacturing Sector – created in collaboration with Development Financial International, Inc. (DFI) – outlines how the country can close that gap and realize its decarbonization potential through strategic finance tools. It also identifies proven, cost-effective interventions such as rooftop solar, LED retrofits, and waste heat recovery, building a clear roadmap to cut industry emissions in half by 2030.

Fashion CEO Agenda 2025

We contributed to Global Fashion Agenda's flagship publication Fashion CEO Agenda as an Impact Partner. Developed for executives of fashion brands and retailers, the report is a concise, strategic checklist designed to help leaders embed sustainability into core business strategies. It provides a practical foundation for developing leadership approaches that contribute to a net positive fashion industry.

The Industry We Want

TIWW has partnered with us to estimate the garment sector's annual greenhouse gas (GHG) emissions. The GHG metric is calculated using the most widely and representative data available: fiber volume data from Textile Exchange and GHG impact data from Cascale and Worldly.

Multi-Stakeholder Initiatives

apparel alliance Working Group

The apparel alliance Working Group convenes data leads and experts from Cascale, ZDHC, Textile Exchange, and Aii with the objective of aligning goals, solutions, tools, and reporting, as well as events and training to create a connected, end-to-end path to action for the entire apparel and footwear industry.

Building on the progress made in 2024, the apparel alliance is gaining momentum as a collaborative industry working group. This includes successful co-hosted sessions at Climate Week NYC's inaugural Climate and Nature Studio, where decision-makers came together to accelerate practical, system-wide solutions across materials, decarbonization, and nature-positive strategies. The apparel alliance's Data Working Group is also advancing shared frameworks to reduce data fragmentation, preparing a second iteration of the Supply Chain Taxonomy to drive greater alignment and specificity across supply chain tiers. Looking ahead, the alliance will highlight its progress and opportunities for deeper collaboration by demonstrating how a connected supply chain journey, through streamlined tools and programs, creates a clearer, more efficient experience for suppliers and brands, and enables continuous improvement across the value chain.

Other collaborations

United Nations Climate Change

Fashion for Climate
Fashion Industry Charter for Climate Action

ATTI
Apparel & Textile Transformation Initiative

V.
How We Report

Reporting Scope

This report was published on March 31, 2026, and covers the financial year from January 1, 2025, to December 31, 2025. It provides a comprehensive view of Aii's approach to sustainability and highlights our progress and performance in 2025.

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

Methodology / Calculations

What We Measure and Why

For Aii, **impact** refers to reductions in energy use, greenhouse gas emissions, and water consumption at the factory level, with a focus on **actual savings** – what has already been implemented by the facility – rather than savings potential. Actual savings result from the implementation of specific interventions supported through Aii Programs and Solutions and are measured upon completion of the program.

Aii distinguishes between different types of savings depending on the program or solution provided. For Impact Programs, the supplier's savings type depends on program status. Aii therefore classifies savings into four categories:

- **Potential savings** represent the full list of potential actions identified when a supplier starts an Aii program, based on a comprehensive assessment of improvement opportunities. These values indicate the highest possible value of savings, while the other categories represent a subset of these actions.
- **Forecasted savings** are based on a roadmap of interventions that Aii expects a supplier to implement over a multi-year period. These projections reflect planned actions but remain subject to change as projects evolve.
- **Projected savings** refer to the subset of actions that a supplier has formally agreed to implement and is actively executing. These values represent a more concrete expectation of future outcomes but do not constitute achieved results.
- **Actual savings** represent reductions resulting from actions that have been fully implemented and achieved results. These savings are measured upon completion of the Aii program and form the basis of Aii's reported impact.

For CSP Solutions, savings are categorized using a simplified structure aligned with the nature of solution delivery:

- **Forecasted savings** are based on the interventions the grantee intends to deliver over the course of the project.
- **Actual savings** are based on actions that have been implemented and achieved results. These results are measured at the end of the solution's implementation.

By clearly differentiating between these categories, the methodology ensures that reported impact reflects what has been achieved, while also providing visibility into the pipeline of future reductions.

Where the Data Comes From

Aii's impact reporting is based on a combination of program-level data, supplier-reported information, and engineering-based assessments. This approach reflects the operational realities of manufacturing facilities and the types of interventions supported through our programs and solutions.

Aii quantifies performance improvements in terms of GHG emission reductions, energy savings, and water savings. The specific impact areas addressed by each program are outlined in the "Our Programs and Solutions" section. Performance improvements represent the actual savings relative to the baseline for energy use, GHG emissions, and water consumption.

The baseline year is defined as the year prior to program initiation. Data from previous years may also be reviewed to identify anomalies, such as production shutdowns, natural disasters, or periods of facility construction. An expert conducts a baseline investigation of all energy and water use from equipment or processes within the project scope. The inclusion and exclusion of energy and water sources for both baseline and performance are clearly defined within the program or solution scope. Where applicable, additional site-specific information is collected to support renewable energy and electrification-related interventions, including resource availability and local contextual data such as tariffs, policies, and grid characteristics. Together, these data sources provide the operational and technical inputs required to assess performance improvements within the defined scope of each program or solution.

Reported data is primarily sourced from suppliers and facilities participating in Aii programs. In most cases, facilities rely on a limited number of meters per energy source, typically installed for billing purposes.

While these meters provide sufficient information to establish overall energy consumption, they do not always allow for direct measurement of energy performance at the process or equipment level. As a result, Aii applies an engineering-based approach that combines available meter readings with process data and technical parameters to estimate energy savings attributable to specific interventions. A case study on metering practices is available in our 2024 Impact Report

Across both impact programs and CSP Solutions, we apply consistent boundaries and scopes to ensure that reported data reflect only the activities and processes directly influenced by the supported interventions, which are defined in our Environmental Management System (EMS). This approach enables aggregation and comparison of results across different programs while acknowledging differences in data availability, delivery mechanisms, and levels of direct implementation involvement.

How We Turn Activity Into Impact

Calculation of Savings

Across all metrics, Aii calculates achieved impact as the saving amount, which corresponds to the actual savings reported, and is defined as the difference between the baseline value and the reporting-year value:

Saving amount = Baseline value - Reporting-year value

The baseline value and the reporting-year value correspond to the sum of all included sources within the defined scope of each program or solution. Included sources, reporting boundaries, and the reporting period are defined at the program or solution level, and determine which energy, water, or emission sources are considered in the calculation.

- For energy savings, values are expressed in megajoules (MJ) and reflect total energy consumption from all included energy sources within the reporting period.
- For water savings, values are expressed in cubic meters (m^3) and reflect total water consumption from all included water sources within the reporting period.
- For GHG emissions, values are expressed in kilograms of CO_2 equivalent ($kg\ CO_2e$) and reflect emissions associated with the included energy sources within the defined scope.

The saving amount represents the actual savings achieved during the reporting period and forms the basis for all subsequent calculations, including GHG conversion and temporal projections.

Determination of Savings

Depending on the nature of the intervention and the data available at the facility, savings are determined using one of the following approaches:

1. Measurement-based approach: Post-implementation energy or water use is measured after program completion. The difference between baseline and post-implementation measurements is annualized to determine the yearly savings.
2. Engineering-based approach: Savings are calculated directly based on changes in key operating parameters, such as temperature, pressure, or flow rates, using engineering principles and technical data.

Both approaches are applied in line with the defined program or solution scope and reflect the operational conditions of the facility.

To support interpretation and comparability of performance across different contexts, we also use a derived performance indicator defined as:

Performance improvements = Saving amount ÷ Baseline value

This ratio expresses the relative improvement compared to the baseline and is used as a complementary metric. The saving amount (actual savings) represents the absolute impact achieved and remains the primary basis for impact reporting.

Conversion to GHG Emissions

To enable consistent climate impact reporting, we convert energy savings into GHG emissions reductions when savings are achieved through reductions in energy use.

GHG emissions are reported as absolute reductions at the base year production level rather than as intensity-based metrics. In the textile sector, the wide diversity of products, materials, and quality characteristics makes the use of GHG intensity values (e.g., emissions per unit of production) unsuitable for meaningful comparison across facilities and programs. Reporting absolute reductions ensures that reported impacts reflect emissions reductions achieved through implemented interventions.

GHG emission reductions are calculated by multiplying the energy saving amount by the corresponding emission factor for each energy source:

GHG reduction = Energy saving × Emission factor

Emission factors represent the greenhouse gas emissions associated with a specific energy source. In our programs and solutions, GHG values reflect emissions associated with the included energy sources defined within the program or solution scope. We apply a mix of emission factors, including sources referenced in Higg FEM 2024, country-level grid electricity emission factors, and country-specific adjustments for selected energy sources, depending on data availability and local context.

For each facility, total actual GHG reductions are calculated as the sum of GHG reductions from all individual interventions or retrofit projects within the defined scope. Detailed information on emission factor sources and updates is provided in the subsequent section.

Projection of Impact

Our methodology projects savings in a linear fashion based on project data, which generally reflect real-world outcomes. Therefore, we only need the basic parameters to calculate and establish the 12-month savings projection. We estimate this approach to be approximately 95% accurate. (While measuring the full 12 months of savings would be ideal, it would extend the project duration to 1.5 to 2 years. This would not only increase resource costs and usage but also prevent us from meeting client brands' timelines.)

GHG emissions reduction over the project's lifespan is calculated by forecasting annual emissions over the project's useful life, assuming no changes to GHG emission factors, stable production volume, and annual degradation of the equipment efficiency in line with equipment specifications.

Summary of Key Formulas

Metric and unit	Formula	Notes
Saving amount (Actual savings) for: • Energy (MJ) • Water (m^3) • GHG emissions (kg CO_2e)	Saving amount = Baseline value - Reporting-year value	• Represents the absolute impact achieved during the reporting period. • Baseline and reporting-year values reflect the sum of included sources within the defined program or solution scope.
Performance improvements (%)	Performance improvements = Saving amount ÷ Baseline value	• Represents relative improvement compared to the baseline. • Calculated at supplier, facility, or intervention level.
GHG emission reduction (kg CO_2e)	GHG reduction = Energy saving × Emission factor	• GHG values reflect emissions associated with the included energy sources defined in the program or solution scope. • Please refer to Conversion Factors in Key Terms and Definitions.
GHG emission reduction over useful life (kg CO_2e)	Lifetime GHG reduction = Annual GHG reduction projected over useful life	• Assumes stable production volumes, constant emission factors, and annual degradation of equipment efficiency in line with specifications.
Actual cost per tCO_2e (USD)	Aii Programs: (Actual factory investments + Total Aii spending) ÷ (Total actual GHG reductions over useful life) CSP Grant-Funded Solutions: Total funding ÷ (Total actual GHG reductions over useful life)	• Calculated using achieved (actual) GHG reductions projected over useful life. • Currency conversion factors are primarily sourced from the World Bank, and, when needed, national government sources.
Average percentage reduction (%)	Average of individual percentage reductions (Saving amount ÷ Baseline value)	• Calculated as the average percentage reduction across applicable suppliers. • Suppliers are excluded if baseline data is unavailable or if the metric is out of scope for the program (e.g. no GHG savings).

Key Terms and Definitions

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

Capital expenditures (capex)
The money an organization or corporate entity invests to buy or improve its fixed assets, such as buildings, vehicles, machinery, or land.

Carbon Emission Unit
Aii's carbon emissions data is calculated in kilograms of CO_2 equivalent (kg CO_2e). For impact reporting purposes, results may be aggregated and presented in tonnes/metric tons (1,000 kg).

Commercialization Stage of Solutions

- **Pre-seed:** Solutions that are at a concept level and in the process of evaluating and establishing their impact potential.
- **Pilot:** Solutions that are in the process of testing their solution to demonstrate a proof of concept.
- **Model:** Solutions that are working towards de-risking and reducing known barriers to scale.
- **Scale:** Solutions that are commercially viable with a proven go-to-market strategy.

Conversion Factors
Conversion factors are used to convert the original energy source units to a common unit. For programs that achieve reductions across multiple sources (e.g., natural gas, electricity, biomass), we apply conversion factors to standardize measurements into a single unit (megajoule or gigajoule), allowing for a total reduction calculation. The same principle applies to the baseline.

Aii is adopting the Higg FEM 2024 conversion factors 2024, country-level grid electricity emission factors, and country-specific adjustments for selected energy sources based on data availability and local context. For details on conversion factors used to calculate emissions please contact us.

Effectiveness percentage reduction potential kg CO_2e / kg production of model process
We have aligned the solution evaluation and communication methodology for CSP Solutions. All Applicants calculate their Effectiveness according to the CO_2e / kg production baselines outlined in the Ready Reckoner. This makes it easier to compare effectiveness across Solutions.

Emission Factors
Emission factors represent the greenhouse gas emissions associated with the specific energy source of an activity or process. Aii currently uses a mix of emission factors, including Higg FEM, country-level grid electricity emission factors, and country-level adjustments for certain energy sources based on energy source and local context. Emission factors are updated periodically to reflect the most recent and credible data available. For more information on emission factors, please contact us.

Facility Status

Engaged	Facility has been proposed by the brand but not yet formally confirmed by a Commitment Letter.
Committed	Facility has been approved and confirmed to participate in an Aii program by submitting a signed Commitment Letter.
Active	Facility is actively engaged in the program, the kick-off session has occurred, and the facility is now implementing the program.
Completed	Facility completed all activities within a program and certificate was issued.
Dropout	Facility that was committed but later withdrew or was removed before completing the program activities.

Operational expenditures (opex)

An ongoing cost of running a product, business, or system, such as rent, salaries, or repairs.

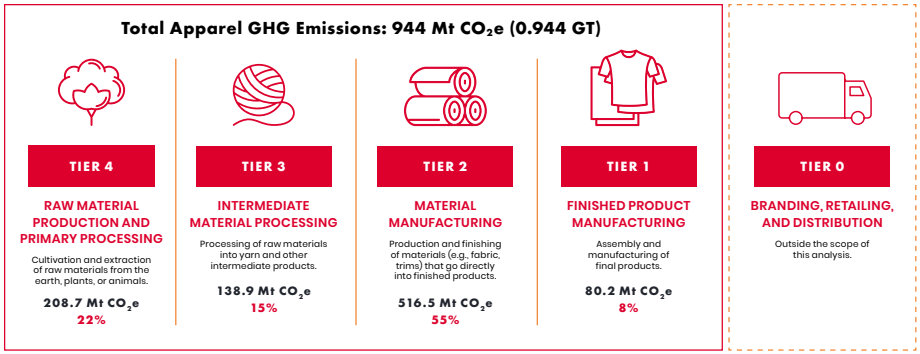
Supplier

Aii defines "supplier" as all stakeholders along the value chain that produce or convert products, including farms, manufacturers, and mills.

Tiers

We classify our facilities in line with the Supply Chain Taxonomy, published in November 2024, which was created in collaboration with apparel alliance members.

If a facility is vertical, we classify it under Tier 2.



Useful Life

Typically, a standard efficiency project remains effective for 10 years (based on the experience of our experts). In the case of renewable energy projects like solar and wind, we factor in a longer lifetime of 20 years (based on studies including Solar PV & e.g. Wind Power). However, the exact lifetime can always vary - even for the same technology - depending on factors like equipment brand, maintenance and use of workers, facility conditions, and weather.

Based on the experience and practice of Aii experts, we assume an average estimated degradation of 3% for all programs, which we incorporate into our useful lifetime calculation.

Therefore, to estimate the carbon reduction over the useful life of the investment, we assume a 3% annual decrease in savings to account for the reduced efficiency of equipment over time. For equipment with a 10- or 20-year useful life, the annual decline in savings reduces the effective life to 8.75 and 15.2 years, respectively.

Acronyms & Abbreviations

ADB: Asian Development Bank

Aii: Apparel Impact Institute

BPAP: Best Practices Action Plan

Capex: Capital Expenditures

CbD: Clean by Design

CbD+: Clean by Design Plus

CbD Chem: Clean by Design Chemistry & Wastewater Management

CO_2e: Carbon dioxide equivalent

CSP: Climate Solutions Portfolio

CSPAC: Climate Solutions Portfolio Advisory Council

CTA: Carbon Tech Assessment

CTM: Carbon Target Monitoring

CTS: Carbon Target Setting

DFI: Development Finance International

DGG: Deployment Gap Grant

EMS: Environmental Management System

FCF: Fashion Climate Fund

FEM: Facility Environmental Module (Higg FEM)

FSI: Future Supplier Initiative

GEI: Global Efficiency Intelligence

GHG: Greenhouse Gas

GJ: Gigajoule

Gt: Gigatonnes

HSBC: Hong Kong and Shanghai Banking Corporation

IFC: International Finance Corporation

Mt: Megatonnes (1 million tonnes)

Opex: Operational Expenditures

PV: Photovoltaic

RETI: Renewable Energy Transition Initiative

SBTi: Science Based Targets initiative

TIWW: The Industry We Want

UNFCCC: United Nations Framework Convention on Climate Change (UN Fashion Industry Charter for Climate Action)

WRI: World Resources Institute

Auditor's Report for the Sustainability Report

Independent Assurance Statement

Provided by ISOS Group, Inc.

To the Management Team of Apparel Impact Institute:

ISOS Group, Inc. ["ISOS" or "we"] were engaged by Apparel Impact Institute ["Client" or "Aii"] to conduct moderate level type 2 assurance of environmental data to be reported in its 2025 Annual Impact Report, covering the period beginning January 1, 2025 and ending December 31, 2025 ("CY25").

We have performed our moderate assurance engagement in accordance with the AccountAbility 1000 Assurance Standard v3 ("AA1000AS"). Our review was limited to the Reported Information comprising the percent (against baseline) and absolute reductions of:

- Energy consumption
- GHG emissions
- Water use

Please see detailed metrics in the Appendix – Final Data Parameters

We have not performed any procedures with respect to other sustainability-related information to be reported in its 2025 Annual Impact Report and, therefore, no conclusion on information outside of this scope of work is expressed.

Boundary	
Organizational Boundary	Apparel Impact Institute is a 501(c)(3) nonprofit collective that identifies, funds, and scales proven quality solutions to accelerate positive impact in the apparel and footwear industry.
Assurance Boundary	The boundary of this assessment included fifty-eight (58) CbD facilities and twelve (12) CSP facilities that are reporting 2025 reductions within the 2025 Impact Report.

Aii's responsibilities

The Company's management are responsible for:

- Preparing the data in accordance with generally accepted reporting practices,
- The accuracy and completeness of the information reported,
- The design, implementation and maintenance of internal controls relevant to the preparation of the report to provide confidence that the report is free from material misstatement, whether due to fraud or error,
- Ensuring the data performance is fairly stated in accordance with the applicable criteria and for the content and statements contained therein.

Methodology and Criteria

The assurance procedures undertaken were to determine the strength of the systems in place and the quality and reliability of the Reported Information. ISOS Group:

- Engaged a sample of individuals responsible for performance measurement,
- Evaluated the organization's sustainability data management and governance systems and adherence to AA1000 AccountAbility Principles, and
- Validated alignment to Aii's entity-developed reporting protocols to ensure accurate claims to the methodology and approach used.
- To verify quantitative claims, both at the aggregate level and on a sample basis, and test accuracy, consistency, completeness, and reliability, ISOS Group:
  1. Conducted a portfolio assessment analyzing performance results to uncover any errors, misstatements, gaps, or performance anomalies,
  2. Selected a group of properties for detailed testing and analysis, including cross-reference to source data to uncover variances and address any exclusions and other limitations, and
  3. Brought all findings to the Client's attention to address and confirmed resolution of any material misstatements.

Limitations and Exclusions

The following limitations and exclusions regarding the Reported Information were observed during the engagement. It was determined that these do not materially impact the performance criteria or assurance conclusion.

- Greenhouse gas quantification is unavoidably subject to inherent uncertainty because of both scientific and estimation uncertainty and for other non-financial performance information the precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.
- Reviews pertaining to the completeness and capture of all energy consumption at facilities is limited to what is disclosed in data management systems
- No visit to the Client's headquarters or facilities was conducted throughout this engagement.
- Reported baseline figures may rely on unaudited facility-reported data. Baseline facility data may be reported using annualized figures collecting from the local expert teams, reducing the opportunity for data analysis to uncover data errors, gaps, or anomalies.

Findings and Conclusions

Based on the process and procedures conducted regarding the quality and reliability of the Reported Information, there is no evidence that the Reported Information is not materially correct and provide a fair representation of the Client's environmental impacts to stakeholders for the stated period and reporting boundary.

Findings and conclusions concerning adherence to the AA1000 AccountAbility Principles include:

Inclusivity	Aii has identified key stakeholder groups including suppliers, funders (philanthropic organizations and brands), solution providers, employees, board members, and other NGOs and ecosystem leaders through a stakeholder assessment framework led by the Senior Manager of Strategic Engagement. Stakeholders and interested parties are documented within Aii's Environmental Management System (EMS), which outlines key needs, Aii's actions, stakeholder expectations, and the evidence used to track delivery.
Materiality	Aii conducted a materiality assessment in 2024 to inform strategy and priorities regarding their decarbonization path to 2030. The organization also meets regularly to identify emerging material topics through ongoing stakeholder engagement.
Responsiveness	Aii publicly reports GHG emission reductions, water savings, and energy savings as impact metrics via their annual Impact Report. Additionally, performance is communicated to stakeholders through quarterly or ad hoc brand reports, monthly newsletters, and AIR update meetings.
Impact	Aii has 2030 goals set across two key metrics, GHG emission savings and capital unlocked, while also measuring and reporting on water and energy savings. They have set an additional goal for 2026 to focus on 20 high impact projects to maximize savings. Progress toward these goals is measured internally on a quarterly basis and communicated externally on an annual basis through the Impact Report.

Observations and Recommendations

Observations and recommendations include:

- Aii monitors 4-6 months of post-program facility performance and then extrapolates this data to determine energy and emission reductions. Aii's methodology to determine reductions is based on estimation, proprietary calculations and assumptions that actions (including behavioral changes) continue after the monitoring phase and is documented within their Impact Report. It is recommended that Aii institute future processes for program impact review based on the reductions documented from actual performance.

Restriction of use

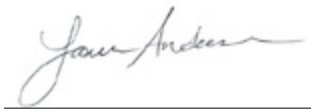
This assurance report is provided exclusively to the Client under the terms of our engagement, including agreed disclosure arrangements, and may only be reproduced in its entirety. Our work is intended solely to address the matters outlined in this moderate assurance report and is not intended for any other purpose. Any third party, accessing or relying on this report, does so at its own risk. To the fullest extent permitted by law, we disclaim any responsibility or liability to any party other than the Client for our work, this report, or the conclusions stated herein.

Statement of Competency and Independence

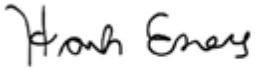
ISOS Group is an independent professional services firm that specializes in the provision of external assurance services. Our team of experts have the technical expertise and competency to conduct assurance to the AA1000 assurance standard, which meets the criteria for assurance of sustainability information. The assurance team has extensive experience in conducting assurance engagements over sustainability-related information, systems and processes.

No member of the assurance team has any business relationship with the Client, its directors or managers beyond the scope of this assignment. We conducted this assurance independently and, to our knowledge, without any conflicts of interest. ISOS Group upholds a strong code of ethics, ensuring high professional standards in all business activities.

Signed on behalf of ISOS Group: San Diego, California – USA, March 27, 2026.



Lauren Anderson
Sustainability Director, LCSAP



Hannah Emery
Sustainability Consultant, ACSAP

ISOS Group
a division of environ

AA1000
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CBD Parameter	CY2025 Metric
GHG emissions	
Total annual actual GHG emission reductions in 2025 (tCO_2e)	179,100
Average actual factory GHG emission savings (tCO_2e)	3,088
Average % of GHG emission savings (%)	7.3
Energy	
Total annual actual Energy reductions in 2025 (GJ)	1,861,898
Average actual factory energy savings (GJ)	32,102
Average % of energy savings (%)	7.1
Water	
Total annual actual water reductions in 2025 (m^3)	2,773,160
Average actual factory water savings (m^3)	52,324
Average % of water savings	6.4
Total facilities completed a CBD Impact Program	58

CSP Solution Parameter	CY2025 Metric
GHG emissions	
Total annual actual GHG emission reductions in 2025 (tCO_2e)	12,746
Average actual factory GHG emission savings (tCO_2e)	1,062.17
Average % of GHG emission savings (%)	5.65
Total facilities completed a CSP Solution	12

Auditor’s Report for the Financial Information

Independent Auditors' Report

To the Board of Directors
Apparel Impact Institute

Opinion

We have audited the financial statements of Apparel Impact Institute (the “Organization”), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Torrance, California
March 24, 2026