

# **Informed . Involved . Invested**

**Building Partnership to Drive Better "Sustainable" Outcome**

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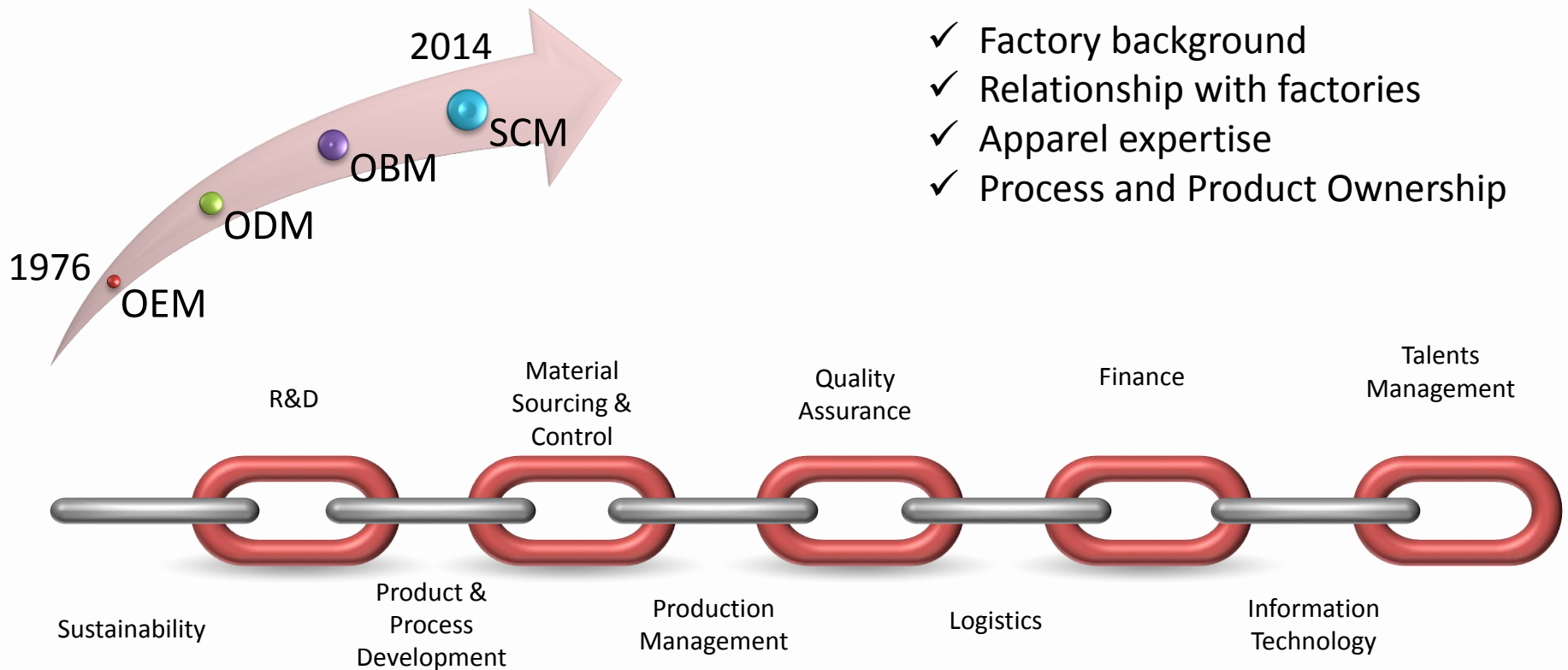
Hanbo Enterprises Ltd.

# Agenda

- Introduction to Hanbo services and approach
- Higg index adoption and industry challenges
- Environmental initiative and solution sharing
- Social/labor initiative and case study
- Technology innovation
- Product sustainability
- Q&A

# The Evolution Of Hanbo

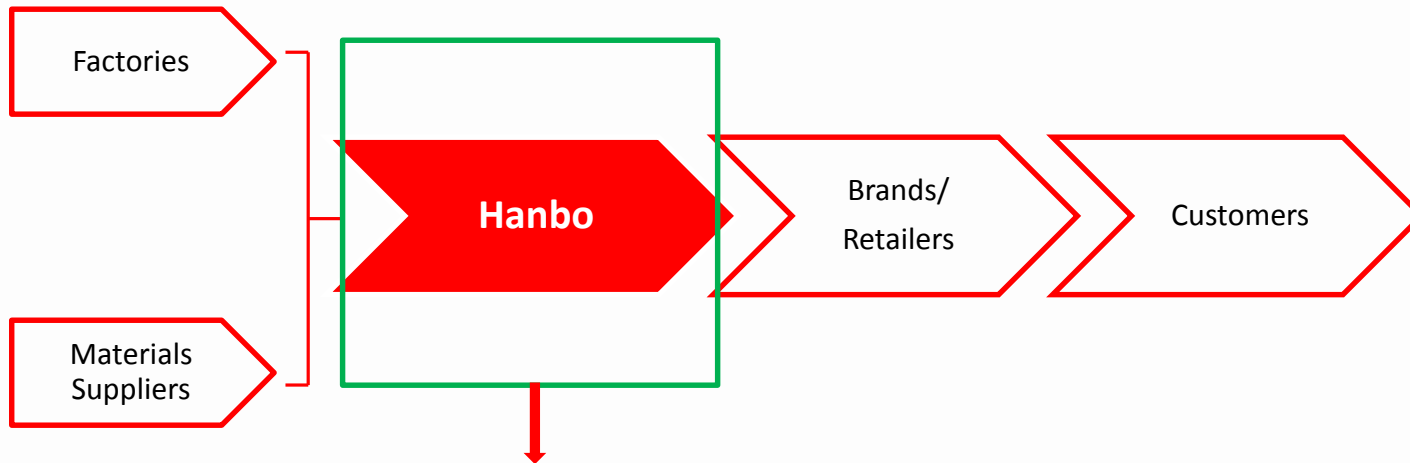
Who is Hanbo? What differentiates us?



- ✓ Factory background
- ✓ Relationship with factories
- ✓ Apparel expertise
- ✓ Process and Product Ownership

# Our Role

A small global company strives to enhance globalization



- Help to bridge the gap between customers, suppliers and factories
- Connect with suppliers & factories
- Make full use of limited resources
- maximize benefits and minimize costs

# Our Participation in SAC

- Index Development Council (Core Council Members)
- Verification (VEP, SAC approved verifier)
- Task Teams (VTT, FEM, Social Labor Convergence)

# Our Commitment

## External



### Industry Collaboration

- SAC- Higg Index (Verification, Social/Labor Convergence)
- CITA- Training
- WGO - Environment
- ILO- Labor
- UNIDO – Low Carbon

## Internal



### Sustainability

- Environment
- Social/Labor
- Technology
- Product

# Our Approach

## Informed

- Market intelligence
- Trade policy & standard
- Social compliance
- Supply chain risks
- Material sourcing
- Production changes



## Involved

- Factory management
- Supplier relationship management
  - Quality assurance & safety
  - Financial support

## Invested

- Sustainability initiative (higg index training & verification)
  - Product innovation (design & development)
    - Technology innovation
    - Project development

# Sustainability Initiative



# Higg Index Training

Higg Index Training to factories  
and fabric suppliers

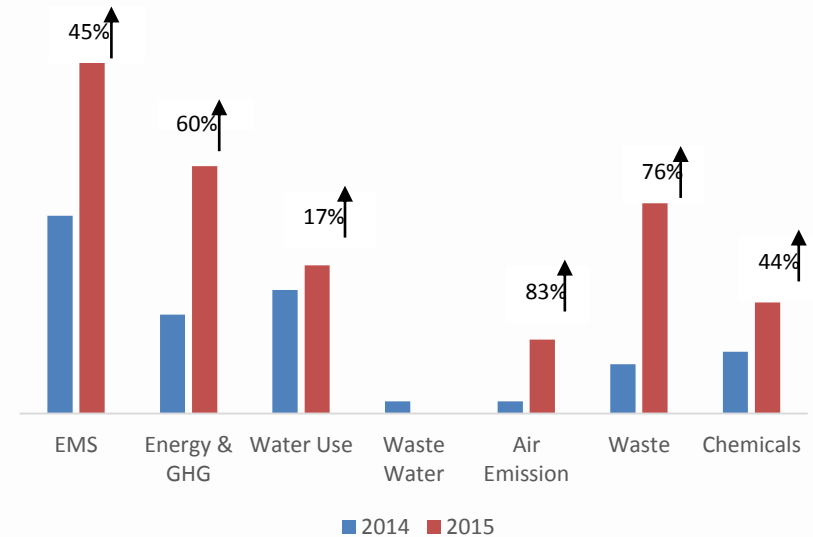
Our first rollout

Tier 1: 5 factories in Cambodia,  
2 factories in China

Tier 2: 5 fabric suppliers in China

Next Step: expand to trim  
suppliers and fabric suppliers in  
broader scale

Factory Higg Index Improvement

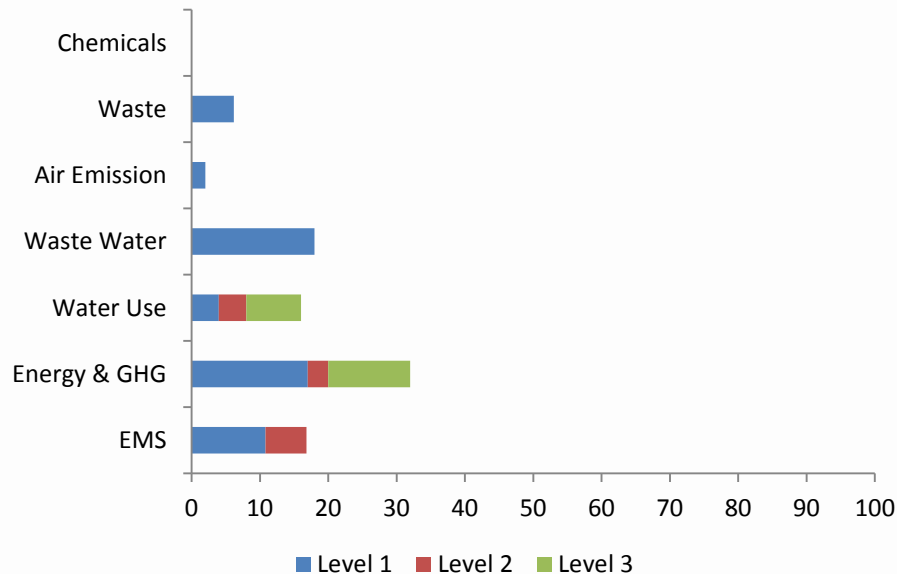


Note: The figure is based on Higg Index Facility Self-Assessment. No training was provided to factories in 2014. Higg index self assessment score in 2015 was collected after factories joined the Higg index training.

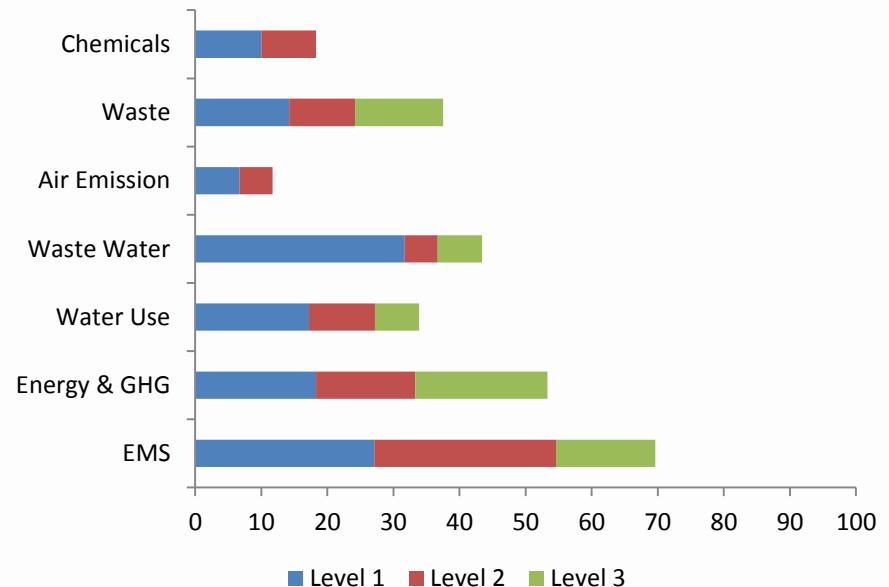
# Higg Index Facility Self Assessment

It's not about the score, but the commitment!

**Fabric Suppliers Score Average 2015**



**Garment Factories Score Average 2015**



After training, 5 fabric suppliers and 6 garment factories submitted their higg index self assessments. Note: We just started to ask our fabric suppliers to use higg index tool for sustainability performance evaluation this year, so their score is a bit lag behind. But the most important thing is their commitment, not the score.

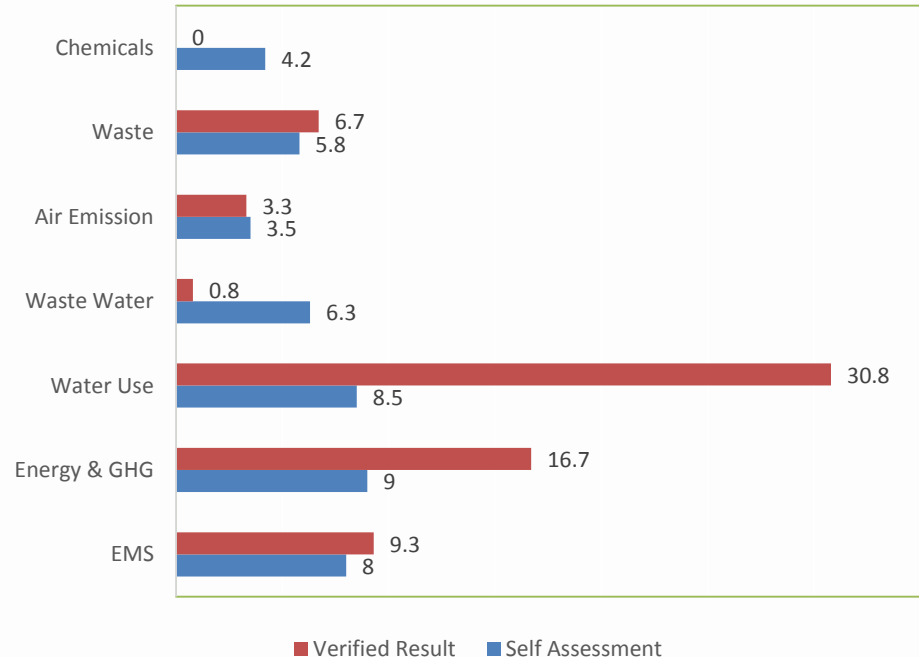
# Higg Index Verification Pilot

## Factories -

Don't know what they don't know  
Don't know what they know

## Hanbo -

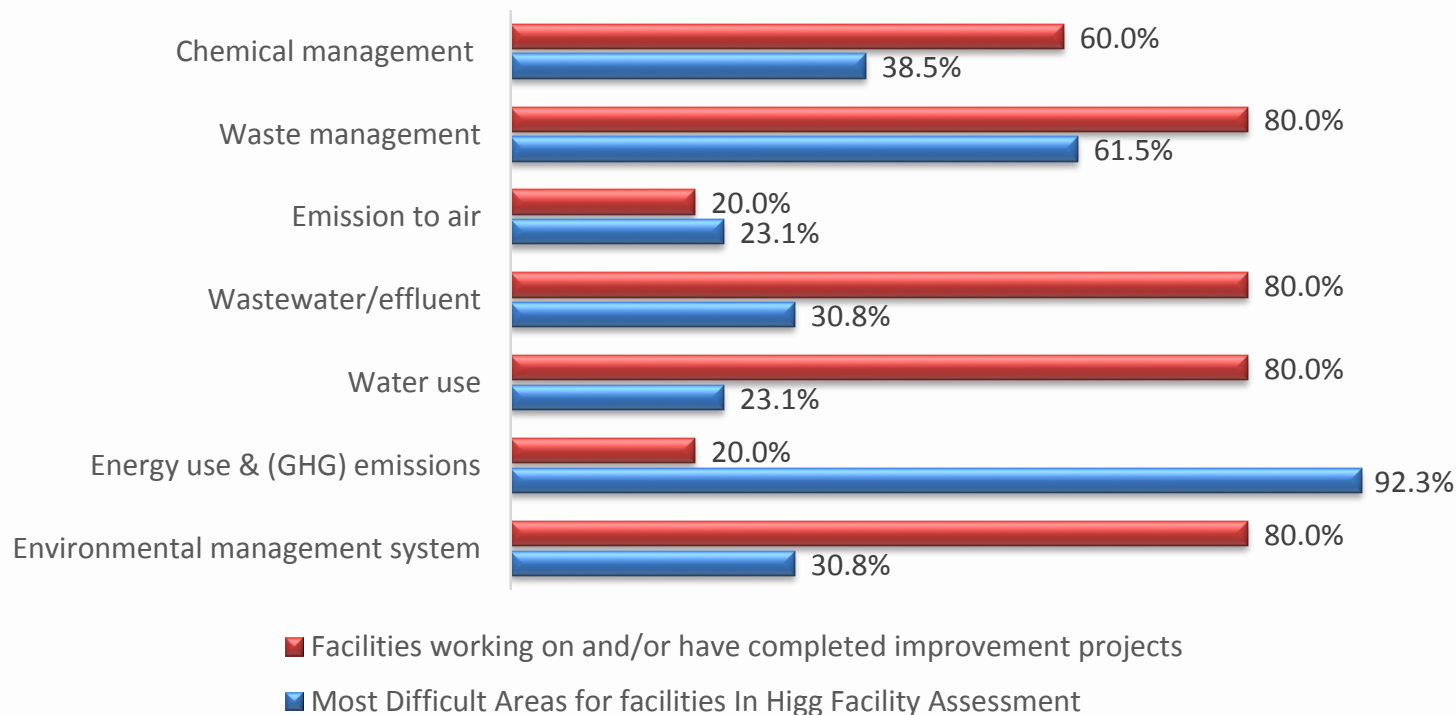
Verify what they don't know  
Verify what they know  
Verify what they have done  
Verify what they have not done



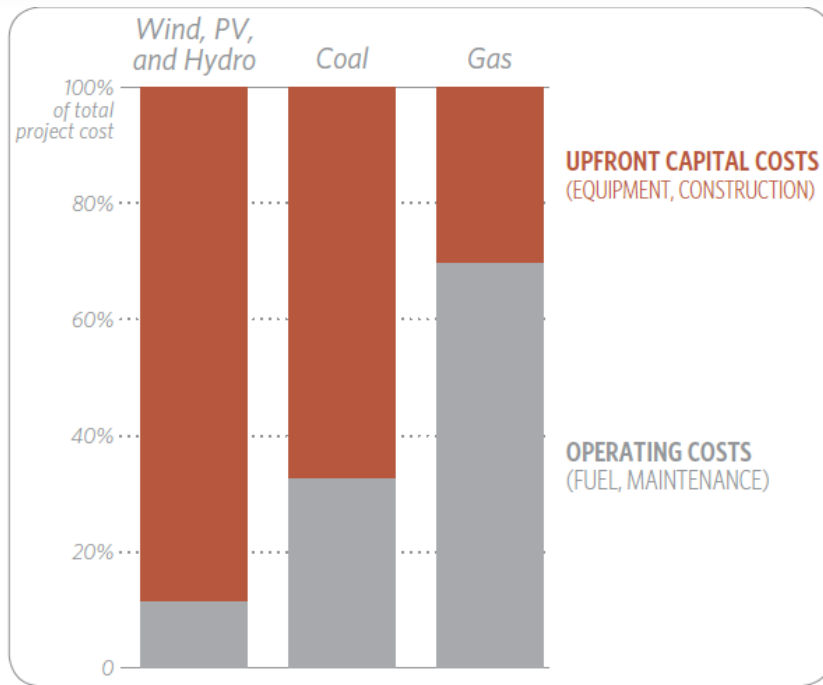
Note: data based on average score of 6 factories in verification pilot

# Environmental Initiative

## Factories & Suppliers Environmental Sustainability Initiative



# Industry Challenge – Capital Investment



The majority of clean energy project costs occur at the beginning of the project with the initial capital investment. As the figure illustrates, the initial capital cost of wind, photovoltaic, and hydropower often comprise nearly 90% of total project costs.

The ratio of initial capital investment to operating costs varies from plant to plant. In the case of coal and gas, the exact proportions depend in large degree on fuel expenses, which can drive operating costs.

Source: CPI Series, based on data published by the EIA

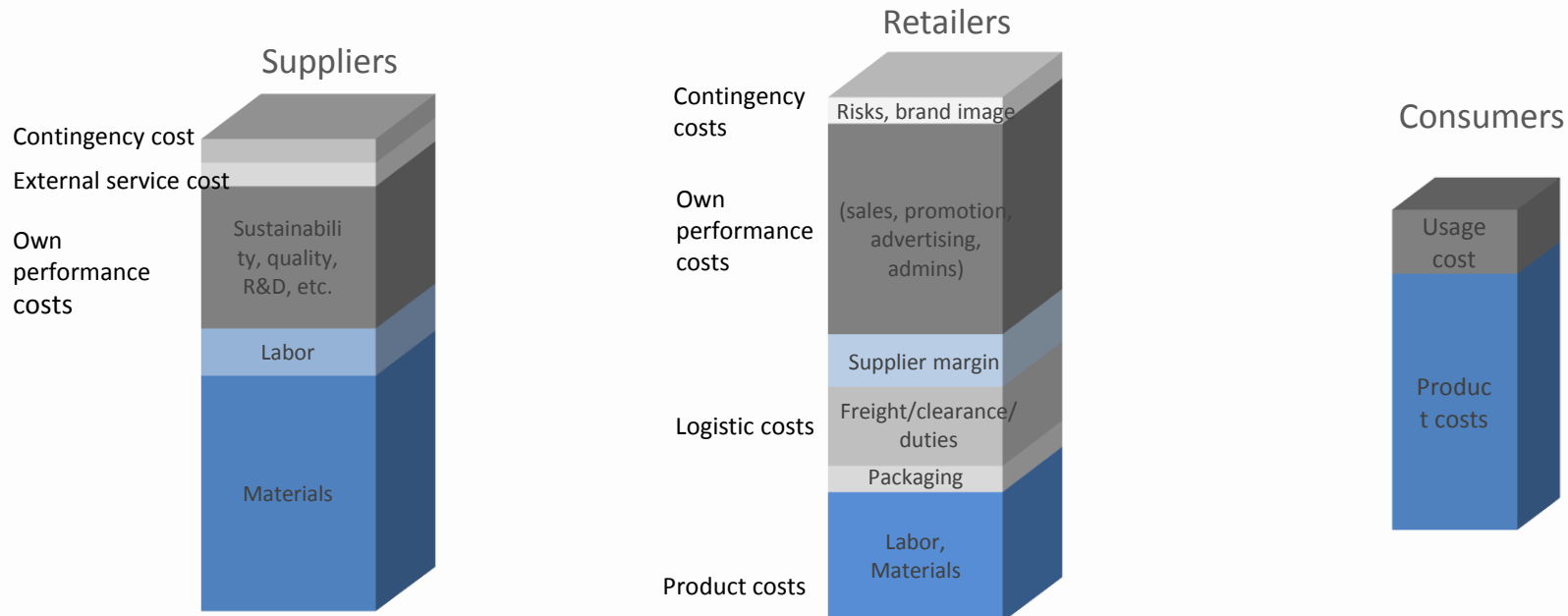
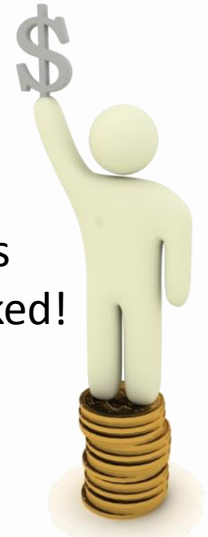
# Industry Challenge

## Cost Perceptions:

(from the perspective of the suppliers, retailers and consumers)

- Differentiated perceptions of performance of a product from supplier side, retailer side, and consumer side.
- What is the True Cost?

The cost of environment is often overlooked!



# Industry Challenge - Factories

Common Obstacles to Factories (based on our own survey):

- Limitation of funding for facility improvement  
→ Cost of capital is high in developing countries
- Factory Management Mindset (No time! Too much work! No idea for answers!)  
→ Divergent views of developing countries
- Publicity- Still not many are familiar with the purpose and benefits of Higg index
- Unclear standard for environmental assessment in production countries
- Lack of solution guide and best practice

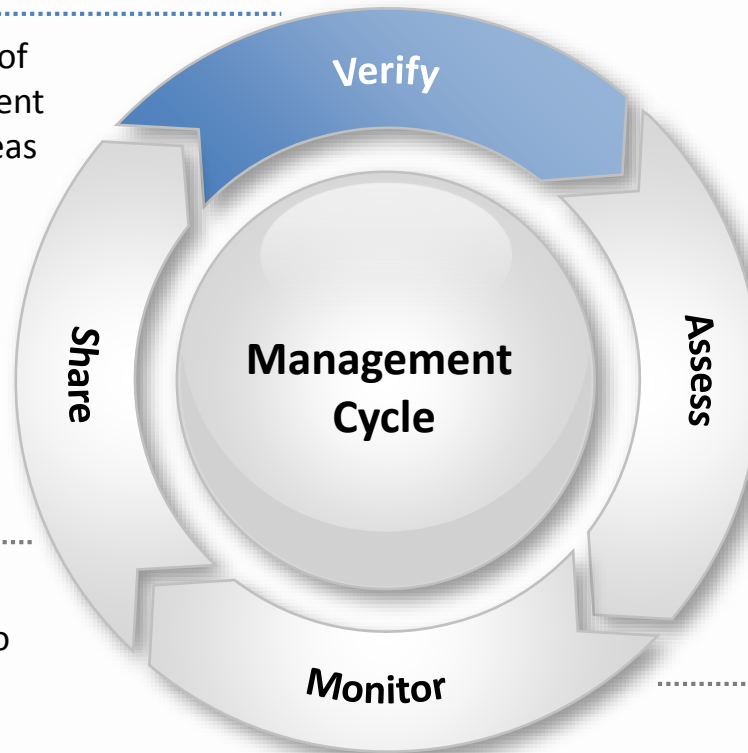
How to Higg?  
How to drive sustainability?



# Environmental Initiative- How we manage?

- Onsite and off site verification of Higg Index facility self assessment data, identify improvement areas

- Share solutions/best practice
- Inspire supply chain partners to drive sustainability and transparency



- Assessment of facility environmental impact
- Determination of factory performance
- Development of sustainable strategy

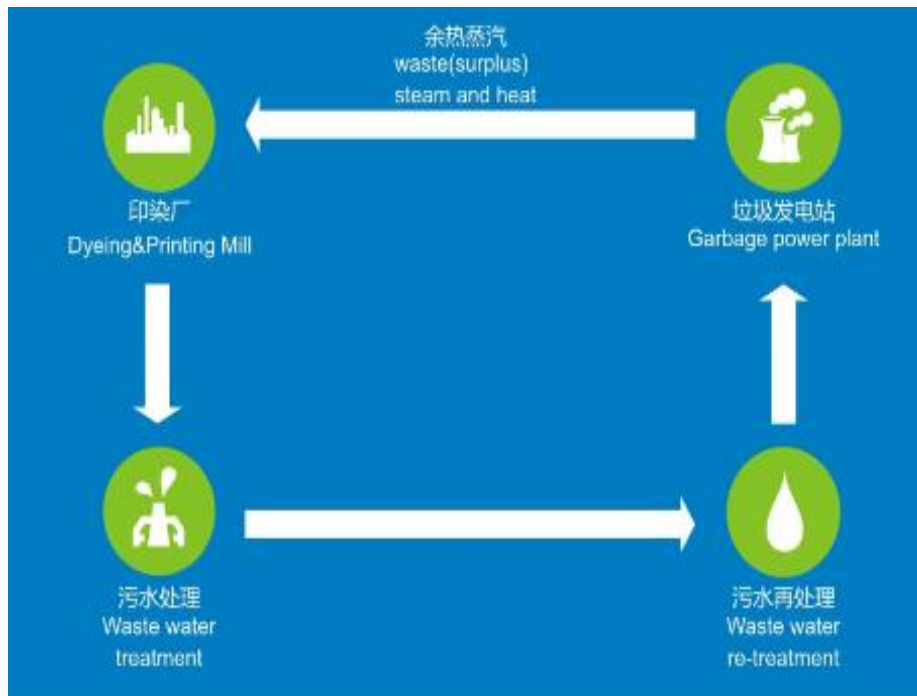
- Monitor factory improvement plan and implementation
- Control of target achievement (target-actual-comparison)



# Industry Practice– Dyeing and Printing Mill

- Solution sharing from Hanbo Suppliers

## Waste water treatment & garbage power circular



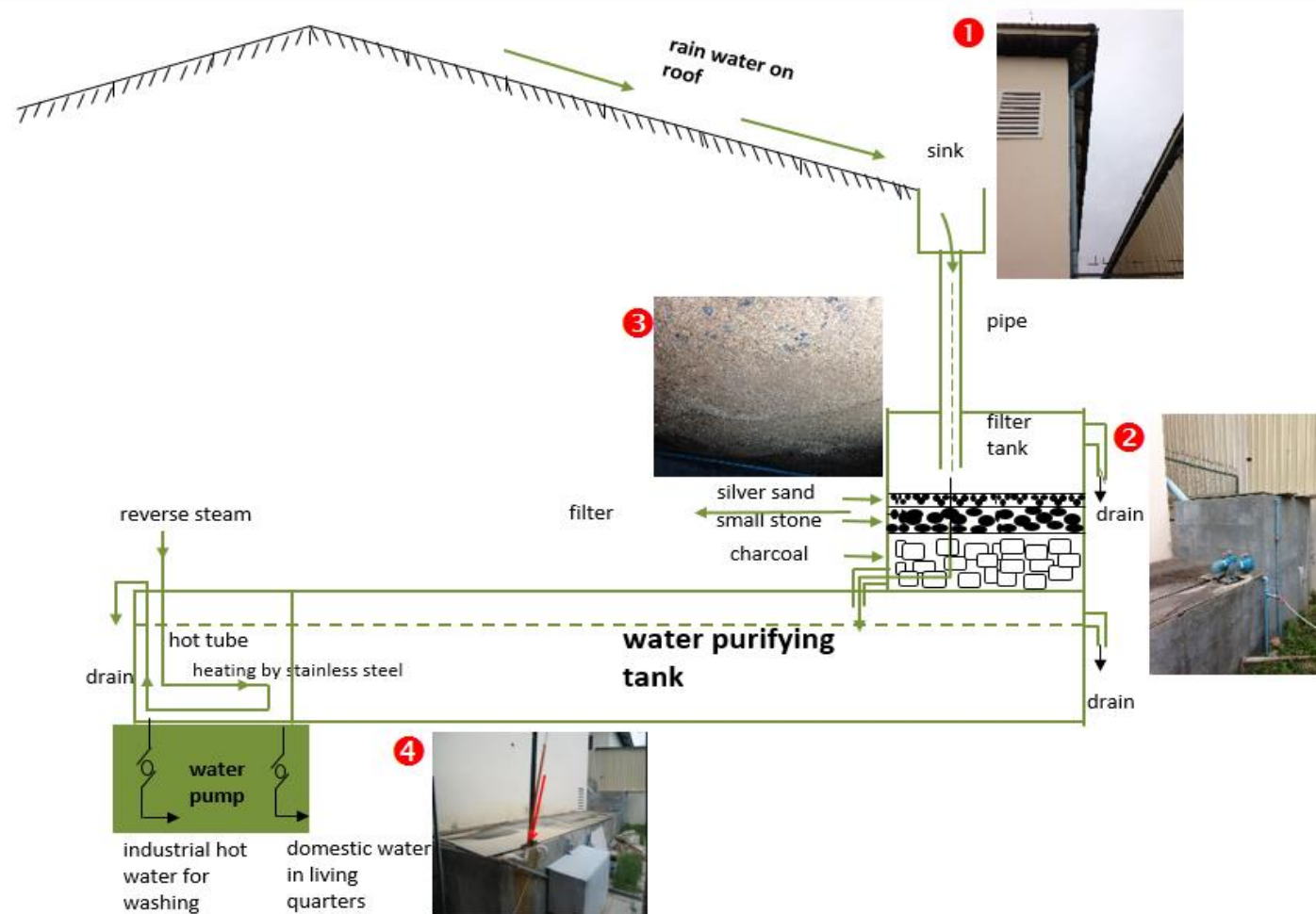
Waste steam is conveyed from the garbage power plant to the dyeing and printing mill. More than two hundred thousand tons of waste (surplus) steam from garbage power plant is reused annually, which is equivalent to saving 23,000 tons of standard coal per year. “Zero” emission of smoke in the production process is achieved and thus the emission of carbon dioxide is reduced by over 60,000 tons per year.

Through the application of the advanced waste water treatment system, over 90% of the waste water from dyeing and printing mill can be reused as circulating cooling water for garbage power plant. 3,000 to 5,000 tons of water is available every day. Quantity demanded by garbage power plant for cooling water is 8,000 tons per day. Thus about 1,500,000 tons of water is saved every year.

# Industry Practice – Cambodia Garment Factory

- Solution sharing from Hanbo partner factories

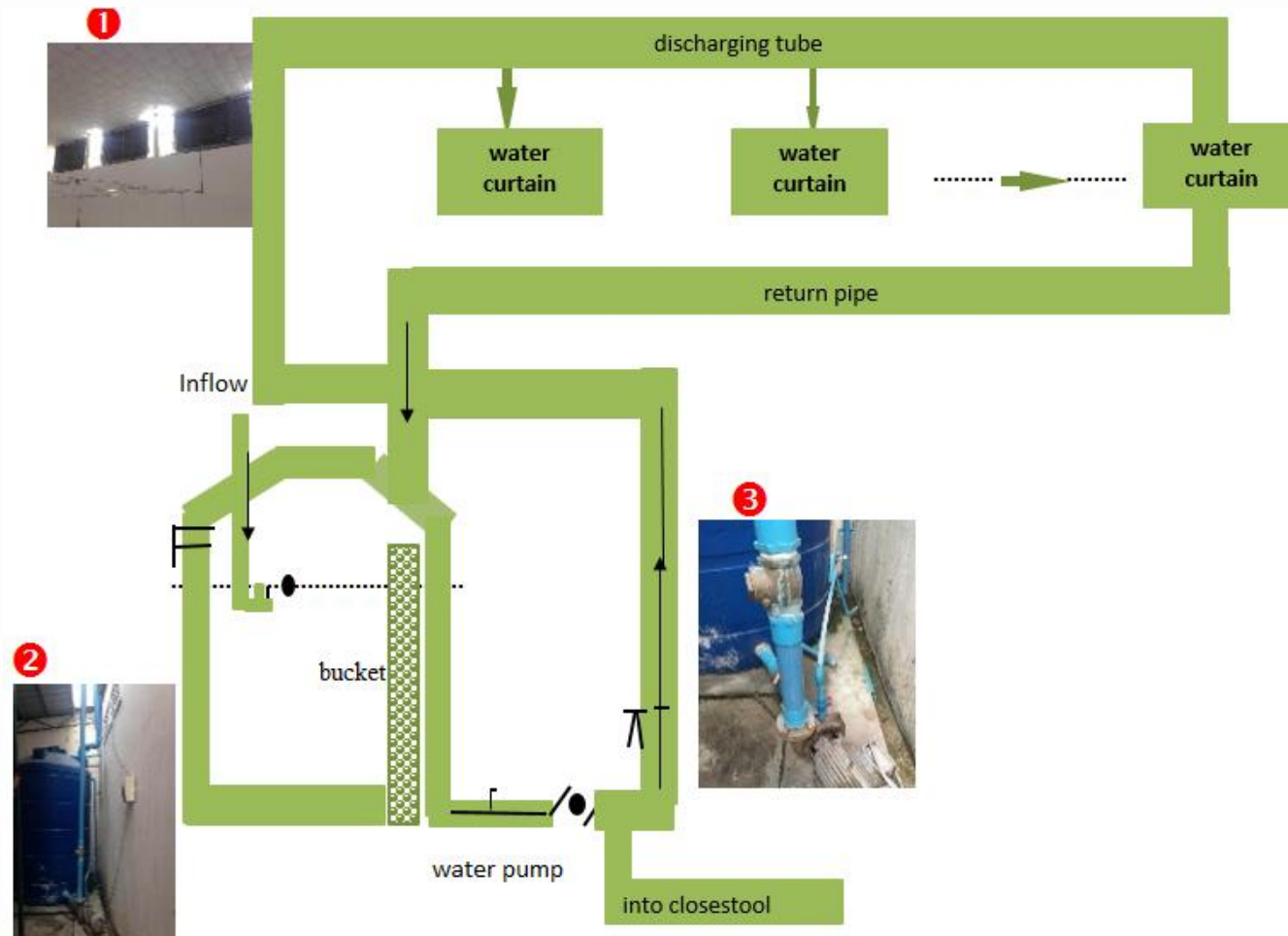
## Rainwater Collection Solution



# Industry Practice – Cambodia Garment Factory

- Solution sharing from Hanbo partner factories

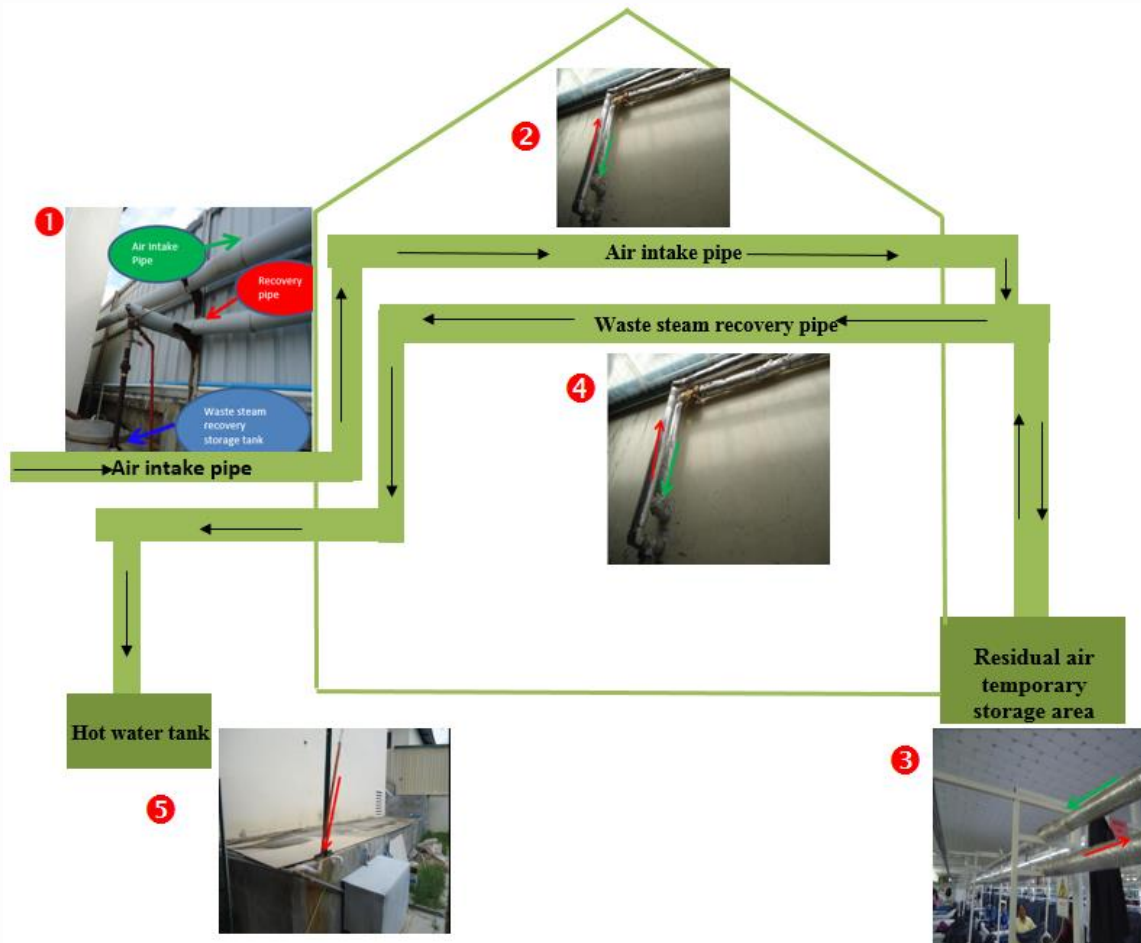
## Water Curtain Air-Conditioning Recycle Solution



# Industry Practice – Cambodia Garment Factory

- Solution sharing from Hanbo partner factories

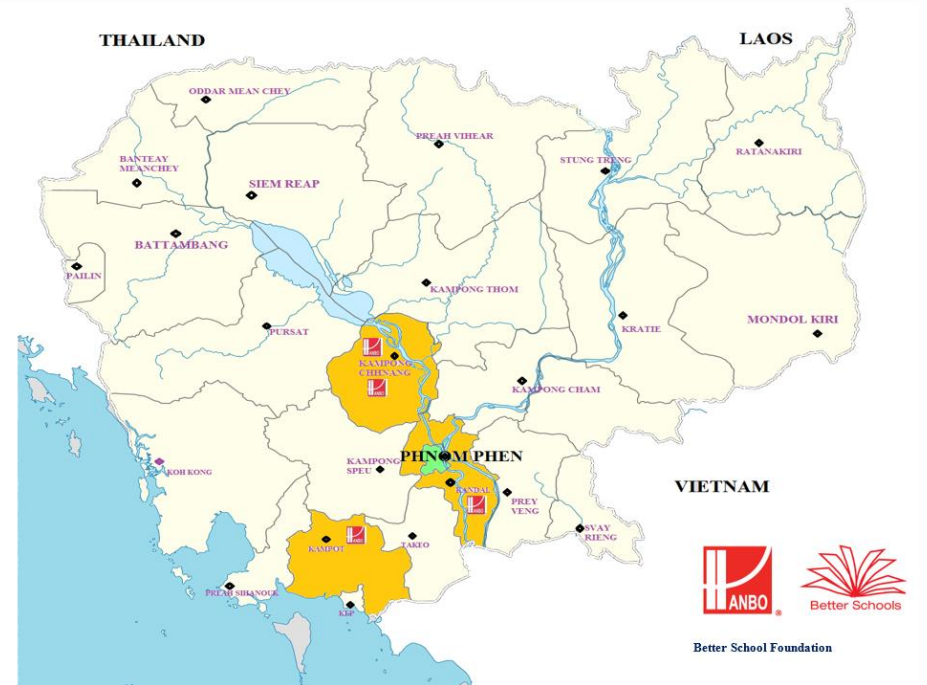
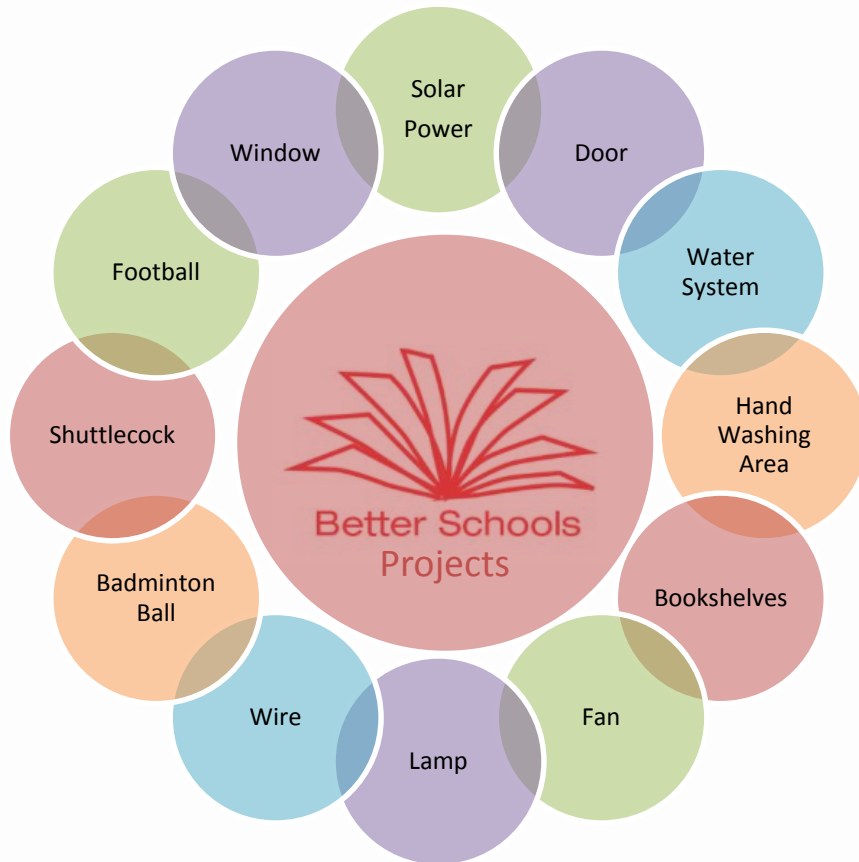
## Waste Steam Recovery Solution



1. Green arrow points to the air intake pipe, steam is delivered from boiler to ironing; red arrow shows the waste steam recovery pipe
- 2-4 . Air intake pipe and waste steam recovery pipe
5. Water steam is recovered to hot water tank and reused as water supply for staff dormitory

# Social/Labor Initiative

Hanbo NGO – Better School Foundation



Location Map of Better School Foundation in Cambodia

# Social/Labor Initiative



Don't Walk Away!

# Case Study – Child Labor

## How to turn a perceived risk into a valuable learning experience

Problem	2 workers used their older sisters' ID documents to get the jobs and be suspicious as child labor by International Labor Organization (ILO).	
Solutions	1)	On site visited worker's home and local police station to verify they were under 15 years old.
	2)	Transparently reported to client and committed our solution with factory on legal remediation.
	3)	Linked up with ILO for remediation by paying monthly salary and training fee till workers were 15 years old, gained agreement from factory to employ workers when they were in legal age, sent workers and their mothers to vocational training school.
	4)	Searched root cause with factory management, built preventive awareness and conducted unannounced self-audits regularly.
	5)	Continuously shared with client on our training and audit results.
	6)	Continuously worked with creditable organization to know if workers finished the school and went back to work in factory.
Results	1)	ILO is interested in cooperating with Hanbo on subsequent factory issues.
	2)	Client recognized Hanbo's service.
	3)	Factory is confident to be more legally compliance with Hanbo's support.

# Case Study – Compliance

## Strengthen multi-party communication to improve factory's performance

Problem	In social compliance program, audited factory cannot achieve acceptable rating in the past few years	
Solutions	1)	Analyzed factory's performance before and after audit.
	2)	Pre-informed client on the root cause and potential risk in the next audit.
	3)	Searched for recognized ILO advisory service.
	4)	Financed and provided manpower support to factory to attend the advisory service.
	5)	Continuously shared with client about factory's cooperation during service program.
Results	1)	Client appreciated Hanbo's transparency and granted 1 more chance to factory.
	2)	Factory gained confidence to achieve social compliance standard.
	3)	ILO recognized Hanbo's strong cooperation.



# Case Study – Strike

## Take the initiative to resolve conflicts

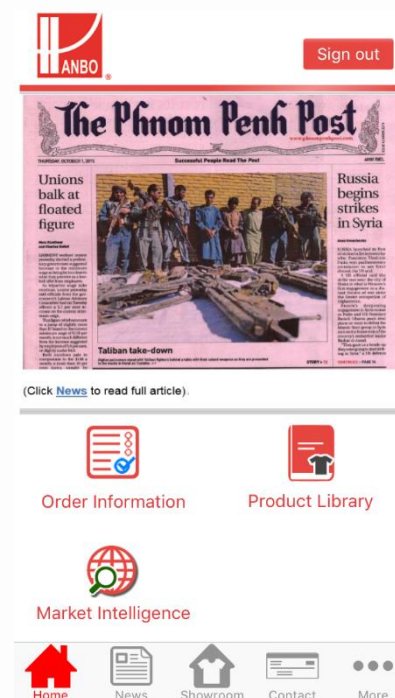
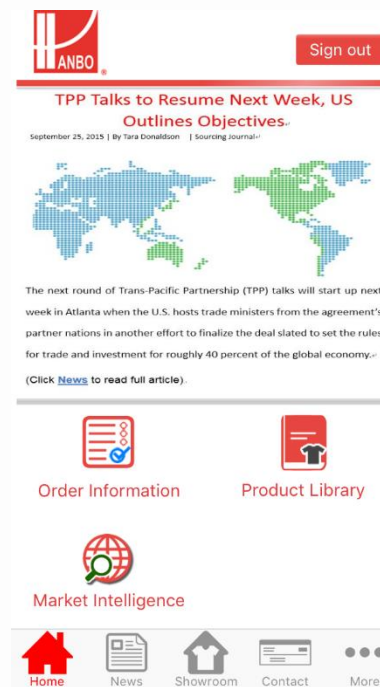
Problem	One Cambodia factory had the union strike and we had production in it.	
Solutions	1)	Collected information of strike cause, place, union's demand and factory's attitude.
	2)	Supported factory to check whether those demands were within or upon law requirement.
	3)	Reported to client the whole story and Hanbo's coming actions with factory.
	4)	Supported factory to work with Labor Department and Court for the judgment of those upon-legal demands.
	5)	Continuously reported to client the progress of final conclusion from legal department and union.
Results	1)	Client did not remove the production from factory.
	2)	Factory won the arbitration and court judged factory no need to satisfy those requests.
	3)	Union gave up the strike. Vicious cycle of meeting all demands from union in this Industrial Park was ended.

# Technology Innovation

- HANBOLink Mobile App

Our app links and connects you to our supply chain operation, gives you access to orders, products, market intelligence.

Besides our supply chain services, we offer visibility and transparency to manage the whole supply chain.



# Product Sustainability



## Lean Production

Give incentive to factories to make more garments based on FOB price and reduce stock fabric

Maximize Faric Unilization



## Close Loop Recycle

Use stock fabric to produce further goods and give credits to workers

Transform Waste to Resources



## CO2 Dyeing

New product development using DyeCoo CO2 dyeing fabric to reduce wastewater, energy, chemicals and toxic discharge

Integrate Waterless Dye technology



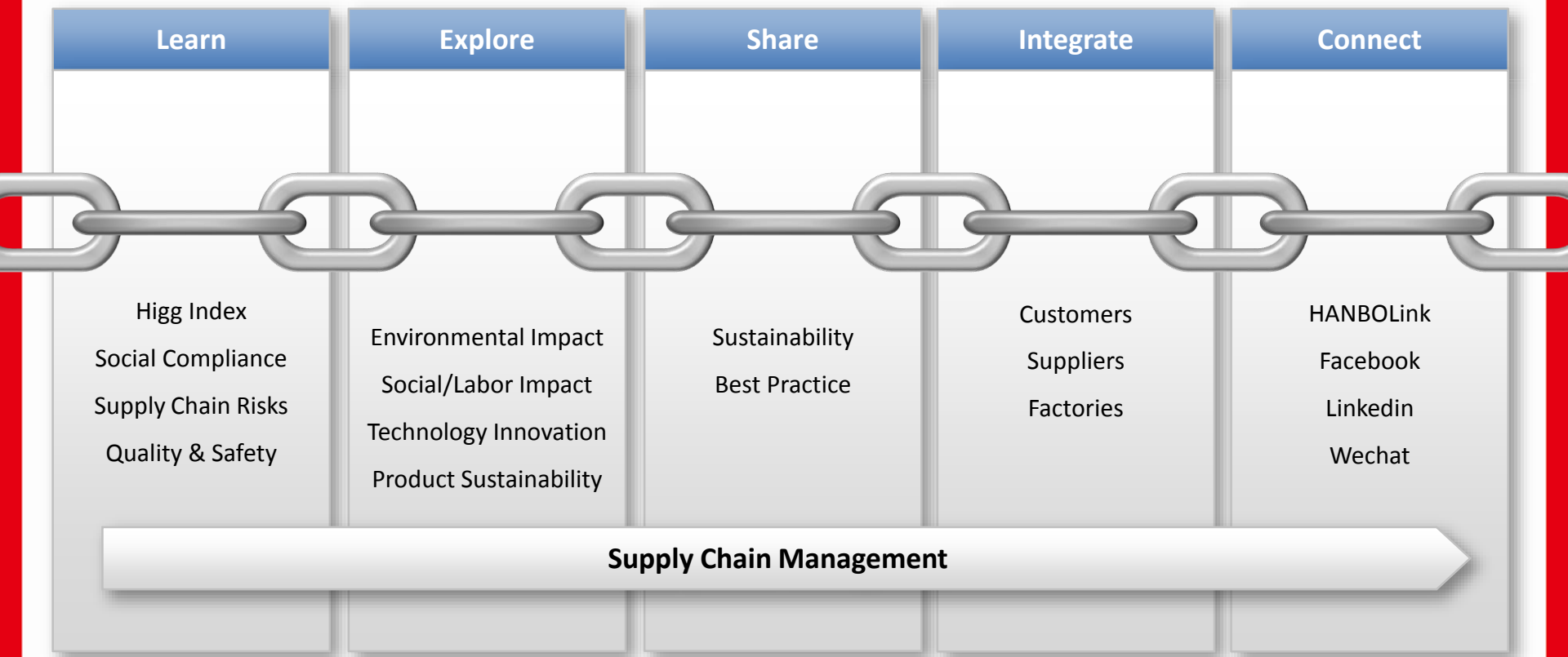
## Reversible Apparel

the reversible apparels with opposing or various patterns, colors and textures, creates more possibilities for outfits and expression, optimizes apparel value and life/ times of wearing

Optimize Apparel Value

# Key to Supply Chain Success

← Transparency → Sustainability ← Partnership →



Q&A

# Thank You!

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**Our website**

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