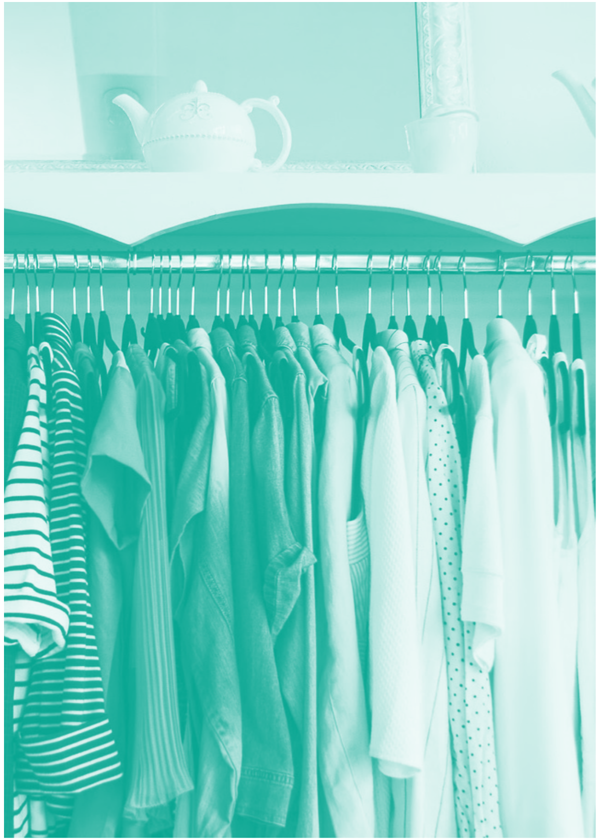
GOOD FASHION FUND

INVESTING IN THE ADOPTION OF SUSTAINABLE PRODUCTION TECHNOLOGIES IN THE ASIAN TEXTILE AND APPAREL SECTOR

GOOD FASHION FUND

FASHION FOR GOOD

FOUNT
SHAPING IMPACT SOLUTIONS



The Good Fashion Fund

Investment Strategy

Impact

Blended Finance

Why blended finance

Lessons learned

Mainstreaming adoption of impact technologies in the apparel industry

The Good Fashion Fund is a unique initiative to create systemic change in the textile and apparel industry by financing the implementation of highly impactful and disruptive production technologies in Asia

Strong Strategic Partnerships

The Fund combines FOUNT's investment & fund management expertise with FFG's unrivalled industry network & technological expertise.

Blended Finance Fund Structure

GFF has a blended finance structure where every committed equity dollar mobilizes additional Debt. The structure enables a larger fund size & multiple risk-return tranches

Anchor Investors

Fund Manager

Sub Advisor

Measurable Impact In Multiple SDGs

GFF aims to significantly improve the positive impact of apparel manufacturing along the Five Goods: Good Water, Good Energy, Good Materials, Good Lives & Good Economy

Financing local operators

Providing long term debt to local garment manufacturers in India, and Bangladesh for the uptake of sustainable production equipment First investment done, 3 more expected this year

We focus on companies active in the 'Processing phase', a significant contributor of negative environmental impact in the textile value chain

Highest environmental impact in processing phase

	Raw materials	Processing	Manufacturing	Retail & Use
Description	*Production / cultivation of raw materials*	*Spinning, weaving, dyeing, finishing*	*Cutting, sewing, gluing and welding*	*Purchase & use of garment at retail outlet*
Water consumption	High	High	Low	Very low
Energy emission	High	Very high	Medium	Medium
Chemical usage	High	Very high	Low	Very low
Working conditions	Medium	Very high	Very high	Medium

GOOD FASHION FUND *Focus*

(1) The PULSE score is a sustainability metric developed by BCG & Global Fashion Agenda; 0=least sustainable, 100=most sustainable
Source: BCG "A Pulse on Fashion"

We finance sustainable equipment across the textile production chain

GFF connects the most promising and impactful technologies to the industry to collaboratively tackle its challenges.

Target investments

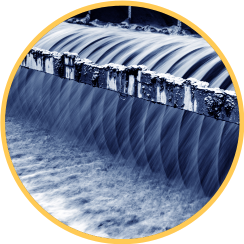
Investments related to capital-intensive and high-impact equipment, often used in the **processing stage** like **dyeing, washing, printing ,wastewater treatment and recycling** generating a positive impact on the workforce and surrounding eco-systems.

Dyeing

E.g. cold pad batch dyeing, CO_2 dyeing

Washing & pre-treatment

E.g. low liquor bleaching, cold pad batch bleaching



Wastewater

E.g. biological & reverse osmosis filtration

Printing & finishing

E.g. digital textile printing, ozone finishing

Other…

E.g. recycling solutions, spinning & weaving

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Target companies – Typical focus

Type of companies we look at	
Manufacturer type	Across textile value chain, primary focus on Tier 2 (i.e. processing)
Geography	India, Bangladesh
Size	>$10m revenue p.a., with part of revenues from export

We prefer to work with 'frontrunners' in sustainability

Key assessment topics	
Financial	Financial health (debt service capacity), robustness of numbers
Environmental	Impact of new equipment, Higg score
Social	Adherence to GFF's & FairWear's norms
Legal	Compliance with local regulations and correct documentation

Our impact – We measure our impact across the Five Goods

Each investment targets at least a 50% improvement in at least one of the environmental goods

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Each investee will commit to a social & environmental action plan to be implemented

GOOD ENERGY

- *Reduction in energy use*
- *Reduction in overall emissions*
- *Increase in renewable energy use*

7 AFFORDABLE AND CLEAN ENERGY

GOOD WATER

- *Increase in treated & recycled wastewater*
- *Decrease in overall water consumption*

6 CLEAN WATER AND SANITATION

14 LIFE BELOW WATER

GOOD MATERIALS

- *Avoidance of waste and increase of sustainable fibers*
- *Replacement of hazardous chemicals*
- *Reduce chemical use*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

GOOD ECONOMY

- *Decrease in manufacturing costs*
- *Increase in revenue*
- *Increase access to funding*

8 DECENT WORK AND ECONOMIC GROWTH

GOOD LIVES

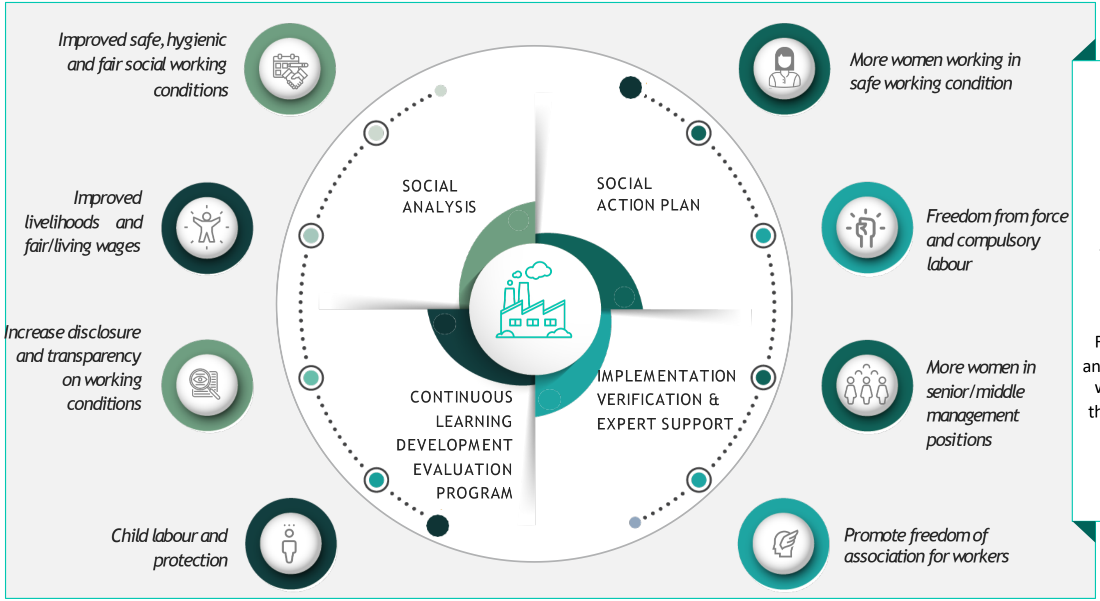
- *Improved workers rights & gender equality*
- *Safe & healthy work place*

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Our impact – Social and labour issues are addressed through a social action plan

GOOD LIVES



FAIR WEAR

The Fair Wear Foundation is GFF's preferred partner during pre- and post-investment phase.

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Fair Wear provides an independent and comprehensive assessment of the working environment. Additionally, they set up an action plan tailored to the investee.

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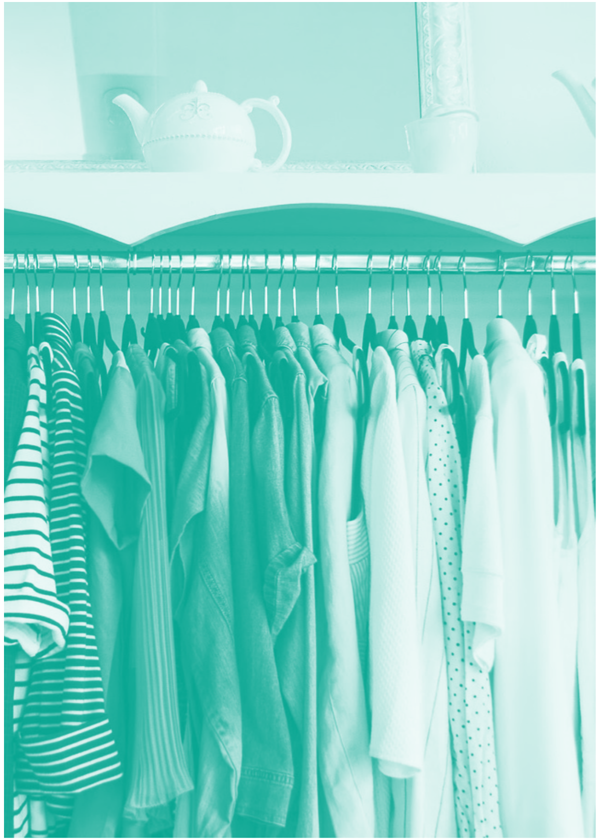

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The Good Fashion Fund has a Blended Finance structure

The Equity Layer(s) help mobilize commercial debt for a 'first of its kind' Fund – current Fund size USD 19M

Min. 67% of total capital.

USD 15 m
Junior Equity
First loss tranche

USD 5 m
Senior Equity
2% preferred return

USD 15 m
Senior Debt

Junior Equity

GFF had an initial close with two Junior Equity Investors totaling USD 12.4m:

- Laudes Foundation and the Mills
- The Junior Equity tranche serves as first loss to the Senior Debt and Senior Equity Investors

Senior Equity/Capital Preservation

The purpose of the Senior Equity is to serve as a "second loss" tranche to Senior Debt investors. Junior and Senior Equity will jointly reflect the loss coverage ratio for Senior Investors. Senior Equity will be junior ranking to Senior Debt Investors for its preferred return and repayment and senior ranking to the Junior Equity.

Senior Debt

Senior Debt has a senior ranking to the Equity Investors (minimum 67% of total capital) in interest payments and repayments. USD 6.2 Senior Debt tranche committed by Rabobank, interested to increase commitment pending additional equity.

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The different capital layers are targeted to different investor types

Junior Equity

Zero return, high risk capital with the aim to launch high impact initiatives – highest risk tranche

E.g. Foundations and philanthropic institutions

Senior Equity/Capital Preservation + modest return

Capital which balances impact and financial risk/return =backed by the junior equity

E.g. impact investors, Family offices

Senior Debt

Capital with commercial returns – lowest risk

E.g. commercial financial institutions, DFIs

Reflections

- ‘First of its kind’ Funds often have a high ***perceived*** risk from commercial capital providers, requiring additional ‘comfort’ before they are willing to engage

- Blended finance is, in these cases, the only way to mobilize commercial capital

- The First Loss tranche is typically the most challenging capital to raise; launching with First Loss providers has the best chance of success

Reflections

Happy to answer any questions!

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