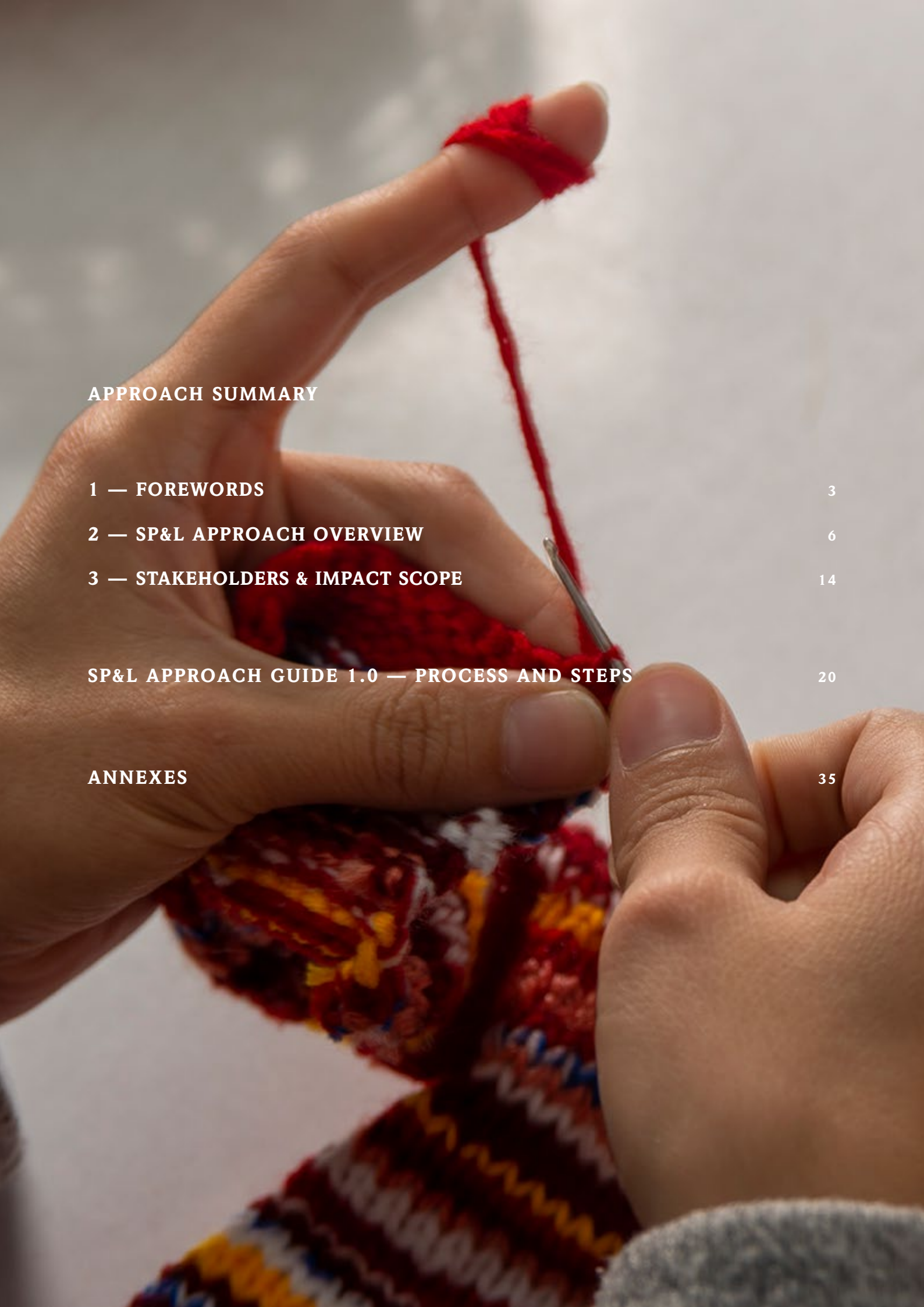


Chloé

A woman with reddish-brown hair and glasses, wearing a white short-sleeved shirt and a dark blue denim apron, is smiling and looking down at a skein of yellow yarn she is holding. In the background, several other skeins of yarn in various colors (pink, red, orange, green, and dark blue) are hanging on a line against a light-colored, textured wall.

SP&L Approach - Version 1
Methodology Note & User Guide 2023



APPROACH SUMMARY

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APPROACH SUMMARY

1 —

FOREWORDS

FOREWORDS

We believe that companies today need to take full accountability for the impact they have on all stakeholders. We made a commitment to shift our Maison towards a purpose-driven business model: Women Forward. For a Fairer Future. This means embracing social and environmental sustainability in everything we do, by integrating social and environmental performances at the core of our business model and greater transparency and accountability. We believe that having effective measuring systems is essential to guide our ambition for continuous improvement. For this purpose, we launch our new Social Profit & Loss Approach (SP&L Approach). Developed over the last two years, The SP&L is a social performance measurement, evaluation and visualisation methodology, and a decision-making tool focusing on driving positive social performance. By providing new insights to improve the social impacts of both our activities and our products, the SP&L approach provides us with additional tools to further integrate social impact into our business model— and advance forward so that Chloé continues to be a purposeful force for positive change.

— Riccardo Bellini, CEO & President, Chloé

This first iteration of the SP&L was created in a spirit of collaboration, and results from two years of intensive work and partnership between Chloé, the Institut Français de la Mode and the Conservatoire National des Arts et Métiers. Taking responsibility and accountability for the impact our business has on people and communities is central to becoming a source of positive change. As women represent the majority of workers in our industry's supply chains, it is especially crucial for us to better understand and visualize how we can further participate in removing any frontier which prevents women from reaching their full potential. The SP&L approach constitutes a useful foundation to better monitor our impacts on our stakeholders, and to better accompany our production partners towards improving their own social practices. By publishing the SP&L Approach Methodology, we hope to further contribute to the conversation on social impact, and to participate to a scalable and lasting change on topics such as gender equality and living wage, which are so vital to our industry.

— Aude Vergne, Chief Sustainability Officer, Chloé

The SP&L was the result of a dynamic academic and industry conversation, which provided us with the opportunity to further the scientific conversation regarding the integration of social impact within benefit based business models in the fashion industry. Throughout the conception of the SP&L approach, the role that managerial accounting and new business management tools serve in impact related decision making was explored. We are proud to contribute to the discussion around the necessity to place social impact as a systemic factor for decision making, by relinking impact, performance and value.

— Mathilde Asseman, Andrée-Anne Lemieux (IFM, IFM-Kering Sustainability Chair),
and Philippe Durance (CNAM, LIRSA)

ABOUT THE SP&L APPROACH VERSION 1

PHILIPPE AGHION,
ECONOMIST, COLLÈGE DE FRANCE

“I am delighted to see Chloé further its core ambition to positively influence society through the systematic inclusion of social impact within its decision-making process. By providing a systemic measurement and evaluation process for social outcomes, the development of the SP&L helps clarifying trade-offs, and participates to the systematic inclusion of social impact within necessary frameworks for decision-making.

MATHILDE FERMAUT,
CERTIFICATION LEAD, B LAB FRANCE

“Chloé’s work on social impact measurement through the SP&L embodies the company’s commitment to continuous improvement, which they had already demonstrated with their B Corp Certification. At B Lab, we are convinced that collaboration between businesses is a real driver of systemic change, and therefore support the spirit in which the SP&L methodology was developed”

MADINA RIVAL,
LIRSA LABORATORY, CONSERVATOIRE NATIONAL
DES ARTS ET MÉTIERS (CNAM)

“The LIRSA is proud to collaborate on and contribute to the SP&L approach, a new action oriented business management tool focusing on positive social impact, providing performance evaluation and supporting purposeful action.”

DANIEL VAUGHAN WHITEHEAD,
FOUNDER, FAIR WAGE NETWORK

“We are glad at the Fair Wage Network that Chloé has started a living wage journey, by commencing in 2022 a certification process with the Fair Wage Network in pilot markets and for suppliers”

PASCAL MORAND,
EXECUTIVE PRESIDENT, FÉDÉRATION DE LA
HAUTE COUTURE ET DE LA MODE (FHCM)

“If the principle of sustainable development and its implementation are now a categorical imperative, it is still necessary to put in place appropriate and objective tools and metrics. Both by its conceptualization and by the extent of its potential, the SP&L developed with Chloé within the framework of Mathilde Asseman’s thesis represents in this respect an important and stimulating advancement.”

CATERINA OCCHIO,
SUSTAINABILITY ADVISOR AND SEEME FOUNDER

“The SP&L is an essential step for measuring the impact of fashion on people and communities and I’m honoured to have been involved in its development. The current climate emergency has forced the industry to create instruments to measure its environmental impact while its social impact has not received the same attention, yet. Chloé’s pioneer work on SP&L is a key attempt to fulfill this gap shedding a light on the need for systemic social as well as environmental innovation. We cannot change what we cannot measure”

XAVIER ROMATET,
GENERAL DIRECTOR, INSTITUT FRANÇAIS DE LA
MODE (IFM)

“Measuring social impact is key to the sustainable transformation of our industry. We are very proud of this collaboration”



APPROACH SUMMARY

2 —

SP&L APPROACH OVERVIEW

THE JOURNEY TOWARDS CREATING THE SP&L APPROACH

Two years ago, Chloé began the conception of the SP&L (Social Profit and Loss) Approach. The tool was aimed at systematically improving Chloé's social impact, by better monitoring the effects on stakeholders that happen as the results of actions, activities and initiatives. As you cannot improve what you cannot measure, the SP&L approach was created in order to access, evaluate and visualize positive social performance all throughout our value chain, and product lifecycles.

The rationale behind this SP&L tool was also to visualize together the social and environmental impact of our activities, partners and products, and to consider our financial, environmental and social performances in an inclusive format.

With the SP&L we aimed to systematically integrate social impact within an inclusive resource allocation analysis, in order to facilitate a decision-making process which should always include social and environmental performance factors.

Chloé's SP&L reflects its manifesto and long term commitment to uplift women, eradicate

gender based inequalities and promote inclusivity through the creation of products that have a positive impact on people.

The SP&L is an industry and academic collaboration between Chloé, the Institut Français de la Mode (IFM Kering Sustainability Chair) and the Conservatoire National des Arts et Métiers (Interdisciplinary research laboratory in action-oriented science). The tool was reviewed in 2022 by PricewaterhouseCoopers (PwC) to ensure its methodological robustness and adaptability.

An industry consultation coordinated by the Fédération de la Haute Couture et de la Mode (FHCM) provided the necessary industry insights to present the current open sourced methodology.



DEFINITION, PROCESS & APPLICATIONS

The SP&L is by definition a business management tool, and an internal decision-making tool, which aims to integrate positive social impacts into performance reporting and accounting, alongside environmental and financial performance criteria. The tool accounts for a company's positive social impacts all throughout its value chain and product lifecycles. The SP&L Approach was tailor-made to better inform and facilitate decision-making by providing a more comprehensive social impact and performance picture of a company's activities and products, in a vocabulary common to other types of performance criteria.

The methodology has five main steps: social auditing and decent practices monitoring as a pre-requisite, potentially positive social performance measurement, evaluation, visualization, and a data verification process to consolidate the final results.

In terms of scope, the SP&L approach covers operations (headquarters) and the supply chain, and covers both direct and indirect employment, in order to take responsibility, account for progress, and improve social impact for all stakeholders involved in production, activities and processes.

The results of the SP&L approach can be visualized at three levels:

1. Company's activities
2. Suppliers
3. Products

In terms of use, the SP&L was created for fashion brands, suppliers, social enterprises and social organisations who are already advanced on decent working conditions monitoring in their own supply chains.

The tool was created for organizations that aim to access the full social picture, including positive impact, of their activities, and better manage their social outcomes, directly and over time.

The results are aimed to be integrated:

- Within company's integrated reporting, accounting formats
- Within resources allocation efficiency analysis

Data collected can be useful:

- As the basis for monitoring supplier social practices, capacity-building and creating improvement plans for suppliers
- As a basis for social investment efficiency analysis (monitoring changes in social performance over time whenever resources are allocated)
- Within product optimization analysis (relevant when data is provided from Tier 0, operations, to Tier 4, raw material extraction)
- For certification process such as B Corp

THE FULL ACTIVITY PICTURE, AND A PERSPECTIVE ON VALUATION

The tool was created to enrich the picture of traditional “cost, charges and expenses” P&L social criteria by providing social positive performance and job quality quantified insights. Integrated into reporting and accounting, those new insights are meant to better inform and facilitate decision-making when it comes to resource allocation, targeted investment for operations, and capacity-building within the supply chain.

We chose not to monetize social impacts through the use of financial proxies or valuation coefficients (quantify positive performance rather than monetize). Rather, by facilitating the systematic access to quantified positive social performance data which can be compared and monitored over time, the SP&L provides useful insights for decision-making, valuable and valued when included in an investment and resource allocation analysis.

In that way, the SP&L approach provides a different take on Social Return on Investment (SROI) by creating the necessary and direct basis for a social investment efficiency analysis, resource allocation optimization evaluation and forecasts.

The approach directly enables:

1. The integration of new performance criteria into fully quantified performance reviews of activities, collections and products.
2. A systematized resource allocation optimization and maximization analysis, assessing and anticipating the efficiency of resources. The SP&L approach facilitates the assessment of the efficiency of resources allocation through monitoring performance results, directly and over time, and systematically relinking social value creation to investment efficiency.

The business management tool can also provide the necessary data for:

1. Return on (targeted) social investment over time for capacity-building efforts, if resource allocation and associated capacity-building are monitored over time, and in correlation with operation efficiency performance criteria such as quality and productivity.
2. Evaluating, job creations (direct, indirect, induced), training and capacity-building efficiency, directly and over time.
3. Creating the basis for social lifecycle costing (SLCC) value distribution, and value redistribution analysis

A COMPLEMENTARY TOOL TO THE EP&L & SOCIAL AUDIT

The development of our SP&L approach is a first exploratory methodology inspired by the EP&L (Environmental Profit & Loss) approach, a pioneering tool developed by Kering, enabling the assessment and valuation of the environmental impact throughout the supply chain, supply and operations of a Fashion House. The EP&L as a business management tool was the first example of a company's measuring, and valuing the environmental impacts of its operations and entire supply chain in order to facilitate decision-making. The EP&L enables the visualization of environmental impacts for brand's activities and products.

The SP&L Approach was inspired by the approach, scope and capacities of the EP&L: to measure, quantify, evaluate, visualize social impact data throughout operations and supply chain in order to better inform decision-making and integrate outcomes and impact-related data within performance reviews.

The SP&L approach as a new business management tool is an answer to the lack of tool enabling data collection for positive social impact data all throughout the value chain, beyond the supply chain. The lack of tool uniformly collecting social data throughout supply chain and operations prevented the visualization and the integration of social impact within overall performance reporting and accounting formats. The SP&L Approach entirely focuses on primary data and excludes the use of estimations.

The SP&L tool was also designed as a logical continuation to social auditing, a standardized process for evaluating the regulatory compliance of a business' social, environmental and ethical practices, focused on the supply chain. A prerequisite for starting any commercial relationship with Chloé is to comply with Richemont's Code of Conduct. This agreement also applies to subcontracting, and to textile, leather and the production of semi-finished goods. Chloé reserves the right to request social audits by an independent external service provider, mobilizing the ETI referential (SMETA). Measuring positive social impact complements these measures at a supply chain level.

The SP&L approach provides insights into potentially positive social practices at both the supply chain and headquarters (operations, retail) levels, by measuring and evaluating a set of additional impact categories attesting of not only decent but good working conditions: for workers additional impacts categories include diversity and inclusivity, gender equality, living wage, well-being, training and job quality.

COMPLEMENTING EXISTING DATA AND FRAMEWORKS

The SP&L aims to address several gaps in terms of social impact measurement and evaluation. Social impact and environmental impact measurement advanced with a two-speed dynamic, with a profusion of methodologies when it comes to assessing and visualizing environmental impacts (example: EP&L at the activity level and LCA and carbon environmental footprint at product level), and a delay when it comes to analyzing and visualizing social impact, and quantifying social practices.

Regarding social-specific performance methodologies, the SP&L approach addresses three observable gaps:

1. The gap in addressing social impact with the same criteria for both direct and indirect employment. Social impact is addressed differently in fashion companies' supply chain than in fashion companies' direct operations. In the supply chain, social impact is addressed through social auditing which assesses compliance and decent working conditions. At the headquarter level, social performance criteria such as job tenure, employee turnover, and training are preferred.
2. The availability of comparable social data all throughout the value chain, preventing companies from assessing and visualizing the social impact of their activities, commercial partnerships and products in a cohesive way.
3. A systematic focus on positive impact social, starting with measuring the same performance criteria for direct and indirect employees.

The differentiation factors for the methodology are:

- The scope and multi-level visualization possibility enabled by a uniform data collection throughout the value chain
- The focus on potentially positive social impacts
- The possibility to integrate positive social impact within a performance and resource allocation framework

Those differentiation factors enable performance visualization and reporting for activities, suppliers and products.

Further, the SP&L Approach complements and contrasts with the work developed on Social Return on Investment, by pragmatically assessing performance efficiency associated to resource allocation, rather than mobilizing valuation coefficients, in order to facilitate decision-making.

COMPLEMENTING EXISTING DATA AND FRAMEWORKS

The review of existing methodologies, databases, literatures and experimentations internationally has been essential to avoid redundancy and strive for complementarity (see in Annexes).

We reviewed six types of documentation: social reporting, social databases, job quality frameworks, social impact measurement experimentations, guidelines and frameworks (*including* life cycle costing, social life cycle assessment, social life cycle inventory and life cycle sustainability assessment) and international surveys.

To strengthen complementarity, we turned to methodologies with harmonization potential, which could constitute and provide social reporting norms within the fashion industry, and beyond (see in Annexes)

We selected four types of frameworks to integrate within the SP&L.



For the metrics and reporting step, we chose to integrate the proposition for harmonized reporting provided by:

- The World Economic Forum's 2020 white paper "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation", based on a harmonization of the GRI, CDP, CDSB, IIRC and SASB reporting
- Job Quality frameworks (OECD, as well as analysis by Philippe Aghion and Richard Blundell on what constitutes a "*good job*" and the associated criteria.)

For the evaluation process, we aligned ourselves on both the evaluation processes provided by:

- Social auditing referential (SMETA, SEDEX)
- The evaluation process provided by the UN & LCA Initiative Guideline for Social Life Cycle Assessment (2020)

PEER REVIEW AND CRITICAL REVIEW

Throughout the tool conception and implementation, two academic advisors and their research teams provided a continuous insight regarding the SP&L (Philippe Durance, Economist, Prospective and Sustainable Development Chair, Conservatoire National des Arts et Métiers), and Andrée-Anne Lemieux (Head of Sustainability, IFM-KERING Sustainability Research Chair). Additionally, a bi-annual insight was provided by Collège de France Economist Philippe Aghion.

A total of twenty-five interviews were conducted before the first pilot and proof of concept.

Sets of peer review interviews were organized:

- One once the initial concept was approved internally in order to gain a first set of feedbacks which included interviews with professionals from our industry, experts on environmental and social impact assessment.
- The second set of interviews included conversations with international organizations (WFTO, BSR, Reporters Sans Frontières, BLAB, OECD, DEMOS, Planète Urgence, SEDEX), auditing partners and experts (ELEVATE, SGS), industry-related organizations (Fédération de la Haute Couture et de la Mode), Richemont, social enterprises (SeeMe) and corporations advanced when it comes to social impact initiatives (Michelin).
- A follow-up peer review one year after the first one to confirm alignment and further feedback from a selection of experts.

The Sustainability team at PricewaterhouseCoopers (PwC) Paris produced an initial and a follow-up critical review for the SP&L. They deemed the methodology robust, transposable, transparent and efficient. An industry test of the tool was organized and coordinated in 2022 by the FHCM (Fédération de la Haute Couture et de la Mode) in order to provide further feedback. PwC also had an active role in coordinating the Industry Consultation.

A close-up photograph of a person's hand holding a light-colored straw hat. A white ribbon with the 'Chloé' logo in blue script is wrapped around the hat. The person is wearing a white long-sleeved shirt with a dark cuff and a gold ring on their finger. The background is blurred, showing a yellow and black patterned surface.

APPROACH SUMMARY

3 —

STAKEHOLDERS & IMPACT SCOPE

STAKEHOLDERS

The UNEP (UN Environment Programme) defines social impacts as “consequences of positive and negative pressures on social endpoints and area of protection (i.e well-being of stakeholders)” (UNEP, 2020). Measuring impact on all applicable stakeholders is central to measuring, evaluating and integrating social impact into decision-making and improvement processes.

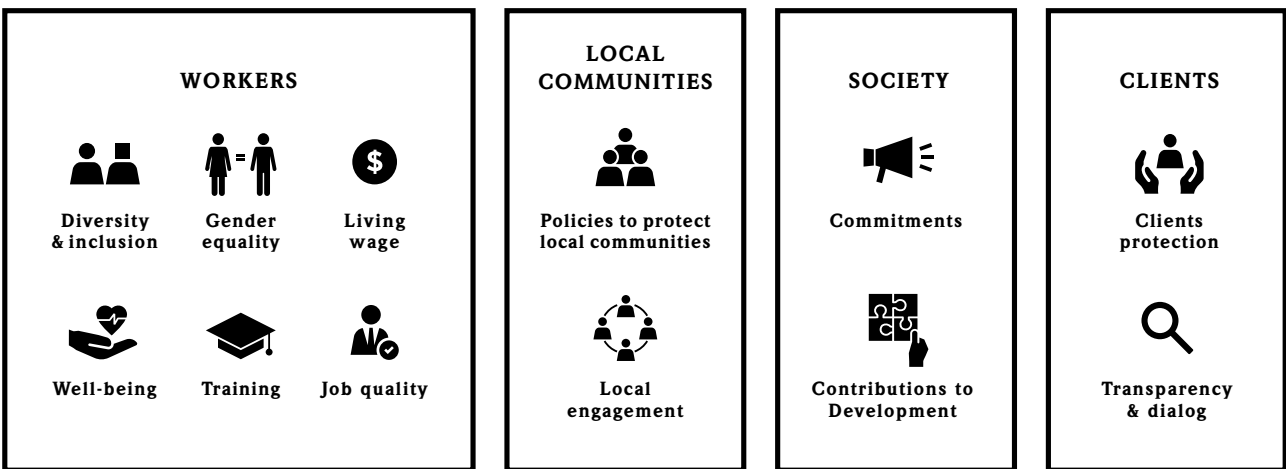
Aligning on the UNEP S-LCA proposition, six stakeholders groups were identified: workers, local communities, value chain actors, consumers, society and children.

The SP&L Approach accounts for four of those stakeholders:

- Workers
- Local communities
- Society
- Clients

The first focus of the methodology is on workers, both directly employed at the headquarters and operations, and employed by the company’s suppliers. In that way, the methodology focuses on workers directly involved in the conception, manufacturing, and distribution process of our products.

Beyond workers, we chose whenever possible and relevant to align our choice of stakeholders, impact categories and metrics on the existing social life cycle assessment (Life Cycle Initiative, UNEP, and Social Value Initiative, leading to the future ISO 14075 Social Life Cycle Assessment norm in 2024). When it comes to local communities, society, and clients, we directly aligned the data collected on UNEP 2021 Methodological sheets for subcategories in Social Life Cycle Assessment. When it comes to impact on society, we further aligned our criteria on upcoming B Lab criteria (2022 draft for their new upcoming standards).



STAKEHOLDERS

WORKERS

With the SP&L Approach, we estimate primarily our impacts on workers and employees mobilized on our products from sourcing to retail.



Impacts measured for	Stakeholder Focus	Impact Categories
HQ & Suppliers	Workers	Diversity & Inclusion
		Gender Equality
		Living Wage
		Well-Being
		Training
		Job Quality

LOCAL COMMUNITIES

When it comes to local communities, we aligned the data we collect on the UNEP proposition (2021). We uniformly estimate our operations impact on local communities, as well as our suppliers' impact on their own local communities.



Impacts measured for	Stakeholder Focus	Impact Categories
HQ & Suppliers	Local Communities	Local Engagement
		Policies to protect local communities

STAKEHOLDERS

SOCIETY

When it comes to impact on society, we aligned the data we collect on the UNEP proposition (2021) and the draft for upcoming B Lab performance criteria and new standards (2022) aimed to be published in 2024. Impact on Society is only measured in Tier 0 (direct activities and operations)



Impacts measured for	Stakeholder Focus	Impact Categories
HQ only	Society	Public Commitments
		Contribution to Development

CLIENTS

When it comes to impact on clients, we aligned the data we collect on UNEP (2021). Impact on Clients is only measured in Tier 0 (direct activities and operations).



Impacts measured for	Stakeholder Focus	Impact Categories
HQ only	Clients	Client protection
		Transparency & Dialog

IMPACT SCOPE

When it comes to impact on workers, the SP&L metrics are aligned with a selection of the WEF 2020 referential proposal, with the exception of the Job Quality, Know-How, Living Wage associated metrics, and the complementary metrics for the Gender Equality impact category. Metrics for impact on local communities, society, and clients are aligned on the S-LCA UNEP proposition (2020).

The SP&L approach includes twelve impact categories total with seventy-two associated metrics, including new metrics derived and adapted from UNEP S-LCA propositions (UNEP, 2021). In total, 45 metrics are allocated to assessing the potentially positive impact on workers (see below).

IMPACT CATEGORY	SP&L APPROACH ASSOCIATED METRICS	WEF REFENTIAL (2020)	S-LCA UNEP (2020)	B CORP DRAFT STANDARDS (FOR 2024)
Diversity & Inclusion	- Employee categories and representation (nationality, age, disability, gender) - Access to permanent contracts - Diversity policies in place - Disability policies in place	Percentage of employees per employee category, by age group, gender and other indicators of diversity	Equal opportunity	- Justice Equity Diversity & Inclusion - Company gathers and rates D&I statistics and manages D&I opportunities (operations focus solely)
Gender Equality	- Representation and share in management - Access to permanent contract - Representation at the board - Representation in workers committees - Pay gap	Pay gap	Not represented in worker's criteria	Integrated within D&I criteria
Living Wage	- Living Wage (based on Fair Wage Network's database, adjusted and non-adjusted living wages estimates) - Share of employees paid the living wage - Current workers' wages against the living wage	Not in the WEF proposition (as such)	Wages	Fair Wages paid in own operations, and actions taken to enable fair wages in the supply chain. Company takes meaningful actions to prevent wage disparities.
Health and well-being	- Access to well-being offer and services - Mobilization and participation to well-being best practices - Absenteeism	Employee well-being measured through employees' participation in best practice health and well-being programme, absenteeism rate	Benefits and social security	
Training	- Hours of training - Number of employees trained - Measured effectiveness of training (estimate) - Share of unskilled position - Intergenerational training (optional)	Training provided (average hours of training per person and by employee category, average training expenditure), number of unfilled skilled positions, and monetized impacts of training (increase earning capacity as a result of training intervention using investment in training as a percentage of payroll, effectiveness in training and development through increased revenue, productivity, employees engagement and internal hire rates.	Not represented in worker's criteria	
Job Quality	- Job Tenure - Promotion rate - Pay progression - Use of soft skills	Not in the WEF proposition	Not represented in worker's criteria	
Know-How	- Complex Technical skills - Traditional skills - Know-how transmission - Seniority	Not in the WEF proposition	Not represented in worker's criteria	

IMPACT SCOPE

In total, 27 metrics are allocated to assessing the potentially positive impact on local communities (9 metrics), society (9 metrics), and clients (9 metrics).

STAKEHOLDERS	SP&L APPROACH IMPACT CATEGORIES	SP&L APPROACH IMPACT METRICS	UNEP, S-LCA (2020)	B CORP DRAFT STANDARDS (FOR 2024)
Local Communities	Local Engagement	• Sharing of Local Hires • Policies on local hiring • Share of locally-based suppliers	Local employment	
	Initiatives & Policies in place to protect local communities	• Intellectual Property (if applicable) • Education Initiatives • Material Resource conflict prevention • Environmental management system • Policies in place to protect cultural heritage (if applicable) • Migrants integration (if applicable) • Delocalization prevention (if applicable)	• Access to material resources • Access to immaterial resources • Delocalization and migration prevention • Cultural heritage protection • Healthy and safe living conditions • Respect for Indigenous Rights	
Society	Public commitment to Sustainability	• Public Commitment to Sustainability • Principles and Codes of Conduct • Commitment & actions to prevent corruption • Internal and external controls to prevent corruption • Lobbying is aligned on mission and values	• Public Engagement on Sustainable development topics • Prevention and Mediation of Armed Conflicts • Corruption Prevention • Ethical Treatment of Animals	• Collective Action • Multi stakeholder-collaborations • Active promotion of the advancement of social and/or environmental impacts • Public Policy promotion to advance social and/or environmental impacts • Practicing through leadership to drive change
	Contribution to Development	• Contribution to Economic Progress • Partnership in research and development • Investments in technology development / transfer	• Contribution to Economic Development • Technology Development • Poverty Mitigation	• Collective Action • Mentoring • Funding Research
Clients	Protection	• Client health and safety assessment • Internal management systems to protect client's privacy	• Health & Safety • Privacy Protection	
	Dialog	• Feedback mechanism • Improvement • Customer satisfaction surveys • Publication of a Sustainability Report • LCA Results Communication • Clear communication of end-of-life options to clients	• Feedback Mechanism • Transparency • End-of-life Transparency	

A photograph of a person in a dark long-sleeved shirt, glasses, and a white face mask working on a light-colored garment on a table in a factory or workshop. The person is leaning over the table, focused on their work. In the background, another person wearing a mask is visible, and the ceiling has fluorescent lights. The foreground is blurred, showing parts of a white garment and a dark object.

USER GUIDE 1.0
PROCESS & STEPS

STEPS OVERVIEW

There are five steps composing the SP&L.

1. The first step is a pre-requisite: an overall mapping process based on documentation, auditing results, and certifications.
2. The second step is communication of a self-assessment document to suppliers in order to measure their potentially positive social impacts. The time of completion is estimated between two weeks and one month from reception. The same self-assessment should be filled by the corporation.
3. The third step is a data verification process, an estimation by external auditing partners of the reliability level of information communicated in the self-assessment.
4. The fourth step is the evolution and impact quantification based on five levels of practice, with a grading reflecting the level of social practices, from worst to best practices.
5. The fifth step is a visualization of the impacts evaluated at four levels: product, collection, supplier, and entity (Chloé).

Steps 4 and 5 are currently being systematized through a BI tool, with Google Cloud Platform (GCP), linked to a dashboarding tool (Looker studio) allowing us to visualize the results of the SP&L's: overall score, score per impact category, improvement areas and best practices using individual metrics (top five and bottom five practices per stakeholder evaluated) and number of mobilized workers per product and collection.

The sixth and last step is to take action, including reporting social impact data, monitoring social performance, directly and over time, accompanying suppliers to encourage improvement in social practices.

OPEN-SOURCE AND DOCUMENTATION

The forms of documentation mobilized through the SP&L process and made available on chloe.com are the following:

- Letter of introduction to introduce and clarify the process to suppliers
- Self-assessment: digital self-reporting process sent to suppliers via email, and/or completed at the operations level (headquarters)
- Data verification format
- Excel base for evaluation
- Visualization scoreboard

The supplier visualization scoreboard contains information regarding social certifications and/or audit results in order to co-visualize the level of social risks together

with the level of positive social practices. The dashboarding is accessible to every IT team by the interfacing of product data management tool and the dashboarding tool, allowing more informed decision-making.

We made available the methodology for brands IT teams to adapt the code by providing a [github link](#) within the formats provided on chloe.com, alongside measurement and evaluation formats.

Please find the resources, measurement, evaluation, visualization and code formats on chloe.com. For any question please contact sustainability@chloe.com.



STEP 1: SOCIAL AUDITING

The SP&L has been conceived as a logical continuation to social auditing, and although the two assessments are meant to be read as distinct results, they are complementary in many ways, including:

1. The selection of topics covered enables a complete picture of social performance of the supplier (decent working conditions, potential positive impact)
2. The same external partner and internal staff are involved, ensuring good knowledge on suppliers and enabling synergies in the process (collecting the data at the same time).

The SP&L is meant to be communicated in a conjoined way with the audit score: internally, both at the supplier level and at the product level, the SP&L Approach dashboard presents both the audit and the SP&L score.

In that way, each brand performing an SP&L should:

1. Align the SP&L with at least a supplier mapping or a traceability process,
2. Make sure that the SP&L is not launched independently from social auditing

We further recommend to align the SP&L within the same timeframe and with the same stakeholders as the social auditing process.



STEP 2: DATA COLLECTION & MEASUREMENT

Data is collected yearly from all active suppliers and at the operations (headquarter) level through a digital self-assessment (available on chloe.com). The process is introduced via an introduction letter or call to suppliers introducing and clarifying the purpose of the data collection. The data is self-reported, with a clear mention of the possibility of a data verification process with an auditing partner. The current process is to send out a digital document enabling direct evaluation and visualization of results upon completion.

The survey has four parts: one covering diversity & inclusion, fair wages and gender equality, the second covering well-being, the third one covering training and job quality, and the fourth and last one covering the impact on local communities.

The last page (additional information) gathers essential elements such as: remarks regarding the partnership with the brand, workers mobilized by collection and by product reference (with an example of two to several product references), whether or not jobs were created or destroyed within the year and partnership with Chloé, certifications and documentation to attest of the level of social practices (SA8000, B Corp...), and additional information the supplier wishes to highlight when it comes positive social practices. The extent of the data collection depends on the number of employees per organization: if there are thirty or less employees, the organization fills a lighter version of the survey (20% less data collected, including data regarding policies and initiatives).



The metrics are presented with tables formats in order to make the data competition as straightforward as possible. The documentation is shared in several languages to facilitate communication and understanding throughout our value chain, and specifically at the supply chain level. Definitions, as well as a global glossary is made available and translated into each language to facilitate data completion. Key documentation is demanded of suppliers during the data collection process in order to facilitate the data verification process when it comes to policies and initiatives specifically.

STEP 3: DATA VERIFICATION PROCESS

The data verification process is a mandatory step in order to insure that any data collected, processed and potentially communicated is valid and not a false allegation. In order not to create any bias, we created with our social auditing partner a remote and adaptable process.

The information is verified in two ways:

- Non-personal data is uploaded on the auditor's platform
- Personal information is checked directly during the remote call in order to preserve confidentiality

The auditor fills in, per information category, the following elements:
type of documentation provided by supplier, methodology or thought process applied (if relevant), validating the data, detail, and observations.

We recommend that the organization launching an SP&L within a given perimeter launch, for the first year, a data verification process for 100% of the scope, then a data



verification process for 30% (minimum) of the suppliers filling out the self-assessment, based on a verification sample including geographical representation of the company's supply chain within the sample, and representation of common supplier size.

Variation identifications with previous years and trends between sites or specific social topics should monitored, with a rule of variance starting at 20%. Any variance identified beyond 20% should lead systematically to a demand for supporting documentation.

STEP 4: PERFORMANCE EVALUATION

GRADING PROCESS

The choice of a 1-5 performance rating scale enables a three-dimensional view on the performance level on each topic, and provides some degree of granularity regarding the positive social impacts.

The evaluation is realized with an ascending scale from 1 (below average practice) to 5 (best possible practice). We consider that grades 1 to 3 to highlight a low level of positive practices. We consider that a result from 3 to 3.5 is neither negative nor positive, representing a level of average practices. We consider that results from 3.5, and up to 5 represent good practices, or beyond average social practices. We consider, lastly, that results equaling 5 represent practices close or equivalent to best practices in the fashion industry.

The evaluation process is realized at the:

- Metric level
- Impact category level
- Overall or activity level

You will find on chloe.com the detail of the grading system for each metric.

The evaluation is realized systematically and automatically, based on an evaluation grid, and using Google Cloud Platform (GCP) and Looker Studio. The code mobilized to adapt and implement the evaluation and visualization process are available on chloe.com ([githublink](#)). The fully digitalized process was created in order to avoid any form of potential error or bias during the evaluation of the quantified data, and to facilitate the analytic process.



STEP 4: PERFORMANCE EVALUATION

EVALUATION RATIONALES

The SP&L totals seventy-two metrics, divided into six impact categories for workers, two impact categories for the impact on communities, two impact categories for impact on society, and two impact categories related to the impact on clients. Metrics are evaluated in terms of social performance (1-5) following five evaluation rationales:

1. National Representation

Some metrics cannot be measured the same from country to country. They have been adapted based on local demographics and customs. For instance, the population in Madagascar is much younger than in Europe, so the “% of employees 50 or older” should represent this gap. Those metrics are country-dependent and we have developed independent tables per country in order to reflect this. Evaluation intervals are thus adapted country to country.

1. No correlation between country representation data and organization representation data
2. Low correlation between country representation data and organization representation data
3. Close representation between country representation data and organization representation data
4. Exact correlation between country representation data and organization representation data
5. Balanced over-representation between organization representation data and organization data (within 10%)

Focus: Living Wage Evaluation.

Chloé chose the Fair Wage Network referential to measure and evaluate the payment of living wages for their suppliers. Fair Wage Network provides two levels of evaluation for living wages: non-adjusted living wage (in this case, the individual worker's salary must fully cover the needs of his or her family), and adjusted-living wage (in this case, the salary of the worker is added to other income earners in the family to cover his/her family needs). In both cases, Fair Wage Network advises to take into account the needs of a typical family composed of two adults with a number of children along the national fertility rate. Fair Wage Network provides living wage levels at national, regional and city level in a majority of cases. However, for the SP&L, since we are aware that multiple standards are currently used within (and outside of) the fashion industry, we created an evaluation process which enables brands to provide their own data while evaluating living wages, see the proposed scale below:

1. Wages more than 10% below the adjusted living wage
2. Wages below the adjusted living wage (but no more than 10%)
3. Wages at adjusted living wage
4. Wages above the adjusted living wage but below the non-adjusted living wage
5. Wages at or above the non-adjusted living wage

STEP 4: PERFORMANCE EVALUATION

EVALUATION RATIONALES

2. Coverage

This set of metrics evaluate the level of access: to permanent contracts, to best practice well-being programs and to training. The metrics are scored from 1 to 5 in a perimeter extending from 0 (no access) to 100 (the entire workforce benefits from access). Three types of metrics are evaluated this way:

- The metrics related to the access to permanent contracts by population type (women, non-nationals, age factor, handicap status) in complement to the metrics evaluated in social auditing (share of workers who have access to permanent contracts)
- The metrics related to the access to “best practice” health and well-being programs (metric aligned on the proposition from the Embankment Project), complementarily to the social auditing metric of access to basic medical care, and training
- The metrics related to training: for instance the share of trained employees metrics which are complementary to social auditing’s metrics regarding the risk-based training offer.

Evaluation example: this is how we evaluate permanent contracts for women.

3. Gradation towards equality

Are measured with the “gradation towards equality” rationale metrics that reflect the gap (or lack thereof) in practices depending on worker’s profile and characteristic (ie gender, age, etc). For instance, the gap between men’s and women’s salary for a similar job position with similar competences and experiences.

Evaluation example: this is how we evaluate the lack of pay gaps.

Pay level evaluation:

Metrics related to wages are evaluated mobilizing a range from 0 (unequal, or partial pay level) corresponding to grade 1 out of 5, to 1 (equal, or fully corresponding pay level) corresponding to a grade of 5 out of 5. 1 corresponds to a total inequality and non-match, while 5 corresponds to a total parity and a best practice.

STEP 4: PERFORMANCE EVALUATION

EVALUATION RATIONALES

4. Maturity Level

This evaluation rationale is relevant for the evaluation of the implementation and level of advancement for policies, programs and initiatives. We consider a positive practice the deployment of initiatives and policies with improvement iterations, and best practices when there is an associated reporting for transparency enabling comparison over time in order to further improve practices. Size rule: the maturity metrics are only evaluated when the organization has more than 30 workers.

Example: this is how we evaluate disability policies.

Case	Associated Grade
• Policy, program or initiative does not exist • No actions are taken	1
• Policy, program or initiative has been defined or outlined but is not yet fully in place • No action is taken, or an action is taken without reporting or monitoring	2
• Policy, program or initiative is fully in place and communicated to stakeholders • No action is taken, or an action is taken without reporting or monitoring	3
• Policy, program or initiative is fully in place and communicated to stakeholders • Actions are regularly taken to improve the impact of the policy, program, initiative, but no regular reporting is in place	4
• Policy, program or initiative is fully in place and communicated to stakeholders • Actions are regularly taken to improve the impact of the policy, program, initiative, but no regular reporting is in place	5

Beyond means, we also created an rationale to evaluate ends when it comes to training initiatives: when one or several positive and correlated effects can be observed, a multicriteria choice creates the possibility for organizations to select one or several option (for instance when it comes to effectiveness of training: increased revenue, productivity gains, employee engagement and/or internal hire rates, which are then verified through data verification processes). The scope of observed positive effects is rated from 0 (no positive effect observed) to 5 (plural positive effects observed and registered).

5. Binary

In some cases, a binary evaluation method can be used for metrics related to the existence and implementation of inclusive policies (gender, disability, diversity and inclusivity), especially for impact categories such as local communities, society, and clients. The grading process is the following: the application of a binary analysis (yes/no, existent/non-existent, implemented/not implemented) with a grade being either a 1 (no) or a 5 (yes). This is only relevant whenever a gradual evaluation is either non relevant or not feasible.

Example: Has your company designed, signed and implemented a code of conduct, integrating the social and environmental dimensions?

STEP 4: PERFORMANCE EVALUATION

MANDATORY DATA

A majority of the data is mandatory and must be completed by production sites.

Mandatory metrics rules: if mandatory metrics are not completed by the organization, they are given a grade of 1. All gender equality and living wage metrics are automatically mandatory as they constitute a high priority for the fashion industry.

Optional data rules: if optional metrics are not completed by the organization, they are left blank and not taken into account when calculating the organization's grade.

Scenario 1 – Small organizations (less than 30 workers): organization-specific metrics such as «board representation» and «worker committee/union», as well as metrics evaluated in terms of maturity (policies, initiatives) are considered optional.

Scenario 2 – HQ-only metrics which are not mandatory for suppliers

EVALUATION WEIGHTING RULE

Aggregate score. Inside each SP&L aggregated score, the grade is calculated as the average of the grades of each category.

Impact category score. Each impact category is evaluated independently, and will have one individual grade. This means that every category has initially the same weight, no matter how many metrics are in that category. To reflect the priorities within the fashion industry, after a consultation, the choice of

ponderation at the impact category level is to create a weighting differentiation in favor of gender equality and living wage (2v1) compared to the other impact categories, to reflect the industry priorities.

Metric score. At the metric level, the ponderation is of 1 between each metric and following the same grading system.

The multi-tiers evaluation enables a visibility of nuances between impact categories, and between individual types of practices (for example: gender equality, and within the gender equality category: “representation on the board” has a score that might be different from the performance score given to “share of women present on the board”) which guides the choices in terms of decision-making's timeline and set priorities.

At the product level, where T0 (operations), T1 (assembly), T2 (semi-finished and embellishments), T3 (raw material transformation) & T4 (raw material extraction) are represented and where every organization mobilized on a product is taken into account in the final aggregated score, the ponderation is creating using the number of workers directly mobilized on the product reference. The total aggregated score, taking into account all three sites of production, will be divided by the total number of employees mobilized.

STEP 5: PERFORMANCE VISUALIZATION

The purpose of the visualization process is to guide decision-making towards optimization at both lifecycle and value chain levels. Once the data is completed on the digital survey form, the social data is directly evaluated and automatically translated visually on a dashboard:

- At the headquarters or operations level
- At the supplier level
- At the product level

The initial SP&L version mobilizes Google Cloud Platform (GCP), a BI & analytics serving dashboards for in-depth, consistent analysis in order to avoid mistakes and provide a consistent analysis. GCP allows a real-time data processing, and constitutes an essential step in the visualization process. An Excel file for input/output file in an effort to harmonize and centralize all feedback and SP&L results from operations and suppliers.

While the SP&L does not cover decent working conditions itself through the process, but focuses on positive impacts, the visualization includes audit score at every level: organization and product through the completion on GCP or any social risk information or auditing information.

The visualization offers a granularity:

- Audit score covering decent working conditions
- Overall performance score (aggregated)
- Score per impact category
- Score per metrics, with best practices and necessary improvement showcased.

Other direct available information are: the number of workers mobilized by collection, the number of workers mobilized by product reference (in average), and a List of references the supplier has worked on – and *link* to access the visualization per product reference.

STEP 5:
PERFORMANCE VISUALIZATION

Through the first version of the SP&L approach was created a visualization tool which synthesizes essential elements for decision-making and optimization, by creating the basis for a multicriteria performance scoreboard, including certifications et audit scores, to facilitate access, reporting and accounting.

Please find below an example of the representation of the organizations and product scorecards.



Organization Dashboard — example

STEP 5:
PERFORMANCE VISUALIZATION

PRODUCTS
Product Ref Listing



SP&L SCORE

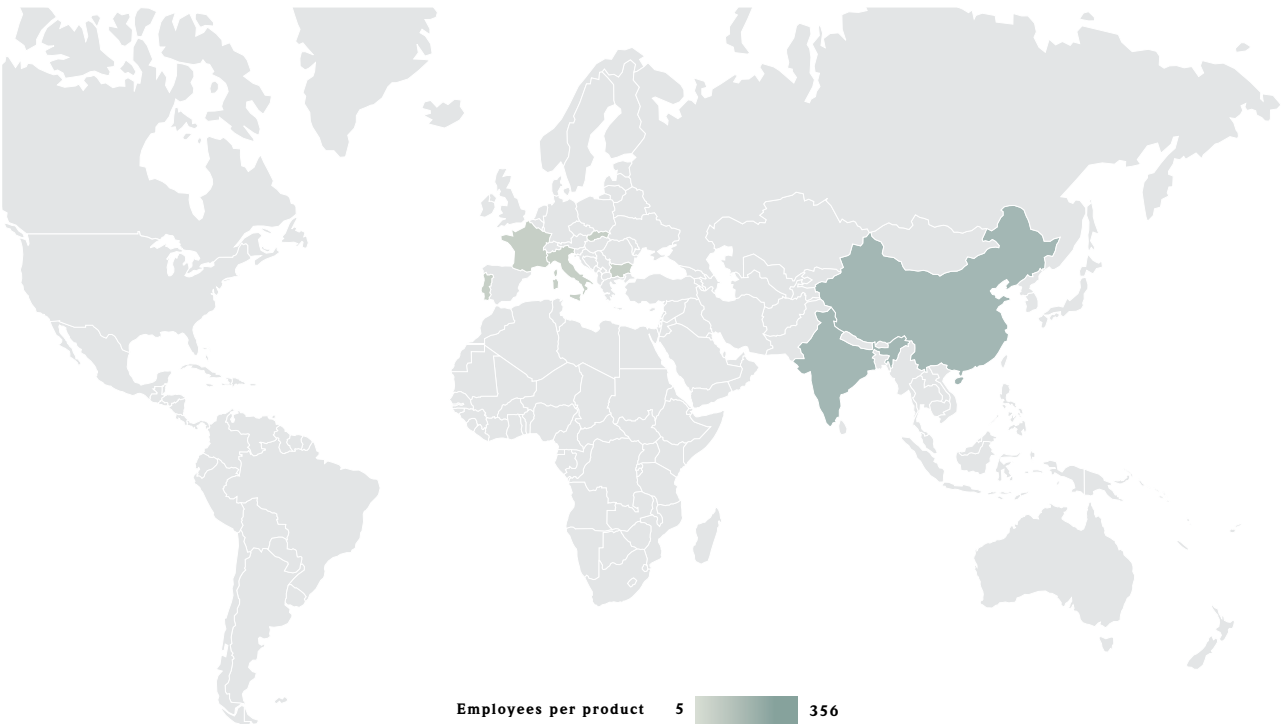


SOCIAL AUDIT
SCORE
A

Organization	SP&L Score	Employee per product
Supplier 1	3.8	356
Supplier 2	3.9	214
Supplier 3	3.7	104

Organization	Audit
Supplier 1	A
Supplier 2	A
Supplier 3	A

LOCALIZATION



TAKING ACTION

The aim with the SP&L was to provide additional insight for decision-making and to better accompany change within our supply chain.

In that way, the steps to take after visualization are the following:

1. Communicate key information and results to suppliers
2. Define a capacity-building plan based on SP&L KPI with suppliers
3. Monitor change and organize yearly evolution monitoring
4. Train internal teams to anticipate data collection, monitoring, and discussion with suppliers.

The SP&L approach is by nature exploratory and evolutive. It is intrinsically meant to evolve over time as socio-economic situation by country, regulations, but also industry standards such as social labelling regarding social impact evolve. Living wage, which is one of the key item measured in this methodology, has not yet a single international recognized standard.

The methodology will be regularly updated. Other key topics which we aim to include in a future iteration of the methodology are value sharing, value distribution and value redistribution which we aim to include in a “value chain partners” new stakeholder category. Further, current progress in traceability will more than likely further the possibilities to get additional insight and better manage positive social impact within supply chains. We hope this leads to a systemization of performance measurement



and monitoring in the longer run.

The creation of the SP&L approach created an opportunity to discuss best practices at the industry level related to social impact. As these discussion continue, we hope and anticipate that they will also contribute to ambitiously progress forward. We hope that our approach can be further integrated into social auditing processes, in discussion with supply chain partners in order to avoid too much extra work.

With the SP&L we strived to systematically fill the gap between social and environmental impact measurement and management, and to consider together social and environmental performances. We welcome change, progress and conversation to continue this journey together. Please do not hesitate to contact sustainability@chloe.com

ANNEXES

LITERATURE REVIEWED

SOCIAL REPORTING & RETURN ON INVESTMENT

- GRI (Global Reporting Initiative)
- CDSB (Climate Disclosure Standards Board)
- IIRC (Integrated Reporting Initiative)
- SASB (Sustainability Accounting Standards Board)
- World Economic Forum - Toward Common Metrics and Consistent Reporting of Sustainable Value Creation (White Paper, 2020)
- The Embankment Project for Inclusive Capitalism (EPIC)
- Social Return on Investment (SROI, 2012 Guide)
- UN & LCA Initiative Guideline for Social Life Cycle Assessment – PSIA working group (product life cycle analysis)

SOCIAL DATA(BASES) & INDICATORS

- United Nations – SDGs guidelines
- UNECE – Statistics on Population
- UNESCO – Statistics on Education, Literacy, Gender in Education
- ILO – ILO Stats, Decent Work framework
- OECD – Social Welfare & Expenditure, Employment, Job Quality
- World Bank – World Bank open data

JOB QUALITY FRAMEWORKS & RESEARCH

- EU Laeken indicators of job quality, 2001
- Business Europe indicators of job quality, 2001
- European Trade Union Institute ETUI Job quality index, 2008
- EU Employment Committee (EMCO), 2010
- The International Labour Organisation (ILO) Decent Work Indicators, 2012
- Eurofund, 2012
- UNECE Job Quality Framework, 2014
- OECD Job Quality Framework, 2015
- Aghion, Blundell, ongoing work on the nature of good jobs, 2020-present

INTERNATIONAL SURVEYS (FOCUS ON WORKERS)

- European Working Conditions Survey
- European Quality of Life Survey
- The European Union Labour Force Survey ad hoc modules
- International Social Survey Programme
- Gallup World Poll
- EWCS/O*Net

GUIDELINES & FRAMEWORKS

- ISO Norms - Guidance ISO 26000-2010, ISO 45001: Occupational Health & Safety, ISO14001: management of environmental management, ISO9001 quality management, ISO 14040-2006 Environmental management – LCA
- United Nations – SDGs and guidelines on metrics
- OECD Policy Brief on social impact measurement
- UN & LCA Initiative Guideline for Social Life Cycle Assessment
- UNECE Human Capital Guide
- BSR Gender Data and Impact Tool
- Handbook for Product Social Impact Assessment, Roundtable for product social metrics, Pré Sustainability in partnership with UNDP, SAI, ILO

CHLOÉ: EXISTING DATA FOR THE SP&L

- Social Auditing Cycles
- HR Data
- B Corp
- Traceability data

Metrics & Reporting

JOB QUALITY FRAMEWORK

OECD, EU, BUSINESS EUROPE, ILO, UNECE, Aghion & Blundell

HARMONIZED SOCIAL REPORTING

Harmonization work by the World Economic Forum
GRI, CDP, Climate Disclosure Standards Board (CDSB), International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB)

Evaluation

SOCIAL AUDITING REFERENTIALS

ILO, SMETA (SEDEX)

SOCIAL LIFE CYCLE ANALYSIS

UN & LCA Initiative Guideline for Social Life Cycle Assesment, PSIA (product life cycle analysis)