



**GOOD FASHION FUND**

# **IMPACT FINANCE FOR A CIRCULAR TEXTILE SUPPLY CHAIN**

**FACTSHEET GOOD FASHION FUND**

**JULY 2020**

## INTRODUCTION

The Good Fashion Fund is a first-of-its-kind initiative to create systemic change in the textile & apparel industry by financing the implementation of highly impactful & disruptive production technologies in Asia.

## PARTNERS

Laudes —  
— Foundation

**FOUNT**  
SHAPING IMPACT SOLUTIONS

 Sustainable  
Apparel Coalition

 the  
mills

fabrica  
南豐作坊

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## CHALLENGES

The current processes in garment supply chains have severe negative environmental and social impacts. Current fashion supply chains are extremely polluting and wasteful; widespread social issues such as low wage levels and gender inequality exist and circular innovations are not yet being adopted at scale by manufacturers. There are sustainable solutions available, but they lack the capital to scale up their technologies within existing supply chains.

## OBJECTIVES

The Good Fashion Fund addresses this gap by connecting the most promising impact technologies to the industry to collaboratively tackle its challenges. We enable manufacturers in the apparel supply chain in Asia (mainly India, Vietnam, Bangladesh) to invest in circular innovations, delivering both economic growth and good fashion practice across the Five Goods:

### GOOD WATER

Increase treated  
wastewater / decrease  
consumption  
SDG 6

### GOOD ENERGY

Reduction in energy use  
SDG 7

### GOOD ECONOMY

Revenue growth  
SDG 8 & 9

### GOOD MATERIALS

Avoidance of waste and  
hazardous chemicals  
SDG 9 & 12

### GOOD LIVES

Fair jobs created,  
improved (gender-based)  
working conditions  
SDG 8

The Fund aims to demonstrate how to invest beyond sustainability and the goal is the adoption of recyclable and safe materials, renewable and efficient energy, closed loop manufacturing and the creation of fair jobs and growth by apparel manufacturers.

## FUND CAPITAL STRUCTURE AND ANCHOR INVESTORS

The Good Fashion Fund, established as a Dutch limited partnership, has a so-called blended capital structure comprising of three different risk/return layers: Junior Equity/first loss, Senior Equity (preferred return of 2%) and a Senior Debt tranche. The fund has a 2/1 equity to debt ratio.

Laudes Foundation (formerly C&A foundation) is an anchor investor alongside The Mills Fabrica, with an initial 'close' in September '19 of USD 12.4m junior equity capital. The GFF term is 10 years with an investment period of 5 years. With Rabobank as an additional investor, the Fund's size is currently around USD 19m, the target size is USD 60m.

## KEY RATIONALE TO INVEST IN JUNIOR OR SENIOR EQUITY TRANCHE

- **Substantially contributing to social and environmental impact of apparel and footwear manufacturing, contributing to multiple SDGs:**  
Covers the 5 Goods as well as SDG # 6,7,8,9,12
- **Contributing to systemic change in the apparel and footwear supply chain.**  
Enabling manufacturers in Bangladesh, India and Vietnam to invest in the implementation of high impact and disruptive technologies
- **Unique Industry network securing strong deal flow.**  
Unmatched access to relevant SME manufacturers and cutting-edge innovations
- **Catalytic, blended fund capital structure.**  
Every Equity investment catalyzes additional Senior Debt (2 to 1 ratio)
- **Significant committed capital in place,**  
USD 12,4 m Junior Equity committed as first loss, Senior Debt tranche in final stage of loan documentation.

## FUND CAPITAL STRUCTURE AND ANCHOR INVESTORS

GFF provides long term USD debt loans to exporting investees in the range of USD 1 to 5 million. GFF's loan should result at least in 50% reduction of one of the 3 relevant Goods (Materials, Energy and Water). Typically investments relate to capital-intensive and high-impact equipment for dyeing, washing, printing and waste water treatment.

As part of the process, GFF creates a joined action plan with the investees for improvement on social & environmental matters which is part of the loan documentation. GFF, by means of its own contacts but also through its cooperation with Fashion for Good, provides access to new technologies, brands and other relevant stakeholders in the apparel supply chain.

## IMPACT

Our impact methodology is based on the best market standards, thanks to partnerships with leading organizations in the field of environmental and social impact. GFF uses the Higg-index, a widely accepted and adopted environmental index for the apparel industry in its assessment.

A key objective of the Fund is also to contribute to the improvement of workers conditions and workers rights within the industry, to start with the demonstration of improvement within GFF's investees. We work with dedicated local and international partners to implement, measure and monitor the improved social conditions during the long term of our investment.

## THE GENERAL PARTNER

The GP is Good Fashion Fund GP B.V., a Dutch private limited liability company incorporated in the Netherlands 100% owned by FOUNT. FOUNT, the Fund Manager, provides ample investment and fund management expertise in emerging markets and partners with Fashion For Good as Sub Advisor, which provides unrivalled industry network and technology knowledge.

We work closely with our partners including brands, manufacturers, E&S experts, NGO's, technical experts, Sustainable Apparel Coalition.

## THEORY OF CHANGE

**VISION:** We enable manufacturers in the apparel supply chain to invest in circular innovations, delivering both economic growth and good fashion practice across the Five Goods.

### CHALLENGES:

- Current fashion supply chains are extremely polluting and wasteful
- Widespread social issues such as low wage levels and gender inequality exist
- Circular innovations are not yet being adopted at scale by manufacturers

### WHO WE WORK

**WITH:** Brands, Manufacturers, E&S experts, NGO's, Technical experts, SAC, other Apparel Organisations.

**OBJECTIVE:** Asian apparel manufacturers to adopt sustainable production

**WHAT:** Long-term USD debt plus technical, environmental and social expertise to Asian apparel manufacturers

### IMPACT: THE FIVE GOODS

#### GOOD WATER

Increase treated wastewater / decrease consumption  
SDG 6

#### GOOD ENERGY

Reduction in energy use  
SDG 7

#### GOOD ECONOMY

Revenue growth  
SDG 8 & 9

#### GOOD MATERIALS

Avoidance of waste and hazardous chemicals  
SDG 9 & 12

#### GOOD LIVES

Fair jobs created, improved (gender-based) working conditions  
SDG 8

**GOAL:** Mainstream adoption of impact technologies and good fashion practices by apparel manufacturers

## FOR MORE INFORMATION, PLEASE CONTACT

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