

ABF ESG Investor Briefing: Primark & Sustainability

Friday 17 September 2021



How
Change
Looks

Primark Cares launch



ABF ESG Investor Briefing series

March 2021

- First ABF ESG Investor Briefing

September 2021

- ABF ESG Investor Briefing on Primark & Sustainability

March 2022

- ABF ESG Investor Briefing on Environmental Factors



Primark overview

- One of the largest fashion retailers in Europe
- Growing presence in the US
- 398 stores
- Business model:
 - Scale
 - Highly efficient cost model
 - Value for the customer



Industry evolution



Opportunity



Agenda

Primark Cares Overview	08
Product Pillar	31
Planet Pillar	50
People Pillar	75
Financials	93



01. Primark Cares Overview



Primark Cares



Our opportunity



Our track record



Our proposition

- Same products at prices customers love – and now more sustainable
- Not priced at a premium
- Sustainability built in as a standard benchmark, not optional extra
- Customers want affordability and sustainability



Primark Cares overview

GIVING CLOTHES A LONGER LIFE



We will become a circular and more sustainable business

AFFORDABLE CLOTHES DESIGNED TO LAST

We will strengthen the durability of our clothes.

BY 2025



CLOTHES THAT CAN BE RECYCLED

Our clothes will be recyclable by design.

BY 2027



CLOTHES MADE OF RECYCLED FIBRES

All our clothes will be made from recycled or more sustainably sourced materials.

BY 2030



PROTECTING LIFE ON THE PLANET



We will nurture nature, halve carbon emissions and eliminate waste

HALVE OUR CARBON FOOTPRINT

We will halve carbon emissions across our value chain.

BY 2030



ELIMINATE NON-CLOTHING WASTE

We will eliminate single-use plastics and all our non-clothing waste.

BY 2027



RESTORE BIO-DIVERSITY

Our Sustainable Cotton Programme will use more regenerative agricultural practices.

BY 2030



IMPROVING PEOPLE'S LIVES



We will protect and improve the livelihoods and resilience of the people who make our clothes

CREATE FINANCIAL RESILIENCE

We will pursue a living wage for workers in the supply chain and support with financial literacy training and access to social protection.

BY 2030



PROMOTE EQUAL OPPORTUNITIES FOR WOMEN

We will strengthen the position of women through skills development and addressing barriers to progression.

BY 2030



IMPROVE HEALTH AND WELLBEING

We will ensure access to effective grievance processes and widen access to help for mental and physical wellbeing.

BY 2030



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Our strategic aims

01.

**Great products,
great prices, more
sustainable**



02.

**Accelerate pace
of change in carbon
reduction and circularity**



03.

**Build on Primark Ethical
Trade and Environmental
Sustainability programme**



Our commercial objectives

01 Maintain our price leadership

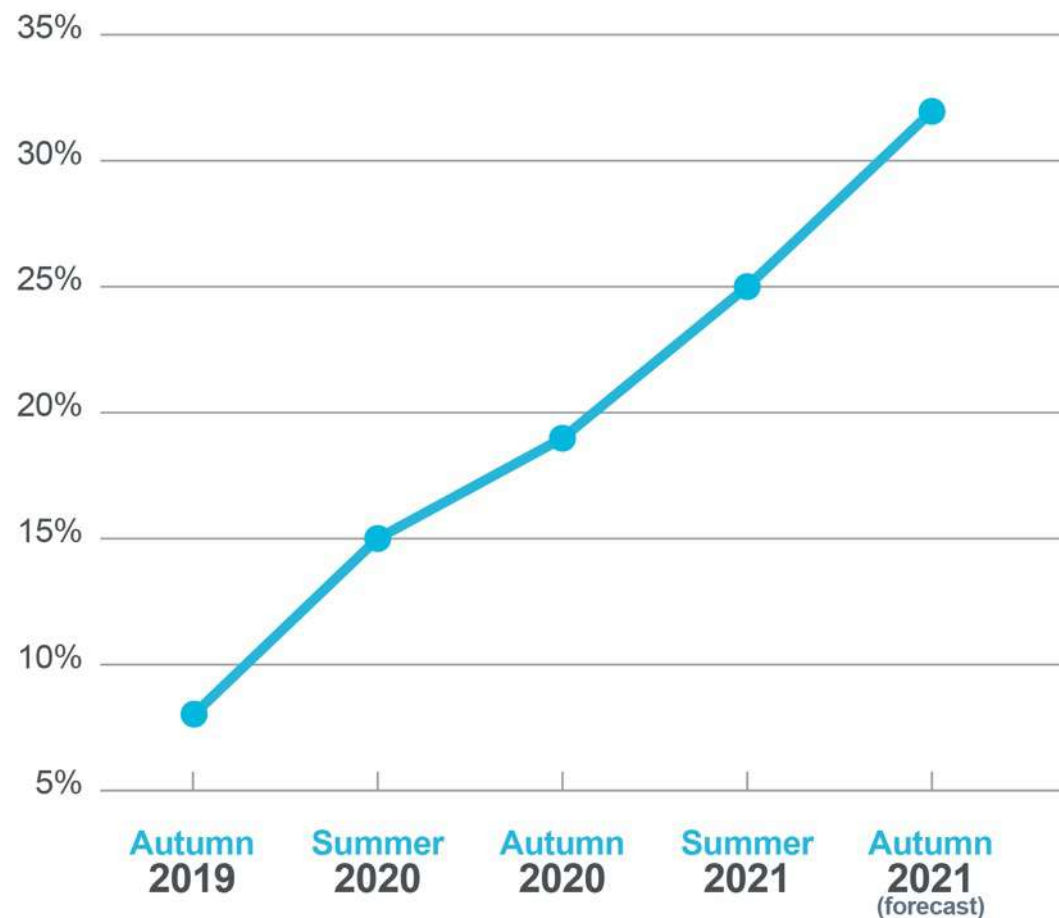
02 Drive growth by attracting reluctant consumers

03 De-risk the business



Primark Cares journey already underway

Primark Cares clothing, % of total units sold



Company forecast

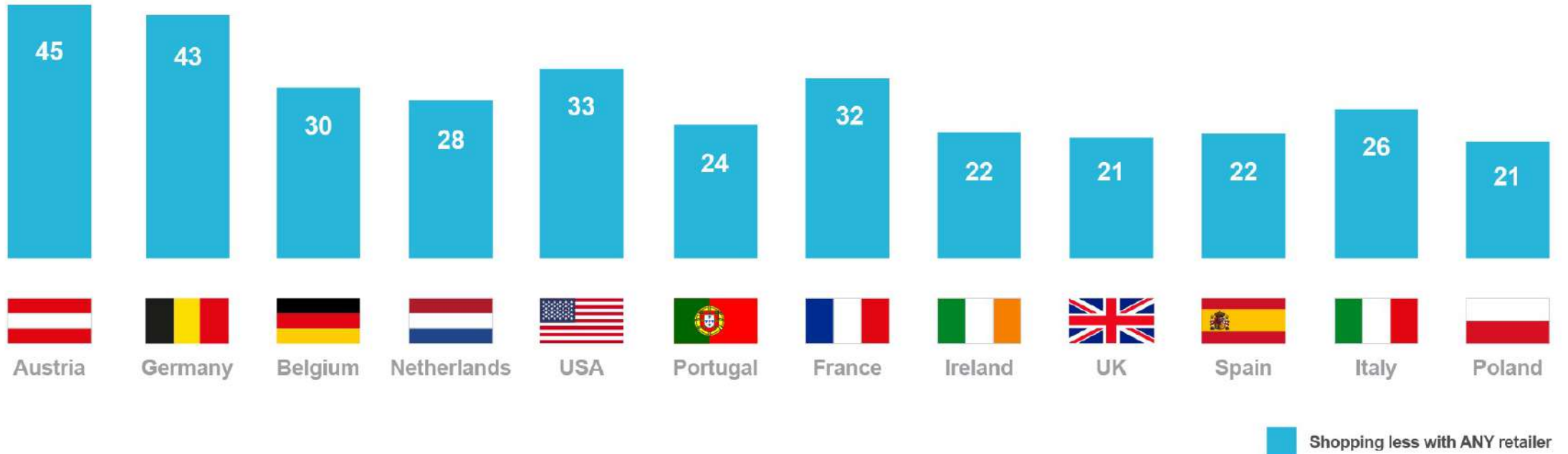


Market dynamics



Sustainability motivating retail choices

% no longer shopping/shopping less with retailers on sustainability grounds



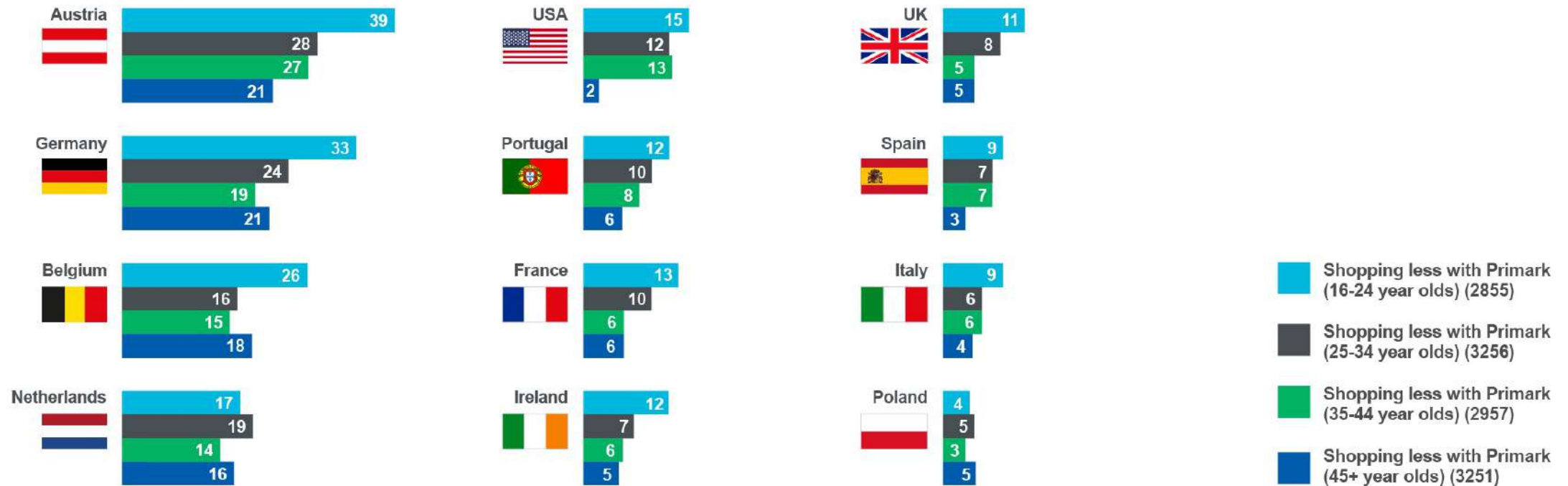
BASE: Total sample (1,000+ people per market)

Q: Are there any retailers you have either stopped shopping with altogether or shop with less often because you don't think they are responsible in terms of ethics or sustainability?

Market Measures, January 2020

Sustainability motivating retail choices

% no longer shopping/shopping less with Primark on sustainability grounds



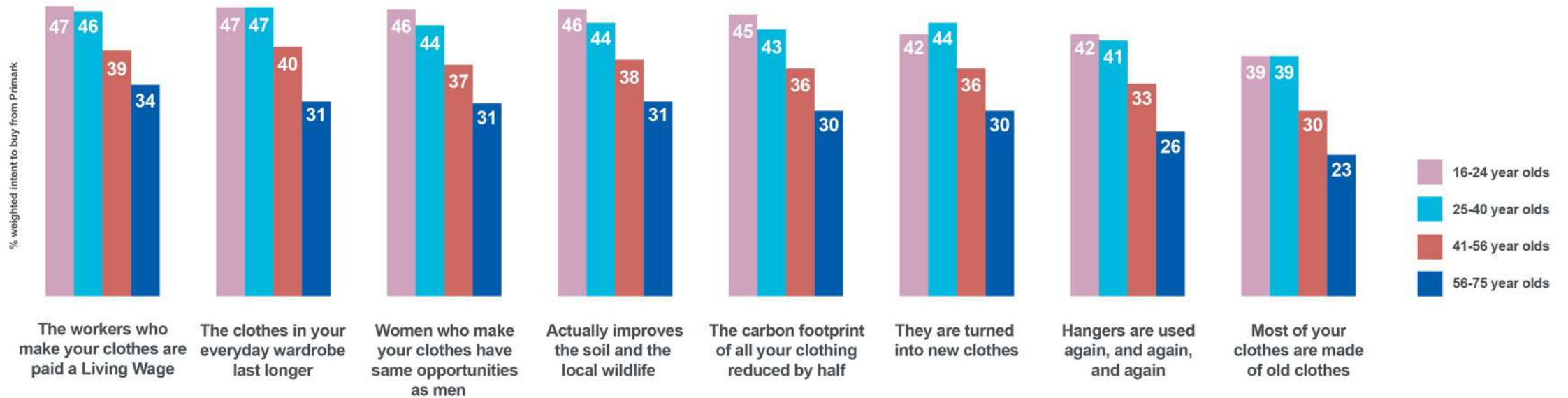
BASE: Total sample (1,000+ people per market)

Q: Are there any retailers you have either stopped shopping with altogether or shop with less often because you don't think they are responsible in terms of ethics or sustainability?

Market Measures, January 2020

Primark Cares increases purchase consideration

% weighted intent to buy from Primark



BASE: Primark Cares sample (5,131)

Q: Would this initiative encourage you to buy more clothes from Primark?

Market Measures, May 2021

Our commitment

- **More sustainable fashion, affordable for all**
- **Sustainable choices at prices we're famous for**
- **Enabled by Primark's scale**
- **Focus on change**



Fully integrated campaign



Fully integrated campaign

Towards
a better
planet.

Affordable
for all.

By 2027, all the cotton in our clothing will be organic, recycled or sourced from our Sustainable Cotton Programme.
We will halve carbon emissions across our entire value chain by 2030.

Creating opportunities for women across our supply chain through workplace skills development and addressing their barriers to progression by 2030.
We're removing all single-use plastic from our business by 2027.



PRIMARK
CARES

How
Change
Looks

We
empower
her.

You
empower
her.

Search
"Primark Cares"

Creating opportunities for women across our supply chain through workplace skills development and addressing their barriers to progression by 2030.



PRIMARK
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How
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Fully integrated campaign

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**How
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**We
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Search 'Primark Cares'

Creating opportunities for women across our supply chain through workplace skills development and addressing their barriers to progression by 2030.



**How
Change
Looks**

**Turning
circular.**

**Turning
heads.**

Search 'Primark Cares'

By 2027, our clothes will be recyclable by design.



**How
Change
Looks**

How Change Looks



Less plastic. Real you.

Search 'Primark Cares'



We're removing all single-use plastic from our business by 2027.



How Change Looks

How Change Looks



Less plastic. Real you.

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PRIMARK CARES

How Change Looks



COAT
MADE USING
RECYCLED PLASTIC

£35

How Change Looks





How
Change
Looks

02. Primark Cares Product Pillar

Product



Durability



Clothing waste

Reduction in clothing utilisation rates are driving increases in clothing waste










Durability

- Physical durability
- Emotional durability
- Our goal: align physical durability and emotional durability
- 'Staple' items: around half of all goods sold



Primark Enhanced Durability Standard

	KNITWEAR	SHIRTS	JEANS	T-SHIRTS	SOCKS
					
Washes 	>30	>40	>30	>56	>62
Hours of Wear 	>1,800	>960	>3,600	>1,350	>1,500



Key durability factors

Physical durability



Quality of the weave and strength of the yarn



Construction of garment



Shrinkage and recovery post-wash



Colour fastness



Functionality

Emotional durability



Comfort



Style / relevance



Hand feel

Scope

- Denim
- Leisure
- Jersey
- Outerwear
- Knitwear
- Tailoring/formal
- Woven separates
- Dresses
- Sleepwear/loungewear

Around 1/3 of total garment sales



Transition

- No significant supply chain disruption
- Already at or close to WRAP-aligned wash requirements
- 68% of denim already meets Enhanced Durability Standard



Benefits

- Durability especially important for parents
- Good responsible growth opportunity
- Mitigate EPR exposure

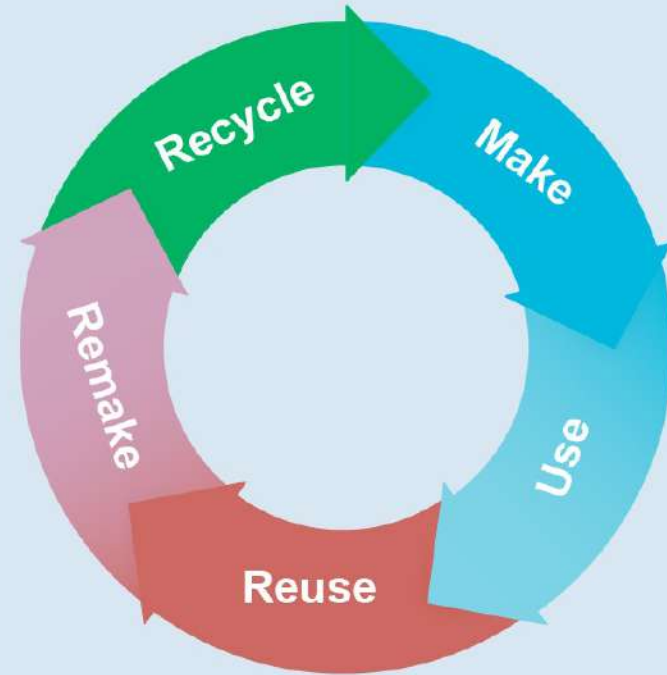


Circularity

Linear model



Circular model



Make fashion circular

- Used for longer
- Made to be made again
- Made from safe and recycled or renewable inputs



**THE
JEANS
REDESIGN**



What needs to change

- Simplified palette of materials
- Circular design training
- Increased recycling capacity and capability
- Transition to recycled feedstock at scale



Recyclability

- Single sustainable mono-material
- Minimise use of embellishments
- Reduce trims
- Minimise cutting waste



Limitations

- Some garment types won't work without blended fibres
- Some embellishments cannot be easily removed
- Durability is difficult to ensure if garment is made from 100% recycled content



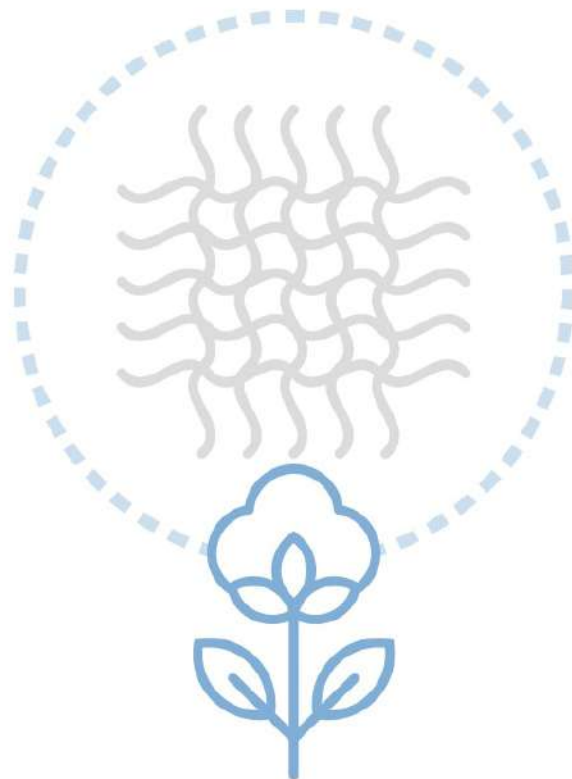
The Primark fibre mix

Fibre numerical data



Total global textile industry

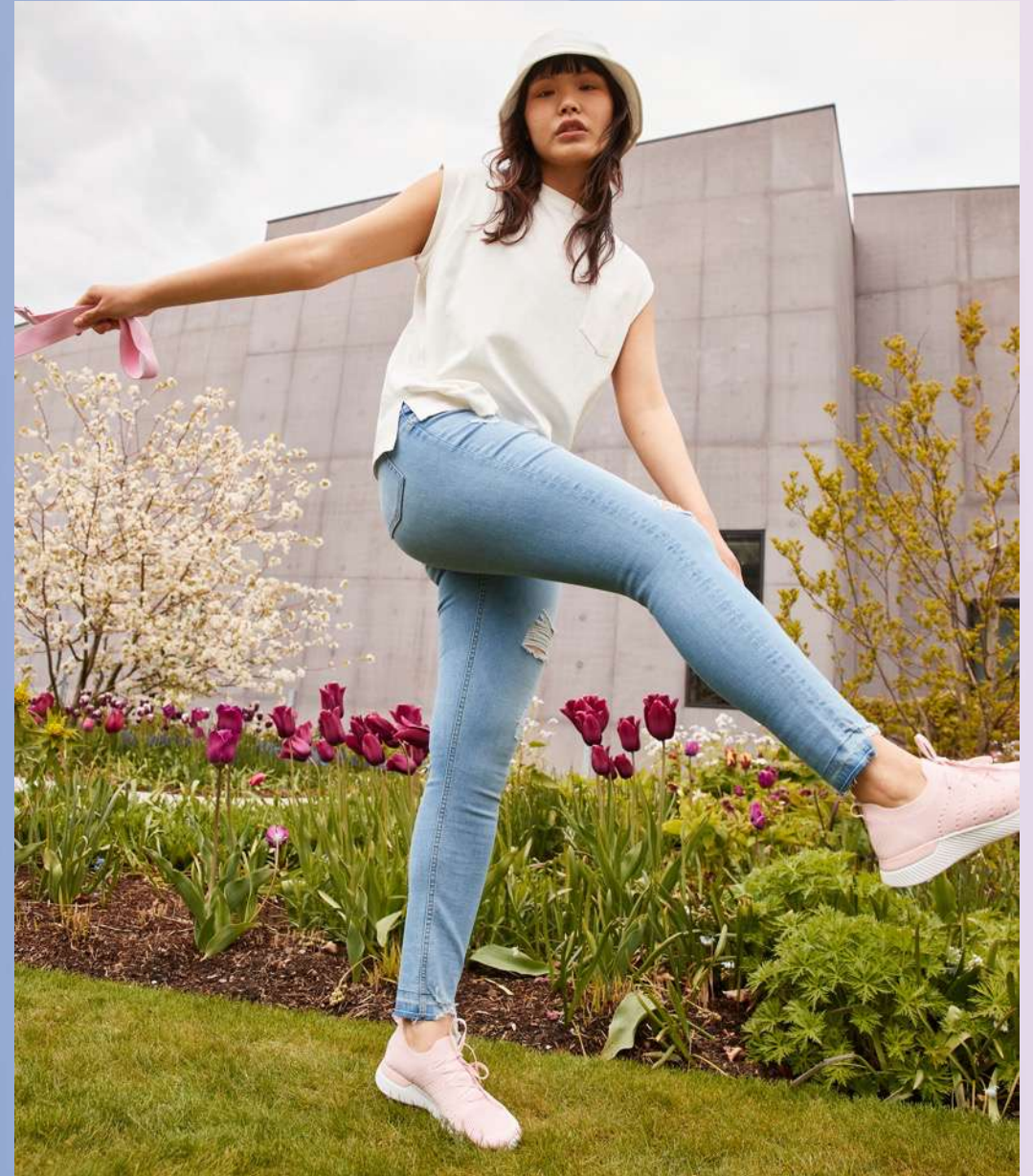
Material	%
Polyester	52%
Cotton	24%
Other	12%
MMCF	6.0%
Nylon	5.0%
Wool	12%
Total	100%



Primark clothing:
Cotton 59%

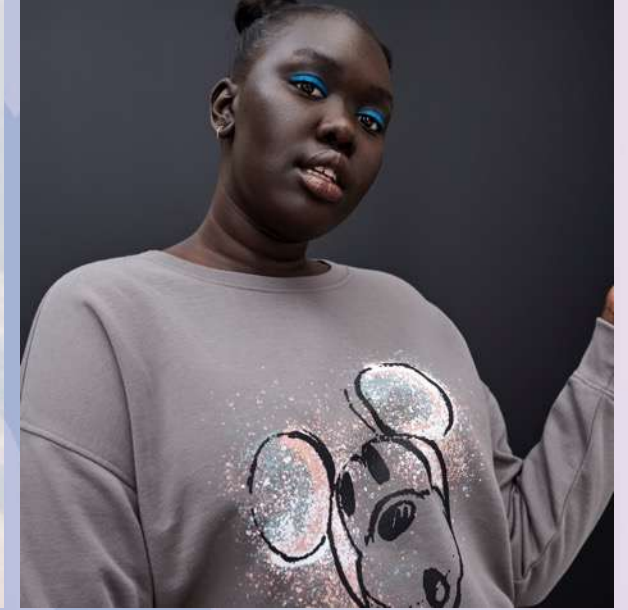
Polyester

- Recycling technologies not operating at required scale
- Price uncertainty as recycled feedstock will need to compete with virgin polyester on cost
- Strong industry demand for recycled polyester feedstock



Recycled polyester

- 45% of swimwear
- Commercial recycled feedstock
- Ambition: to make new clothes out of old garments
- Transition underway, now need scale and volume



Loved for longer, reused, recycled





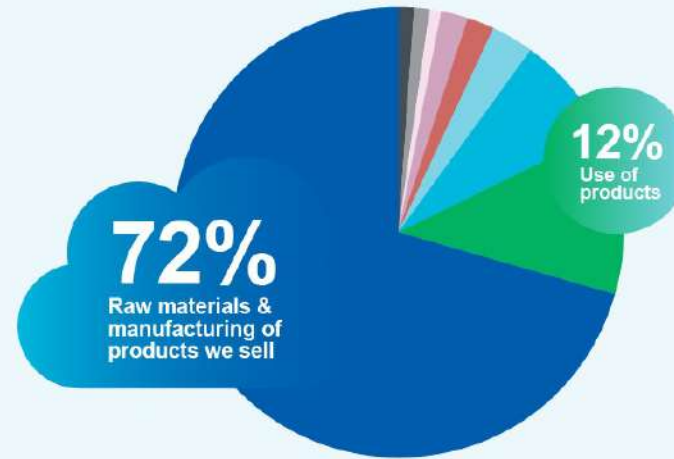
How
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03. Primark Cares Planet Pillar

Planet



Primark GHG emissions



Total emissions
'000 tonnes CO₂e



ABF ESG Appendix 2020

Primark GHG emissions '000 tonnes CO₂e

2020: Scope 3 upstream and downstream transportation and distribution emissions

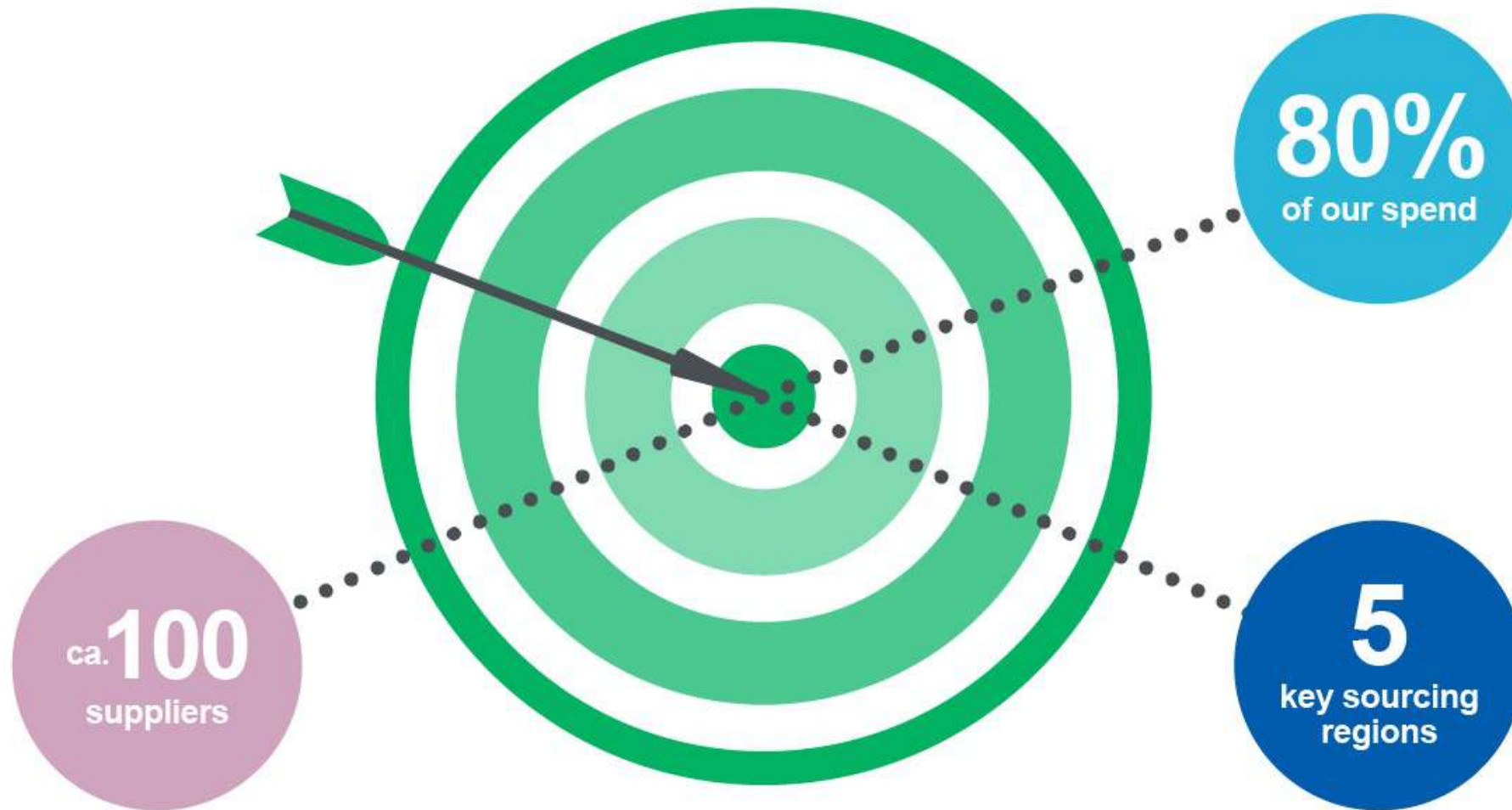
Scope 1 20

Scope 2 114

Scope 3 204

Focused approach

Small proportion of suppliers responsible for large majority of emissions



Focused approach

- Supplier energy efficiency programmes
- Transition to renewable energy, on-grid and off-grid
- Specialist support from expanded in-country Environmental Sustainability teams
- Active support for renewables transition through stakeholder engagement



Energy efficiency



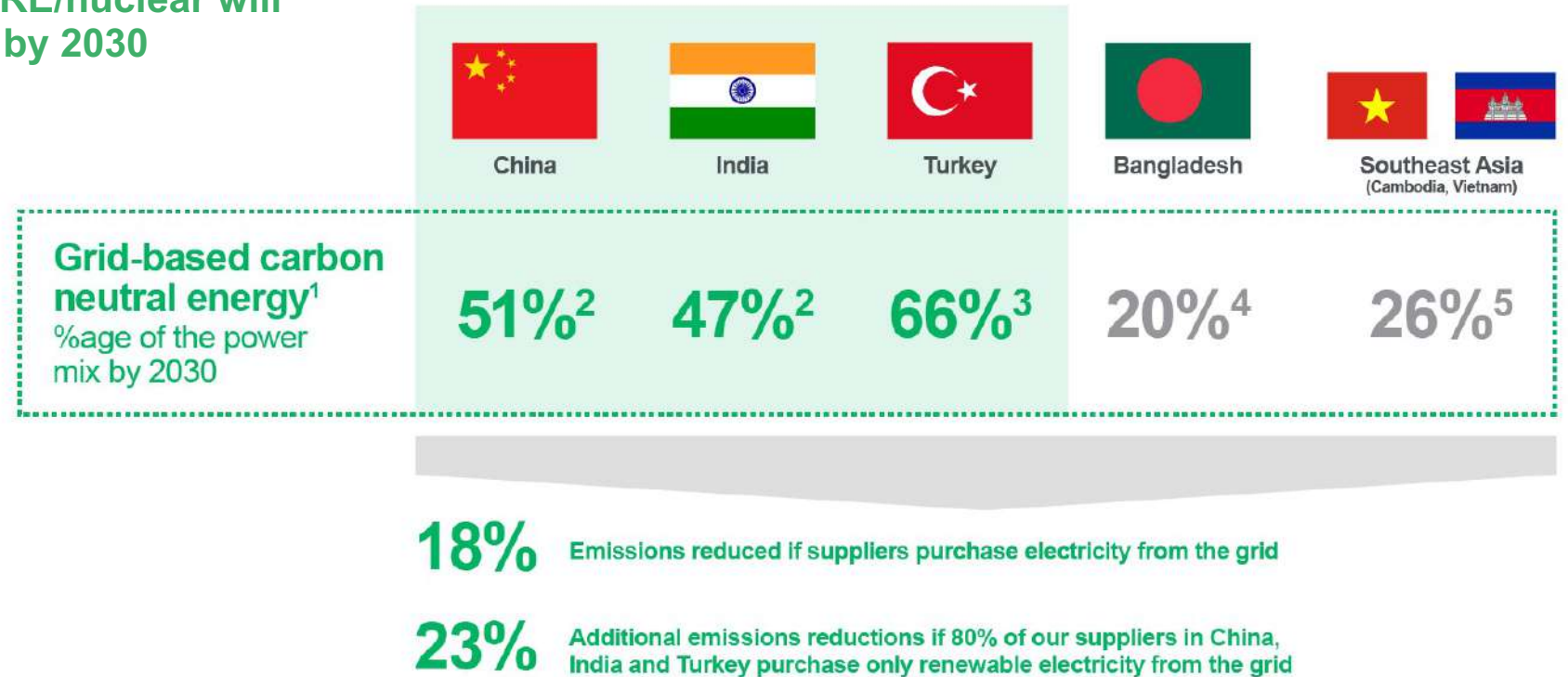
Cost and carbon benefits

- 3x mills in Zhejiang and Shandong province
- Natural Resources Defense Council (NRDC) 10 best practice techniques
- \$2.17m total capex, 12-month average payback
- 11kt CO₂e averted (annualised)



Renewable energy

Half of the products we sell are sourced from suppliers in countries where RE/nuclear will be primary powergen source by 2030









Forecast accurate as of April 2021

1. Renewables and Nuclear; 2. Bloomberg New Energy Finance; 3. IEA Turkey Energy Policy Review – 61% by 2027 and covers only electricity and only renewables and 5% coming from nuclear when Akkuyu is fully operational by 2026; 4. Ministry of Power, Energy and Mineral Resources, has set a target of 20% renewable energy as share of total energy mix; 5. Vietnam's current energy plan will see renewables make up 26% of their energy mix, however, McKinsey has proposed an alternative Renewables-led Pathway that sees renewables at 52% of mix; Renewables in Cambodia are currently higher (44%), but will fall to around 26% as the government is only planning to build coal-fired power plant by 2030.

Off-grid options

Off-grid/direct PPA
cost-neutral in markets
with limited RE grid options

In our two key sourcing markets, we can accelerate the switch to renewable energy, cost-neutrally in the long-term*

		  		  	
Grid-based carbon neutral energy %age of the power mix by 2030				20%	26%
Off-grid renewable energy Power Purchase Agreement (PPA) or on-site renewables		Wide availability of grid-based renewables by 2030		+15%¹ Upfront cost, long-term payback	+25%² Cost-neutral

Forecast accurate as of April 2021

*Assuming all upfront investments in Bangladesh are paid back by 2030; 1. PV scheme can deliver 50% of a factory's energy demand, 30% of all factories will avail of this by 2030; Payback required; 2. On or near site renewables can deliver 50% of a factory's energy demand, 50% of all factories in Vietnam, Cambodia will avail of this by 2030; Cost-neutral (PPA below grid costs)

Renewables cost-competitive

- >50% of utility-scale RE capacity outperformed cheapest hydrocarbon alternative on unit cost basis in 2019¹
- Solar PV ideal for large factories
- Increases energy resilience where on-grid erratic



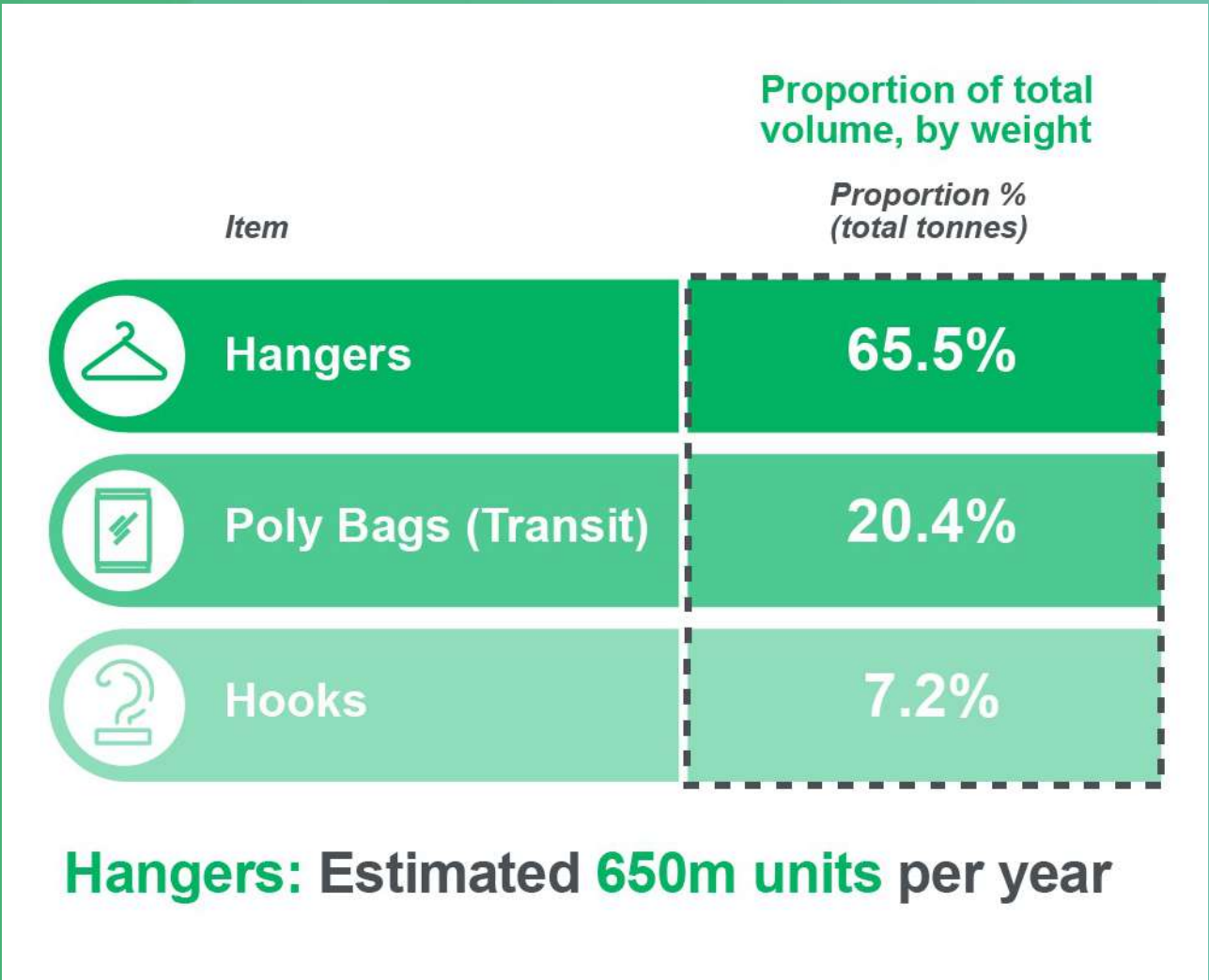
¹IRENA Renewable Power Generation Costs in 2019 report

Substantive reductions, scaled for growth

- Designed to scale as Primark grows
- Substantive reductions in net direct and indirect supplier emissions
- No purchase of carbon offsets necessary



Single-use plastic



Our approach

ELIMINATE

as many single-use plastic items and pieces of packaging as possible



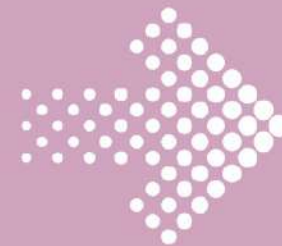
CIRCULATE

as many plastic items as possible



INNOVATE

- ✓ Replace single-use plastic items with non-plastic alternatives
- ✓ Ensure plastic and packaging are recyclable or compostable
- ✓ Include recycled and sustainable content in packaging

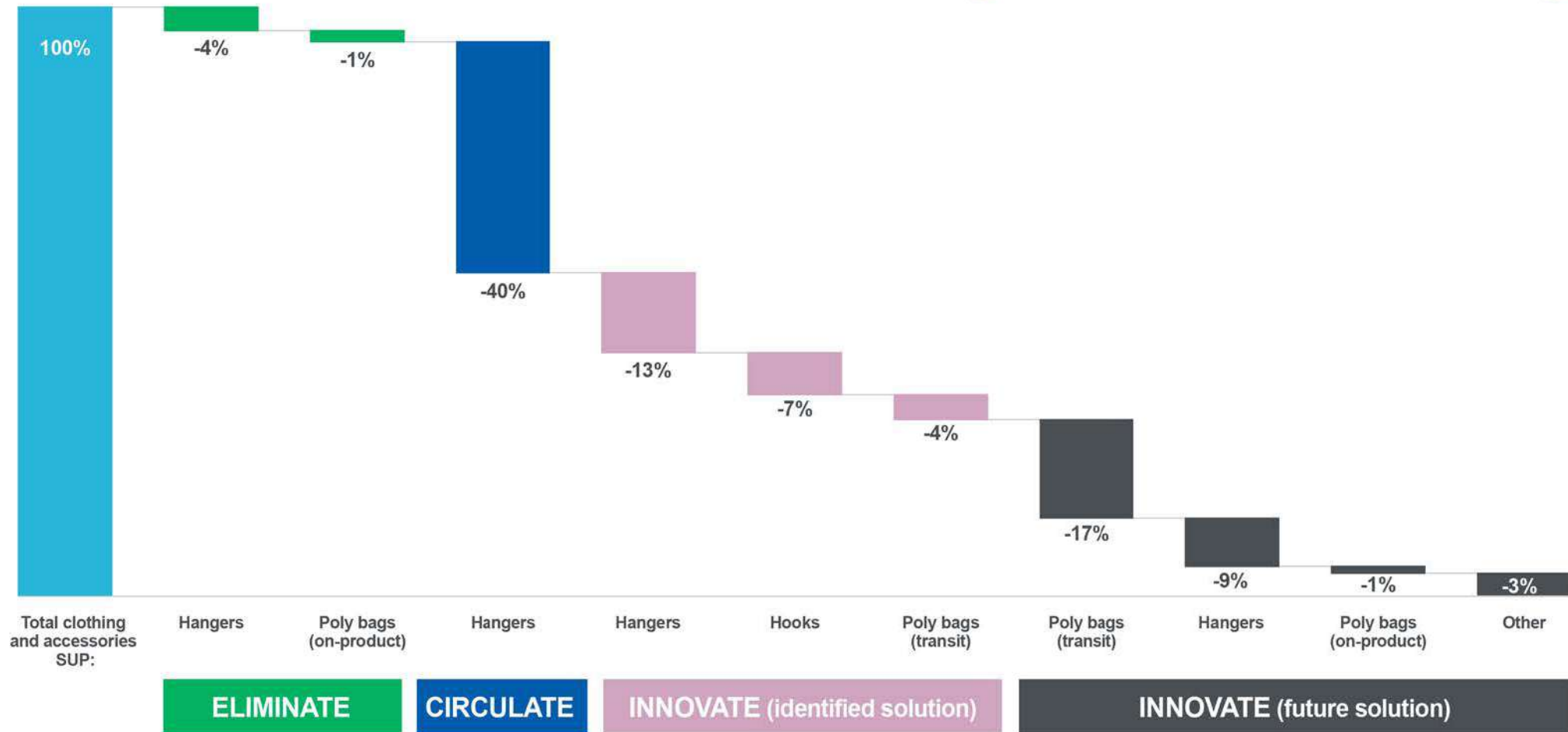


Time

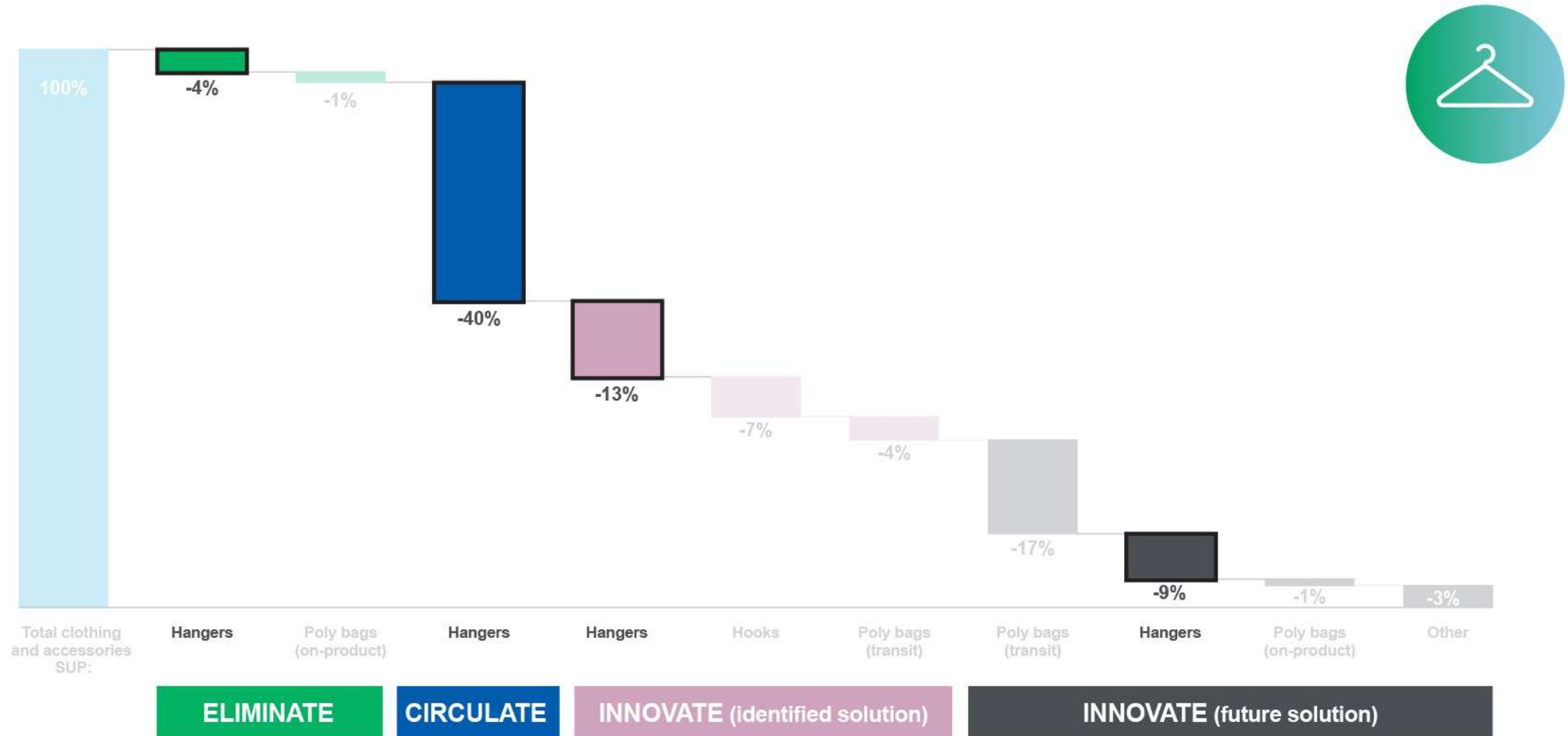
Our approach

Measures already underway to address 70% of SUP:

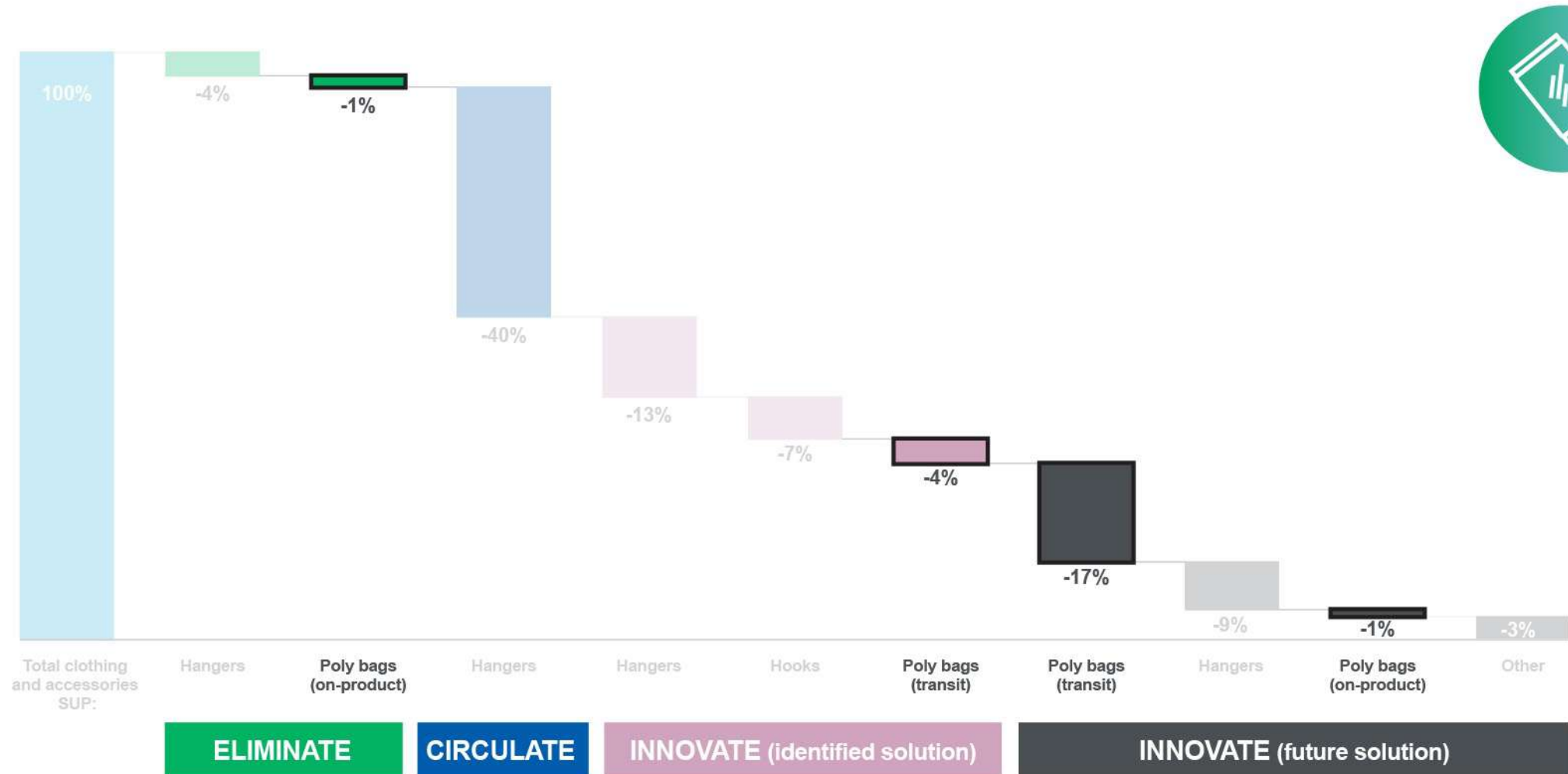
Exploring new approaches for 30% of SUP:



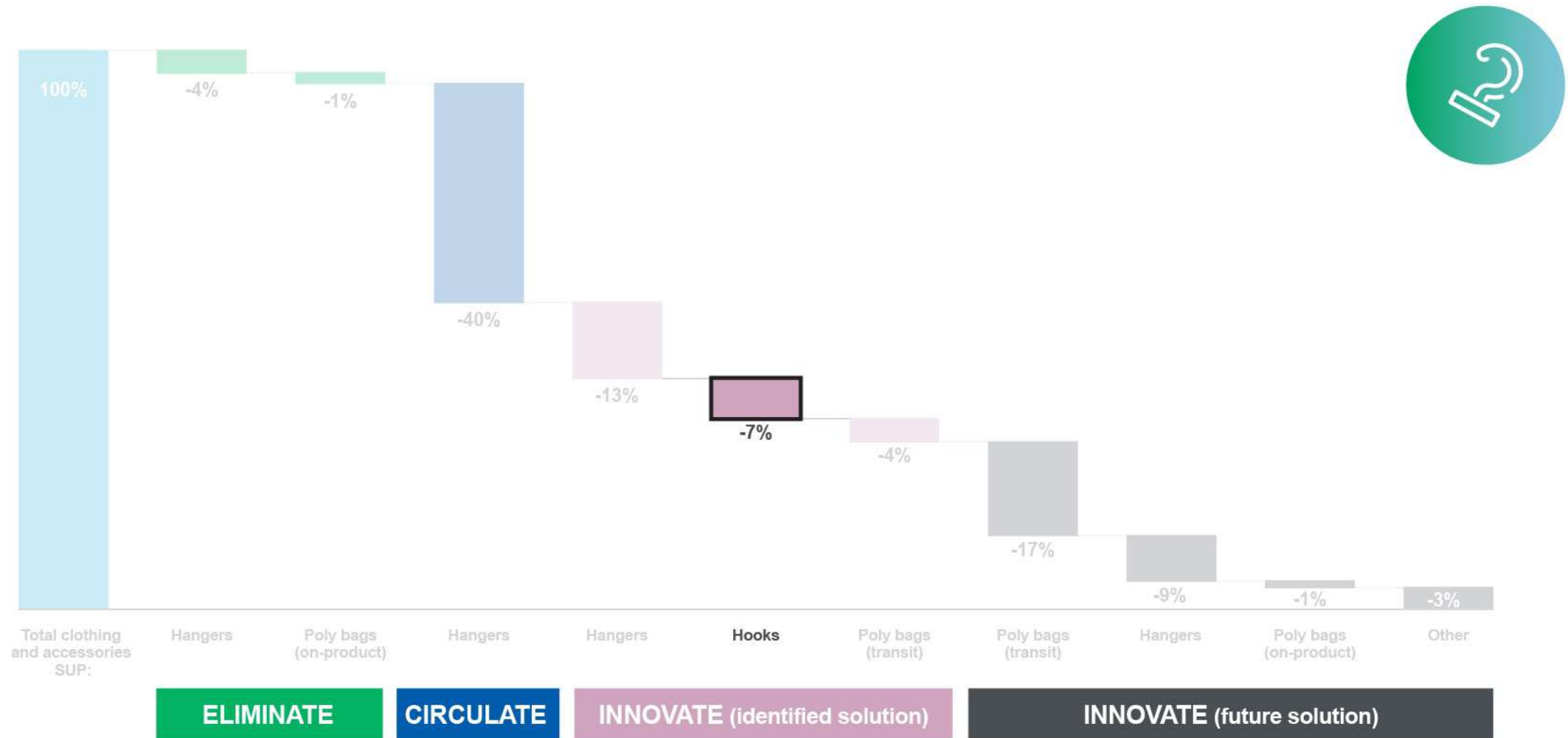
Our approach - hangers



Our approach - poly bags



Our approach - hooks



Important transition



Restoring biodiversity



Select images sourced from Cotton Connect

Primark Sustainable Cotton Programme

- Launched in India 8 years ago, partnership with Cotton Connect and SEWA
- Extended to Pakistan and Bangladesh
- By end 2022, >160K farmers, majority are women
- More than total number of farmers in UK



Source: Cotton Connect

**COTTON
CONNECT**



SEWA

SELF EMPLOYED WOMEN'S ASSOCIATION

Primark Sustainable Cotton Programme

- More than 1 in 4 of all Primark cotton garments made from more sustainable cotton
 - PSCP fibres: 14% of all cotton clothing
 - Other sustainable sources: around 13% of all cotton clothing
- Proportion much higher in some ranges:
 - More than half of all cotton nightwear/underwear
 - 1/3 of all womenswear
- More sustainable items *not* sold as premium products: affordable for all



Regenerative agriculture

- Expand PSCP
- Larger volumes across more product categories
- Accelerate adoption of further regenerative agriculture techniques



Foundational principles

Definition



Regenerative Agriculture is a system of farming practices that intends to increase agrobiodiversity, enrich soils, improve water management and enhance ecosystems services. It offers a long-term sustainable farming system that provides resilience against climate instability, diversified incomes and better livelihoods for farmers.



Foundation Principles



Soil Health



Animal Welfare & Biodiversity



Social Fairness

Universal Regenerative Agriculture Practices



Integration of livestock and cropping (mixed farming)



Use of bio-pesticides



Water saving irrigation technologies & rain water harvesting



Minimisation of tillage (soil disturbance)



Having a high diversity of plant species, both pasture and crops



Pilot projects

- 3 pilot projects in countries with PSCP
- Using insights to develop regenerative agriculture code with Cotton Connect
- Once complete, will scale techniques across all PSCP farms by end of decade
- Multi-year transition, implemented across annual crop cycles
- Expect positive effect on soil, biodiversity and local water resources.. and farmer costs



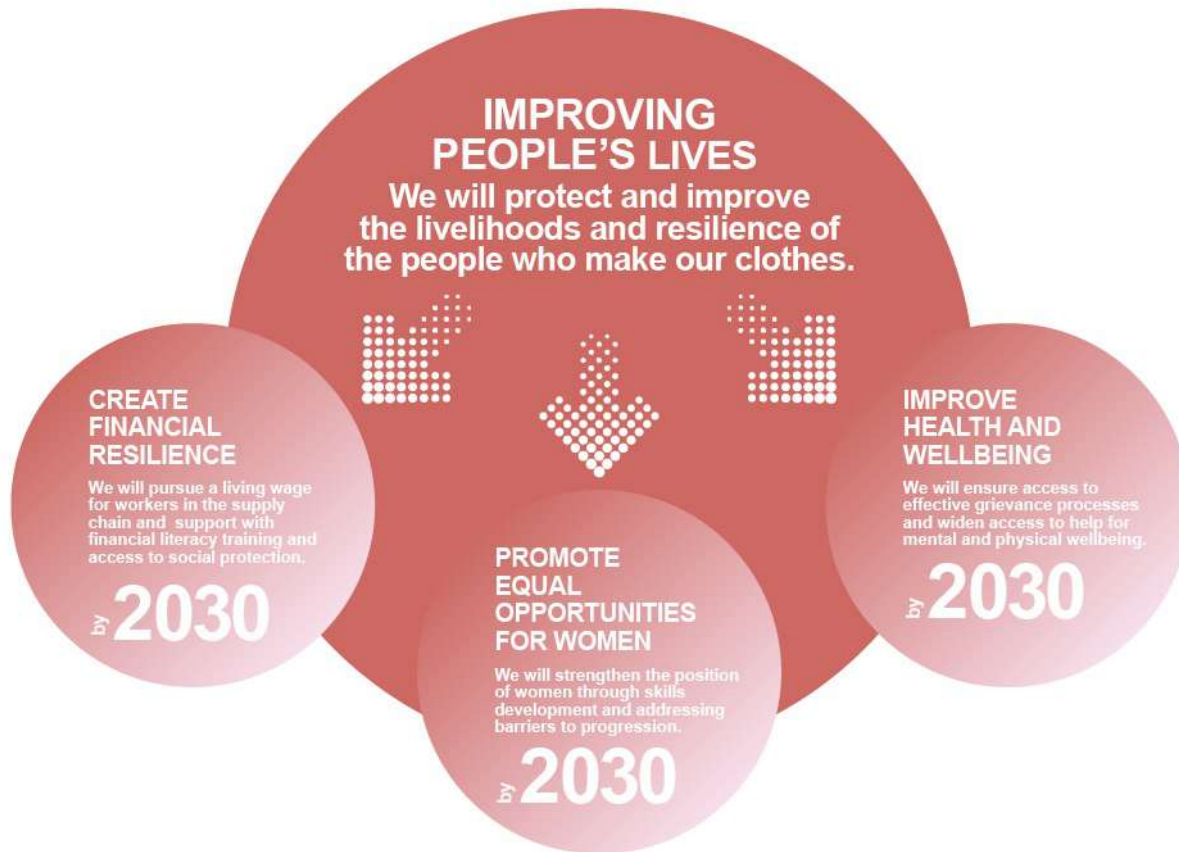
Wider impact



04. Primark Cares People Pillar



People



Multiple relationships

- Primark does not own factories
- Supplier factories manufacture products for multiple brands and retailers, not just Primark
- Each brand/retailer has own separate commercial agreements with suppliers
- Change requires cross-industry collaboration
- Unilateral action will not work



GLWC definition



Minimum income necessary for a worker to meet the basic needs of him/herself and his/her family, including discretionary income

Includes food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events



**GLOBAL⁷
LIVING WAGE
COALITION**

Primark track record

PRIMARK®

PRIMARK CODE OF CONDUCT 2019

5. Living Wages are paid

5.1

Wages and benefits paid for a standard working week must meet, as a minimum, the national minimum wage, or in the absence thereof an acceptable industry benchmark. In any event, wages must always be enough to meet basic needs and to provide some discretionary income. Primark actively supports moves to ensure that the minimum wage is determined by national collective bargaining at industry level.



Primark key commitments

- Step up cross-industry collaboration including Primark's work with ACT
- ACT Purchasing Practices commitments implemented by 2023
- Regular public reporting of third-party wage data
- Increasing preference for suppliers who share our Living Wage aspirations
- Support worker access to social protection and financial education



Cross-industry collaboration

- In countries where ACT has a presence, our sourcing and Primark Cares teams will engage directly
- In countries where ACT does not have a presence or cannot get traction, we'll engage with all relevant stakeholders to make the case for collaboration



ACT Purchasing Practices commitments by end of 2023

01

Fair payment terms



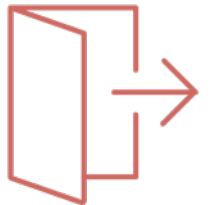
02

**Responsible
sourcing training**



03

**Responsible
exit strategy**



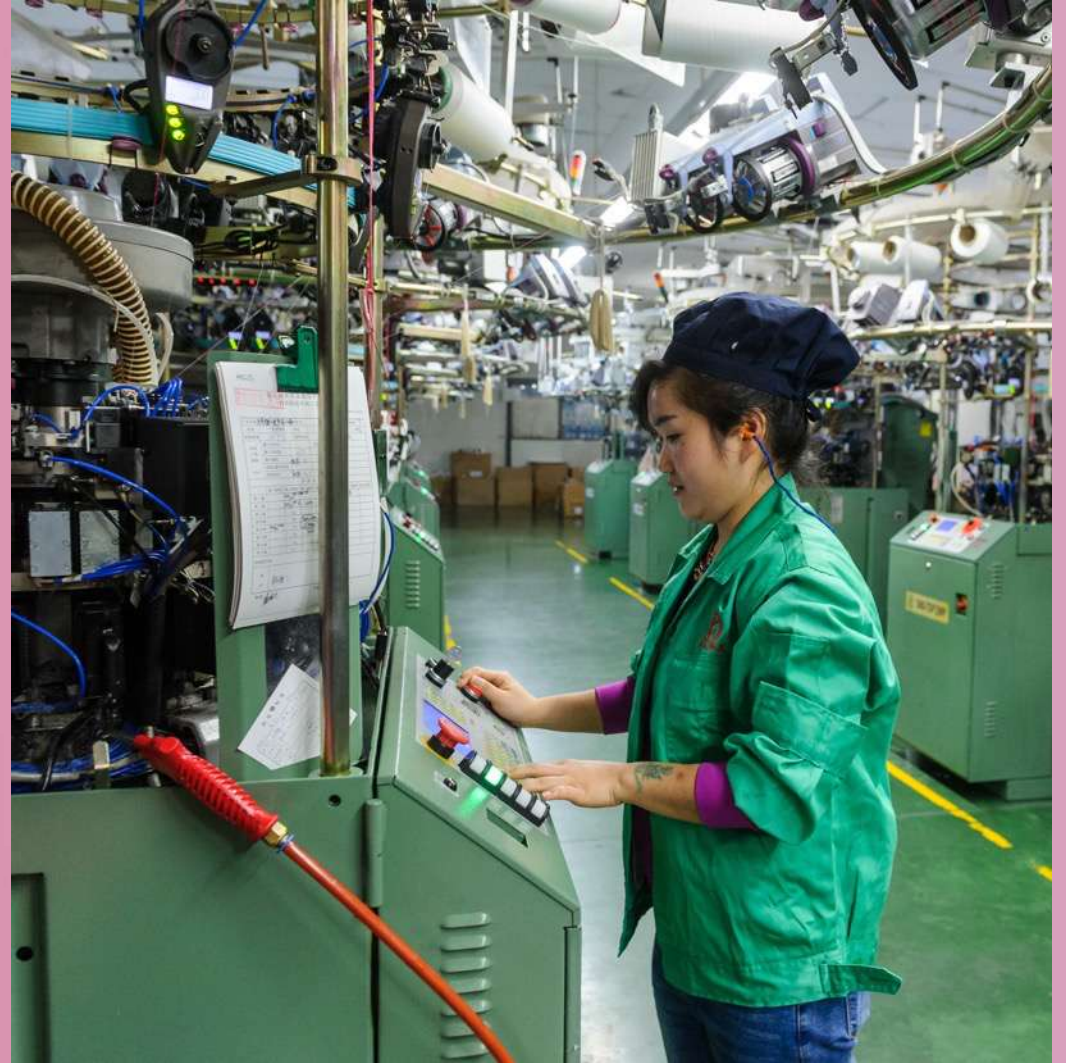
Public reporting

- Work with Elevate to gather supplier wage data across major sourcing countries
- Fair Compensation Dashboard developed by FLA
- Develop new reporting processes
- Complex task, will take time
- Commit to report after first full year of data gathering

ELEVATE

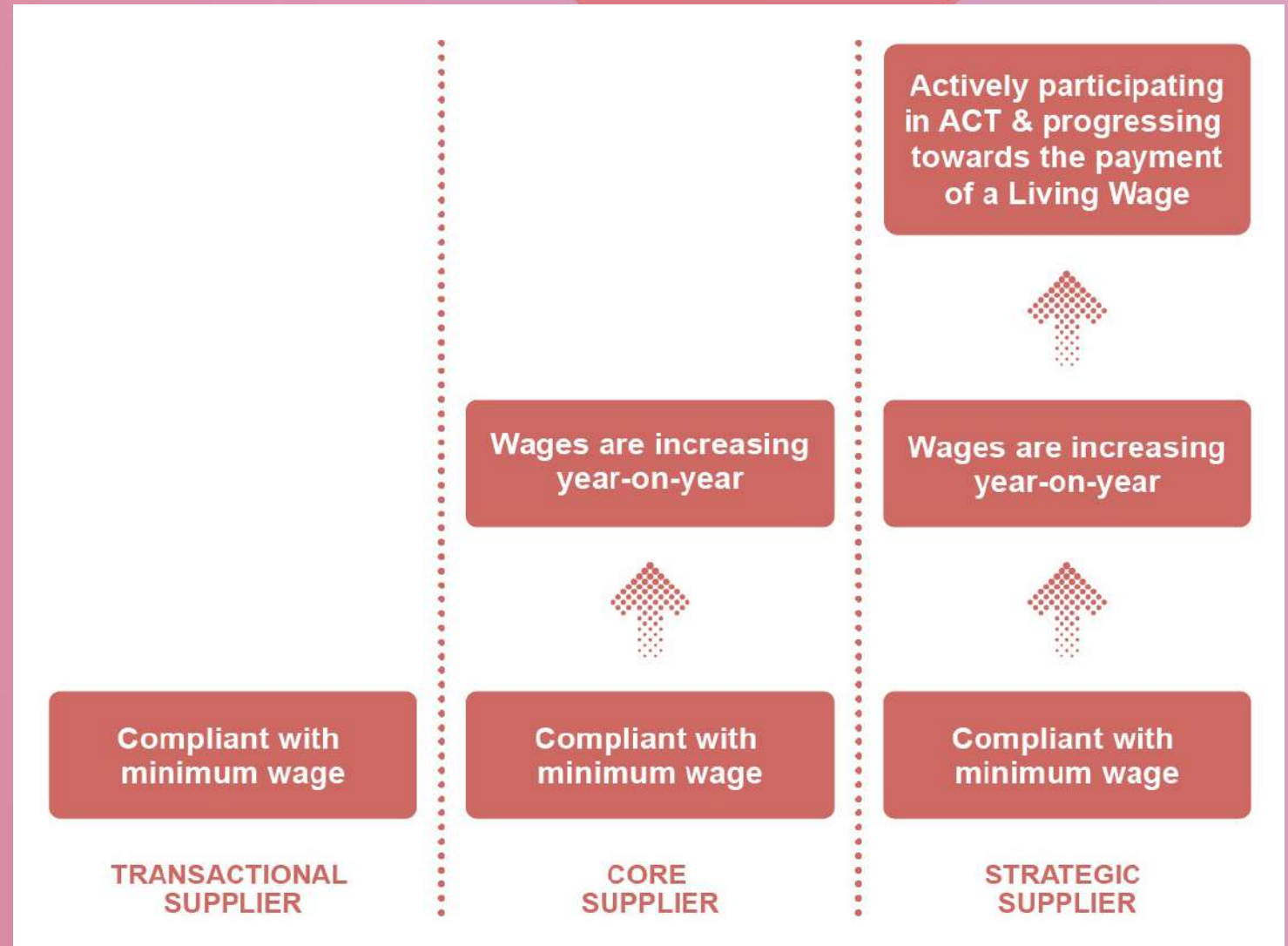


FAIR LABOR
ASSOCIATION



Supplier engagement

- Suppliers transitioning to Living Wage increasingly preferred
- Increasing preference for suppliers playing active role within ACT
- Detailed governance and assessment process to be developed



Workers' wages



Bridging the gap

Three points of reference:

- 01 Legal minimum wage
- 02 Average wages actually paid
- 03 Living Wage under GLWC definition



Real earnings

- Gathering wages data with FLA, Elevate and suppliers
- China and Bangladesh: top 2 sourcing countries
- Average wages paid are above legal minimum wage
- Average garment industry wages already higher than might be expected



Social protection and financial literacy

- Expand existing programmes to improve financial literacy e.g. household budgeting skills
- Extend focus on supporting workers' access to social protection
- Collaboration under the ILO Garment Sector Call to Action initiative



Equal opportunities for women

- Global Tier 1 suppliers:
 - >320k women, majority of workforce
- Bangladesh: women hold
 - 6% of supervisor roles
 - 2% of manager and director roles



Equal opportunities for women

- Expand workplace skills programmes to reach 50% of all female workers by 2025, 80% by 2030
- Extend support for female worker career progression and promotion
- Expand programmes to help women overcome workplace barriers, to reach 50% of female supply chain workforce by 2025
- Support greater female participation in worker representative bodies



Health and wellbeing

- Expand supplier training on grievance mechanisms reflecting international best practice
- Support coalitions to establish new industry-wide grievance mechanisms
- Expand worker support programmes focused on mental health



Improving lives





How
Change
Looks

05. Financials



Product

- Durability and circularity will require investment
- Moderate increase in commodity costs
- Costs will be broadly mitigated as industry evolves e.g. recycled fibre costs
- Primark scale as a buyer important factor
- Other mitigating factors including reduction in EPR exposure



Carbon reduction

- No cost increases for Primark from supplier carbon reduction programme
- Energy efficiency and decarbonisation positive opex impact for many suppliers
- Mitigate impact on Primark of future Carbon Border Adjustment Mechanisms
- Difficult to predict CBAM regimes but likely that reduction in exposure will be material



Living Wage

- Living Wage transition will increase payroll costs for suppliers who take action
- Mitigation factors:
 - ACT Purchasing Practices: more predictable orders and cashflows
 - Energy efficiency and decarbonisation: lower operating costs
 - Primark's Supplier Effectiveness Programme: optimise supplier operating costs



Living Wage

- Primark will not act on a unilateral basis
- Requires action by multiple stakeholders including other retailers and brands
- No competitive disadvantage for Primark
- Level playing field

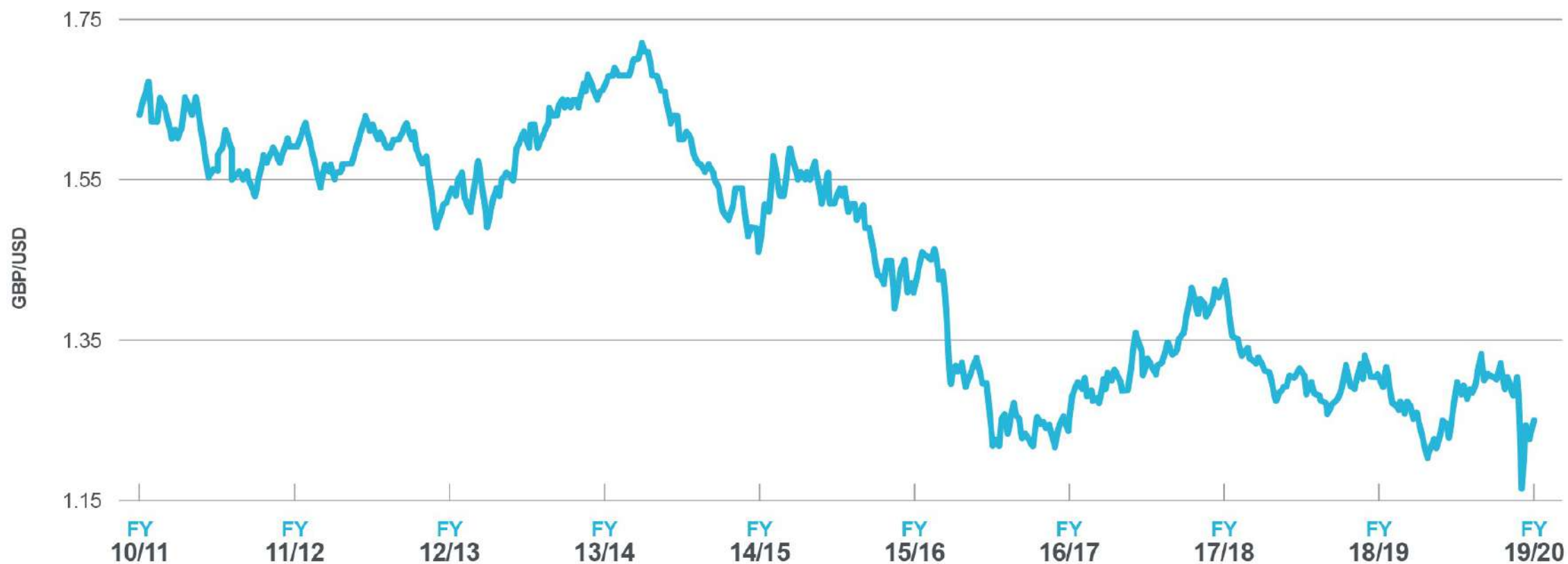


Intrinsic strengths

- **Significant economies of scale**
- **Sophisticated supply chain network**
- **Mature supplier relationships**
- **Ability to mitigate input cost volatility and inflationary effects**



Exchange rates

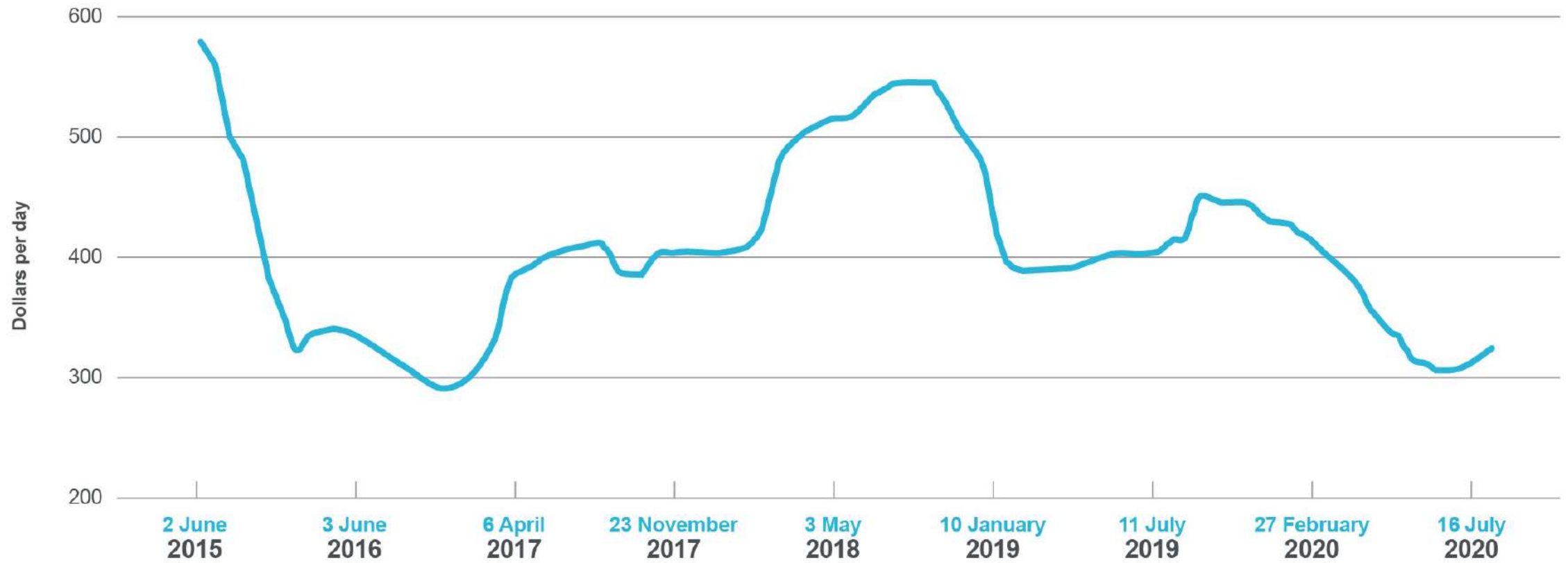


Cotton



New York Mercantile Exchange and Chicago Mercantile Exchange, based on cotton trading OTC and CFD financial instruments

Shipping



Intrinsic strengths

- Proven level of resilience, healthy net margin
- Modest increase in costs, mitigated effectively
- Transition to 2030, ample scope to optimise
- No material impact on margin in short term
- No significant movements in margin over longer term



A new generation

- Younger consumers: increased propensity to purchase based on sustainability factors
- Opportunity for Primark to drive higher sales
- New generation will recognise Primark's commitment to sustainability and respond positively



**More sustainable and
affordable fashion for all**

