



thr ad

Responsible fabric from
Ground to Good™

2016 IMPACT REPORT

THE FIRST MILE

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LETTER FROM THE CEO

I want to tell you about the time my dad invited his Amish best friend Wally to Christmas dinner and how we're all going to be ok.

The time was last week. The place? My parents' house. Wally and his wife Sally hitched their horse Bess to their courting buggy and left their nine kids, ages 4-17, for the evening to sit down with (among several others) my Indian-American wife, my Haitian brother and my 6ft. 7in. 320 lb mountain of a father to break bread. We ate ham and talked earnestly, I am not joking with you, about how to make clothes and rug-making and the harvest, because Wally doesn't care much for the new iPhone 7 and hadn't heard yet that Prince died.

My dad has always been a bit of a people collector. Aside from assorted relatives and foreign exchange students living at our house nearly constantly since I was a kid, I came home one day in high school to find a guy living in our garage. His name was Mr. Beely. Mr. Beely was 5 ft. nothing, ancient, and utterly silent, aside from the sound it took to remove a Parliament unfiltered from its pack, light it, and smoke it down, which he did at least 2 dozen times a day. Beely operated heavy machinery his whole life until his daughter came and tried to put him in a nursing home. He ran away, and for whatever reason he ran to my dad. They built a little apartment out there and he stayed with us for 5 or so years, until he passed away in his sleep one morning out of the blue. My dad planted a tree for him out next to the bench where he'd smoke his Parliaments and look out at the sun set over our family's farm.

The point is, since I was little, despite us not having a ton of money, my dad thought it was important to expose us to people whose lives are different than ours. He just happens to have a particular flair for the forgotten, overlooked, and misunderstood. I'm fairly certain all these years later that it's no coincidence that my job is just an extension of my Dad's lesson: to connect the lives of thousands of people in the poorest neighborhoods in the world with you, the buyers of dresses, boots, and bags, and help you understand just why doing this makes your stuff more interesting and valuable. I'm even more certain this is why I spent Christmas asking questions about building ice houses to keep the summer baked goods cool and horse-grooming.

Any year that loses Elie Wiesel and Prince in the same 365 days is complete shit in our book here at Thread. Despite that, and despite an election that left many of

us scratching our heads and wringing our hands, and despite a warmer winter than ever before (again), believe it or not, I'm hopeful. Besides being able to look around at a growing network of more than 3,000 people who are working their butts off to make a better yard of fabric than the world has ever seen before (most of them the poorest one half of one percent of humanity) I can still look around a table of Hindus, Haitians, Amish, and "English", talk about religion and politics, disagree completely with each other, and still walk away having felt somehow more human.

In 2017, be kind to one another. Invite people who you have no business talking to into conversation. Prioritize and debate the big points, and do it happily. Relish in our differences. Most of all, remember that it doesn't take very many choices like these to change the whole world.

This Impact Report is dedicated to Mr. Beeley, to Wally, and to the thousands in the First Mile. May those that have been forgotten and overlooked lead the way.



A handwritten signature in black ink, appearing to read 'Ian Rosenberger'.

Ian Rosenberger
Founder and CEO

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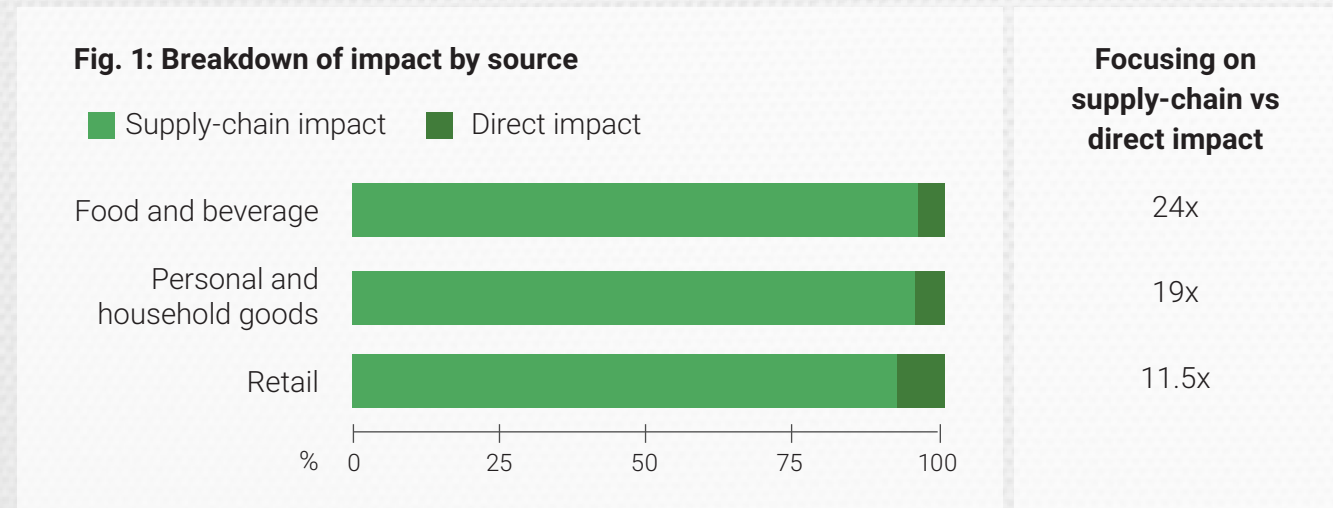
THE FIRST MILE

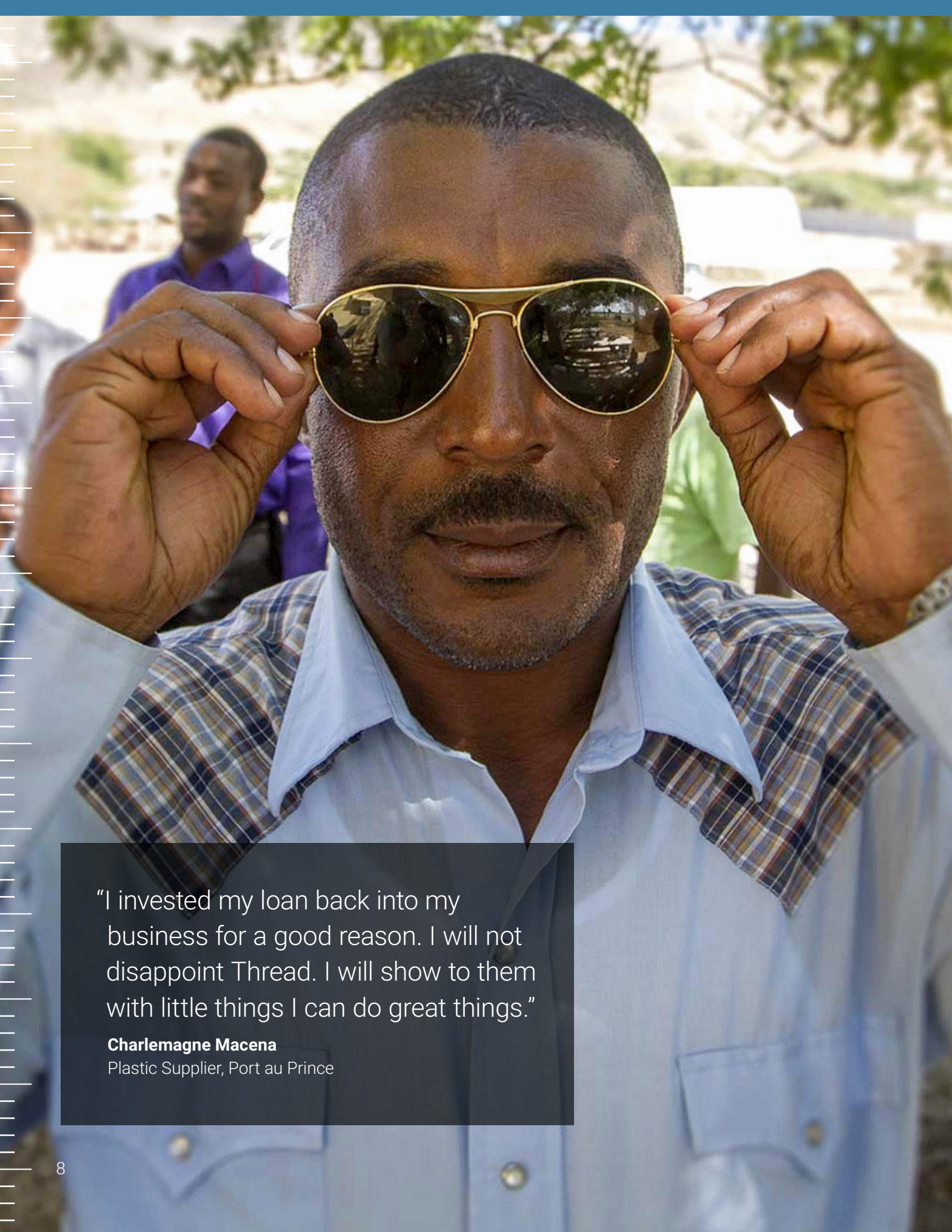
Thread builds responsible, transparent supply chains from Ground to Good™. We invest heavily in the first mile of our supply chains - the individuals and areas where plastic bottles are picked up from the ground. The first mile of supply chains is an area often ignored and as a result, this portion of supply chains tend to cause ecological and human harm.

A recently released McKinsey report (see fig. 1) showed that supply chains are responsible for more than 90% of the environmental impact of products, leaving less than 10% of direct environmental impact in the hands of consumers.

Thread has also found that enormous opportunity for social impact exists in the first mile of supply chains. Often, the work at this stage is informal, unregulated, and difficult to monitor. The individuals involved are constantly evolving, making it difficult to track exactly who is responsible for the collection of raw materials. While there is a movement among apparel brands to become increasingly transparent and publicly list their suppliers, many brands are only able to list their tier 1 and maybe tier 2 suppliers. The places where goods are cut and sewn, or perhaps where the fabric is finished.

Textile supply chains are long and complicated. Before a fabric is finished, it must go through several processing steps and vendors who extrude, spin, knit and weave fibers together before it is dyed and finished. At Thread, we are proud to not only publicly list every vendor we work with to create our fabric, but the individuals who pick up the bottles that make our fabric as well. Until this level of transparency is commonplace, and this understanding of the first mile of supply chains ubiquitous across industries, social and environmental harm will continue. We cannot fix what we don't know. It is time for us to know.





“I invested my loan back into my business for a good reason. I will not disappoint Thread. I will show to them with little things I can do great things.”

Charlemagne Macena
Plastic Supplier, Port au Prince

GOING BEYOND THE AUDIT

At Thread, we are building a completely transparent and responsible supply chain from Ground to Good™. Such responsibility includes standard compliance procedures including a Code of Conduct, regular in-person auditing, and unannounced visits to vendors and suppliers. For more information on this policy and procedure, please visit our [website](#).

We also believe that compliance does not often result in impact. To ensure that we are creating real change in our supply chain, especially in the First Mile, our impact department designs and implements programs that go beyond auditing and ensure that those working in our supply chain have access to dignity and opportunity.

Micro Loan Program

In 2016, Thread started a micro loan program available to our Haitian suppliers. The program was designed after we learned that many of our suppliers had to close their centers due to small problems such as broken equipment or cash flow problems. Keeping a collection center operational is vital not only for Thread's supply, but for the wellbeing of the center owner as well as the individuals that rely on selling plastic to that center for income. Small business loans are difficult to acquire in Haiti and often come with interest rates that are prohibitively high.

As a result, Thread decided to start our own micro loan program. Loans are granted every month based on applications submitted by our suppliers. We are thrilled that this year, we granted 13 loans and have repayment participation of 100%.

“That loan came in the right time for me. It came when I really needed it. Without that loan, I would lose most of my customers. Now, I am still in the business because of Thread. This is something I am not ready to forget.”

Tony Geffard
Plastic Supplier, Port au Prince



Antoine Ruguere speaking to the group during a quarterly meeting.

Self-led Quarterly Supplier Meetings

Thread has led quarterly supplier meetings for the past few years. These meetings provide professional development training opportunities as well as the chance for all of our suppliers to gather together to learn from one another and inform us of the challenges they are facing.

This year, the leadership of these meetings transferred to the suppliers themselves. Facilitators were chosen to set the agenda and run the meetings. This further develops leadership skills within our supply chain and ensures that the impact we are having is being owned by the people living and working at this phase of the supply chain.

“Many of us don’t really have to meet during the days, but when we get together here, it is good to meet again, to share ideas, to discuss issues. These kind of things are good for us.”

Etienne Mizael
Plastic Supplier, Les Cayes

Disaster Relief

In October, Hurricane Matthew slammed into the Southwest of Haiti, killing more than 1,000 people, displacing many more, and causing heavy rains and flooding throughout the rest of the country. We were lucky that the damage incurred by our suppliers was material.

Thread worked with Team Tassy to ensure that sand was brought to the neighborhood of Molea, which was trapped under water after the storm. We also distributed bottled water, soap, and mosquito nets to suppliers and collectors. The leadership demonstrated by our in country staff and the willingness of Team Tassy families to volunteer and make this progress possible was nothing short of inspirational. Finally, we provided emergency loans to suppliers who lost inventory or suffered damages that would have caused them to close their businesses. This won’t be Haiti’s last natural disaster and we continue to build emergency preparedness into our operations so that people remain safe and can get back to business as usual as quickly as possible.

“Having people to motivate us in hard situations is a good help for us. It refreshes our mind, and helps us to think like an entrepreneur.”

Charlemagne Macena
Plastic Supplier, Port au Prince



Thread, Team Tassy staff and volunteers lead relief efforts in Molea.



Ian at the CGI Annual Meeting shaking hands with Stuart Pann.

CGI COMMITMENT

In 2016, Thread had the honor and the privilege of joining the Clinton Global Initiative and attending the final Annual Meeting in New York in September. One of the membership requirements is making a public commitment that will positively impact the world.

Thread's CEO and Founder stood on stage in New York City along with Stuart Pann, Chief Supply Chain officer of HP, to proudly announce an initiative headed by Thread, HP, Timberland, Team Tassy, and ACOP (Association of Plastic Collectors) that directly addresses instances of child labor in plastic collection.

We know that the issue of child labor is complex, sensitive, and ubiquitous in the recycling and apparel industries. We also know that children working is often the result of extreme poverty and that these children provide critical income to their families. Focusing on a neighborhood that borders the Port au Prince landfill, this commitment will ensure that 200 identified children and adolescents working in plastic collection and their families will receive access to healthcare, safety equipment and sanitation training, educational scholarships, jobs training and mentorship. We will scale this approach across our supply chain and across the countries we work in and invite other brands to join us in leading this important work. We hope to change the discussion around child labor, and that rather than the standard answer of "we didn't know," brands will join us in taking a proactive and pragmatic approach to ensuring that everyone working in our supply chains has access to dignity and opportunity.

"The very bottom of the supply chain is where people are the most vulnerable. No longer is it okay to ignore the issue because it's difficult to talk about. We're proud to be working with great partners like Timberland and HP to find a solution in Haiti that can change our global understanding of dignified work."

Ian Rosenberger
Thread CEO

2016 PRODUCT OFFERINGS

In 2016, Thread's product offerings expanded to include five Ground to Good™ fabrics, fiber fill, and yarn. We want to ensure that Thread products are available to brands, designers, makers, and manufacturers of all sizes that want to have a positive impact in their production. That is why Ground to Good™ fabric is available in 2-200,000+ yards. Through the Thread Shop, Ground to Good™ fabric has been sent to 3 countries, and to 39 states within the continental U.S. It has been thrilling to see our fabric used in creative and meaningful applications over the past year.

Timberland

Boots and bags made from durable Ground to Good™ canvas will be available for sale starting March 2, 2017 as part of Timberland's Spring 2017 line.





Kenneth Cole

Thread was proud to partner with Kenneth Cole in this year's Rock the Vote t-shirt campaign. Each shirt was made from soft, sustainable, Ground to Good™ jersey.



Pittsburgh Opera Sewing Project

The Pittsburgh Opera's production department usually closes down during the summer season, but this year they started a project to teach basic sewing skills to women. Using Ground to Good™ Canvas, the women learned how to make pencil cases, as well as entrepreneurship and other professional development skills.



With Wendy

Wendy sews her clothes on YouTube. In 2016, she took Thread Ground to Good™ Fleece and showed 288,000 users how to turn it into a custom hoodie.



Hamilton Perkins Collection

Hamilton Perkins couldn't find a backpack to meet his needs while traveling, so he decided to design his own. When it came time to find the materials, he wanted a socially responsible option, and uses Thread Ground to Good™ canvas in his designs.

LCA ON TIMBERLAND CANVAS

In 2016, we ran a Life Cycle Analysis on the Ground to Good™ Canvas we developed for our partnership with Timberland. This is the fabric that will be showing up in March in Timberland boots and bags as part of their Spring 2017 collection. Thread's Ground to Good Canvas is replacing a 100% cotton canvas.

A Life Cycle Analysis is a technique that allows us to account for the environmental impact associated with our fabric. It forces us to take a detailed look at every step of production and measure the inputs used in manufacturing. This tool also allows us to compare the environmental impacts of products, or in this case, allows us to look at the improved impact Timberland is having on the environment having switched to Thread Ground to Good™ Canvas.

Carbon footprint summary - Cotton vs rPET:

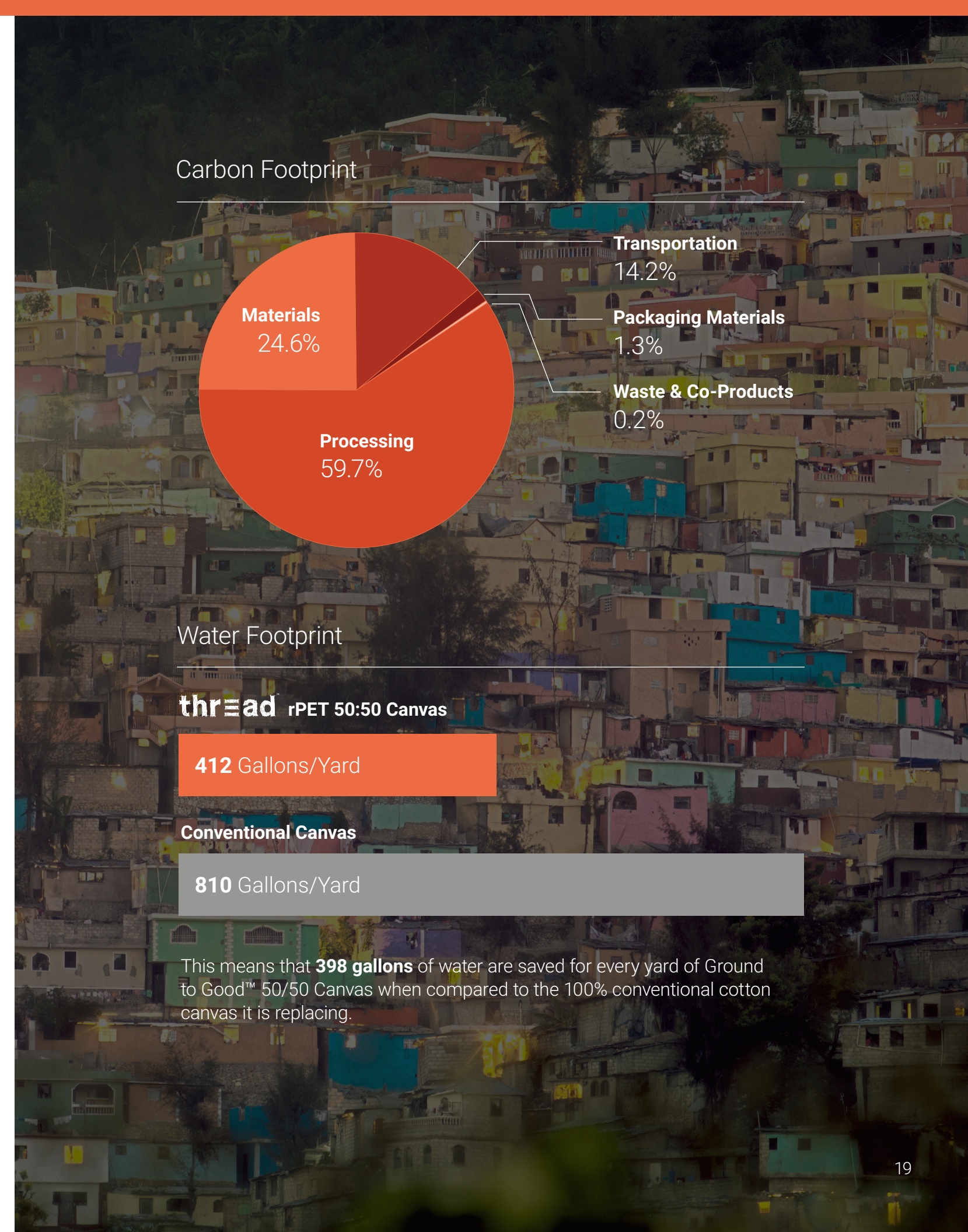
48.8% of emissions per unit are derived from supply chain steps that occur after the cotton and recycled PET are combined (spinning, weaving, dyeing, and transport). This means that nearly half of the climate impact of 50:50 occurs regardless of the mix of cotton and Thread rPET.

Of the remaining 51.2%, cotton-only steps represent 26.3% of emissions, and Thread rPET-only steps represent 24.8% of emissions. This indicates that cotton is 6% more carbon intensive than Thread rPET up to the step of spinning.

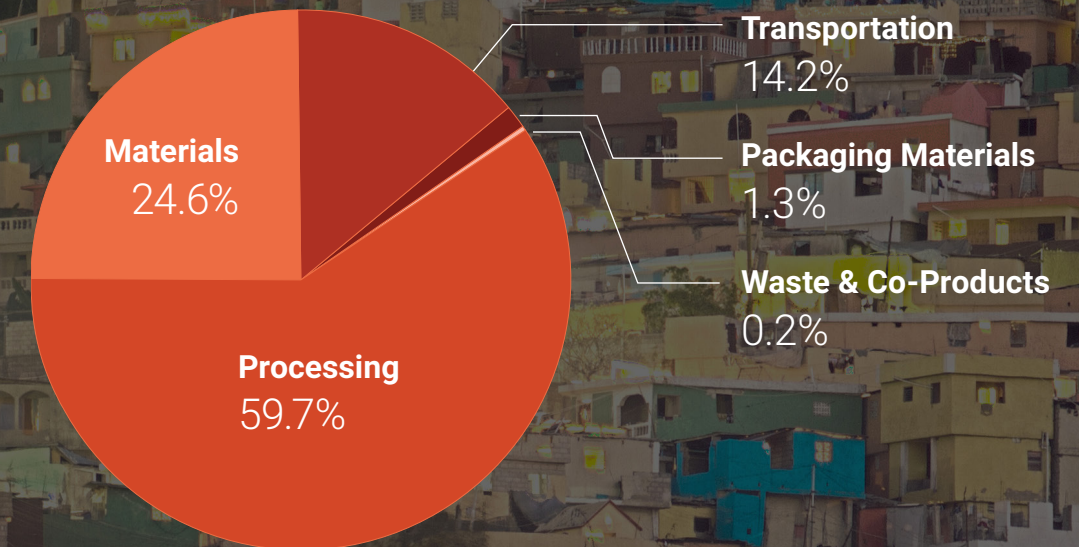
While Cotton is slightly more carbon intensive, it is such a small amount that the carbon savings here is minimal. Where Thread's Ground to Good™ Fabric gets exciting is in its water footprint.

Water footprint summary - Cotton vs rPET:

Limiting the analysis to data provided from each production facility and combining that with water use estimates for US-grown cotton fiber, 97% of the water used per unit of 50:50 product is from the production of cotton, and 3% is from the production of rPET-based fabric. It takes approximately 400 gallons of water to produce the cotton that goes into 1 square yard of 50:50. It takes only 12 gallons of water to produce the rPET-based thread and the final 1 square yard of 50:50 product.



Carbon Footprint



Water Footprint

thread rPET 50:50 Canvas

412 Gallons/Yard

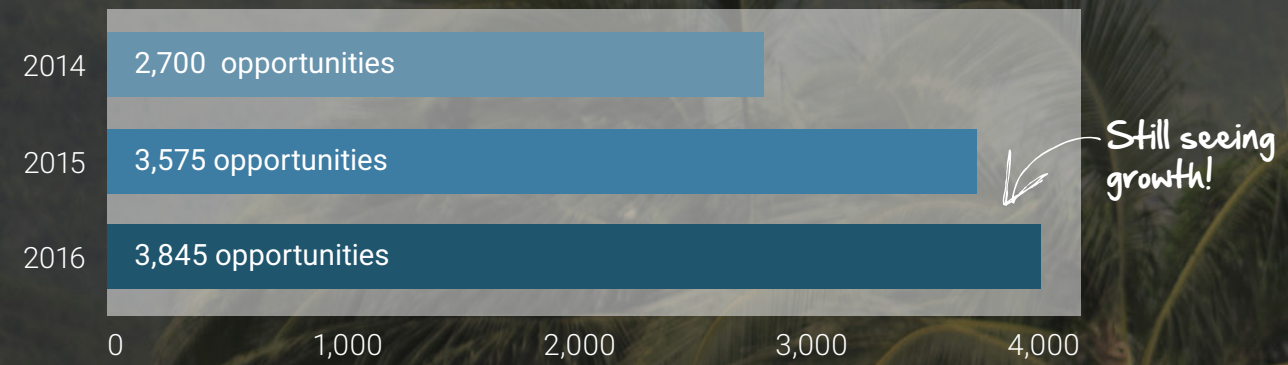
Conventional Canvas

810 Gallons/Yard

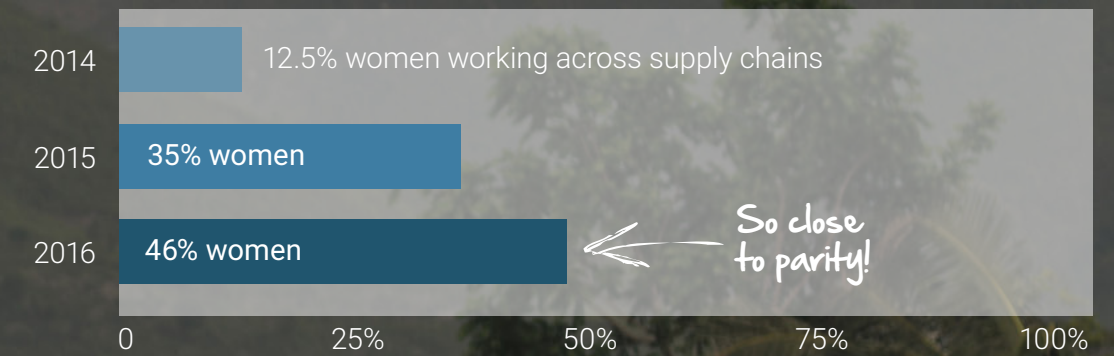
This means that **398 gallons** of water are saved for every yard of Ground to Good™ 50/50 Canvas when compared to the 100% conventional cotton canvas it is replacing.

HISTORICAL IMPACT

Income Opportunities in Plastic Collection



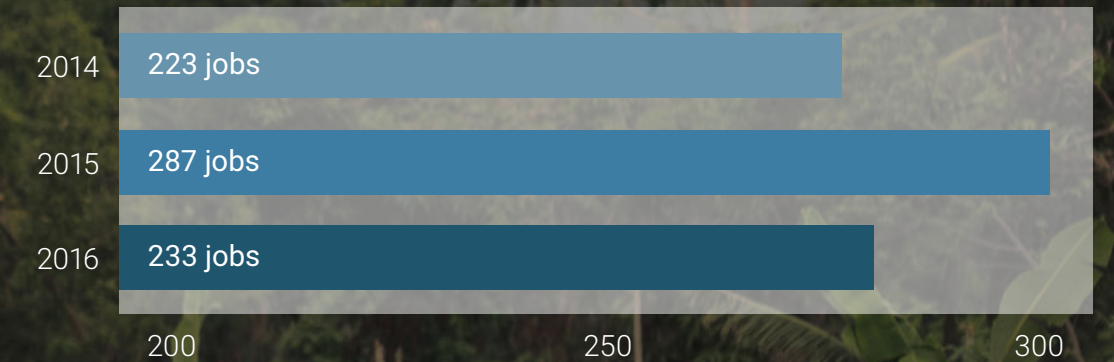
Employment Opportunities for Women



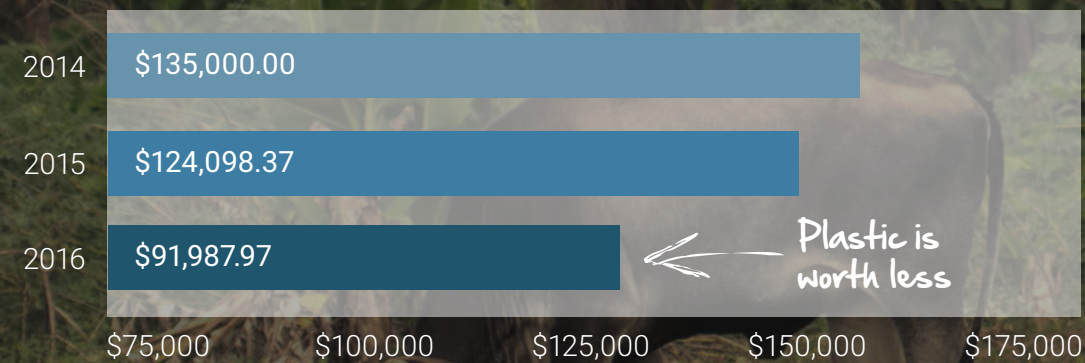
Pounds of Plastic Waste Exported



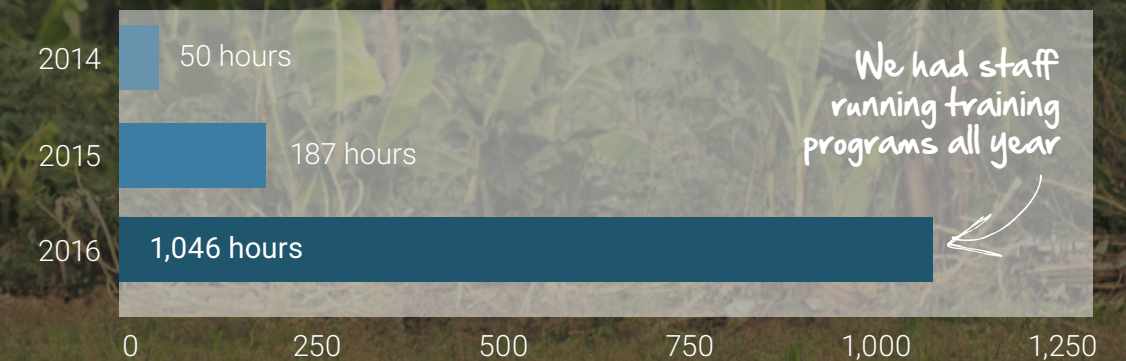
Job Creation in Haiti



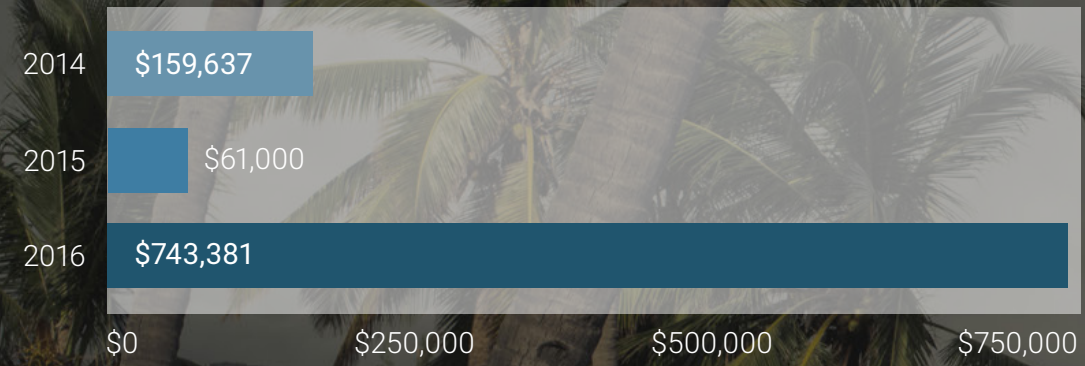
Revenue Generation in Low-Income Countries



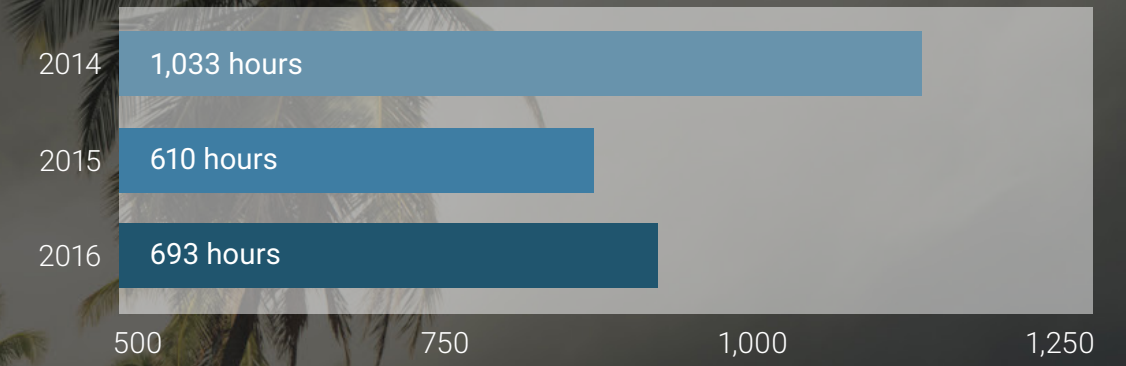
Professional Development and Training



Revenue



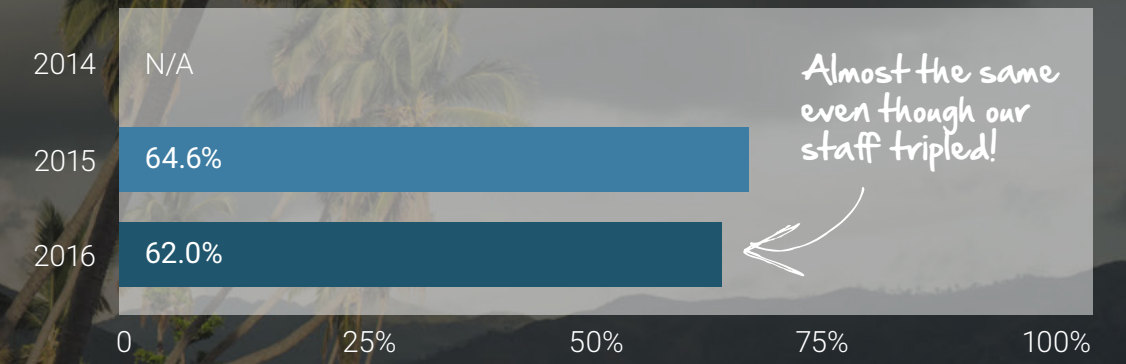
Volunteer Hours



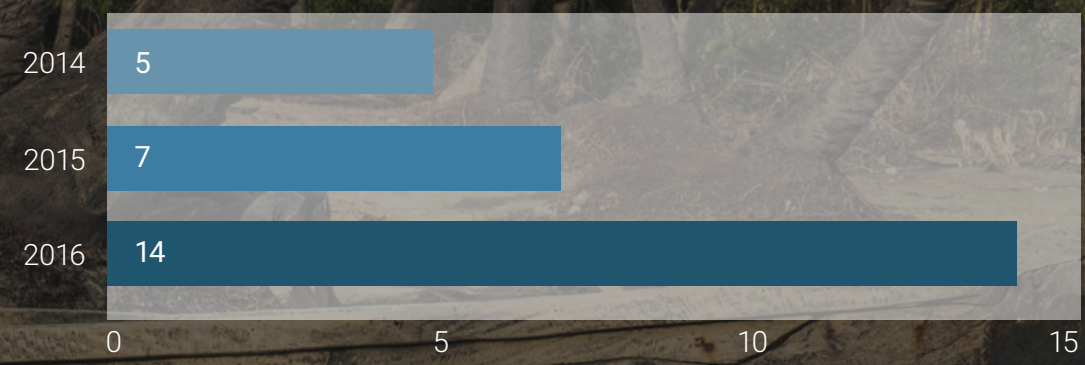
Thread Customers



Threadquarters Office Waste Diverted from Landfill



Fulltime Threadheads



CHANGING AN INDUSTRY

The apparel industry is the second most polluting industry on the planet. In addition to ecological harm, the convoluted and complex supply chains built from the top down create conditions rife with hazard, human rights violations, and remain incredibly hard to monitor. This is why, year after year, people working in the apparel industry continue to risk their lives for low wages. Thread believes that we can change this norm. We believe the stuff we buy should be as good for the people who make it, as it is for those who buy it.

We are proud to have joined and participated in the following working groups, industry discussions, and global conferences shaping the future of responsible manufacturing in the fashion and apparel sector.



Kelsey Halling, Director of Impact for Thread

CIRCULAR ECONOMY

The term Circular Economy is still nascent in the U.S. but has been gaining traction for the past few years in Europe. Current models of production are linear, following a model of extraction -> production -> consumption -> throwing away.

A circular model is one in which materials are not thrown away, but rather return to production remaining effective and useful. Everything we currently discard has the ability to be a useful raw material again. Circular Economy looks to capture this value; in fact, according to a McKinsey report, the value of this material lost every year amounts to \$80-\$120 Billion in plastic packaging alone.

The economic advantages of a circular approach are clear. At Thread, we believe that the Circular Economy holds tremendous opportunity for low-income countries and the communities where we base the foundation of our supply chains. Participation in the Circular Economy not only will bring much needed economic opportunity to these countries in the form of income generation, job creation, and valuable exports, but could allow them to invest directly into innovative waste management systems, leapfrogging some of the outdated waste systems that hold back more industrialized countries from circularity. The Circular Economy can allow low-income countries to participate in the global economy without the necessity of an industrial revolution.

Just like telephone poles don't exist in places that never had landlines, and instead went straight to cell phones, we believe that landfills will become archaic and outdated infrastructure that will be bypassed by low-income countries adopting a circular model.

Thread makes circular participation accessible and efficient for our customers. The brands we partner with are able to easily plug our transparent supply chain into their existing production. When a consumer is finished with the good, they can send it back to Threadquarters, where we repair, resell, or recycle each item, ensuring that the materials stay in use and out of the landfill.



RULES OF ENGAGEMENT

All companies have rules that define their culture, expectations, and behavior. As Thread grows, we realized it was time to write these down. The rules listed below were developed with input across our entire team. They are shared with new hires, and outline what we expect from one another. One of the best parts of starting a company is that you get to very literally write the rules.

You will never get in trouble for making a decision, as long as you can back it up.

You have the autonomy to make decisions here, but we expect you to back them up with logical, well thought out reasoning.

We have a bias for action.

Everyone likes to talk, Threadheads love to talk AND execute!



Engage.

We never run from a problem at Thread. We look to engage, listen, understand, and then find solutions and opportunities to make things better.



Victory goes to the ones who never quit.

While we love and aspire to be first, we know we can't always be that - what we can, and always will be, is the brand and team that never quits - we will win by persevering and being the last one standing.

We won't let perfect be the enemy of good, but good enough never is.

You are part of a world class team with good taste and high expectations. We will push you to take your work far beyond what you've done before. Frustrating? Often. Worth it? Always.

When you travel...

Be Amazing. Have fun. Come back.



If you take a beverage out of the fridge, you put another beverage in.

And if you go to Whole Foods you better buy some f*cking cookies for the team.



Make time to do the things and be with the people you love. Every week.

If you don't, you'll forget why you love life, you'll lose passion, you'll forget why we get up every day and fight for things that matter. Then, quite frankly, you just won't be as good at your job or nearly as fun to hang out with.

Despite our best efforts, our office is not a frat house.

We spend a lot of time here so let's make the space joyful. Clean up after yourself, put things away, take responsibility for your reusable coffee mugs. Wear what makes you feel comfortable, but you have to put pants on.



Asking good questions is more important than having good answers.

We are curious, we listen, we do exceptional work because of our inquiry.

Done. Done. Done.

Employees get things done, Partners get things done, done. Threadheads get things done, done, done.



You're going to be nervous.

This team will push you out of your comfort zone and ask you to do things that feel scary. Know that we always have each others backs. Teams can embarrass themselves in front of one another.

On office pranks.

If you have to ask who is being pranked? The odds are it's you.

Our core values don't exist in a 9-5 bubble.

Thread can't be the honest, authentic, transparent brand it is without us all living those values all the time.

Put the scissors down.

Thou shalt not cut fabric from the rolls unless permission from the materials manager is granted or it's a real emergency (in which case the cutter will update the new yardage on the tag).



Build systems for us all to live in.

We move fast, often individually, so make sure you systematize your processes as you go so that we have a solid foundation as we scale. And this way, god forbid you're hit by a bus, your team isn't screwed over.

Sell More Flowers.

At any moment, in any situation, anybody on the team can stop you and ask how what you're doing is helping us "sell more flowers". If you take too long to answer, or the answer isn't any good, you can be told to stop it and do something that does.



GYSHIDO.

Get. Your. Shit. Done.

Blow the Alpenhorn!!!

When we win, we celebrate. Metaphorically with an alpenhorn, literally with chardonnay. Gratitude and celebration are what make work fun.

Mona Peaches shall be prominently displayed at Threadquarters.

She is the first in and the last out of every home we have as a company. This is because she combines the brilliance of Leonardo DaVinci's Mona Lisa, with the face of a cat we all had as kids. This rule has no exceptions.



Mona Peaches ↗



Threadquarters in Pittsburgh



Nadine Philippe, Center Owner, Les Cayes

RECOMMENDED READING

A sampling of some of the more interesting articles, case studies, and entertainment that were shared amongst the Thread Team this year.

Harvard Business Review

[How I did it: Timberland's CEO on standing up to 65,000 angry activists](#)

Featuring our partner Timberland

First Round Review

[On Receiving \(and Truly Hearing\) Radical Candor](#)

Esquire

[When the End of Human Civilization is Your Day Job](#)

Fast Company

[Your Guide to Generation Z: The Frugal, Brand-Wary, Determined Anti-Millennials](#)

The Atlantic

[The Planet-Saving, Capitalism-Subverting, Surprisingly Lucrative Investment Secrets of Al Gore](#)

McKinsey

[Style that's sustainable: A new fast-fashion formula](#)

CONCLUSION

One year ago, the United Nations released the Sustainable Development Goals (SDGs), a list of 18 bold goals for every company, NGO, and government to work toward so that we can create a more just, safe, and sustainable world by 2030. We live in a fascinating time of major upheaval and uncertainty, but also where connectivity and information sharing have resulted in global agreements and a shared sense of direction.

The SDGs and the ratification of the Paris Agreement are two of the most promising things to occur to our world this year. We are witnessing the effects of climate change, a worldwide refugee crisis, and a gaping divide between extreme wealth and poverty. We have the unprecedented opportunity in human history to make decisions and take actions that may not reverse these crises, but that can have resounding positive and life saving results around the world. The SDGs give us one framework to get there. The fact that these goals have been adopted across nations, languages, cultures, and political parties gives me great hope for what the world can look like in 15 years.

Thread's business model contributes directly to SDG goals 1, 8, 10, and 12.

1. End poverty in all its forms everywhere.
8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all.
10. Reduce inequality within and among countries.
12. Ensure sustainable consumption and production patterns.

“You cannot hope to build a better world without improving the individuals. To that end, each of us must work for his own improvement and, at the same time, share a general responsibility for all humanity...”

Marie Curie

Whether you are a millennial buying Timberland boots, an independent designer working with Ground to Good™ fabric, or a proud parent rocking a Threequals t-shirt know that this is the work you are now a part of. Thank you.

It may seem trite to argue that individual choices can make a difference, but the things we buy have life. They tell the world who we are and what we stand for. Choose to stand for something brave and inspiring like ending global poverty or individual improvement. Stop settling for “we don’t know,” when it comes to answers about where your stuff comes from, or “we didn’t know,” when it turns out those answers are hurting people.

In 2030 let’s live in a place where these goals are the norm. Let’s get to work.



A handwritten signature in black ink that reads "Kelsey Halling".

Kelsey Halling
Director of Impact



thread™

threadinternational.com

