

May 7th, 2021

FOUNDATION B'LAO

GROUP FINANCIÈRE B'LAO

THE REPOSITIONING FOR THE INDUSTRY OF LINGERIE - SWIMWEAR - SPORTSWEAR - PROTECTIVE CLOTHING “4.0 - HUB CLUB - 3P”

“**RESPONSIBLE BRANDS - MEANINGFUL CONSUMPTION**”

Financière B'Lao (FB - formerly Corèle International) is a French group – specialized in Lingerie - Swimwear - Sportswear - Protective Clothing Industry (www.financiereblao.com).

Scavi is the industrial subsidiary wholly owned by the Group FB. Scavi employs 20,000 people in the world. Scavi has the 1st Foreign Direct Investment License - all industries - in Vietnam in 1988 (33 years ago) and is the leader in Global Outsourcing Services of Lingerie - Swimwear - Sportswear - Protective Clothing in Vietnam (www.scavi.com.vn).

The Group FB, via its subsidiary Scavi, pioneers to build a typical development model mobilizing the **RESPONSIBILITY** of all partners: “**4.0 - HUBCLUB - 3P**” (3 times pioneer)”.

That is the model of:

- 4.0: Moving forward the 4.0 Industrial Revolution (synergy between Digitization and Automation) to develop:
- Hub Club: Unprecedented connected Club - shared targets and shared processes to reach targets - between CUSTOMERS - Group FB via SCAVI - SUPPLIERS,
- 3P: 3 Times pioneer for **RESPONSIBILITY**.

This model is guided by the **VALUES** of the Group, in which **RESPONSIBILITY** is the key point.

This model leads to **THE COMMON REPOSITIONING** of the Hub Club and all related brands: **RESPONSIBLE BRANDS - MEANINGFUL CONSUMPTION**: the values of **RESPONSIBILITY - RESPONSIBLE BRANDS** - are demonstrated through 3 Pioneers, **TO RETURN BACK TO HUMANS**:

- **P1: Pioneer 1: Responsibility within the industry**: the responsibility of all members → all partners within the industry for each other, towards the final customers: consumer who

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is **THE CENTER** of this **RESPONSIBILITY** system.

Global connection for Global success: Global connection through typical System of Organization (SO): **CONNECTED** Target System – Process System; 4.0 Technology participates to the continuous improvement of the **CONNECTED** Information System for daily operations of the related System of Organization.

- **P2: Pioneer 2: Active social responsibility through lifetime education.**

- **P3: Pioneer 3: Active environmental responsibility.**

P1: PIONEER 1: RESPONSIBILITY WITHIN THE INDUSTRY:

The values of the Group are demonstrated in reality through the unprecedented **CONNECTED** System of Organization (SO).

The success of a Collection is achieved right at the **PREPARATION** stage, as for all human activities. Therefore:

RESPONSIBILITY IS DEMONSTRATED RIGHT AT THE PRE-CODD STAGE
(*): ALL FOR EACH ONE - EACH ONE FOR ALL

(*): *Pre-CODD (Preparation of Co-Design - Co-Development): the stage of CO-preparation - together AND at the same time - for design development and technical development of a Collection between Customers-brands - FB via Scavi - Raw Material (RM) Suppliers. At the stage of Collection development (CoDD), Customers-brand - Scavi - RM Suppliers also CO-develop.*

This is the breakthrough of the Group's repositioning.

Concretely:

A. The responsibility of the Industry (Brands - FB via Scavi - RM suppliers) towards the final customers who are THE CENTER: right from the Pre-CODD stage

- **Quality:** with the active participation of the final customers, the Industry **improves continuously Product Quality** for the final customers to **avoid buying Excess Quantity** - improves continuously the Service Quality to the final customers from the moment they arrive at stores - physical or virtual - until the moment they order and get the product ordered, by reinforcing continuously the shopping experience (Quality - Innovation: Continuous innovation in each Pre-CODD stage of each Collection): The esthetics - the wearing comfort - fit and the using durability (long-lasting quality after repeated washings).

Significantly reduce the size of the Collection to make the legibility of the collection clearer for the final customers - the **SHORTER COLLECTION** focusing on the best- seller products - more exactly: **the best demanded products** - to develop at maximum the continuous improvement of quality through the continuous innovation: including the test - with the selective and representative final customers - of the future potential best demanded products. Develop at maximum the virtual store

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(intimately connected to the physical stores, inside the connected omnicanal distribution channel organization) leading progressively to the industry multi-brands common virtual platform - Live with the final customers 24h/24, 7 days/7 days, to exchange - listen to the final customers about the continuous improvement of quality of product-service - distribution-communication - with the optimized 3D technology - to exchange, with the active participation of the final customers, on the Responsibility regarding the below Pioneer 2 and 3: the virtual store is not only the Platform to order and track the transparent progress of the order realization but also the permanent exchange place between the final customers and Brands. This joined initiative will be progressively the added value - meaningful alternative to the monopoly of Amazon or equivalent.

- **Price:** Reasonable price in the related market segment: only operate the promotion on suitable occasions.

- **Availability:** Organize to reduce progressively the lead-time from Scavi to the brands to 4 weeks to contribute to this progress.

FB, via Scavi, pioneers to support brands to relocalize progressively the supply chain - the production near the consumption market - near the final customers and to develop, in parallel, the shortest direct distribution to these final customers by eliminating at maximum the intermediaries which don't bring added values. FB, via Scavi, will be the first industrial group in its industry to start to RELOCALIZE THE PRODUCTION back to Europe and North America.

The unprecedented automation (part of 4.0) plan engaged by FB with a dedicated 4.0 task force team will contribute to this strategic move.

FB is moving forward the globalization to be-progressively-intimately connected to the relocalization: « organize global, act local ». On this Point, the Pioneer 1 is closely connected with the Pioneer 3: Responsibility for the environmental protection.

B. The responsibility of the final customers towards the Industry:

- *Understand the reasonable price* (in point A above) with appropriate and durable quality, avoid buying promotional prices only.

For example: BUY 5 bras priced at USD25 instead of 10 priced at USD15 (price with 50% discount, from originally USD30). Finally, in reality, the final customers spend USD125 per year instead of USD150 but has **ENOUGH QUANTITY** for use and **BETTER QUALITY** → protect environment (5 products really used instead of 10 → wasteful: see P3: pioneer 3 below).

- *Guide the final customers* progressively, through appropriate communication and exchange plans *to order and to accept delivery 4 weeks after* (instead of same day delivery) → participate to a reduction of the industry's global **INVENTORY** (the whole industry begins the production supply only when the final customers place orders, on the basis of available greige and dyed yarns → protect environment (see P3: pioneer 3 below).

Note: It is necessary to organize the training of this value → new consumption civilization.

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The final customers who accept “waiting” will receive, for example, discounts or customized product and fit service at the store.

C. The responsibility of the Group - via Scavi - towards Customers-Brands: right from the Pre-CODD stage

- Responsibility for GP (Gross Profit) target:

Via Scavi, the Group is responsible for each customer-brand's **GP target calculated on the product landed cost = DDP (Delivery Duty Paid)**, that means after the import custom clearance, **not FOB**.

Effectively, Scavi uses with customers the same related Technical File (DDTF = Design-Development Technical File).

Adjust the Quality - Quality Book (***) of related DDTF (the **Quality** specified in the point A.) based on the need for Continuous Improvement of Quality/Innovation → Adjust the **quality** of raw material → KPM (Key Permanent Materials) and Finishing-Fit.

(**): *Quality Book = the agreed and in-continuous-improvement standards between Scavi, Customers-Brands and strategic RM Suppliers, on targeted quality, including RM Quality and Garments Finishing-Fit Quality.*

From the final customers price target (the **Reasonable Sale price** specified in point A. above), the transparent GP% target of Customers-Brands, the transparent GP% target of Scavi, the CM target to calculate the RM price target □ KPM (Key Permanent Materials) price → develop the targeted quality with RM Suppliers.

- **Responsibility to cut costs below GP:** cut down global management team cost (firstly LEAN of management team in Asia, Scavi connecting directly with the head offices of customers) - quality control cost - logistic cost thanks to the special advantage of Vietnam, the duty-free export platform, affirmed by the EVFTA, the RCEP and the highly potential return of TPP with the confirmed 2020 US presidential election win for Democrats.

- **Responsibility to reduce Inventory towards zero:** Scavi, Global partner, with 4.0, through unprecedented and real time connected Strategic Planning - between Customers-Brands - Scavi - RM Suppliers, aims to shorten, at maximum, the time between the Pre-CoDD stage and the arrival of products to the final customers. The Inventory reduction is also the results of the progressive relocalization of the supply system – the production near the consumption market mentioned in the point A above. Here again, the Pioneer 1 is closely connected with the Pioneer 3: Responsibility for environmental protection.

NEW CYCLE TARGET:

2 months for Pre-CODD + 2 months for CODD + 1 month for production = 5 months
from the beginning of Pre-CODD to the arrival of products to the final customers

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D. The responsibility of the Group - via Scavi - towards RM Suppliers: right from the Pre-CODD stage

Scavi, from connecting with customer-brand, connects with KPM Suppliers: real time-tripartite connection of Strategic Planning for sharing the target of volume plan, to ensure the supply capacity and the GP of RM suppliers (Process Elasticity).

In the context of the consumer target price (the **Reasonable Sale price** specified in point A. above), Scavi and RM Suppliers agree on the KPM target price and, in parallel, the related quality/innovation target → Determine de cost target of KPM based on the transparent GP target of RM Suppliers

The measures to support strategic RM Suppliers to reach the RM target price while reaching GP target are:

+ **Standardize KPM** = minimize the number of KPMs, with the active/innovative participation of strategic suppliers.

+ **Concentrate the globalized volumes towards strategic RM suppliers:** the quantity Scavi buys + the quantity customer buys and nominates to buy = Co-Sourcing = Scavi connects with customers-brands to get the BEST SHARED MATERIAL SOURCING-COST conditions.

P2: PIONEER 2: ACTIVE SOCIAL RESPONSIBILITY

The Group FB pioneers to develop the active Social Responsibility through the Lifetime Education System. The main target is to build people. Economic development is a natural result of the training policies in the long run. This system includes Initial Education (from kindergarten to university with apprenticeship at the core of the education system, from vocational school to university) and Continuous Education. Lifetime education aims to transmit values and to live permanently with all these values through a person's life, enhancing our knowledge, know-how and professional know-how.

This system also connects Customers-Brands - Group FB via Scavi - RM/Production/Service Suppliers to the final customers - extending to the global connection to the Administrative Authority system of the region where the Group and the industry develop and to the Social Organizations operating in that region.

P3: PIONEER 3: ACTIVE ENVIRONMENTAL RESPONSIBILITY

This responsibility is part of the **REPOSITIONING** of the Hub Club including the final customers: The active environmental **RESPONSIBILITY** is demonstrated by three concrete action directions, continuously improved through each development season, right from the Pre- CODD stage of the related Collection, that connect closely with the Pioneer P1 explained above:

- Reduce carbon emissions:

+ Reduce the use of fossil fuels.

+ Increase the use of recyclable energy (solar and wind energy): core condition in construction

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- layout restructuring projects at each FB and the industry's operating site.
The motivations of improving continuously Quality for reducing Quantity contribute actively to this action direction.

- Reduce the use of natural resources, polluting artificial chemicals and water:

- + Increase the quality - Reduce the quantity of consumed products.
- + Prioritize the use of recyclable yarns → recycled raw material: one direction: research and development about lingerie products using 100% yarn to optimize the recycling. FB's subsidiary - Scavi - has effectively the certificates to use permanently the recycled materials (Recycled Claim Standard (RCS) 2.0) and organic materials (Organic Content Standard (OCS) 2.0).

For more information on RCS and OCS certificates:

<https://certifications.controlunion.com/en/certification-programs/certification-programs?category=Textiles>

- + Reduce the use of clean water → develop the recycled wastewater treatment technology (Zero Liquid Discharge), no discharge into the environment, applying to the material dyeing operations.

- Reduce wastes - most importantly hazardous wastes and persistent wastes.

- + Minimize definitely the use of plastic, including the reuse in the process of manufacturing artificial fabrics.

The motivations of improving continuously the Quality for reducing the Quantity, reusing definitely garments through recycled yarns contribute actively to this action direction.

The Communication Department of the Group FB organizes to update systematically all the progress of the realization plan to implement the repositioning "RESPONSIBILITY" - RESPONSIBLE BRANDS / MEANINGFUL CONSUMPTION - of the WHOLE INDUSTRY, in all P1, P2 and P3.

At the beginning of the Pre-CODD stage of each season, the Group's Communication Department addresses the whole information mentioned above to the related Department of customers-brands, for customers-brands to communicate to the final customers - consumer.

Customers-brands are recommended to invest in the communication (suitable audio visual equipment) at sales points to reinforce the communication – to connect this **repositioning** to the final customers, establishing the sustainable development of this Hub Club.

The Group FB proposes that the Hub Club organizes, once a year, a reunification meeting at a location of the group in Europe or Asia to evaluate the effective realization of targets and to improve the action plan deploying this model: 4.0 – Hub Club – 3P.

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For more information about the Foundation - Group B'Lao:

1. Clip about The Group's History & Evolution:

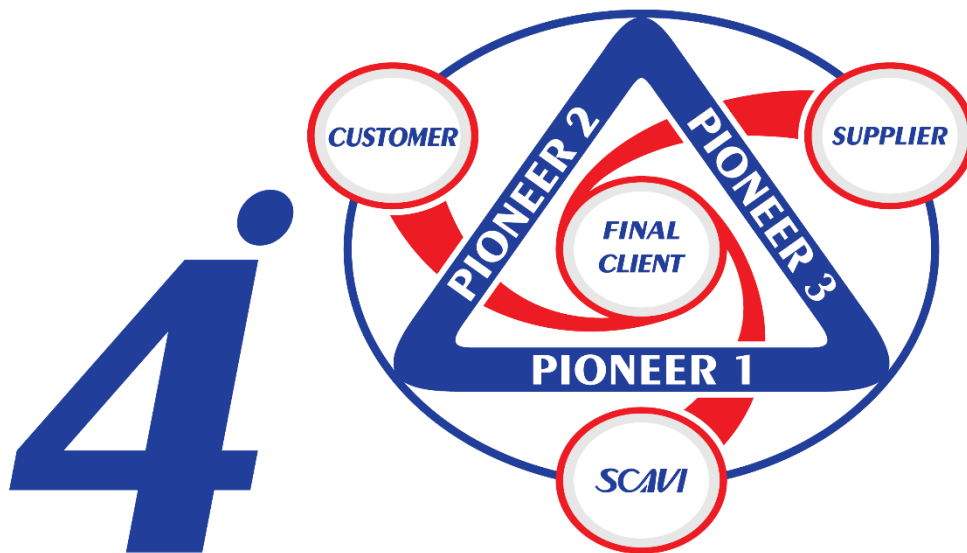
https://www.youtube.com/watch?v=bhRVu-dX_3A

2. The Group's 30th anniversary event:

https://www.youtube.com/watch?v=S_IB8NVrnA&feature=youtu.be

3. Foundation B'Lao website: www.foundationblao.org

4. B'Lao Kindergarten in Phong Dien - Hue, for 200 children, with full scholarship from Foundation B'Lao-Scavi: https://www.youtube.com/watch?v=6x_9qb3-Jm4



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