

Project Brief For Kontoor Brands

2025 Holland Fellowship

Table of Contents

Executive Summary.....	3
Overview.....	3
Objective Statement.....	3
Research Significance.....	3
Research Methods.....	4
Research Process Summary.....	4
Analytical Frameworks.....	4
Political, Economic, Social, Technological, Legal, and Environmental (PESTLE) Summary...	4
Strengths, Weaknesses, Opportunities, Threats (SWOT) Summary.....	5
Impacts, Risks, Opportunities (IRO) Summary.....	6
Impacts.....	6
Risks.....	6
Opportunities.....	7
Project Learnings.....	8
Implications.....	8
Tentative Recommendations.....	9

Executive Summary

The Holland Fellowship team has analyzed Kontoor Brands' sustainability position within the apparel industry. KTB faces challenges from tariffs, inflation, and supply chain instability alongside increasing consumer demand for sustainable action. Despite strong brand influence, KTB is vulnerable due to revenue concentration from few wholesale buyers. The Helly Hansen acquisition offers geographic expansion opportunities and product diversification. The team tentatively recommends industry collaboration, AI adoption for supply network monitoring, circular product initiatives, and leveraging Helly Hansen to enhance sustainability while maintaining competitiveness and meeting evolving ESG regulations.

Overview

Objective Statement

We will present an IRO analysis to identify potential impacts, risks and opportunities throughout the apparel industry. Our study will include potential effects on KTB's financial positioning, identifying effects of key stakeholder groups on reporting strategies, and cross analyzing competitor's current water and decarbonization initiatives. We hope to provide recommendations to Kontoor's sustainability strategy that aligns with the Company's goals, values, and vision.

Research Significance

Our research and analysis has been vital for us to understand what KTB stakeholders are hoping for in order to bring more value and ethical compliance to the company. It has also greatly helped us to understand the market in which KTB operates and what changes or goals would be feasible and relevant to their consumers. Finally, our research on KTB has greatly helped us to understand the

company's values when it comes to ESG, and what actions they can take to achieve their vision.

Research Methods

Research Process Summary

The team has conducted extensive research for Lee and Wrangler across U.S., European, and Asian markets, including industry collaboration analysis, competitive environment, and supply chain analysis. Our preparation began with individual sustainability research projects that outlined the systems of thinking that define our approach to sustainable business strategy. This includes situational factors and challenges. Over the weeks that followed, we consulted sustainability and market experts, including firm representatives from Deloitte ESG consultant, Nike, A4S, Recover Brands, LIVSN. The conversations we had with these experts helped us to understand the risks, rewards, and challenges of aligning sustainability with corporate vision. We debriefed regularly after each expert meeting to process information, and discuss ideas. During that time we also performed PESTLE, SWOT, and IRO frameworks to categorize our research and contrast competitor behaviors.

Analytical Frameworks

PESTLE Summary

The purpose of the PESTLE summary is to analyze external influences that impact the industry as a whole.

The lifestyle and performance apparel industry is constantly evolving and facing new challenges. Current political influences including, rising tariffs, economic inflation, and supply network instability, demand careful consideration of KTB's own

supply network to avoid unanticipated economic risks. Today, consumers of the industry expect greater transparency, influenced by evolving regulations through labor laws and ESG reporting requirements. Firms must navigate growing consumer and regulatory demands for sustainable practices. The current acceleration of technological development such as recycled materials, e-commerce systems, and waterless dyeing enables companies in the industry to meet their sustainability roadmap goals. The apparel industry faces interconnected environmental challenges including climate change impacts on cotton production, water scarcity, waste management, and carbon emissions. These effects will continue to influence KTB's ability to expand their market on a global scale, and exceed stakeholder expectations.

SWOT Summary

The purpose of a SWOT analysis is to analyze the company's strengths and weaknesses, opportunities, and threats from a competitive market perspective.

KTB is uniquely positioned within the lifestyle and performance apparel industry due to their brand influence, dynamic relationships with retailers, and their highly-integrated supply chain. However, 73% of KTB's revenue is derived from a few wholesale buyers. This presents risks to KTB's cash flow stability, especially if its partners choose to reevaluate their purchase agreements. Antitrust laws also limit sustainability collaboration among industry firms.

Global growth of ecommerce and digital marketplaces presents a significant opportunity for Kontoor Brands, though challenging to implement due to relationships with powerful buyers. The proposed acquisition of Helly Hansen presents an opportunity to expand KTB's geographical reach, diversify its product offerings, appeal to a broader consumer base, and leverage operational, technological, and financial synergies across its brands.

Geopolitical relations have impacted many industries in recent years. Unreliable supply network routes, international tensions, and trade policy changes can greatly impact the success of KTB's strategies. Investing in geographical market penetration is contingent on the economic stability of the regions where KTB expands. In addition, uncertainty in the global economy may reduce consumer discretionary spending, which could significantly harm the business. As KTB pursues horizontal growth, competitiveness within the industry increases, accentuating the importance of brand positioning.

IRO Summary

The purpose of this IRO analysis is to take a holistic approach to sustainability reporting, considering which impacts, risks, and opportunities materially influence the company.

Impacts

- Social Well-Being
 - KTB has a corporate responsibility to both their employees and the employees of their suppliers that help bring their products to market.
 - Maintaining an environmental and social license to operate in manufacturing regions requires the consideration of local stakeholders.
 - As a key representative for the industry, KTB's platform influences consumers' value for sustainability.
- Water Conservation
 - The denim process is incredibly water intensive. Water is critical for the acquisition of raw materials and the dyeing process.
 - KTB operates in water-stressed regions where water scarcity is of paramount concern.
- Emissions
 - Manufacturing emissions heavily contribute to warming the atmosphere and are responsible for environmental harms such as biodiversity loss.

Risks

- Supply Network
 - Increasing tariffs on imports from countries where KTB manufactures, like Mexico, potentially raises the costs of goods sold for products within the U.S.
 - Supply network transparency deficit conceals hidden risks that deteriorate the Company's image. (Lack of measurable metrics).
- ESG Reporting Risk
 - As ESG reporting regulations decrease in the U.S., yet are maintained overseas, KTB must report on their sustainability practices strategically.
- Damage to Physical Capital
 - As climate change intensifies, a heightened threat to physical capital in regions prone to extreme weather events poses financial and welfare implications.

Opportunities

- Repair, Resell, Recycle
 - Competitors are increasingly participating in circular lifecycle programs, achieving certification, and performing internal audits to expand the scope of responsibility for a product.
- Technological Development
 - Currently over 30 manufacturing facilities participate in the Indigood program, expanding the adoption of this technology will help KTB reach its water conservation goals.
 - Lee's digitally printed jeans offer an alternative technology that truncates water usage in the manufacturing process.
 - Ecommerce and digital marketplace is rapidly growing across the globe.
 - Leveraging generative AI can help Kontoor optimize its sustainability and supply network decarbonization efforts.

- Proposed Acquisition of Helly Hansen
 - The acquisition of Helly Hansen promises to provide Kontoor with an opportunity to expand geographically, diversify its product portfolio, target a broader consumer base, and create operational, technological, and financial synergies between KTB's brands.
 - Helly Hansen's work to reduce chemical waste increases KTB's ability to manage chemical management goals.

Project Learnings

It pays to be socially, environmentally, and economically responsible. If KTB doesn't take into consideration these factors, large portions of the value chain could be at risk, and with that risk, there are potentially material negative financial consequences.

Our analysis of the lifestyle and performance apparel industry provides insights for Kontoor Brands' sustainability strategy. As the apparel industry grapples with volatile weather, water scarcity, and emissions challenges, stakeholders continue to demand increased transparency and sustainable practices.

KTB faces specific vulnerabilities including revenue concentration, geopolitical uncertainties, and supply networks instabilities. Evolving ESG reporting requirements across global markets necessitates strategic navigation of the Company's challenges. Technological innovations in recycled materials, waterless dyeing, and e-commerce offer pathways that meet KTB's science-based targets. Growth opportunities which include the Helly Hansen acquisition, can enable geographic expansion, customer and product diversification, and create synergies that align with KTB's goals.

Our research methodology combining PESTLE, SWOT, and IRO frameworks with expert consultations provided a comprehensive understanding of the sustainability landscape. These learnings suggest KTB should prioritize supply network resilience,

water conservation technologies, and strategic ESG reporting. The Helly Hansen acquisition puts KTB in position to combine existing resources and utilize best practices and capabilities to grow efficiently.

Implications

Sustainable business strategy is fundamental to the pursuit of future operational and economic security. This is achieved by maintaining responsibility to stakeholders in the present. The initial findings of the Holland Fellows outline the significance of sustainability on financial performance, operations, and brand reputation to stakeholders. Integrating sustainability into core operations is vital to ensure stakeholders are given due consideration.

Kontoor has a fiduciary responsibility to investors , to improve financial performance and shareholder return over time. KTB and its partners share a mutual responsibility to maintain positive, symbiotic relationships. However, upstream and downstream partners must adjust their practices to integrate sustainability, perform ethically, and align with shared values. KTB and its partners should remember the importance of consumer centered decision-making, as consumers demand both cost-effective products and adherence to transparency. KTB has a corporate environmental and social responsibility to its community, which provides Kontoor with a “social license to operate”.

Tentative Recommendations

The Holland Fellows initially recommend that Kontoor Brands take steps toward collaborative industry engagement, leveraging AI technology, investing in product life cycle assessments, and capitalizing on the proposed acquisition of Helly Hansen. Kontoor should therefore lead the industry in influencing Government Policy in favor of sustainability initiatives. Adopting generative AI could enable Kontoor to track

shipments and reduce emissions in real time by indentifying manufacturers with high emissions output, leading to improved regulatory compliance and reduced environmental impact. By implementing resell, repair, and recycle programs, Kontoor could deepen engagement with customers and advocates for sustainable consumption. The proposed acquisition of Helly Hansen provides Kontoor with growth opportunities, product portfolio diversification that targets a broad consumer base, and creates operational, technological, and financial synergies.