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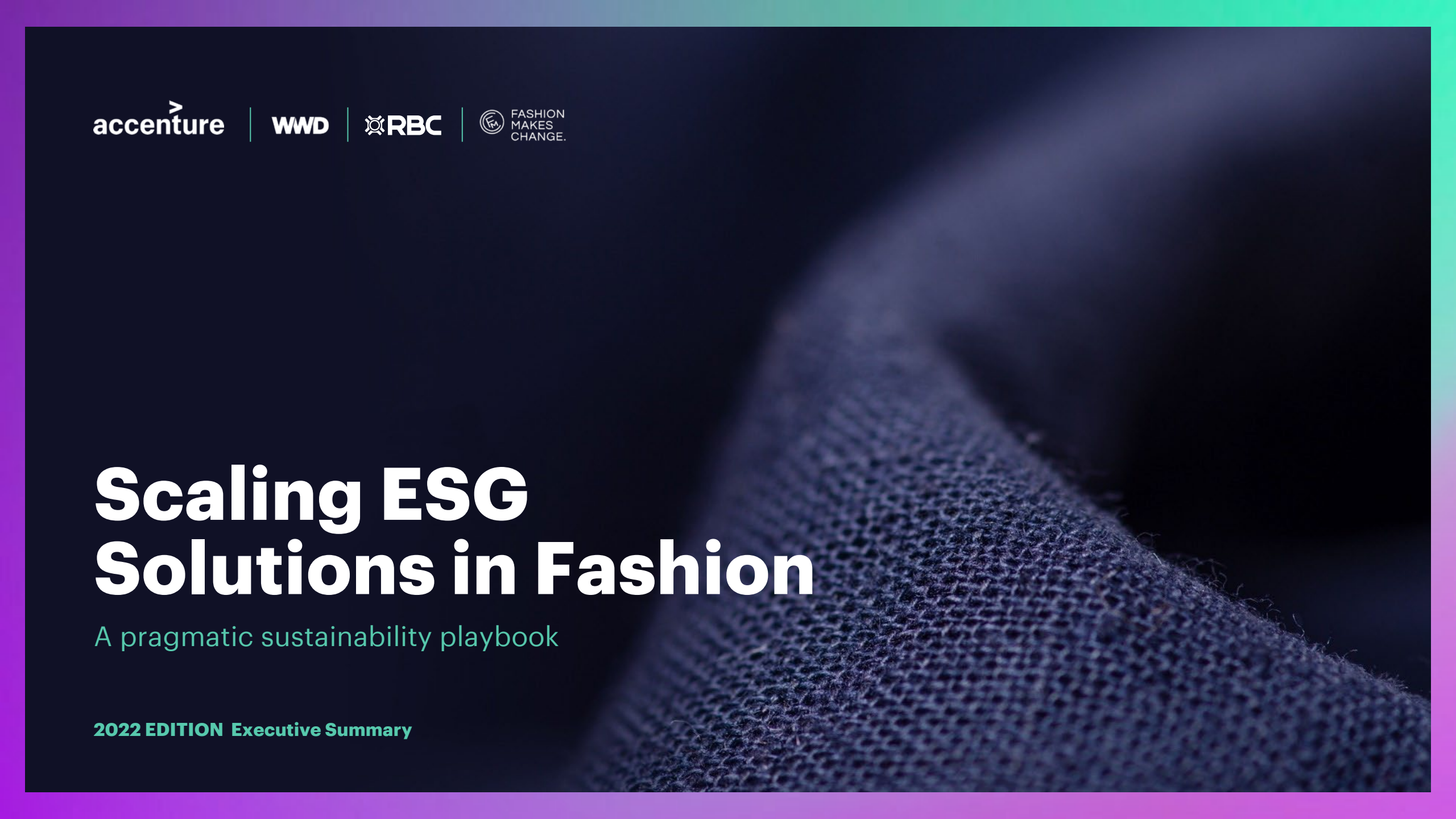


# Scaling ESG Solutions in Fashion

## A pragmatic sustainability playbook

**2022 EDITION Executive Summary**

# Foreword

**James Fallon**
Editorial Director
Women's Wear Daily

## Where do I start? Or, where do I go from here?

Companies across the fashion industry are stepping up their ESG initiatives in response to growing government action and increasing pressure from consumers and investors worldwide. They want to know what actions brands are taking to help stop, and hopefully reverse, climate change. But at times the number of organizations, rules, initiatives, and demands seems over-whelming. Do you start with farming, or with instituting repair and reuse of products? Workforce conditions or carbon emissions?

Each group involved seems to have its own agenda—which, in the end, are all equally urgent. As Women's Wear Daily (WWD) continues to expand on its coverage of all of the aspects of ESG, it at times seems as if the industry is made up of a bunch of ducks. We're all in the same pond—but each of us is swimming in a different direction.

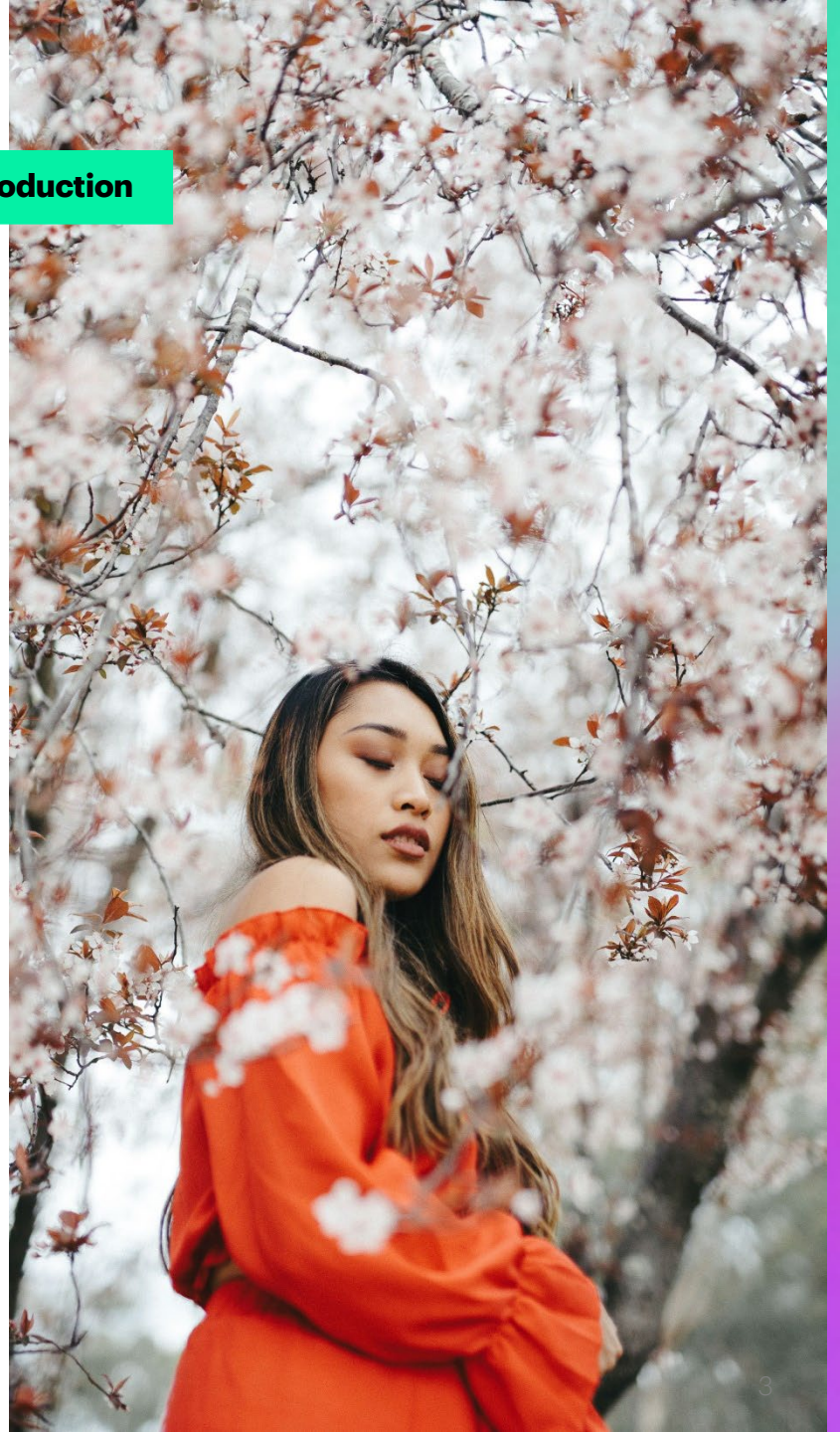
Instead, the goal should be to become like a flock of geese (sorry for the avian references!)—acting as one flying toward a common goal (and honking loudly about the need to act fast).

*Scaling ESG Solutions in Fashion* aims to help inform retailers and brands about solutions that are already working and provide a path for others to follow. It focuses on seven key areas that should be a company's initial focus—and builds from there. The aim is to make it an annual publication since the goals will shift as the urgency for action continues to grow.

Let's get ready for take-off.

# **Fashion is being reset**
# Consider this a call to action





Extraordinary levels of collaboration, commitment, consumer engagement, innovation and technology are required to transform the fashion industry at speed and scale.

As outlined in the UN Global Compact–Accenture CEO Study on Sustainability, to shift the requisite business processes and ultimately human behavior, we'll need greater focus and collective action—an industry-wide push to reset the global value chains that will address shifting trends and changing consumer demands.

The global fashion industry is valued at nearly $3 trillion dollars, with an estimated 1 in 6 people working in a job directly or indirectly related to fashion. This size and breadth bring significant climate and socio-economic impacts—and opportunities.

The environmental statistics are well known. Estimates of up to 8% of the world's greenhouse gas emissions (GHGs) are attributed to fashion with ~70% attributable to upstream activities such as materials production, preparation, and processing, and the remaining ~30% associated with downstream retail, logistics, and product use, according to the UN Environment Program. Textiles consume some 215 trillion liters of water per year, with chemicals, detergents, and microfibers being released in both production and consumer use. Additional issues include land conversion, the challenges of conventional farming, and biodiversity loss. Areas of social focus include working hours, free association and collective bargaining, fair wages, job security, gender and race discrimination, safe working conditions, grievance reporting and environmental justice. And inevitably, there is an intersectionality of environmental and social issues that can confound solutions even further.

> And yet, it is precisely because fashion is hardwired for change that it has the potential to drive toward more responsible business.

With stakeholders demanding information on the Sustainability DNA of business, there has been a significant increase over the past decade in voluntary remediation and business transformation efforts, as well as environmental, social and governance (ESG) reporting within the sector to share progress, via frameworks such as the Value Reporting Foundation's SASB Standards, the Task Force on Climate-Related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI), and the Carbon Disclosure Project (CDP).

Additionally, key multinational organizations, reporting bodies, trade organizations, manufacturers, suppliers, brands, and non-profits (such as the Responsible Business Coalition's (RBC) Fashion Conveners) have come together on multiple fronts to help the industry address social and environmental challenges.

The industry's collaborative UNFCCC Fashion Industry Charter for Climate Action (Fashion Charter) (recently updated during COP26) sets targets to decarbonize the supply chain and halve GHG emissions by 2030, or set Science Based Targets (SBTs), an initiative that lays out a roadmap to reduce emissions in line with the Paris Agreement. The Fashion Charter also spells out targets for sourcing priority materials and renewable energy across owned operations, and places heightened emphasis on brands needing to work with their suppliers to reduce emissions—particularly important considering that the majority of emissions (96% according to estimates) come from the fashion supply chain.

The complexity of the path ahead and the urgency to reduce fragmented efforts calls for a new approach. The *Scaling ESG Solutions in Fashion* playbook aims to drive industry alignment by focusing on prioritized actions for today. Within the guardrails of impact and opportunity, this practical guide also recognizes that technology is reshaping life and business. Data and analytics solutions are a key factor in Retail's Responsible Reset—a requirement to accelerate and enable the fashion industry to achieve its goals as businesses recalibrate sourcing, supply chains, the workforce and beyond.

> This playbook focuses on seven high impact priorities for the fashion industry: *Raw Materials, Climate, Chemicals, Fair Labor, Sustainability Measurement, Innovation & Circularity,* and *Engaging Consumers.*

Each priority has its own plan, developed with consolidated leading practices, industry goals, metrics, recommendations, departmental considerations, and resources—serving as a comprehensive reference guide for fashion CEOs and other retail leaders to take immediate action.

*Visit www.accenture.com/retailplanet to access this report.*

# **Overview** of priority ESG Solutions

| 1 **Raw Materials**  | 2 **Climate**  | 3 **Chemicals**  | 4 **Fair Labor**  |
|---|---|---|---|
| **Industry Goal/Objective** | | | |
| • Aligned to Textile Exchange's 2030 Strategy, Climate+—by 2030, achieve a minimum of 45% reduction in GHG emissions within textile fiber and raw material production from a 2019 baseline<br>• Aligned to UNFCC Fashion Charter—source 100% of priority materials that are both preferred and low climate impact by 2030, ensuring that these do not negatively affect other Sustainable Development Goals | • Set SBTi-approved reduction targets on emissions (Scope 1, 2, 3) within 24 months, and commit to achieve net zero emissions no later than 2050, or<br>• Set a target of at least 50% absolute total emissions reductions (Scope 1, 2, 3) by 2030 against a baseline of no earlier than 2019, and achieve zero emissions no later than 2050<br>• Secure 100% of electricity from renewable sources for owned and operated (Scope 2) emissions by 2030 | • Work with suppliers towards toxic-free production, the disclosure of chemical use and wastewater management data<br>• Target zero discharge of hazardous chemicals in supply chain, including eliminating manufacturing restricted substances list (MRSL) chemicals<br>• Increase transparency about hazardous chemical discharges, including quantification, standard reporting on chemical-use and wastewater, and annual auditing | • Implement fair compensation program<br>• Commit to responsible recruitment<br>• Implement empowerment and education programs in and around supply chain communities<br>• Consider auditing and remediation beyond Tier 1 at textile mills and farms<br>• Uphold human rights, health and safety standards across supply chains |
| **2022 Key Actions** | | | |
| • **Collect,** track and monitor data on raw material supply chain, enabling transparency and sustainability shifts<br>• **Increase** use of recycled and standard-certified materials, transforming raw material sourcing practices<br>• **Invest** in de-risking and scaling innovative materials and circularity, shifting raw material sourcing strategies | • **Quantify**, track and publicly report via CDP on GHG emissions, including Scope 1, 2, and as feasible Scope 3<br>• **Set** and submit reduction pathway plans for 2030 goals aligned with the SBTi framework<br>• **Adopt** renewables, energy reduction and efficiency measures in Tiers 4, 3, 2 aligned with UNFCCC and RE100 | • **Commit** to eliminating hazardous chemicals and wastewater management, including sourcing from standard-certified wet processing facilities<br>• **Evaluate** products against harmful chemicals and develop policies for improvement, including audits and regular testing of wet processing facilities<br>• **Disclose** wastewater data and supplier list, including suppliers involved in wet processing and publishing data | • **Commit** to upholding and protecting workers' rights through fair labor and compensation policies, and improving health and safety conditions<br>• **Implement** commitments to responsible recruitment and empowerment, including programs to support DEI and environmental justice<br>• **Establish** workplace-based programs to empower and educate workers in and around the global supply chain |

# **Overview** of priority ESG Solutions

## 5 Sustainability Measurement

**Industry Goal/Objective**

- Best practice benchmarking, measurement, and target setting across ESG factors using vetted, uniform measurement protocols
- Track and publicly report material metrics, including GHG emissions, consistent with standards and best practices of measurement and transparency

**2022 Key Actions**

- **Assess** materiality on the path to developing a comprehensive sustainability strategy, governance, goals and measurement
- **Commit and quantify** tracking progress on ESG goals—GHGs, water, materials, labor conditions and more
- **Publicly** report, and move toward automated sustainability reporting, improving on data structures and digital transformation efforts

## 6 Innovation & Circularity

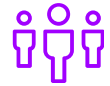
**Industry Goal/Objective**

- Initiate phased transition to source 100% of priority materials that are both preferred and low climate impact in support of 2030 goals
- Pursue materials that are closed-loop recycled, deforestation free. Apply regenerative practices, and ensure that relevant verification and impact measurement mechanisms have been applied

**2022 Key Actions**

- **Develop** circular economy strategies and action plans, referencing best practice frameworks and initiatives
- **Execute** on circular strategies and plans to "initiate the loop", including alternate business model pilots and execution
- **Invest** in solutions and innovative business models to "slow and close the loop", including infrastructure, design, platforms

## 7 Engaging Consumers



**Industry Goal/Objective**

- Communicate progress to consumers on corporate ESG goals, including the climate goals prioritized in the UNFCCC Fashion Charter
- Align consumer and industry communication to a 0.5-degree or SBTi compatible pathway, and a more just and equitable future
- Develop industry standards for communicating the ESG impact of products

**2022 Key Actions**

- **Engage** consumers, providing options for customers to get involved in the sustainability journey and become part of the solution
- **Drive** transparency of sustainability efforts, providing data and traceability for consumers, using effective product labeling
- **Educate** consumers about the brand's investments in sustainability initiatives and overall ESG commitments

The complexity of the path ahead and the urgency to reduce fragmented efforts calls for a new approach. This playbook aims to drive fashion industry alignment by focusing on prioritized actions for today.

1

# Raw Materials

It is time to reset sourcing. According to Textile Exchange, global fiber production nearly doubled in the last 20 years from 58m tonnes in 2000 to 109m tonnes in 2020, and is expected to increase by another 34% to 146m tonnes in 2030.

In order to reach a 1.5°C pathway for Tier 4 (raw materials extraction) significant effort is required, including reducing new materials and product growth, substituting materials and improving sustainability, as well as bridging the innovation gap—including circularity and regenerative practices. Alongside these efforts, the fashion industry will need to ensure raw material extraction accounts for the five provisions of animal welfare and responsible land management and biodiversity practices.

# **Raw Materials** Focus areas of action

1

## Collect, track and monitor data on raw material supply chain, enabling transparency and sustainability shifts

***Rationale**: Raw materials extraction (Tier 4) and processing (Tier 3) is estimated to contribute to 24% and 15% of total fashion emissions respectively*

***Guideline**: Collect raw materials sourcing, waste and practices data for Tier 3 and 4 suppliers (where possible)*

**Top Actions:**

**Assess** risks and impacts of fibers/materials by category, using the Preferred Fibers, Materials Matrix and HIGG MSI

**Gather** data from Tier 4 and 3 suppliers across categories to assess environmental and social risks

**Quantify** total fiber volume sourced by type and the total raw materials that are third-party and certified to an environmental and/or social sustainability standard

**Collect** GHG inventory data from suppliers for inputs into baseline data and modeling to assess impacts of current and alternate sourcing

## Increase use of low impact and certified raw materials, transforming raw material sourcing practices

***Rationale**: In 2020, less than 0.5% of the global fiber market was from recycled textiles*

***Guideline**: Scale up adoption of recycled and certified materials, acknowledging there is no perfect mix*

**Top Actions:**

**Reduce** total amount of virgin and/or uncertified priority raw materials purchased vs non-virgin, sustainably-sourced and standard-certified

**Increase** adoption of certified recycled materials, e.g. recycled polyester sourced from textile recycling (not just PET bottle waste).

**Source** certified materials such as preferred ecologically and socially progressive materials, e.g. preferred cotton, improving on tillage and soil health, regenerative agriculture

## Invest in de-risking and scaling innovative materials and circularity, shifting raw material sourcing strategies

***Rationale**: In 2020, 80% of the global fibers market was derived from cotton, poly, and MMCF (cellulosics)*

***Guideline**: Increase investment into sustainable materials, manufacturing infrastructure and pilots*

**Top Actions:**

**Increase** adoption of responsible (or alternates to) certified animal fibers, (e.g. wool, mohair, cashmere, down, leather), improving animal welfare, deforestation, and land use

**Invest** in and/or fund manufacturers of alternate innovative materials and circular practices, e.g. biosynthetics, alternative low impact natural fibers, deforestation, and conversion to nextgen, MMCF from reclaimed and/or waste/by-products

**Invest** in sustainable and preferred alternatives and regenerative agriculture initiatives, including pilots, financial support and contract commitments to meet Tier 4 raw material extraction goals

Maturity

2

# Climate

Greenhouse gases (GHG) such as carbon, methane and others are warming the planet. An unhealthy planet equals resource scarcity and disrupted operations, which challenge cost, revenue, and the ability to deliver value.

GHG emissions associated with the fashion industry are estimated to be as much as 8% of annual global emissions. The industry is ramping up its efforts to reduce fashion's environmental impacts with brands committing to halve GHG emissions by 2030 (compared to the previous target of 30%) or setting Science Based Targets (SBTs) and implementing strategies to decarbonize supply chains and achieve net zero emissions by 2050. By example, the UNFCCC Fashion Charter originally launched in 2018 (updated during COP26) and has been signed by 130 brands.

# **Climate** Focus areas of action

2

## Quantify, track and publicly report via CDP on GHG emissions including Scope 1, 2, and as feasible Scope 3

***Rationale***: *Baseline GHG measurement across scopes is critical to beginning the journey of decarbonization*

***Guideline***: *Tracking Scope 1, 2, and as feasible 3 in-line with SBTi, reporting annually via CDP*

**Top Actions:**

**Create** a verifiable GHG emissions inventory conforming with the GHG Protocol (Corporate Accounting and Reporting Standard), Scope 2 Guidance, and Scope 3 Guidance

**Calculate** and submit GHG emissions for Scopes 1 and 2 through recommended SBTi method, and Scope 3 using industry-aligned calculators

**Work** with manufacturers to gather primary data via GHG Protocol or qualified partner, and/or utilize secondary and industry estimate data to fill gaps

## Set and submit reduction pathway plans for 2030 goals aligned with the SBTi framework

***Rationale***: *Exercise of setting reduction pathways will establish structure, governance, and data collection for decarbonization journey*

***Guideline***: *Reducing to at least 2°C, or ideally 1.5°C aligned with SBTi. Consider UNFCCC Fashion Charter, Race to Zero*

**Top Actions:**

**For Scope 1**, recommendation to utilize the absolute contraction method to set a target (i.e. linear reduction of 2.5% and 4.2% for 2°C and 1.5°C)

**For Scope 2,** utilize the absolute contraction method or set a target to actively source renewable electricity (acceptable thresholds of 80% procurement by 2025 and 100% by 2030)

**For Scope 3,** set emissions and/or supplier/customer engagement targets that cover at least two-thirds of total Scope 3 emissions

## Adopt renewables, energy reduction and efficiency measures in Tiers 4, 3, 2 aligned with UNFCCC and RE100

***Rationale***: *Energy is the focus given high climate impact and low effort changes needed to abate emissions by 47% across the fashion supply chain*

***Guideline***: *80% by 2025 for Scope 1, 2 aligned to RE100 targets for organization and suppliers, and 100% by 2030 aligned to UNFCCC Fashion Charter*

**Top Actions:**

**Secure** renewable energy across the supply chain using Virtual Purchase Power Agreement (VPPa), direct conversion, onsite solar power, and Green Power Products

**Invest** in energy efficiency and reduction for Tier 2 (materials production) of supply chain (e.g. wet to dry processing, thermal heat conversion), utilizing funding (e.g. PaCT), and support (e.g. Aii, Clean by Design)

**Use** recycled or upcycled raw materials, decoupling from fossil fuels used for virgin materials, shifting towards low emission raw materials and production processes

Maturity

3

# Chemicals

Hazardous chemicals know no boundaries. They can be transported by ocean currents or in the air, and some can remain in the final products and are washed out into local wastewater systems when consumers launder their clothes.

The industry has moved beyond consumer safety towards responsibility for impacts in the supply chain, starting with zero discharge of hazardous chemicals. There is an increased understanding of fashion's negative impacts, as well as the opportunities to avoid them, while remediating manufacturing processes through input chemical management, greener and sustainable chemistry, and water management.

# **Chemicals** Focus areas of action

3

## Eliminate hazardous chemicals, manage wastewater, and source from standard-certified wet-processing facilities

***Rationale**: Wet-processing facilities are where most chemical-use and wastewater occurs in supply chains*

***Guideline**: Collect data to get visibility and transparency on suppliers, and their chemical-use and wastewater management*

**Top Actions:**

**Implement** ZDHC Roadmap to Zero, and work with chemical formulators to check for presence of chemicals according to MRSL

**Develop** goals to implement preventative action, including chemical management, transparency, substitution and elimination

**Source** from wet-processing suppliers that uphold chemical and wastewater standards and certifications, i.e. accordance with ZDHC and related solutions, e.g. Bluesign, Oeko-Tex Standard 100

## Evaluate products against harmful chemicals and develop policies for improvement

***Rationale**: Accountability across supply chain toward improvement on chemical-use and wastewater practices*

***Guideline**: Ensure reduction (and/or staying within safety targets) of relevant chemicals from ZDHC MRSL and other restricted chemical lists (e.g. Cradle to Cradle supplemental RSLs by category).*

**Top Actions:**

**Develop** internal processes to maintain compliance with restricted substances regulations, and to assess and manage risks associated with chemicals in production and products, including audits and regular testing of wet-processing facilities

**Work** with suppliers to disclose inventory of chemical products and conformance to ZDHC MRSL, using its InCheck solution and Supplier to Zero Platform for a Performance InCheck and various certificates

## Disclose wastewater data and supplier list, including suppliers involved in wet processing and data publishing

***Rationale**: Current fashion industry leaders disclose and publicly share supplier lists and wastewater data*

***Guideline**: Leverage disclosure platforms and existing certification programs to report on wastewater data and supplier lists*

**Top Actions:**

**Conduct** wastewater testing according to ZDHC guidelines and publish supplier data on existing disclosure platforms (i.e. ZDHC Detox Live, IPE Brand Map), including testing results of wet processing facilities, and progress reports

**Publicly report** on suppliers, including wet processing facilities, and keep updated

**Develop** elimination (substitution) policies for priority chemicals, e.g. alkylphenols, alkylphenol ethoxylates, per- and polyfluorinated chemicals, and phthalates

Maturity

4

# Fair Labor

The global fashion industry is aligning with international standards, laws, regulations, auditing and certification systems that exist to protect human rights and ensure decent working conditions.

Fair Labor points mainly to supply chain areas, including working hours, free association and collective bargaining, fair wages, job security, gender and race discrimination, violence, safe working conditions, grievance remediation, supplier inclusion and environmental justice. To elevate workers' voices and ensure an equitable future, the industry needs to continue its journey, advancing the rights, education and empowerment of workers globally. Key corporate focus areas include comprehensive inclusion, equity and diversity programs at every level across the enterprise, wages, labor laws and OSHA.

# **Fair Labor** Focus areas of action

4

## Commit to protecting workers' rights through fair labor and wage policies and improving health and safety

***Rationale***: *Global supply chains and pricing pressures impact working hours and wages*

***Guideline***: *All workers have a right to fair compensation and a living wage that meets basic needs and provides discretionary income*

**Top Actions:**

**Consider** affiliation/accreditation with the Fair Labor Association (FLA) and adhere to its Principles

**Collect** sample supply chain data using the FLA Fair Compensation Dashboard, prioritize strategies for high-risk sourcing/owned production countries, and develop a fair compensation blueprint

**Implement** education and awareness in supplier facilities to protect workers and communities from hazardous chemicals. Conduct or source factory audits to ensure health and safety standards

## Commit to responsible recruitment and empowerment, including DEI and environmental justice programs

***Rationale***: *Reducing potential forced labor risks for migrant workers in the global supply chain requires a collective effort, including prioritizing DEI and recognizing reports of inaccessibility*

***Guideline***: *Align with the best-practice recruitment code of conduct, standards and policies*

**Top Actions:**

**Incorporate** the American Apparel & Footwear Association (AAFA) and FLA Commitment to Responsible Recruitment into the code of conduct or similar social compliance standard(s)

**Evaluate** company policies on DEI, as well as environmental and social justice, to enable more diverse organizations, dismantle barriers to resources and opportunities, and increase gender and racial/ethnic representation by enhancing recruitment efforts and working environments

## Establish workplace-based programs to empower and educate workers in and around the global supply chain

Maturity

***Rationale***: *Women workers make up ~75% of the fashion supply chain, but often lack access to education, training, finance and technology resources*

***Guideline***: *Embed gender equity in business practice, and catalyze policy and systems change*

**Top Actions:**

**Participate** in Fashion Makes Change (FMC) to support the scaling of Empower@Work, implement training programs that address critical worker needs, e.g. health, financial planning and gender equality

**Extend** empowerment programs to communities, e.g. UN Resilience Fund for Women invests in women's health, well-being, and economic resilience

**Build** pilots to implement digital payment programs, utilizing digital literacy education (e.g. HERfinance) and payment solutions (e.g. Levi's/Mastercard pilot)


5

# Sustainability Measurement

As the fashion industry continues to recognize the materiality of ESG impacts, the measurement and collection of data that enables tracking and progress becomes essential.

It begins with a determination of targets and KPIs, baselining positions, and facilitating data collection, management and reporting of progress—all increasingly facilitated with purpose-built ESG solutions. The right targets, supported by the right systems, accelerate sustainability progress and ROI, moving toward the goals that matter—tracking, analyzing, and visualizing data and performance on material ESG KPIs consistently and for all stakeholders, providing insights that can change the approach to business. As the societal urgency and the financial materiality of these efforts continue to rise, elevating both the measurement of metrics and the maturity of data systems to support them become critical.

# **Sustainability Measurement** Focus areas of action

5

## Assess materiality to develop a sustainability strategy, governance, goals and measurement

***Rationale**: Understanding company impact and determining what matters is the first building block of sustainability measurement strategy*

***Guideline**: Assess, benchmark and establish aligned targets and KPIs for ESG-related impacts and opportunities*

**Top Actions:**

**Conduct** a materiality assessment and mapping exercise to determine prescriptive ESG issues that are mission aligned to the company and prioritized for all stakeholders

**Set** internal ESG/sustainability strategy, aligning with materiality assessment and following vetted and authenticated sustainability reporting standards and protocols (e.g. SASB, GRI)

**Baseline** critical and comparative ESG measurements to identify hotspots and support target setting and pacing

## Commit and quantify progress on ESG goals—GHGs, water, materials, labor conditions and more

***Rationale**: Consistent and uniform measurement is critical to reduce negative impacts*

***Guideline**: Confirm targets and initiate the methodology for collecting and tracking material metrics, including GHG Scopes*

**Top Actions:**

**Create** a verifiable GHG emissions inventory conforming to the GHG Protocol (Corporate Accounting and Reporting Standard)

**Set up** a governance structure for sustainability objectives and goals—including setting and submitting reduction pathways aligned to SBTi, associated performance metrics, business unit operating model, reporting structure, risk and policy management

**Assess** needs and plan appropriate architecture for the company's data landscape, ensuring ESG data is integrated across the organization

## Publicly report and automate sustainability reporting, improving data structures and digital transformation

Maturity

***Rationale**: Maximizing sustainability reporting via appropriate public disclosure can be valuable*

***Guideline**: Follow guidelines from the UNFCCC Fashion Charter, including reporting through CDP and aligned to universal standards (i.e. GRI). Consider next gen ESG data integration*

**Top Actions:**

**Disclose** progress through best practices (i.e. SBTi, CDP) on sustainability measurement, increasing reporting cadence

**Calculate** and submit GHG emissions for Scopes 1 and 2 through recommended SBTi method, and Scope 3 using industry-aligned calculators

**Invest** in a data stack and systems integration to facilitate and automate collection, reporting, analytics and insights that ESG data can provide as a new management resource for impact measurement and overall business improvement

6

# Innovation & Circularity

As fashion transforms, products that are designed to be used for a limited time before being sent to landfill will need to be reconsidered in their design, development and durability—as will the retail systems that promote the return, resale or repurposing of these goods.

A lower dependence on virgin raw materials, along with the introduction of new business models, will assist in the transition to a circular economy—essential for meeting holistic Scope 3 targets. Additionally, circularity could unlock a $560 billion economic opportunity in the fashion industry by better capturing the value of underutilized and landfilled, or incinerated clothes.

# **Innovation & Circularity** Focus areas of action

6

## Develop circular economy strategies and action plans, referencing best-practice frameworks and initiatives

***Rationale**: Alignment of circular economy strategies with existing sustainability goals and objectives to ensure commitment and follow-through*

***Guideline**: Leverage existing knowledge and guidelines (e.g. PACE) for circular economy progress*

**Top Actions:**

**Evaluate** current circular economy opportunities and risks, gathering data and information on non-circular pain points, i.e. fabric and product waste, product sales and styles, recycling and end-of-life

**Identify** design and manufacturing processes that create the use of excess materials and limit the lifecycle of products

**Reference** PACE's 10 calls-to-action to develop circular economy strategies, including objectives and goals aligned with existing sustainability initiatives and plans

## Execute on circular strategies and plans to "initiate the loop", including alternate business model pilots and execution

***Rationale**: Alternate circular economy strategies can reduce existing costs and inefficiencies*

***Guideline**: Implement circular economy change efforts around longer-lasting designs, extending product life, and multiple use of product/materials*

**Top Actions:**

**Align** on brand-relevant circular business strategies and models to pilot around long-lasting design (i.e. make it repairable and usable); extending product life (i.e. care & repair); and multiple use of a product or material (i.e. reuse, resources, second hand, renting, sharing, upcycling)

**Execute** pilot projects and/or up/recycling infrastructure solutions, as currently less than 1% of clothing is part of closed-loop recycling (while acknowledging that recycling is a last resort for circular economy)

## Invest in solutions and business models to "slow and close the loop", including infrastructure, design, and platforms

***Rationale**: Accelerating the transition to circular models will require financially viable investments*

***Guideline**: Take-back and re-commerce models are economically sound ways to add positive climate and business solutions that advance circularity*

**Top Actions:**

**Utilize** AI/ML solutions for production planning, inventory placement, returns and personalization services to better align inventory to sell-through

**Invest** in dynamic planning tools that permit flexible production in multiple geographies, pacing the order flow and managing the margin variance to achieve higher sales on lower inventory

**Consider** investments in resale and re-commerce strategies including take-back, refurbishment, marketing, customer experience and loyalty

Maturity

7

# Engaging Consumers

Consumers are key stakeholders in resetting retail, and increasingly want to know where companies stand on environmental and social issues, regardless of how they prioritize this information in their purchasing decisions.

More and more, it's expected that a company's mission and purpose will be at the core of its activities and clearly communicated. Providing the transparency that allows people to shop according to their values and priorities requires enterprise-wide ESG data, powering everything from on-product sustainability attribute labeling, to integrated communications. Consumers want to be invited on a brand's sustainability journey, becoming part of the solution that helps resolve the world's most pressing challenges.

# **Engaging Consumers** Focus areas of action

7

## Provide opportunities for customers to get involved in the sustainability journey and become part of the solution

***Rationale***: *Customers need multiple touchpoints to incorporate new behaviors into their experience*

***Guideline***: *Expand options and services, from low-tech to high-touch, that become entry points for customers to engage*

**Top Actions:**

**Introduce** "Reduce My Packaging" programs that offer opt-in selections for fewer materials in shipments, and carbon calculators at checkout to inform and educate while guiding choice

**Establish** take back programs that power circular solutions

**Enhance** loyalty programs to incentivize supporting behaviors, driving participation and conversion

**Create** point-of-sale programs to engage consumers in round-ups and other mechanisms to support global issues (e.g. Fashion Makes Change, Girls Inc.)

## Drive transparency of sustainability efforts, providing traceability for consumers using product labeling

***Rationale***: *Traceability is a prerequisite for transparency, equipping companies with data to credibly engage consumers*

***Guideline***: *Utilize standards with certified chains of custody, adequate verification and assurance, and company-specific ESG product information*

**Top Actions:**

**Collect** data across key categories, namely raw materials, animal welfare, chemicals, education and empowerment

**Anticipate** on-product regulations; leveraging existing standards and assessments that will guide efforts on the metrics to be collected, data systems required and platforms to share with internal and external stakeholders (e.g. Textile Exchange, Impact Index and Higg Product Tools

## Educate consumers about the brand's investments in sustainability initiatives and overall ESG commitments

Maturity

***Rationale***: *Investing in sustainability initiatives is good business practice and drives brand loyalty*

***Guideline***: *Embed ESG practices and company purpose into marketing, leveraging media to influence behavior, differentiate your brands, and drive action across the industry*

**Top Actions:**

**Implement** customer awareness campaigns to reinforce sustainability commitments, such as:

- Environmental impact of products and corrective actions being taken
- GHG emissions and other environmental impacts from the use and end-of-life phases, influencing behaviors to reduce them
- Promotion of on-product labeling in social media, leveraging platforms and influencers to amplify brand commitments to consumers

# What comes next?

The goal of this playbook is a renewed call to action to adopt ESG as a management approach. That includes not just reversing the climate crisis, but driving revenue growth, supply chain resilience, product innovation, brand differentiation, and exceptional customer experience.

Although regulatory action has begun to influence the fashion industry's adoption of sustainable change, increased legislation is on its way. What is clear is that the winds have shifted, with regulatory pressure indicating the financial materiality of ESG management. The fashion industry has significant work to do to meet the UNFCCC Fashion Charter goals and 2030 is only 400 weeks away. Every week counts.

The commitments made by brands leading up to and around COP26 are certainly positive indications that parts of the industry are prepared to act, but tangible actions still need to be taken. The seven priorities within this playbook cover the key areas that fashion CEOs and leadership must begin to address in the coming year.

This will involve working with upstream suppliers to make substantive progress, sharing insights and data with industry peers, and investing in innovative technologies and solutions.

Yes, our planet's environmental and social boundaries are overstressed, and yet few industries are better equipped to transform. Fashion is hardwired for change and holds within it some of sustainability's most promising solutions.

There's never been a greater moment, need, or opportunity for the fashion industry to collaborate to drive both sustainability and profitability. So, let's commit to scaling ESG solutions that accelerate our reset, reinvigorate our industry, and provide a model for every business to become part of a regenerative ecosystem.

Only people have the power to change the world. We must be the people.

# Glossary & Definitions

Baseline emissions An inventory of sources of carbon emissions from business activities. This is typically a one (or more) year snapshot that serve as a reference point for organizations to understand and track their changing emissions over time. A carbon baseline includes both direct and indirect emissions, also known as Scope 1, Scope 2 and Scope 3 emissions.

Biodiversity Means the variability among living organisms from all sources, including: inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems (UN, 1992).

CDP Surveys the world's largest companies to understand their environmental impact and progress to evidence climate commitments from their strategy and operations. Of this, the CDP A List contains 200 companies worldwide that are scored on climate metrics to determine exceptional leading companies in transparent disclosure to help guide other companies looking to emulate industry best practice.

Circular Economy Looking beyond the current "take, make and dispose" extractive industrial model, the circular economy is restorative and regenerative by design. Relying on systemwide innovation, it aims to redefine products and services to design waste out, while minimizing negative impacts. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural and social capital. (Ellen MacArthur Foundation)

Closed loop recycling The process of collecting and reprocessing recycled goods without losing the integrity of the original material. In a closed loop, goods are recycled multiple times and remade into the same (or similar) products, without any waste going to landfill.

Decarbonization The process by which countries, individuals or other entities aim to achieve zero fossil carbon existence. It typically refers to a reduction of the carbon emissions associated with electricity, industry and transport.

Decent work The promotion and realization of standards and fundamental principles and rights at work, creating greater opportunities for women and men to decent employment and income, enhancing social protection, and strengthening social dialogue.

Decoupling (in relation to climate change) Where economic growth is no longer strongly associated with consumption of fossil fuels. Relative decoupling is where both grow but at different rates. Absolute decoupling is where economic growth happens but fossil fuels decline.

Direct conversion The process of transforming kinetic energy into electricity.

End-of-use/End-of-life (lifecycle phase) Emissions from the waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life. This category includes the total expected end-of-life emissions from all products sold in the reporting year.

Fair Compensation A right of workers to compensation within a regular work week that is sufficient to meet their basic needs and have some discretionary income.

Fashion Supply Chain Tiers: Tier 4 (raw materials extraction), Tier 3 (raw materials processing), Tier 2 (material production), Tier 1 (finished assembly product), Tier 0 (office, retail and distribution).

GHG Inventory A list of emission sources and the associated emissions quantified using standardized methods, for instance the GHG Protocol Standards

Global Reporting Initiative With 10,000+ GRI reporters in 100+ countries, this is advancing the practice of sustainability reporting and enabling businesses, investors, policymakers, and civil society to use this information to engage in dialogue and make decisions that support sustainable development.

Green power products Sources of renewable energy that can be procured from electricity providers in the form of energy agreements.

Justice, Equity, Diversity & Inclusion (JEDI) A framework that ties together approaches that consider Justice, Equity, Diversity & Inclusion into decision making.

Life Cycle Analysis (LCA) A method that quantifies the environmental impacts associated

Living wage Remuneration received for a standard work week sufficient to afford a decent standard of living for the worker and their family, including food, water, housing, education, health care, transportation, clothing, and other essential needs.

Man-made cellulosic fiber (MMCF) A group of fibers that are conventionally derived primarily from wood, and in some cases other sources of cellulose, such as bamboo or other plant matter.

Manufacturing Restricted Substances List (MRSL) Sets the limits for the presence of hazardous chemicals from manufacturers in the final product.

Net Zero Emissions Achieved when anthropogenic emissions of greenhouse gasses to the atmosphere are balanced by anthropogenic removals over a specified period. Where multiple greenhouse gasses are involved, the quantification of net zero emissions depends on the climate metric chosen to compare emissions of different gasses (such as global warming potential, global temperature change potential, and others, as well as the chosen time horizon). See also Net zero CO2 emissions, Negative emissions and Net negative emissions.

Paris Agreement The international treaty adopted in 2015 to tackle climate change mitigation, adaptation, and finance.

Product Environmental Footprint (PEF) A means of measuring and communicating environmental impacts associated with products, equipping consumers with credible information to enable making more sustainable purchasing decisions.

Recommerce The recovery and resale of a garment by the original retailer.

Reduction pathway Science-based pathways to outline limiting emissions to align to different trajectories towards limiting warming to dedicated warming levels, most commonly to below 1.5°C or 2°C.

Regenerative agriculture There is no standardized definition of regenerative agriculture, but it typically includes the following practices: (1) Minimize and ideally eliminate external inputs; maximize on-farm inputs (2) Reduce tillage to preserve the life in the soil (by utilizing no-, minimal-, or conservation-tillage) (3) Aim for and monitor a broad and holistic set of outcomes including soil health, biodiversity, animal welfare, social justice, and the economic well-being of farmers and communities.

Renewable energy sources Sources of electricity like wind and solar that provide non- fossil fuel sources to produce electricity.

Responsible recruitment Ensures that labor employment procedures across supply chains have been carried out in an ethical manner, protecting the basic human rights of all people and safeguarding the livelihoods of workers across all sectors, in all countries.

Science-Based Targets A joint initiative between CDP, UN Global Compact, the World Resources Institute, and World Wildlife Fund, and SBTi's targets aligned with the UN Fashion Charter, and associated measurement metrics and goals.

Scope 1 emissions Direct carbon emissions that occur from sources controlled or owned by an organization.

Scope 2 emissions Indirect carbon emissions related to purchase of electricity, steam, heat or cooling.

Scope 3 emissions All indirect carbon emissions that occur in and across a company's value chain.

UNFCCC Fashion Industry Charter for Climate Action (Fashion Charter) A renewed charter from 2021 that has brought fashion stakeholders together to drive the fashion industry to net-zero greenhouse gas emissions no later than 2050, in line with keeping global warming below 1.5 degrees.

UN Global Compact A voluntary initiative based on CEO commitments to implement universal sustainability principles and undertake partnerships in support of UN goals.

Upcycling Reusing a product in ways that gives it a higher quality or value than the original product.

Use of sold products (lifecycle phase) Includes emissions from the use of goods and services sold by the reporting company in the reporting year. A reporting company's Scope 3 emissions from use of sold products include the Scope 1 and Scope 2 emissions of end users. End users include both consumers and business customers that use final products.

Virtual purchase power agreement (VPPa) A financial transaction, exchanging a fixed- price cash flow for a variable-priced cash flow and renewable energy certificates (RECs). The corporate buyer does not own and is not responsible for the physical electrons generated by the project. Because the VPPa is purely financial, the buyer still needs to meet its electricity load through traditional channels—therefore, the VPPa means the buyer's relationship with its utility at the retail level remains unchanged.

Wastewater discharge and management The process connected to raw material and textile production that results in discarding of water post-production, and the management of this to minimize environmental and operational impacts.

Wet Processing The processing stage where textile is treated with colorants, chemicals, and water.

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# NGO Initiatives and Supporting Organizations





















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The Responsible Business Coalition (RBC) at Fordham University's Gabelli School of Business is a pioneering network that galvanizes CEOs, Educators. Researchers and non-profit leaders for the greater good. Working collectively to redesign business as a sustainable force for prosperity, our shared vision and commitment is to improve the environmental, social, and governance (ESG) impact of industries worldwide and contribute to the achievement of the UN Sustainable Development Goals. As a hub for collaboration that factors in people, planet, and profit, we ensure the development of economic systems and drive values-based education, while enforcing our core principles with dignity, compassion, and courage:
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For 100+ years WWD, a property of Fairchild Fashion Media, has been the daily media of record—and the industry voice of authority—for senior executives in the global women's and men's fashion, retail and beauty communities, while also keeping informed the consumer media that cover the market. Often referred to as "the fashion bible,"
WWD provides a balance of timely, credible business news and key fashion trends to a dedicated readership of retailers, designers, manufacturers, marketers, financiers, Wall Street analysts, international moguls, media executives, ad agencies, socialites, and trend-makers. **Visit WWD**

## About Fashion Makes Change

A project of Rockefeller Philanthropy Advisors, Fashion Makes Change is an industry-wide, consumer engagement initiative delivering women's empowerment and climate action in tandem, recognizing that women are disproportionately affected by the repercussions of climate change and that their vital voices are often missing from the decision-making process. Through its well-formed ecosystem of collaborative action between brands, consumers, and stakeholders, FMC provides educational opportunities for women in communities globally, creating a powerful lever for breaking the cycle of intergenerational poverty. FMC takes a holistic approach additionally funds research at the intersection of climate and women's empowerment to foster a greater understanding of the impacts, opportunities and potential outcomes of climate management in fashion. **Visit FMC**