Threading the needle — Key highlights

Weaving the Sustainable Development Goals into the textile, retail and apparel industry

Sustainable Development Goals (SDGs) offer companies a natural framework to drive business value while aiming to achieve a transformative set of sustainability, economic and social targets. KPMG and Textile Exchange have co-produced a report — titled ‘Threading the needle: Weaving the Sustainable Development Goals into the textile, retail and apparel industry’ — to offer practical guidance for companies seeking to realise the SDGs in the textile, retail and apparel industry. This four-page summary offers a quick overview and takeaways, helping you grasp the key messages of this report.

Why is the textile, retail and apparel industry significant in contributing to the SDGs?

<table>
<thead>
<tr>
<th>Globally,</th>
<th>In China,</th>
</tr>
</thead>
<tbody>
<tr>
<td>The industry is estimated to contribute nearly 26% of global carbon emissions by 2050, up from 2% in 2015¹</td>
<td>37.1% of global textile exports came from China in 2017²</td>
</tr>
<tr>
<td>Estimated 40 billion to 120 billion square metres of fabric are sent to landfills per year¹</td>
<td>10.1% of the country’s industrial wastewater discharge originated from the textile industry in 2015³</td>
</tr>
</tbody>
</table>

Key takeaways

01 The SDGs may offer companies both a business opportunity and a framework to manage operational risks. Companies in the industry have the potential to tap into this unprecedented opportunity by adopting an SDG engagement framework that leverages the industry’s key strengths.

02 Opportunities to engage with the SDGs range from purely commercial to shared value approaches. Suppliers, brands and retailers have unique opportunities as well as common social and environmental cross-cutting issues to integrate the SDGs into their business planning and operations.

03 The SDGs build on a rich history of sustainability efforts by the industry. Sustainability is not a new issue for the industry, which has in many ways been at the forefront of corporate sustainability.

04 Collaborating with the right partners can lead to transformative results. Leveraging existing initiatives for collaborative action may be useful for companies grappling with the SDGs.

05 The SDGs can help companies engage with governments as they seek to design and implement interventions related to the SDGs. With governments increasingly adopting the SDGs, the capacity gaps that countries are facing with SDG implementation provide collaborative opportunities for companies.
How to create shared value opportunities for SDGs implementation?

Suppliers, brands and retailers have a potential to achieve shared value where market potential, societal demands and policy action converge by adopting a sustainability strategy with both specific initiatives and a right mix of foundational considerations. Below are the unique approaches for these players and the common considerations.

**Suppliers** represent the bulk of the environmental and social footprint of a company.

- Optimising resource management and impacts
- Deploying tested management approaches to enhance operational efficiencies
- Expanding criteria for sustainable procurement
- Utilising resources that consolidate best practices of environmental management
- Evaluating water consumption and wastewater management
- Encouraging a shift towards circular business models within supply chain

**Brands** leverage market penetration, customer relationships and the ability to shape market trends.

- Designing products for durability, personalisation, sustainability and circularity
- Leveraging corporate foundation funding
- Utilising environmental, human and social capital data as baseline for business decisions
- Adopting a sustainable raw material strategy, including a portfolio of preferred materials

**Retailers** work with a vast network of brands and suppliers to ensure their products meet required quality, variety and price points.

- Adopting recommerce models to reach tech-savvy, price-conscious customers
- Deploying innovative distribution models to match growing online consumption
- Facilitating opportunities for precompetitive cross-value chain collaboration
- Encouraging consumer education through labelling, partnerships and advocacy

Examples of foundational sustainability and business considerations

- Empowering women through better livelihoods and equitable employment
- Integrating human and labour rights and better livelihood considerations into business planning
- Implementing better buying practices to reduce instances of non-compliance in the supply chain

*Sustainable fashion receives growing support from the vast majority of consumers in Hong Kong and mainland China. This provides a real opportunity for companies across the textile, retail and apparel value chain to explore this area. More expertise on how to contribute to the SDGs implementation can help companies rethink the way they design, produce and distribute their products.*

*Pat-Nie Woo, Partner, Business Reporting and Sustainability, KPMG China*
SDG engagement framework

The textile, retail and apparel industry are strategically positioned to impact a few key goals. Based on research and interviews conducted, KPMG introduced a ‘SDG engagement framework’ to demonstrate how companies in this industry can integrate SDGs into their core business.

The framework comprises three impact opportunity clusters across eight SDGs where the industry can have the most direct impact. Climate action is a cross-cutting issue across these clusters.

- Deploy business models and product designs that build towards circularity
- Develop and share scalable systems to improve the resource efficiency and sustainability of production across the value chain, in order to reduce the environmental footprint of operations while reducing cost
- Develop products aligned with the needs and preferences of consumers, including those in developing economies, involving sustainable suppliers where possible

- Create markets for local products through innovation and adaptive technology
- Partner with stakeholders in sourcing countries on key issues such as building capacity of workforce
- Connect small businesses and entrepreneurs to capital in order to grow their business

- Invest in sustainable sourcing, processes, materials, machinery and products across the value chain, to ensure fair labour practices, traceability and reduced climate impact
- Partner across industries to transform communities, going beyond compliance, local content requirements and licence to operate to achieve ‘licence to lead’ in thriving communities
- Identify and address the unique issues facing female employees in the company’s supply chain

© 2018 KPMG Huazhen LLP — a People’s Republic of China partnership, KPMG Advisory (China) Limited — a wholly foreign owned enterprise in China, and KPMG — a Hong Kong partnership, are member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.
Integrating the SDGs into your business?

To implement SDGs integration into your core business, here are some of our key recommendations.

**Products and services**
- Consider SDGs as you design the products, services and shared value activities
- Integrate SDGs into existing corporate strategy
- Build the SDGs into materiality assessments
- Train staff as advisors rather than auditors
- Prepare for an iterative process with company leaders
- Go beyond corporate responsibility

**Underexploited market opportunities**
- Translate the SDGs into simple company language to encourage executive ownership
- Engage customers on SDG work by communicating the environmental and social impact impacts of a company's product

**Responsible, engaged and transparent value chain**
- Harmonise audit requirements to avoid overburdening suppliers
- Consider how existing monitoring mechanisms can be adjusted to track progress on the SDGs

---

**Contact us**

Patrick Chu  
Partner  
T: +86 (10) 8508 5705  
E: patrick.chu@kpmg.com

Pat-Nie Woo  
Partner  
T: +852 3927 5674  
E: pat.woo@kpmg.com

Eva Wei  
Associate Director  
T: +86 (10) 8508 5259  
E: eva.f.wei@kpmg.com

Julie Wong  
Associate Director  
T: +852 2685 7856  
E: julie.wong@kpmg.com

---

**To read the full report, please scan this QR code or visit this website:**

---