Sustainable fashion

Committing to a sustainable future through the *Fashion Industry Charter for Climate Action*

Supported by HSBC
**Executive summary**

In December 2018, at the United Nations Katowice Climate Change Conference in Poland (COP 24), the global fashion industry launched the *Fashion Industry Charter for Climate Action* (“the Charter”), an initiative aimed at pushing the industry to take greater steps to address climate change.

Under the auspices of UN Climate Change, 43 leading fashion brands, retailers, suppliers and other organisations agreed to collectively address the climate impact of the fashion sector across its entire value chain. As the first signatories of the Charter, these organisations have set themselves apart as positive, proactive role models in the industry.

By pursuing their own organisations’ values and working collectively with other signatories, the participants have committed to supporting the implementation of the principles contained in the Charter. Aligned with the goals of the 2015 Paris Agreement on climate change (COP 21), the Charter commits the industry to achieving net zero greenhouse gas emissions by 2050.

To discover how ready the industry is to meet the commitments of the Charter, this report assesses the current status of the 43 original signatories in meeting seven selected commitments from the Charter.

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**Key findings**

After assessing publicly available information relating to these 43 parties, three key findings emerged:

- **A significant amount of work still needs to be done**

  **Greenhouse gas emissions (GHG) from supply chains not widely reported in GHG reduction target setting process**

  Although 53 percent of signatories have reported their Scope 1 and 2 greenhouse gas emissions (GHG), less than 15 percent have included their supply chain-related emissions in their Scope 3 emissions. As the supply chain represents a substantial amount of GHG emissions along the value chain of these corporations, it is vital for organisations to understand, monitor and evaluate the GHG emissions from the supply chain. This would also help companies better formulate their climate strategies.

  **Yet, measuring GHG emissions – particularly Scope 3 emissions – can be very complex**, and may prove a challenge for many of the signatories, as supply chain data may be harder to access.

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1. This is based on the original signatories to the Charter (see Appendix 1). The number of signatories continues to increase.
2. The seven commitments were selected based on those which can provide more quantifiable KPIs.
3. According to The Greenhouse Gas Protocol:
   - Scope 1 emissions: “Direct emissions from owned or controlled sources.”
   - Scope 2 emissions: “Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.”
   - Scope 3 emissions: “All other indirect emissions that occur in a company’s value chain.”
Consumer awareness needs to be enhanced

Efforts to raise consumer awareness of sustainability need to be further strengthened

It is important that consumers can easily assess whether products are sustainable and responsible.

This study assesses the efforts in raising consumer awareness of sustainability made by 93 retail brands under the selected signatories in the brand/retail category. It was found that 60 percent of retail brands have a sustainability section on their consumer websites, and 35 percent have a sustainable product line.

Some signatories also strive to raise consumer awareness of sustainability through their public disclosure and other channels. Of the signatories, 67 percent have their sustainability reporting available in either their sustainability reports or annual reports, while 93 percent have a sustainability section on their websites.

For consumers to make responsible choices, they should be empowered by having easily accessible information about how products are made, the sources of the materials and their impact on the environment at the end of their life. Signatories could look at creating a sustainability score or sustainability labelling system to encourage them to purchase sustainable fashion.

Existing tools and standards should be leveraged

Utilising existing tools and standards can help companies better understand and improve their sustainability performance

Our findings suggest that much of the infrastructure is in place for the fashion industry to move towards a far greater embrace of sustainable practices. These include the establishment of the Sustainable Apparel Coalition in 2011 and its subsequent launch of the Higg Index, as well as Kering’s Environmental Profit & Loss (EP&L) account, amongst others.

The industry has worked on developing these tools for many years, and the foundation has been set. Instead of looking for new measures to assess their impact, signatories should leverage these existing foundations to create a tangible impact.

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4. Please see Appendix 2 for details.
5. Including the signatories’ parent companies’ sustainability reports and annual reports.
Other findings

Although good progress is being made, a lot of work remains to be done:

- **GHG reduction goals must be disclosed**
  
  So far, less than 30 percent of the signatories have disclosed their goals for achieving a 30 percent GHG reduction commitment by 2030 with a baseline of no earlier than 2015, as laid out in the Charter.

- **Further commitment to the Science Based Targets Initiative is required**
  
  Of the signatories, 30 percent have committed to the Science Based Targets Initiative, of which 16 percent have their approved science-based targets.

- **Climate strategies should be extended to the supply chain**
  
  The majority of signatories have disclosed their climate strategies or initiatives, with 77 percent disclosing the adoption of energy efficiency measures and 56 percent disclosing the use of renewable energy. The office is the most common location where these measures are adopted, and more work needs to be done in addressing energy issues in the supply chain.

Recommendations

To enable the industry to strengthen its sustainability performance, we recommend that companies and organisations:

- Support the Charter by becoming a signatory
- Leverage existing tools to measure and evaluate progress towards establishing a genuinely sustainable fashion industry
- Actively engage with suppliers to include their GHG emissions as part of their sustainability commitments throughout their supply chains
- Self-report GHG emissions, with the aim of getting third-party verification to enhance credibility
- Leverage technology such as predictive analytics, big data and blockchain to begin transformation of supply chains to demand that they reduce over-production.
Towards a sustainable fashion industry

In recent years, the fashion industry has become significantly more aware of the threats to global well-being posed by climate change and other forms of environmental degradation. Although there has been significant focus on making the industry more sustainable, there is widespread agreement across the industry that it needs to transform the way it operates, particularly in its use of energy and other resources. The question is how to accelerate this process.

The launch of the Fashion Industry Charter for Climate Action ("the Charter") at the UN Katowice Climate Change Conference (COP 24) in December 2018 was a major step forwards. Originally signed by 43 leading fashion brands, retailers, suppliers and other organisations, it lays out a framework for the industry to collectively address the climate impact of the fashion sector across its entire value chain. This is part of the world-wide move to limit "the increase in the global average temperature to well below 2°C above pre-industrial levels," as set out in the 2016 Paris Agreement on climate change.

The Charter has a total of 16 commitments that cover a wide range of targeted and more general objectives. Among the measures, signatories commit to prioritising materials with a low-climate impact, pursuing energy efficiency measures and renewable energy in their value chains, not installing new coal-fired boilers or other sources of coal-fired heat and power generation, and giving preference to low-carbon logistics providers.

Other commitments include:

- Supporting the move towards circular business models
- Partnering with experts, businesses, investors, environmental advocates and other stakeholders to develop and implement a decarbonisation strategy for the fashion industry
- Working with financial institutions and policymakers to develop scalable, low-carbon practices for the industry
- Supporting the UN Climate Change secretariat in its efforts to manage the tracking and recognition of progress of the commitments outlined in the Charter.

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6. Please see Appendix 1 for the list of original signatories.
8. According to the Charter, this refers to all GHG emissions, rather than just CO₂.
The study included reviews of publicly available information on the signatories’ sustainability performance, including their sustainability reports and corporate websites. To formulate a set of indicators to measure the performance of the signatories against the specified commitments, different international standards, guidelines, frameworks and KPMG material was referenced, including the following:

- CDP (formerly the Carbon Disclosure Project)
- Science Based Targets Initiative
- Task Force on Climate-related Financial Disclosures (TCFD)
- KPMG’s TCFD Materiality Assessment Survey
- Other similar sources.10

Commitments assessed

To establish the progress made by signatories to the Charter to address climate change, our research looked at what organisations are doing now. To this end, our study identified which of the 16 commitments included readily measurable, comparable criteria that could be used to identify the extent to which sustainable measures are being adopted.

We chose the following seven commitments on the grounds that they cover initiatives being taken within companies, in their supply chains and in their relations with their stakeholders and customers:

No. 2: Commit to 30 percent aggregate GHG emission reductions in Scope 1, 2 and 3 of the Greenhouse Gas Protocol Corporate Standard by 2030 against a baseline of no earlier than 2015.

No. 3: Commit to analysing and setting a decarbonisation pathway for the fashion industry, drawing on methodologies from the Science Based Targets Initiative.

No. 4: Quantify, track and publicly report GHG emissions, consistent with standards and best practices of measurement and transparency.

No. 11: Establish a closer dialogue with consumers to increase awareness about the GHG emissions caused in the use and end-of-life phases of products, building towards changed consumer behaviours that reduce environmental impacts and extend the useful life of products.

No. 13: Together with other stakeholders, develop a strategy including targets and plans to advocate for the development of policies and laws to empower climate action in the fashion industry, especially in supply chains.

No. 14: Establish a dialogue with governments in key countries to enable renewable energy, energy efficiency and the necessary infrastructure for a systemic change beyond the fashion industry.

No. 15: Communicate a shared vision and understanding through the development of a common strategy and messaging, including by championing climate action within the fashion industry through an enhanced and trust-building dialogue with relevant stakeholders.11

Conclusion

The world’s leading brands are stepping up to play a major role in making the clothing industry genuinely sustainable. As this report has explored, these companies, along with other organisations in the fashion sector, have already developed a number of powerful tools that can be put to use assessing and improving companies’ environmental impact along the full extent of their supply chains.

In addition to being a clear commitment to taking responsibility for the fashion industry’s significant environmental impact, the launch of the Fashion Industry Charter for Climate Action is also a clear recognition that measures must be stepped up if the industry is to achieve its target of net zero greenhouse gas emissions by 2050.

Collaboration within the sector is also increasing, with players being brought together all along the supply chain, from governments to fashion students, and factories to herders, to introduce new practices and ways of thinking.

One crucial next step will be to encourage wider participation in the development and application of carbon reduction practices, particularly at those companies further up the supply chain which may be less visible. Another will be engaging with policymakers, especially in developing economies, to enable infrastructure to be put in place to support the growing use of renewable energy.

Perhaps most important will be working on consumers’ mindsets to make the argument that spending a little more on clothing, footwear and other accessories will be more than repaid if that leads to faster adoption of sustainable business practices.

The road ahead may be challenging, but the signatories of the Charter have shown that they are committed to making positive change.
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