



# Sustainable fashion

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

時尚高峰

**FASHION  
SUMMIT**

Asia's Sustainable Fashion Event

Supported by **HSBC**



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# Foreword

The leading players in the global fashion industry are moving towards embracing sustainable fashion, with the launch of a series of major collaborative initiatives over the last several years.

It appears that these changes are backed by consumers. A poll conducted in 2018 of more than 5,000 people in Shanghai, Hong Kong, Tokyo, New York and London for a report commissioned by Fashion Summit, sponsored by HSBC and supported by KPMG China, found that 64 percent of people support sustainable fashion.<sup>1</sup>

However, is change happening fast enough? To gauge the industry's progress towards the goal set by the Paris Agreement of keeping global temperature rise below 2°C, this study looks at the 43 signatories to the UN's recently launched *Fashion Industry Charter for Climate Action* ("the Charter").<sup>2</sup>

The goal was to assess to what degree companies across the fashion industry are adopting the various measures already in place that can enable the sector to become genuinely sustainable, particularly with regard to climate change.

We are encouraged to find that so many of the world's leading fashion stakeholders are already looking to tackle the challenges that lie ahead, and have cemented their commitment by signing the Charter. These companies are leading the way in developing innovative processes, software and collaboration to support themselves and other organisations to find ways forward.

We are, however, also aware of the complexities involved in reaching these targets, and of the significant amount of work that will be required. Yet, we are reassured by the fact that many of the tools and standards already exist and should be leveraged, for example the Higg Index and Environmental Profit & Loss (EP&L) account. By using these tools to measure their impact, and to find ways to enhance consumer awareness, we will surely see encouraging progress.

With the tools in place, backed by consumers, and with pressure for ongoing change, we feel the fashion industry is now ready to take a major step towards being a leading force in the worldwide efforts to reach climate neutrality by the second half of the 21st century.

We are encouraged to find that so many of the world's leading fashion stakeholders are already looking to tackle the challenges that lie ahead, and have cemented their commitment by signing the *Fashion Industry Charter for Climate Action*. We are, however, also aware of the complexities involved in reaching these targets, and of the significant amount of work that will be required.



**Felix Chung Kwok-pan**  
Chairman

Steering Committee of  
Fashion Summit (HK)



**Zhang Huifeng**  
Head of Corporate  
Sustainability Asia Pacific

The Hongkong and Shanghai  
Banking Corporation Limited



**Pat Woo**  
Partner, Business Reporting  
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KPMG China

1. 'Sustainable fashion: A survey on global perspectives', KPMG China, January 2019, <https://home.kpmg/cn/en/home/insights/2019/01/sustainable-fashion.html>

2. 'Fashion Industry Charter for Climate Action', United Nations Climate Change, 2018, <https://unfccc.int/sites/default/files/resource/Industry%20Charter%20%20Fashion%20and%20Climate%20Action%20-%202022102018.pdf>

# 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<sup>3</sup> 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.<sup>4</sup>

## 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.<sup>5</sup> 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.

3. This is based on the original signatories to the Charter (see Appendix 1). The number of signatories continues to increase.

4. The seven commitments were selected based on those which can provide more quantifiable KPIs.

5. 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."

<sup>5</sup>Technical Guidance for Calculating Scope 3 Emissions (version 1.0)', Greenhouse Gas Protocol, accessed on 23 July 2019, [https://ghgprotocol.org/sites/default/files/standards/Scope3\\_Calculation\\_Guidance\\_0.pdf](https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf)

## 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.<sup>6</sup> 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,<sup>7</sup> 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.

6. Please see Appendix 2 for details.

7. Including the signatories' parent companies' sustainability reports and annual reports



## Felix Chung

Chairman

Steering Committee of Fashion Summit (HK)

**“Climate change is having an increasing impact across the world, as we have seen more frequent weather events in the past couple of years. This is a major societal issue, and proactive measures taken by the signatories of the Fashion Charter are most needed. At the Fashion Summit, we continue to make our industry’s sustainability efforts the key focus, aiming to support and facilitate more collaborative efforts, and doing our part in protecting the environment for future generations.”**

## 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.



**Zhang  
Huifeng**

Head of Corporate  
Sustainability Asia Pacific

The Hongkong and Shanghai  
Banking Corporation Limited

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**“As a leading global trade bank, HSBC has a unique role to play in supporting a shift to sustainability in global supply chains. HSBC is one of the supporting organisations of the *Fashion Industry Charter for Climate Action*, and we are committed to working collectively with other signatories to contribute to the realisation of the Charter. HSBC firmly believes that the implementation of a successful sustainable development agenda requires collaboration between sectors and other stakeholders, enabling companies to move the world towards a sustainable and inclusive development path.”**

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# 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,<sup>8</sup> 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,"<sup>9</sup> 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,<sup>10</sup> 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.<sup>11</sup>

Originally signed by 43 leading fashion brands, retailers, suppliers and other organisations, the Charter lays out a framework for the industry to collectively address the climate impact of the fashion sector across its entire value chain.

8. Please see Appendix 1 for the list of original signatories.

9. 'Paris Agreement', United Nations, 2015, [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)

10. According to the Charter, this refers to all GHG emissions, rather than just CO<sub>2</sub>.

11. 'Fashion Industry Charter for Climate Action', United Nations Climate Change, 2018, <https://unfccc.int/sites/default/files/resource/Industry%20Charter%20-%20Fashion%20and%20Climate%20Action%20-%2022102018.pdf>





**Pat  
Woo**

Partner, Business Reporting  
and Sustainability  
KPMG China

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**“We applaud the organisations that have signed the Fashion Charter and their commitment to tackling climate change. We are seeing increasing preference from major global investors directing the flow of capital towards companies that are taking proactive steps in this area. Their efforts will definitely reap major tangible benefits going forward as these organisations continue to future-proof themselves and across the fashion industry.”**

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## Methodology

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.<sup>12</sup>

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12. For further information on each of these, see [www.cdp.net](http://www.cdp.net), [sciencebasedtargets.org](http://sciencebasedtargets.org), [www.fsb-tcfid.org](http://www.fsb-tcfid.org) & [home.kpmg/nz/en/home/insights/2017/09/materiality-assessment.html](http://home.kpmg/nz/en/home/insights/2017/09/materiality-assessment.html).

# 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.<sup>13</sup>

13. 'Fashion Industry Charter for Climate Action', United Nations Climate Change, 2018, <https://unfccc.int/sites/default/files/resource/Industry%20Charter%20%20Fashion%20and%20Climate%20Action%20-%202022102018.pdf>

# Findings



Our review produced three key findings and three other findings

## Key findings

A significant amount of work still needs to be done

**GHG emissions from supply chains not widely reported in GHG reduction target setting process**

### Direct greenhouse gas emissions

More than half of the signatories disclose their Scope 1 and 2 emissions. According to the *Greenhouse Gas Protocol*, Scope 1 refers to "direct emissions from owned or controlled sources", while Scope 2 is "indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company".<sup>14</sup>

That figure falls to 37 percent of signatories for their Scope 3 emissions, which includes "all other indirect emissions that occur in a company's value chain".

## Charter commitments

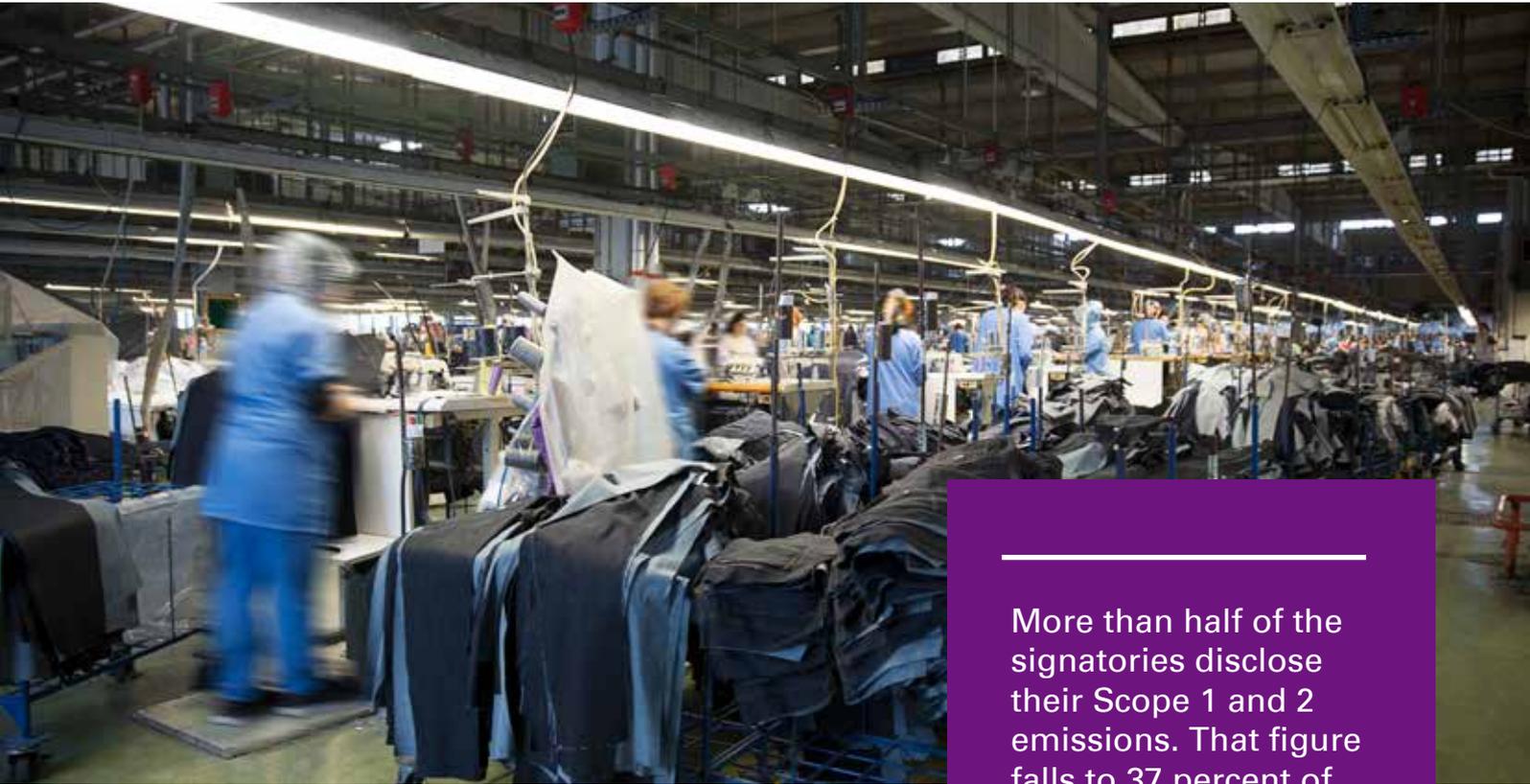


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14. 'Technical Guidance for Calculating Scope 3 Emissions (version 1.0)', Greenhouse Gas Protocol, accessed on 23 July 2019, [https://ghgprotocol.org/sites/default/files/standards/Scope3\\_Calculation\\_Guidance\\_0.pdf](https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf)

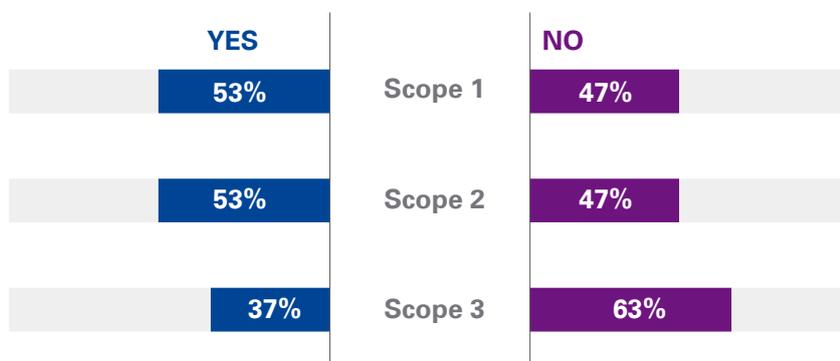


More than half of the signatories disclose their Scope 1 and 2 emissions. That figure falls to 37 percent of signatories for their Scope 3 emissions.



These findings can largely be attributed to companies being able to access their own Scope 1 and Scope 2 data relatively easily as this reporting is required under the *Greenhouse Gas Protocol*, whereas it is optional to report Scope 3 emissions. Figuring out ways in which businesses can gather data along their entire supply chains will be crucial for ensuring reduction targets are set accurately.

### Are Scope 1, 2 and 3 emissions disclosed?



Base: 43 signatories

Source: Publicly available information

## Indirect greenhouse gas emissions

Of the 37 percent of signatories which disclosed Scope 3 emissions, 13 signatories (30 percent) reported emissions due to logistics, transportation and distribution, and 13 due to business travel.

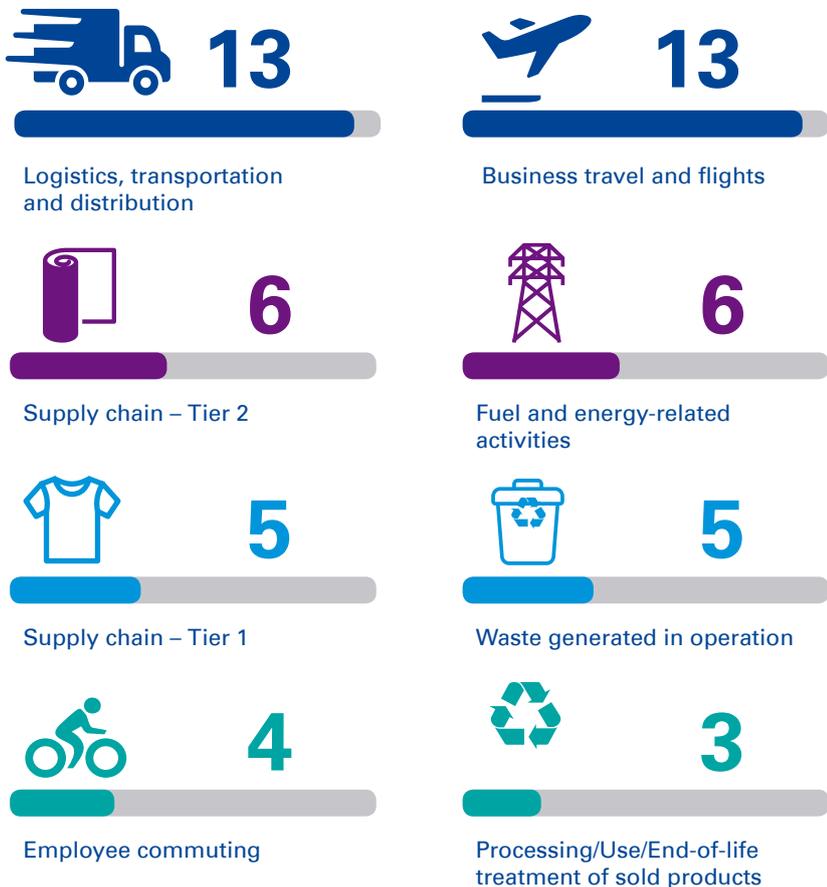
Overall, less than 15 percent of the signatories include their supply chain-related emissions in their Scope 3 emissions. Six signatories (14 percent) reported emissions arising from their tier 2 suppliers (those which supply finished materials or which conduct material manufacturing for a company) and five (12 percent) reported those from their tier 1 suppliers (those which supply finished goods or which carry out final product manufacturing and assembly for a company).

Measuring and reducing indirect GHG emissions is undeniably a challenge. Whereas companies have more control over their stores and offices, it is far more difficult to monitor every component of their supply chain. The enormous depth and breadth of the supply chain, spread over multiple manufacturing tiers, makes it very complex, and traceability can be extremely challenging. The lack of data available also makes it difficult to make these disclosures.

Measuring and reducing indirect GHG emissions is undeniably a challenge. The enormous depth and breadth of the supply chain, spread over multiple manufacturing tiers, makes it very complex, and traceability can be extremely challenging.



### Number of signatories disclosing specific Scope 3 emissions



Base: 43 signatories  
Source: Publicly available information



## Key findings

### Consumer awareness needs to be enhanced

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

#### Sustainability messages disclosed by retail brands

Reflecting the growing interest consumers are showing in the environmental impact of their purchasing decisions, many companies are making information about their resource usage, recycling practices or other green practices more widely available. Amongst the 93 retail brands controlled by the 43 signatories, some 60 percent have a sustainability section on their consumer websites, and 35 percent offer a sustainable product line.

To better cater to a market eager to buy more sustainably, those companies not already doing so could look at strengthening the transparency available on their websites. According to the previous *Sustainable Fashion* report survey, 65 percent of survey consumers would more likely choose sustainable options if additional labelling information was given.<sup>15</sup> This may include providing details on a product's sustainability (including origin, fabric and recycled content), offering an ethical product line focusing on sustainable practices, or enhancing details and reporting on their website.

## Charter commitments



**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



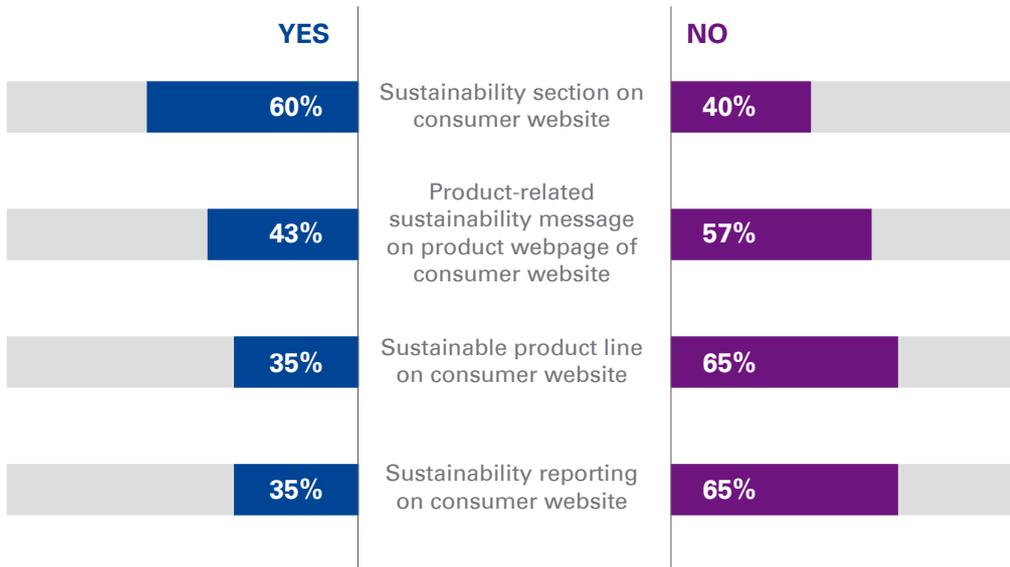
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**No. 15:** Communicate a shared vision and understanding through the development of a common strategy and messaging, including by championing climate action within the fashion industry through an enhanced and trust-building dialogue with relevant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

15. 'Sustainable fashion: A survey on global perspectives', KPMG China, January 2019, <https://home.kpmg/cn/en/home/insights/2019/01/sustainable-fashion.html>

## Initiatives to raise consumer awareness of sustainability



Base: 93 brands

Source: Publicly available information

According to the previous *Sustainable Fashion* report survey, 65 percent of survey consumers would more likely choose sustainable options if additional labelling information was given.



100% ORGANIC

More than 90 percent of the signatories have a sustainability section on their websites.



## Sustainability reporting by signatories

Communicating with investors and the public about their environmental practices through sustainability reporting has already become a mainstream practice. The majority of signatories – 67 percent – already provide detailed information about their sustainability performances. Over half publish a standalone sustainability report, and 16 percent include such information as part of their annual or other reports.<sup>16</sup>

More than 90 percent of the signatories have a sustainability section on their websites, pointing to an already high awareness among fashion companies of the need to keep consumers informed about the action they are taking to improve their environmental performance. For just over half of the signatories, this included providing a sustainability report, while for less than half this involved information provided in other publications, such as their annual report, or their parent company's annual report or sustainability report.

16. Includes the signatories' parent companies' sustainability reports and annual reports



## Sources of sustainability reporting



Base: 43 signatories  
Source: Publicly available information



# Key findings

Existing tools and standards should be leveraged

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

## Participation in global bodies

With the fashion industry having developed a series of major sustainability tools and standards over the last decade, companies are now readily able to measure and understand the environmental impact of their operations. The industry has worked on developing these tools for many years – signatories should leverage these existing foundations to measure their impact and make tangible improvements.

Usage of these mechanisms, however, varies widely, from the 51 percent reporting themselves as members of the Sustainable Apparel Coalition (SAC) and as users of the Higg Index (see p. 22), to the less than one in ten which work with the Task Force on Climate-Related Financial Disclosures (TCFD).

Over a third – 37 percent – report participating in the CDP and the Zero Discharge of Hazardous Chemicals (ZDHC) schemes. Less widely adopted so far are science-based targets, with only 30 percent of signatories reporting to have adopted Science Based Targets Initiative (SBTi) goals. As discussed in 'Further commitment to the Science Based Targets Initiative is required' on p. 24, these may need to be enhanced by having companies gather more data and learning more about how these should be implemented.

The high SAC membership rate and resulting adoption of the Higg Index is likely due to the SAC being the only organisation with a focus on all aspects of the apparel, footwear and textile industry only, whereas the other global bodies (with the exception of the ZDHC) tend not to be as industry-specific.

## Charter commitments



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



**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

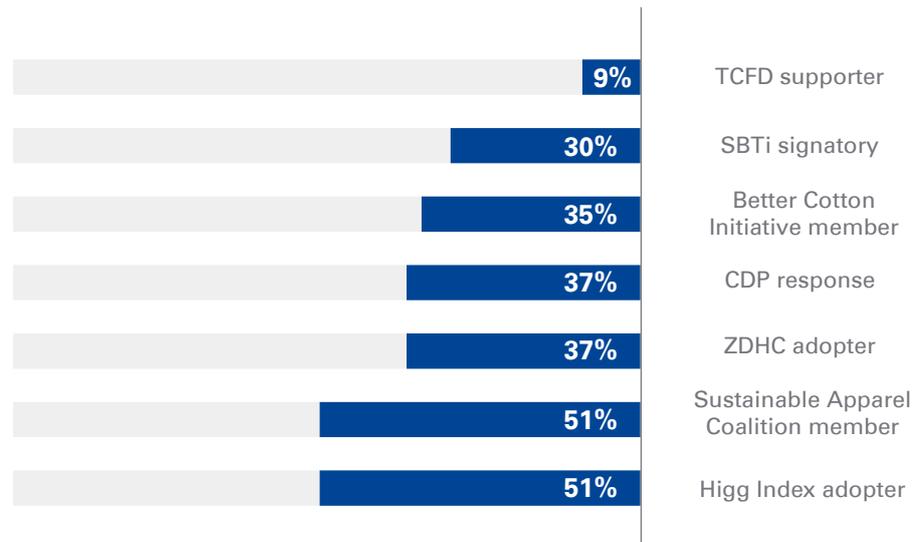


**No. 15:** Communicate a shared vision and understanding through the development of a common strategy and messaging, including by championing climate action within the fashion industry through an enhanced and trust-building dialogue with relevant stakeholders

The industry has worked on developing these tools for many years – signatories should leverage these existing foundations to measure their impact and make tangible improvements.



## Participation in global bodies



Base: 43 signatories  
Source: Publicly available information



## Environmental Profit & Loss account

Other tools have also become available, including the Environmental Profit & Loss (EP&L) account. This innovative tool measures carbon emissions, water consumption, air and water pollution, land use, and waste production along a business's entire supply chain, making the environmental impact of a business visible, quantifiable and comparable.

Developed by French luxury group Kering – one of the 43 companies to sign the Charter in December 2018 – to reach its goal of cutting its ecological footprint by 40 percent relative to its business growth by 2025, the tool converts the data gathered to give it a monetary value. This allows businesses to go a step further, looking at how different strategies, technologies and resources can be combined to produce positive sustainability outcomes that can be described in financial terms.

The EP&L account, which is available to other companies in the fashion industry, features a scenario modelling tool with dynamic visualisation of results so that the impact of a potential decision or future project on the EP&L footprint can be immediately known in real time.<sup>17</sup>

17. 'Environmental Profit & Loss', Kering, accessed on 29 August 2019, <https://www.kering.com/en/sustainability/environmental-profit-loss/>

## Viewpoint



With consumers ever more concerned about the social and environmental impact of their purchases, access to information about an organisation's sustainability performance is key to building greater trust with consumers, making it vital for both business success and ensuring a sustainable future.



## Sustainable Apparel Coalition

### Developing trusted and relevant data from supply chain to consumers

The Sustainable Apparel Coalition (SAC) is the fashion industry's leading organisation aimed at securing the universal adoption of environmentally and socially sustainable production techniques across the world's clothing, footwear and textile sectors.

The coalition was formally launched in 2011 after US retailers Walmart and Patagonia wrote a joint letter inviting CEOs of leading global companies to come together to develop an index that would measure the environmental impact of their products. Today, its more than 200 members represent businesses with a combined annual apparel and footwear revenue of more than USD 500 billion.<sup>18</sup>

A principal focus over the last eight years has been developing the Higg Index Facility Modules, two tools of the Higg Index suite that are now the apparel industry's most widely used self-assessments for measuring the social and environmental impacts of a retailer's/brand's suppliers (see p. 22).

"What the Higg Index allows companies to do is start at any point in their value chain and really assess what their environmental and social impacts are, what accountability and responsibilities they have, and how they can make progress from there," said Amina Razvi, the SAC's Executive Director.

The SAC backs the creation and ambition of the *Fashion Industry Charter for Climate Change*. However, to be successful, cautions Razvi, the signatories will have to pay attention to every part of their value chains, especially those over which they have little direct control.

"The Charter's goals are really ambitious. The way that organisations are going to start addressing them is by taking a holistic perspective, not just looking at their brand and retail operations but looking at their whole value chain," Razvi says.

The Higg Index can play a crucial role in this. From the start, one of the SAC's key goals has been creating tools that are both comprehensive and can be used by companies of all sizes and

18. 'The Sustainable Apparel Coalition', Sustainable Apparel Coalition, accessed on 22 July 2019, <https://apparelcoalition.org/the-sac/>

types across all parts of the apparel, footwear and textiles industries, from design, sourcing and processing raw materials, to operating retail stores.

“Trusted, credible data is incredibly important,” Razvi says. “The more such data we have, the more we can work on the impact areas that will drive lasting improvements.”

“We also continue to work towards making that information more transparent, so we can engage not only with our members on driving change but also inform actions across industries,” Razvi says.

As well as working with companies in the fashion industry, the SAC is also pushing brands and retailers to share information on their sustainability performance with consumers.

In the coming years, the SAC will be heavily focused on the development of the Higg Brand & Retail Module, as well as the Higg Product Module (see p. 22). This will pave the way towards leveraging the results of the three modules to develop consumer-facing communications that will help consumers understand the sustainability impact of their purchases.

In a report titled *Empowering Consumers Through Transparency* released in July 2019, the SAC highlights the importance of companies in the apparel sector sharing information about their sustainability practices and performance with the public as a crucial way of building accountability with consumers.<sup>19</sup>

“Since the founding of the SAC, a core part of our vision has been to provide trusted and relevant information to all decision-makers – including consumers – so that they can decide how best to manage their impacts through what they purchase,” Razvi said when the report was released.<sup>20</sup>

With consumers ever more concerned about the social and environmental impact of their purchases, access to information about an organisation’s sustainability performance is key to building greater trust with consumers, making it vital for both business success and ensuring a sustainable future.



**Amina  
Razvi**

Executive Director  
Sustainable Apparel Coalition

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**“Since the founding of the SAC, a core part of our vision has been to provide trusted and relevant information to all decision-makers – including consumers – so that they can decide how best to manage their impacts through what they purchase.”**

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19. ‘Empowering consumers through transparency’, SAC, Higg Index & GlobeScan, 25 July 2019, <https://apparelcoalition.org/press-releases/2019-transparency-report/>

20. ‘Press release: Sustainable Apparel Coalition report reveals consumers want more meaningful transparency from apparel brands and retailers’, SAC, 25 July 2019, <https://apparelcoalition.org/press-releases/2019-transparency-report/>

# Higg Index



The Higg Index brings together a range of business tools that enables brands, retailers and facilities of all sizes to measure and score the sustainability performance of their operations and products at every step of the value chain, from designing new items to selling them in retail outlets.

Developed by the Sustainable Apparel Coalition, the index has been used by more than 10,000 businesses since its launch in 2011. It currently comprises three categories:



## Products

The Higg Product Tools allow a company to estimate a product's environmental impact through its entire life, including its water, energy and climate impact. This module is particularly relevant in designing new products.



## Facilities

The Higg Facility Tools help manufacturers assess the social and environmental impact at facilities along the length of the manufacturing supply chain. These modules can help a company work with its suppliers to develop sustainable practices beyond its immediate control.



## Brands and retailers

The Higg Brand & Retail Module allows a business to assess the social and environmental impact of its brand and retail operations. This module can also be used to share sustainability information with key business partners.<sup>21</sup>



21. 'The Higg Index', Sustainable Apparel Coalition, accessed on 22 July 2019, <https://apparelcoalition.org/the-higg-index/>

# Other findings

## GHG reduction goals must be disclosed

To date, nearly half (49 percent) of the signatories have yet to disclose their goals for GHG reduction. Of those who have set goals, 5 percent have a goal but are using a baseline earlier than 2015, 7 percent have a goal that amounts to less than a 30 percent reduction and 11 percent have a goal but without a baseline. That means that 12 signatories (28 percent) have set themselves the goal of reducing their GHG emissions by 30 percent by 2030 with a baseline no earlier than 2015.

This points to goal-setting being one of the first steps that needs to be addressed by companies launching their climate change initiatives.

### Charter commitments

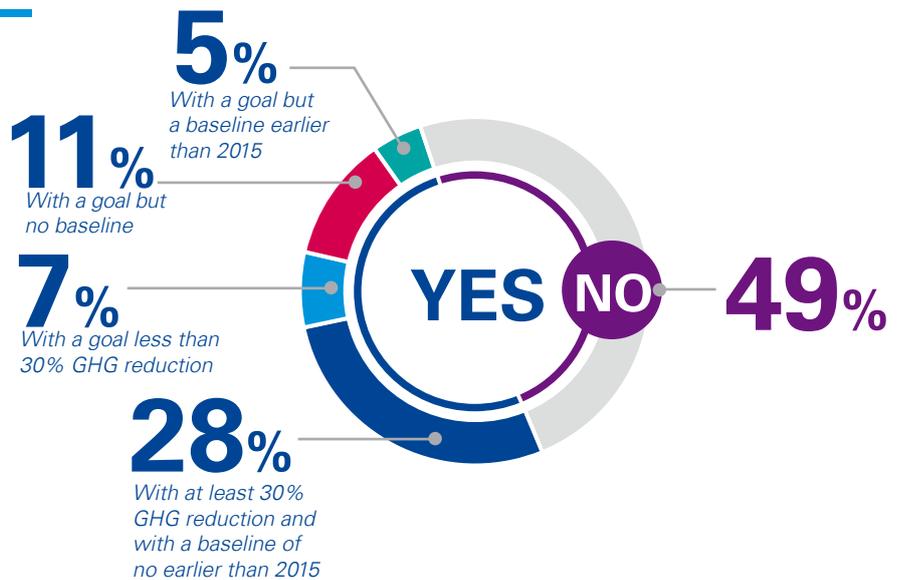


**No. 2:** Commit to 30 percent aggregate GHG emission reductions in Scope 1, 2 and 3 of the *Greenhouse Gas Protocol Corporate Standard* by 2030 against a baseline of no earlier than 2015



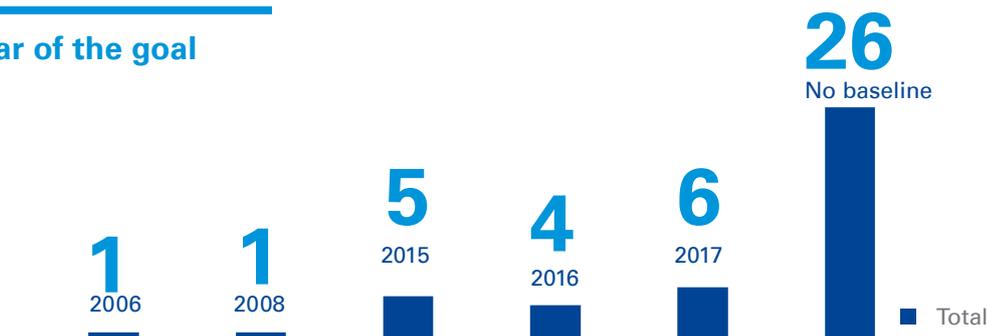
**No. 4:** Quantify, track and publicly report GHG emissions, consistent with standards and best practices of measurement and transparency

### Are there any goals disclosed to reduce GHG emissions by 30% by 2030?



Base: 43 signatories  
Source: Publicly available information

### Baseline year of the goal



Base: 43 signatories  
Source: Publicly available information

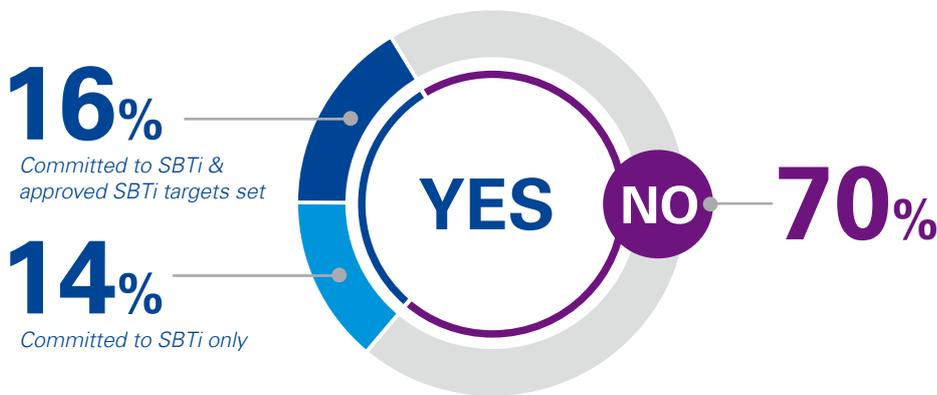
## Other findings

# Further commitment to the Science Based Targets Initiative is required

Some 30 percent of the signatories have committed to the Science Based Targets Initiative (SBTi) and its use of science-based target (SBT) setting as a means of helping organisations transition to being part of a low-carbon economy (see p. 25). Of the signatories which have committed to the SBTi, just over half have so far set approved science-based targets. As committing to and setting approved SBTi targets is part of commitment 3 of the Charter, we expect this number to move towards 100 percent.

In addition to helping companies find their own way towards low-carbon operations, science-based targets are also increasingly seen as a source of innovation, as companies use SBT-generated data to change how they operate, as well as to influence government policy and legislation. The current participation rate may be linked to organisations' limited knowledge of how to implement these targets, and whether they have the data available.

### Committed to SBTi only vs approved SBTi targets



Base: 43 signatories  
Source: Publicly available information

### Charter commitments



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



# Science Based Targets Initiative

The Science Based Targets Initiative, a collaboration between the United Nations Global Compact, World Resources Institute, World Wide Fund for Nature, CDP, as well as one of the commitments from the We Mean Business Coalition, promotes setting science-based targets to assist companies in shifting to a low-carbon economy.

A target is considered to be science-based if it aligns with what is necessary to achieve the Paris Agreement goal – limiting temperature rise well below 2°C above pre-industrial levels – according to the latest climate science.<sup>22</sup>

The initiative's goal is for science-based target setting to become standard business practice by 2020, allowing companies to play a major role in driving down global greenhouse gas emissions.<sup>23</sup>

22. 'What is a science based target?', Science Based Targets, accessed on 29 July 2019, <https://science-basedtargets.org/what-is-a-science-based-target/>

23. 'About the Science Based Targets Initiative', Science Based Targets, accessed on 22 July 2019, <https://sciencebasedtargets.org/about-the-science-based-targets-initiative/>

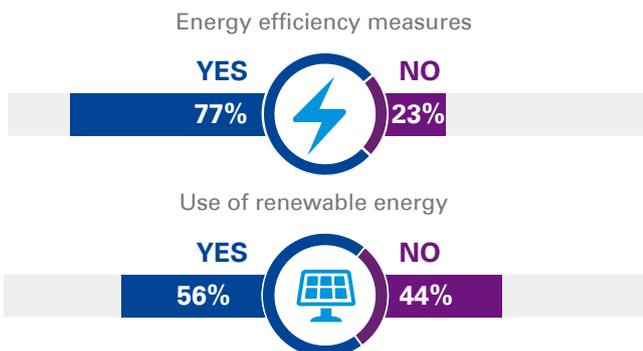


## Other findings

### Climate strategies should be extended to the supply chain

The vast majority of signatories are sharing information about their various sustainability initiatives with their stakeholders. Whereas 77 percent of signatories have disclosed their adoption of energy efficiency measures, 56 percent disclosed the use of renewable energy. However, only 35 percent have disclosed any energy saving initiatives in the supply chain, which has the largest impact for these organisations.

#### Adoption of energy efficiency measures and use of renewable energy



Base: 43 signatories  
Source: Publicly available information

### Charter commitments



**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. 4:** Quantify, track and publicly report GHG emissions, consistent with standards and best practices of measurement and transparency



**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

Company offices, followed by retail outlets, are the most common locations where energy efficiency and renewable energy measures are adopted, largely, it appears, due to a company having direct control over such premises. In addition, offices tend to be more centralised. The brand and retail parts of the business are also the most prominent and public-facing parts of the business, so organisations might focus their attention here to help ensure their customers view their businesses positively.

Although initiatives in offices and retail outlets are certainly valuable, making changes in the manufacturing process and throughout the supply chain would have substantially wider benefits. To honour their commitments and make tangible change, we hope to see signatories widening their focus to their entire supply chain. Another important initiative links to commitment 8 of the Charter, committing to not installing new coal-fired heat and power generation.

Although initiatives in offices and retail outlets are certainly valuable, making changes in the manufacturing process and throughout the supply chain would have substantially wider benefits.



### Location where energy efficiency measures are implemented



Base: 43 signatories  
Source: Publicly available information

44%



Office

40%



Retail shops

35%



Suppliers

33%



Factories

26%



Distribution centre

37%



No specification

### Location where the use of renewable energy is implemented



Base: 43 signatories  
Source: Publicly available information

33%



Office

23%



Retail shops

23%



Suppliers

19%



Factories

21%



Distribution centre

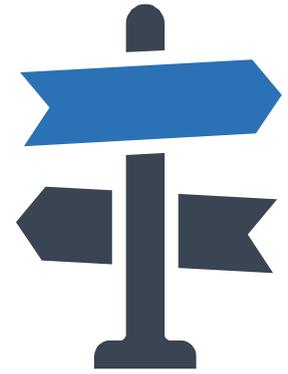
33%



No specification

# Next steps

The findings from the research point to three main conclusions:



1

## A significant amount of work still needs to be done

### **GHG emissions from supply chains not widely reported in GHG reduction target setting process**

Many companies either do not report or under-report the GHG emissions of their supply chains when setting targets for reducing such emissions, despite the fact that better monitoring of the supply chain, and implementing changes would have the biggest impact.

Although reporting emissions may seem daunting, many companies already have the data available, for example from data input using the Higg Index. To enable the industry to strengthen its sustainability performance, companies and organisations should leverage this data, and broaden the Scope of their reporting in this area.

2

## Consumer awareness needs to be enhanced

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

According to a recent report from the SAC and GlobeScan, although consumers are showing interest in making fashion more sustainable, many are not acting on this yet, possibly because they do not feel empowered to do so.<sup>24</sup>

24. 'Empowering consumers through transparency', SAC, Higg Index & GlobeScan, 25 July 2019, <https://apparelcoalition.org/press-releases/2019-transparency-report/>

It is the industry's responsibility to enhance consumer awareness of sustainability, and more transparently share information on product sustainability in a way that is easy for consumers to understand, to enable them to make informed decisions.

In addition, with demand for fashion and other apparel items almost certain to keep expanding, there should be more discussion of the issues surrounding consumption.

### 3

## Existing tools and standards should be leveraged

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

The last few years have seen the creation of a series of credible organisations able to help businesses across the fashion and apparel industries understand their sustainability performance, for example the SAC and its Higg Index, the Science Based Targets Initiative, and Kering's EP&L account. The tools provided by these bodies and initiatives offer companies clear ways of putting in place mechanisms for transforming the environmental impact of their operations, particularly in reducing their GHG emissions.

Although making real steps forwards in sustainability can be challenging, organisations should leverage existing tools.

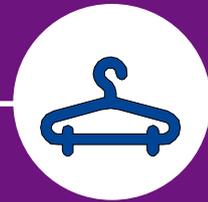
## Other steps

- An important next step is to encourage all organisations in the fashion and apparel industry which have not yet done so to become signatories to the Charter.
- It is also important for existing signatories to provide greater self-reporting. One such area is self-reporting GHG emissions, with the aim of getting third-party verification in order to enhance the credibility of their data. Another is greater use of science-based targets. With less than one-third of the signatories having committed to such targets, and even fewer having set approved targets, there is clearly room for members of the fashion industry to give themselves objective goals against which they can measure their progress.
- Leveraging technology such as blockchain can also help significantly improve trust and transparency in the system. Every time a product changes hands, this information can be tracked using blockchain, which allows organisations, as well as retailers and consumers, to guarantee the integrity and transparency of their purchases.

Once they have measured and understood their environmental impact, organisations can then set about identifying steps to transitioning their activities towards being carbon-free. These can extend beyond production to the circular economy, which can also play a part in reducing the industry's carbon footprint.

Alongside undertaking such analyses and following through with whatever changes these point to within their own organisations, companies must also engage with suppliers to include their GHG emissions as part of their sustainability commitments throughout their supply chains.

An important next step is to encourage all organisations in the fashion and apparel industry which have not yet done so to become signatories to the Charter.



# 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.

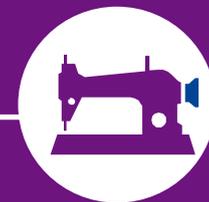
Collaboration within the sector is also increasing, with players being brought together all along the supply chain, from governments to fashion students, and factories to herders, to introduce new practices and ways of thinking.

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.

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.



The 43 original signatories to the Charter include the following (in alphabetical order):<sup>25</sup>

- |          |  |          |   |
|----------|--|----------|---|
| <b>A</b> | A.P. Møller – Maersk A/S<br>Adidas AG<br>Aquitex S.A.<br>Arc'teryx | <b>M</b> | Mammut Sports Group AG<br>Mantis World  |
| <b>B</b> | BerBrand Srl<br>Burberry   | <b>N</b> | New Balance Athletics, Inc.   |
| <b>C</b> | COFREET  | <b>O</b> | Otto Group  |
| <b>D</b> | DBL Group<br>Denim Expert Ltd.                                     | <b>P</b> | Peak Performance Production AB<br>PIDIGI S.p.A.<br>PUMA SE<br>PVH Corp.   |
| <b>E</b> | Esprit<br>Evea Eco Fashion   | <b>R</b> | Re:newcell AB<br>Regatta Group  |
| <b>G</b> | GANNI<br>GANT AB<br>Gap Inc.<br>Guess? Inc.                        | <b>S</b> | Salomon<br>Schoeller Textil AG<br>SKFK-Skunkfunk<br>SLN Tekstil ve Moda San. Tic. A.S<br>Stella McCartney<br>Sympatex Technologies GmbH |
| <b>H</b> | H&M Group<br>Hakro GmbH<br>HUGO BOSS AG                            | <b>T</b> | Target Corporation<br>Tropic Knits Ltd  |
| <b>I</b> | Inditex  | <b>V</b> | VF Corporation  |
| <b>K</b> | Kering Group   | <b>W</b> | Worn Again Technologies   |
| <b>L</b> | Lenzing AG<br>Levi Strauss & Co.<br>LIMY Inc dba Reformation       |          |   |

25. 'Fashion Industry Charter for Climate Action', Climate Initiatives Platform, UN Environment & UNEP DTU Partnership, accessed on 7 August 2019, [http://climateinitiativesplatform.org/index.php/Fashion\\_Industry\\_Charter\\_for\\_Climate\\_Action](http://climateinitiativesplatform.org/index.php/Fashion_Industry_Charter_for_Climate_Action)

The 93 retail brands included in the study (in alphabetical order).<sup>26</sup>

- |          |   |          |   |
|----------|---|----------|---|
| <b>#</b> | & Other Stories   | <b>E</b> | Eagle Creek<br>Eastpak<br>Esprit                  |
| <b>A</b> | ABOUT YOU<br>Adidas<br>Afound<br>Alexander McQueen<br>Altra<br>Arc'teryx<br>ARKET<br>Arrow 1851<br>Athleta    | <b>F</b> | Frankonia<br>Freemans                             |
| <b>B</b> | Balenciaga<br>Banana Republic<br>Bershka<br>Bonprix<br>BOSS<br>Bottega Veneta<br>Brine<br>Bulwark<br>Burberry | <b>G</b> | GANNI<br>GANT<br>Gap<br>Gucci<br>GUESS            |
| <b>C</b> | Calvin Klein<br>Cobra Golf<br>COS<br>Craghoppers  | <b>H</b> | H&M<br>Heine<br>Hill City<br>Horace Small<br>HUGO |
| <b>D</b> | Dare 2b<br>DENIZEN from Levi's<br>Dickies<br>Dockers  | <b>I</b> | icebreaker<br>IZOD                                |
|          |   | <b>J</b> | JanSport  |
|          |   | <b>K</b> | Kipling<br>Kodiak                                 |
|          |   | <b>L</b> | LASCANA<br>Levi's                                 |

26. Extracted from signatories' websites



Mammut  
Mantis  
Manufactum  
Massimo Dutti  
Monki



napapijri  
New Balance



Old Navy  
Olga  
Oysho



Peak Performance  
PF Flyers  
Pull&Bear  
PUMA  
PUMA Golf



Red Kap  
Reebok  
Reformation  
Regatta



Saint Laurent  
Salomon  
Signature by Levi Strauss & Co.  
SKFK  
Smartwool  
Speedo  
Stella McCartney  
Stradivarius



Target  
terra  
The North Face  
Timberland  
Tommy Hilfiger  
True&Co.



Uterqüe



Van Heusen  
Vans  
VF Solutions



Walls  
Warner's  
Warrior  
Weekday  
Workrite Uniform Co.



Zara  
Zara Home

# About Fashion Summit

Fashion Summit (Hong Kong) is a result of a continuous learning and discovery process, bringing together leading academics, key players from the fashion industry, NGOs, media, decision-makers and leaders to achieve sustainable fashion in Asia. The summit consists of a two-day conference and Fashion Future Challenge Award. It plays a vital role in providing a sharing platform for participants from around the world to exchange insights on the latest sustainable fashion trends, technology, best practice, solutions and opportunities.



## Our aims

The theme of Fashion Summit (HK) 2019 is 'Achieving the Goals', with the objectives of raising public understanding and awareness on the role of the fashion industry in leading the revolutionary change to achieve sustainable fashion.

We also aim to inspire and nurture our young generation to develop a sustainable fashion mindset. No matter whether our youngsters are fashion consumers or they will become part of the fashion industry in the future, it is hoped that they will consider sustainability and put effort into minimising the industry's impact on the earth.



## Co-organisers

The co-organisers of Fashion Summit (Hong Kong) 2019 include: Clothing Industry Training Authority; Office of the Hon Felix CHUNG Kwok-pan, Member of the Legislative Council; The Hong Research Institute of Textiles and Apparel (HKRITA); Redress; Sustainable Fashion Business Consortium; and WWF.

# About CITA

The Clothing Industry Training Authority (CITA) was established in September 1975 according to the *Industry Training (Clothing Industry) Ordinance* to provide training courses for the clothing and textile industry.

The first training centre was opened on 19 October 1977 in Lai King, followed by the Kowloon Bay training centre on 9 November 1984. In 2000, the Authority was successfully accredited with the ISO 9001 certification and our quality management system has since become standardised internationally. CITA is, in fact, the first Industrial Training organisation to obtain

such world-class accreditation. In 2007, Fashion Academy was set up to provide various full-time programmes, from the Technical Diploma to Bachelor degree for secondary school graduates. In 2009, there was a large-scale renovation of the Kowloon Bay training centre to upgrade facilities including the exhibition hall, resource centres and shoe-making workshop.

With the rapidly changing technology, CITA has been developing new operations coupled with diversified services such as professional consultancy and industry support services.

# About The Hongkong and Shanghai Banking Corporation Limited

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