

Lessons from regulatory and voluntary standards in the Textile Industry

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Basic industry statistics

Global Employment

Apparel manufacturing

- 24.8 million people employed in 2014

Textiles & Clothing

- 57.8 million people employed in 2014

General data

Total trade of clothing and textiles

- \$ 726 billion

The global apparel market

- valued at \$ 3 trillion
- this is 2 % of the world's GDP

& the retail value of the luxury goods market is \$ 339.4 billion

Responsible innovation

10.

Ethical innovation offers a way forward: Consumers and brands have prioritised sustainable fashion, which is transforming product design and manufacturing

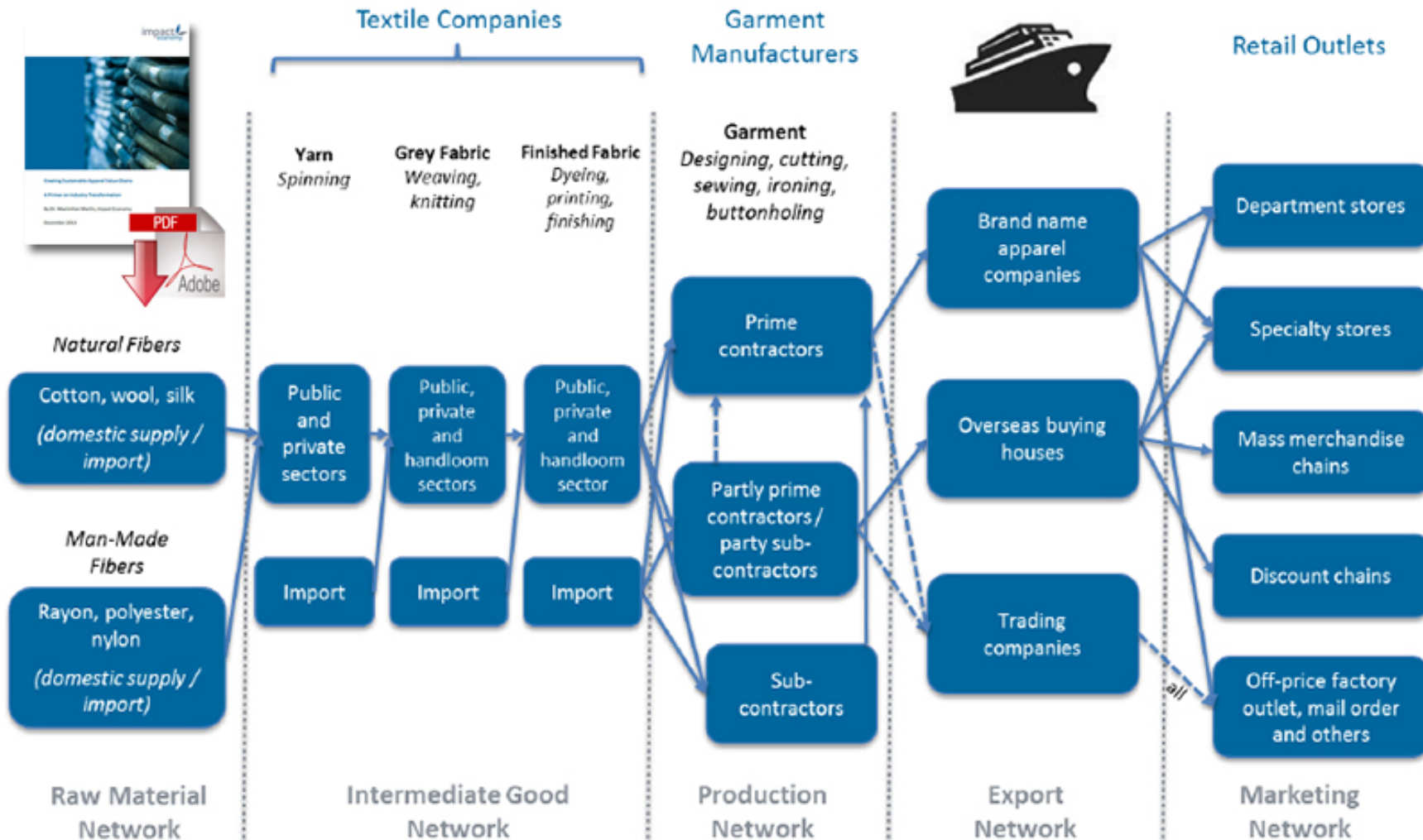
Emerging Markets

65
percent

Mature Market

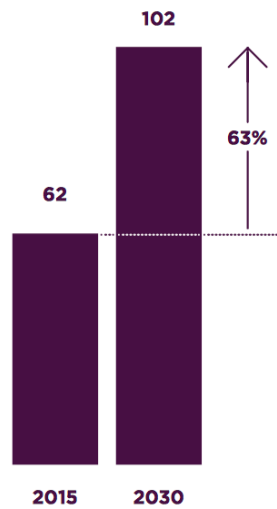
32
percent

The Apparel Value Chain



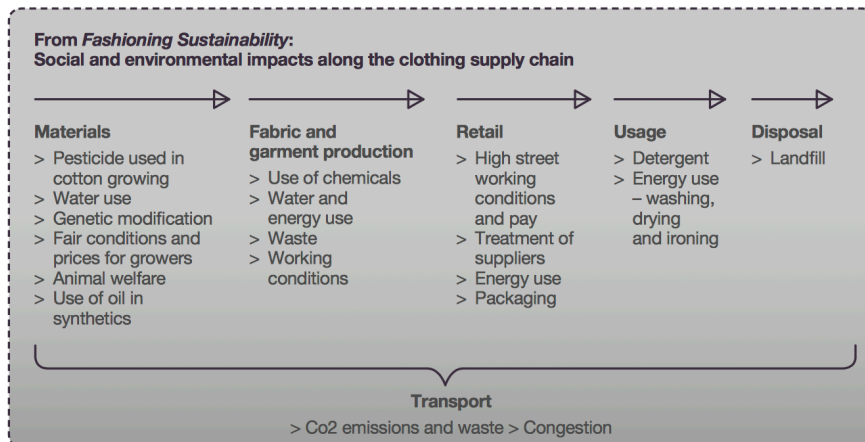
Pressures and Impacts of the Apparel industry

Projected global fashion consumption¹ (Million tons)



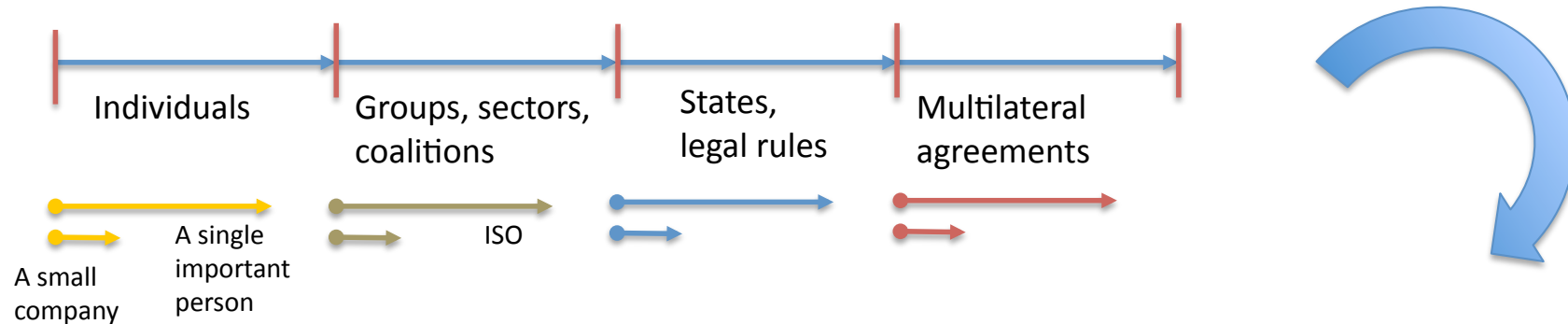
		2015	2030		
Environmental Impact	Water consumption	Consumed water (billion cubic meters)	79	118	+50%
	Energy emissions	Emissions of CO2 (millions tons)	1,715	2,791	+63%
	Chemicals usage	Chemicals management (Pulse Score in %)	37		<i>Pulse Score not to be projected</i>
	Waste creation	Produced waste (million tons)	92	148	+62%

Source: BCG analysis

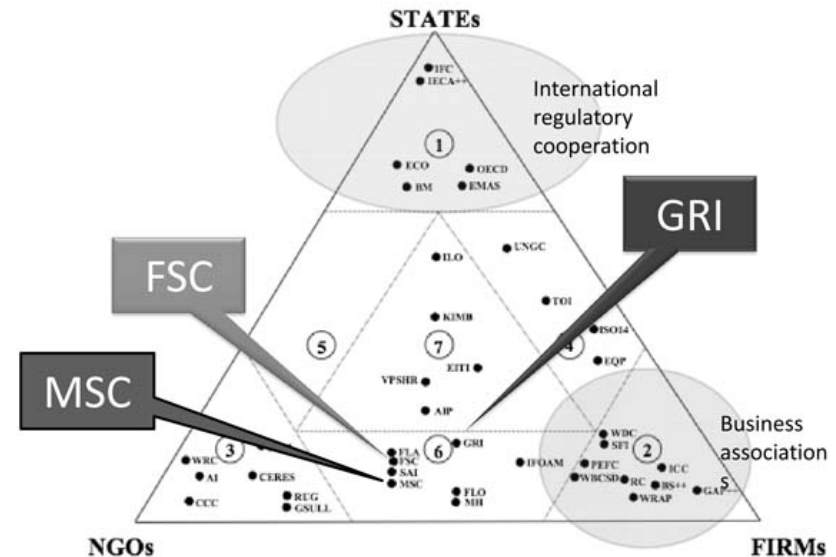
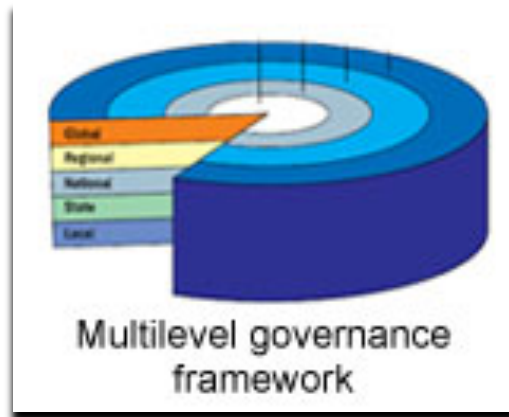


Source: Fashion Futures 2025, by Forum for the Future and Levi Strauss & Co., 2010

Multilevel governance



The governance triangle





Reporting Initiatives and Standards

Related to CO2, water and forestry:

- Carbon Disclosure Project
- Science-Based Targets
- GRI and alternative reporting schemes like SASB

(where firms report also to investors on their CO2 and other environmental impacts - direct and sometimes also indirect impacts)

Related to raw materials, their impacts (e.g. cotton) and farm labor:

- Global Organic Textile Standard
- Naturland Fair
- Bio Suisse Standards for Imports
- Naturland Standards on Production
- IFOAM Standard

Source: <http://www.standardsmap.org/identify>



National and Regional Regulations (examples)



1. European level examples:



- REACH (for chemicals)
- European Action Plan to move to a circular economy (implementation of the EU's 2020 strategy for a resource-efficient Europe)
- Textile Regulation (EU) No 1007/2011 on fibre names and related labelling and marking of the fibre composition of textile products
- In 2014 the EC adopted the legislative proposals for a new Regulation on organic production and labelling of organic products; and an Action Plan

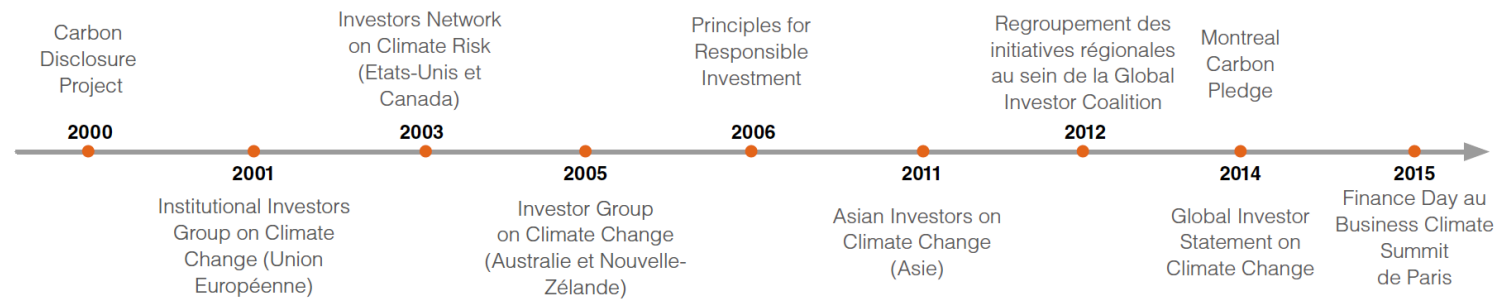
2. National Level examples for Material efficiency:

- National waste prevention programme 2014-2020 (regulatory instruments, voluntary undertakings, etc. to contribute to resource efficiency)
- Energy Transition for Green Growth Act (sets a material productivity target (+ 30% between 2010 and 2030) and stipulates the development of a national circular economy strategy – foresees measures related to waste prevention, its recycling and recovery and more.

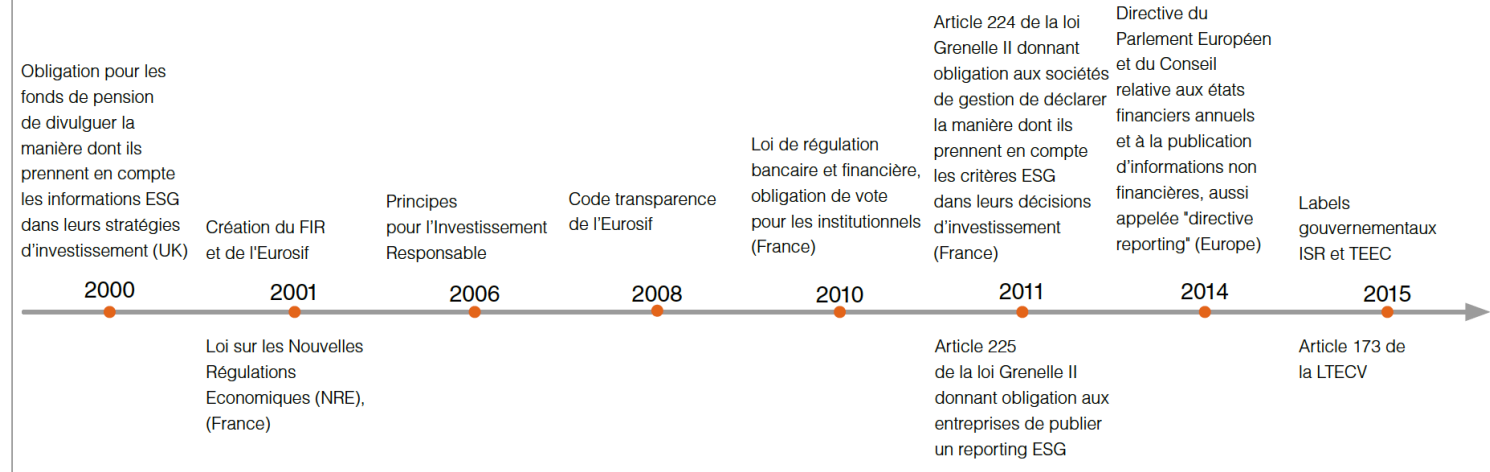
Climate initiatives accelerate around the world and in France and Europe



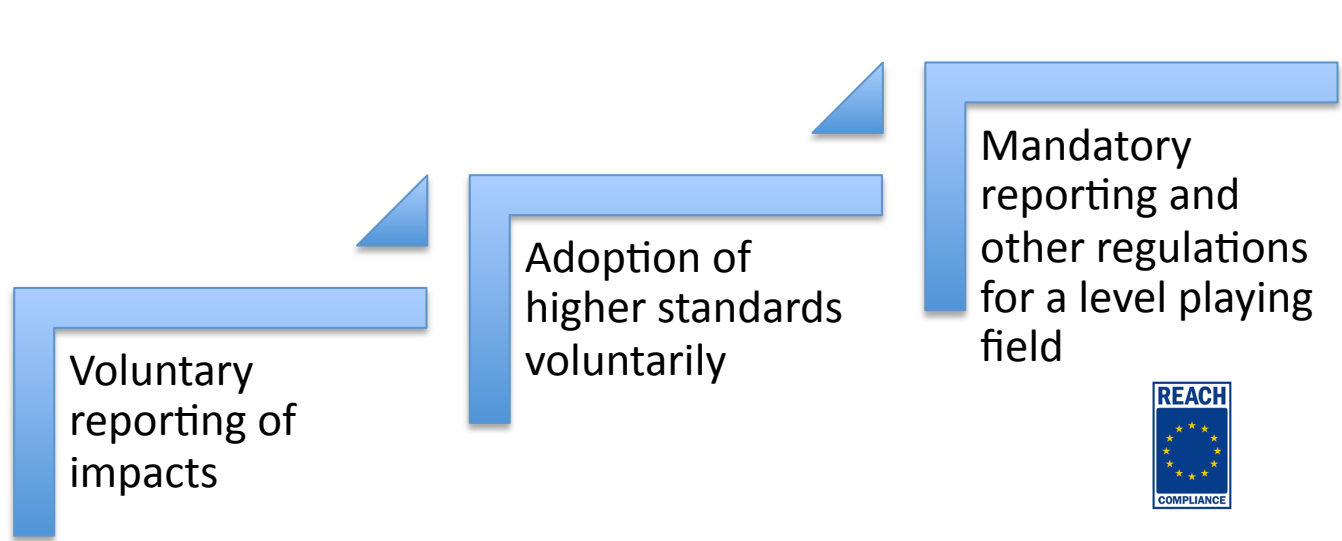
UNE ACCÉLÉRATION ET UNE MASSIFICATION DES INITIATIVES CLIMAT



CHRONOLOGIE NON EXHAUSTIVE DES DÉMARCHES ESG ET ISR EN FRANCE ET EN EUROPE



Being a first mover during the evolution of policies is beneficial



In theory early adopters of higher standards have been able to evolve their practices more slowly over time, attract new customers or retain existing ones, and meet eventual mandatory standards at lower final cost

e.g. Article 173 in France & regulations – Reach for chemicals, and to standardize labeling, etc.



Positive impacts of good reporting initiatives on suppliers' activities

Figure 2. Supplier climate action

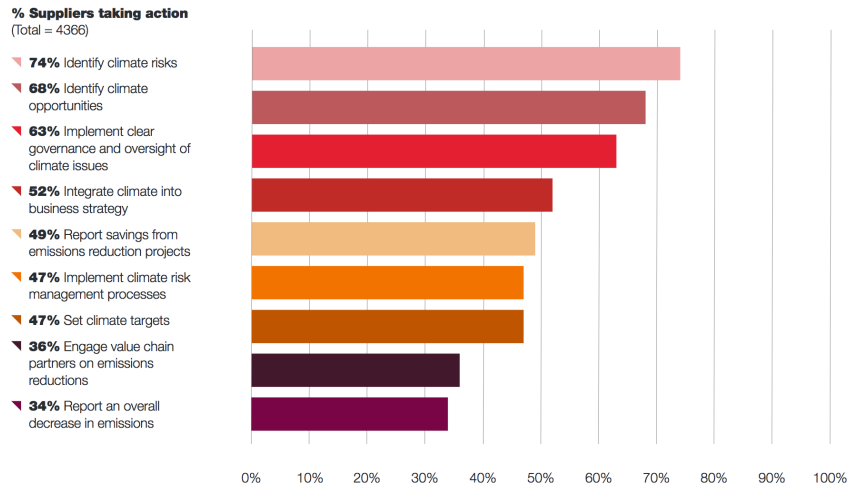
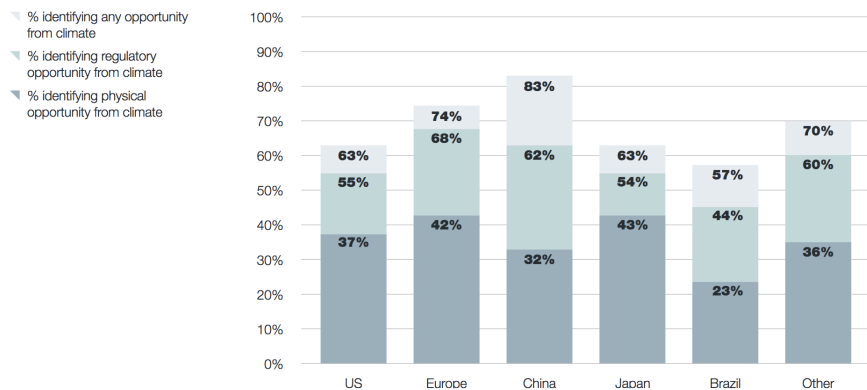


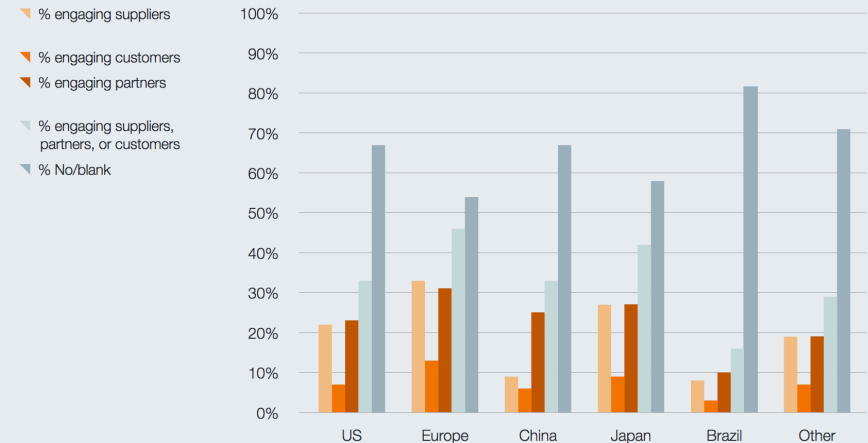
Figure 3. Difference in perception of climate opportunity, by geography



A higher percentage of respondents in China highlight opportunities related to climate change, while those based in Japan, Brazil, and the US are the least likely to recognize opportunities. Opportunities linked to regulation are most common among suppliers in Europe.

Note that suppliers can report more than one category of opportunity, so totals add up to more than 100%.

Figure 7. Percentage of suppliers engaging across the value chain, by geography



- Impacts of supplier engagement vary
 - Most suppliers identify climate risks as a result
- Supplier engagement varies by region
 - Europe has higher supplier engagement
- European firms have the highest perception of opportunity from climate policy

Why is mandatory reporting effective?

- Only governments can compel disclosure by firms, factories, or key actors in the supply chain. On the other hand, some would say investors are more and more compelling firms to disclose today
- But governments and impending carbon risks (due to potential future policy, existing emissions trading schemes, etc.) is in fact the compelling force for investors to request this risk disclosure so in the end government is the key driver.
- Only government can require comparable metrics, format, and timing
- Only government can create systems backed by deliberate democratic processes.
- Legislative, regulatory, and judicial processes provide government-mandated transparency systems with legitimacy and accountability.

Adapted from: The Political Economy of Transparency: What makes disclosure policies effective? By Archon Fung, et al. Dec. 2004

Voluntary standards do not cover all issues – effectiveness is harder to measure but completeness has been measured so far (by IISD)

TABLE 3.9 AVERAGE COVERAGE OF SSI ENVIRONMENTAL INDICES FOR EACH VOLUNTARY SUSTAINABILITY INITIATIVE.

	Soil	Waste	Synthetic inputs	Water	GMO prohibition	Biodiversity	Energy	Greenhouse gas	Total average
IFOAM	100%	100%	100%	100%	100%	100%	100%	67%	96%
SAN/RA	80%	60%	60%	70%	100%	93%	80%	47%	74%
ProTerra	90%	87%	67%	80%	100%	27%	40%	67%	70%
RSB	100%	100%	40%	85%	0%	67%	50%	100%	68%
PEFC	100%	67%	67%	75%	100%	100%	0%	0%	64%
ETP	100%	100%	67%	100%	0%	33%	100%	7%	63%
FSC	100%	100%	67%	25%	100%	100%	0%	0%	61%
Fairtrade	60%	53%	53%	50%	100%	60%	60%	47%	60%
GLOBALG.A.P.	100%	100%	67%	100%	0%	73%	20%	0%	58%
RTRS	100%	100%	60%	45%	0%	67%	0%	60%	54%
RSPO	40%	87%	60%	30%	NA	33%	40%	67%	51%
UTZ	80%	33%	60%	95%	0%	13%	60%	0%	43%
Bonsucro	90%	53%	0%	20%	0%	33%	40%	60%	37%
4C Association	20%	27%	47%	30%	100%	13%	40%	0%	35%
CmiA	30%	20%	67%	15%	100%	0%	0%	0%	29%
BCI	60%	20%	100%	25%	0%	20%	0%	0%	28%

TABLE 3.15 SSI ENVIRONMENTAL INDICATORS, FROM HIGHEST TO LOWEST COVERAGE ACROSS 16 VOLUNTARY SUSTAINABILITY STANDARDS REVIEWED.

Index	Indicator	Indicator Score	# of VSSs that scored 100%
Synthetic inputs	Enforcement of a prohibited list	88%	15
Soil	Soil conversion (erosion prevention)	78%	7
Water	Water use in management plan	76%	9
Waste	Waste management	75%	10
Soil	Soil quality maintenance	69%	9
Waste	Waste disposal	69%	8
Synthetic inputs	Integrated pest management	67%	7
Biodiversity	Prohibition of conversion of high conservation value land	61%	10
Waste	Pollution	51%	7
GMO prohibition	Prohibition of genetically modified organisms	50%	8
Water	Water practices in scarcity (dependencies)	48%	7
Energy	Energy-use and management	48%	3
Water	Water reduction criteria	46%	4
Water	Wastewater disposal	46%	6
Biodiversity	Flora densities/diversity	44%	6
Biodiversity	Habitat set-asides	42%	5
Greenhouse gas	Greenhouse gas reductions	40%	4
Greenhouse gas	Greenhouse gas accounting	31%	4
Energy	Energy reduction	26%	2
Greenhouse gas	Soil carbon sequestration	21%	2
Synthetic inputs	Complete prohibition of synthetics	18%	3

Mapping standards – a first step towards understanding interactions

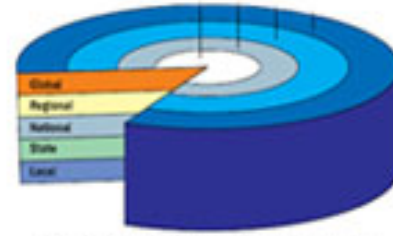


		Voluntary Reporting of impacts					Voluntary labelling					EU wide Regulations			National strategies		Regional strategies
		CDP	Science-based targets	GRI	SASB	...	Global Organic Textile Standard	Naturaland Fair	BioSuisse Standards for imports	Naturaland Standards on Production	IFOAM Standard	REACH	Textile Regulation (EU) No 1007/2011 on fibre names ...	EU Regulation on organic production and labelling of organic products	National Waste prevention programme 2014-2020	Energy Transition for Green Growth Act	European Action Plan to move to a circular economy
Materials	Recycling																
Emissions, effluents, waste	Product waste																
	Energy/CO2																
	Water pollution																
	Water consumption																
Products and services	Chemical substances																
Energy	Energy consumption																
	Renewable Energy																
Business Integration	Environmental certifications																

Key Interactions:

- CO2, water, etc. reporting initiatives are complementary to voluntary labeling schemes Both types of schemes are necessary because one covers what the other can not.
- These standards prepare firms for mandatory schemes which are in preparation (at least at the EU level) and mandatory reporting and labeling standards may lead to minimum standards of environmental performance such as REACH, when industry and society accept it

Conclusions



- Voluntary reporting initiatives, labels or industry standards do not currently cover all environmental and social objectives in the fashion industry. Public sector oversight, regulations and national plans are still needed, especially in the area of materials recycling and product waste.
- Reaching targets requires pressure, and mandated reporting is most effective for various reasons.
- Voluntary measures will not be sufficient to reach our targets. State or collective state action is required.
- Voluntary measures such as reporting initiatives can prepare industry for mandatory reporting and other standards to push the industry towards innovation and sustainability at lower final compliance cost to firms.
- Policy-makers could build on voluntary measures that are already driving industry changes around the world like the CDP, the science-based targets, etc. and which have a positive impact on suppliers in the chain.
- **The future of the clothing industry (as well as the construction industry) will be shaped by a myriad of global, regional and national legislation and an evolution of voluntary towards more mandatory standards.**

Construction industry: Ideas for discussion/consideration

- Idea 1: A construction firm transparency index
- Idea 2: An index for construction contractors and suppliers by various sustainability issues (maybe starting with carbon disclosure but then going beyond energy and CO2)
- Idea 3: An index or labeling system for construction products (e.g. buildings) beyond energy and water consumption with inclusion of material efficiency elements