



CEO AGENDA 2019

EIGHT SUSTAINABILITY
PRIORITIES FOR THE
FASHION INDUSTRY

Imprint

The page features a large, abstract graphic on the left side. It consists of several overlapping, semi-transparent shapes in shades of orange and yellow. A thin, vertical black line runs parallel to the left edge of these shapes. The overall aesthetic is modern and minimalist.

We would like to thank ASOS, BESTSELLER, H&M group, Kering, Li & Fung, Nike, PVH Corp., Sustainable Apparel Coalition and Target for contributing their time and expertise to the development of the *CEO Agenda*. We would also like to thank the industry experts and the company executives who have contributed their time and insight.

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The *CEO Agenda* reflects a shared belief by Global Fashion Agenda and its Strategic Partners that the eight priorities are the most important current challenges for the industry to tackle together. The *CEO Agenda* does not represent a commitment by the Strategic Partners to solve the issues listed within a given timeframe, but a support for the dialogue in the industry to move in this direction.

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PVH

 Sustainable
Apparel Coalition



Sustainability is a business imperative



Dear fashion leaders,

Our mission at Global Fashion Agenda is to mobilise you to transform the way fashion is produced, marketed and consumed. Planetary resources like water and land are limited. Climate change presents unprecedented challenges for our planet and everyone who lives on it. People rightly request safer and more respectful working conditions. A growing share of consumers demands transparent practices. Company owners and shareholders seek to protect the long-term viability of their investments. These challenges present both a need for immediate change and an opportunity for long-term value creation. Investments in people and the planet are indispensable to ready the fashion industry for a prosperous future. In short, sustainability is no longer just a trend. It's a business imperative.

One year ago we published the *CEO Agenda 2018*, our first synthesis of the top sustainability priorities for the fashion industry. Around the world we have since seen sustainability rise on the corporate agenda. Increasingly executives acknowledge the importance of sustainable practices to safeguard their businesses and value the guidance the *CEO Agenda* provides to help focus their investments and initiatives. We have seen progressive policymakers use the *CEO Agenda* to shape the



For a world beyond next season

ABOUT GLOBAL FASHION AGENDA

Global Fashion Agenda is the foremost leadership forum for industry collaboration on fashion sustainability. Anchored around the world's leading business event on sustainability in fashion, Copenhagen Fashion Summit, Global Fashion Agenda advances a year-round mission to mobilise the global fashion system to change the way we produce, market and consume fashion, for a world beyond next season.

A non-profit organisation, Global Fashion Agenda collaborates with a group of Strategic Partners including ASOS, BESTSELLER, H&M group, Kering, Li & Fung, Nike, PVH Corp., Sustainable Apparel Coalition and Target to spearhead the fashion industry's journey towards a more sustainable future.

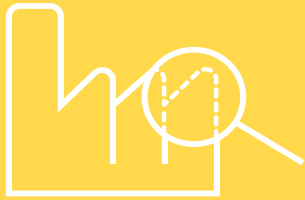
dialogue about sustainability with key industry stakeholders. At the same time forward-looking investors are starting to incorporate the priorities outlined in the Agenda into their screening process.

Although these developments are encouraging much remains to be done. If we do not ramp up our efforts, we will miss the objective of the Paris Agreement to keep global warming well below 2.0 degrees Celsius. In the fashion industry 50% of the industry has not yet taken any action on sustainability, and overall progress is too slow. While we acknowledge that changing established practices is not an easy feat, we also remain convinced that the time to act is now. In this spirit we are publishing the *CEO Agenda* again in 2019, highlighting climate change as a core priority.

While the priorities fundamentally remain unchanged, we have updated them to reflect the latest industry developments. This is because we want the *CEO Agenda* to be a relevant reference point for you and your peers. As fashion leaders you are in a unique position to turn things around. Your decisions affect the entire value chain. You hold the power to make sustainability an integral part of your business strategy and, as a result, of the fashion industry as a whole. We encourage you to use this power wisely, and we hope that the *CEO Agenda 2019* will help you set and hold the course.

Global Fashion Agenda and our Strategic Partners

Core priorities for immediate implementation



SUPPLY CHAIN TRACEABILITY

Trace tier one and two manufacturers



COMBATING CLIMATE CHANGE

Implement measures that reduce greenhouse gas emissions



EFFICIENT USE OF WATER, ENERGY AND CHEMICALS

Implement water, energy and chemicals efficiency programmes in processing stages



RESPECTFUL AND SECURE WORK ENVIRONMENTS

Uphold standards for the respect of universal human rights for all people employed along the value chain

Transformational priorities for fundamental change



SUSTAINABLE MATERIAL MIX

Reduce the negative effects of existing fibres and develop new innovative, more sustainable fibres



CIRCULAR FASHION SYSTEM

Design, produce, sell and collect products that enable the reuse and recycling of post-consumer textiles at scale



PROMOTION OF BETTER WAGE SYSTEMS

Collaborate with industry stakeholders to explore opportunities to develop and implement better wage systems



FOURTH INDUSTRIAL REVOLUTION

Embrace the opportunities in the digitisation of the value chain and engage with other brands, manufacturers and governments to prepare for the transition of workforces

Priorities for action

“We believe that the world needs to urgently work towards creating a sustainable future - one where everyone thrives on a healthy planet and a level-playing field. We are committed to innovating our way into that future, both within Nike and in partnership with others.”

- Mark Parker, CEO, Nike



Initiated by Global Fashion Agenda the *CEO Agenda 2019* spells out eight priorities that will help make fashion more sustainable. The *CEO Agenda 2019* reflects the values and aspirations of our Strategic Partners and advisers, a diverse group of high-profile fashion companies, including ASOS, BESTSELLER, H&M group, Kering, Li & Fung, Nike, PVH Corp., Sustainable Apparel Coalition and Target. It draws on the most pressing issues and the biggest opportunities for environmental and social impact as outlined in our *Pulse of the Fashion Industry* report. To illustrate how the *CEO Agenda* contributes to sustainable development as aspired to by the UN, relevant Sustainable Development Goals are listed under each priority.

“THE FASHION INDUSTRY IS GOING THROUGH A TRANSFORMATION THAT POSES MANY CHALLENGES WE AS AN INDUSTRY NEED TO COLLABORATE ON. THE TRANSITION TOWARDS A CIRCULAR AND CLIMATE POSITIVE BUSINESS MODEL IS KEY, AS IS ENSURING THAT THE JOBS CREATED ALONG OUR VALUE CHAINS ARE FAIR AND EQUAL.”

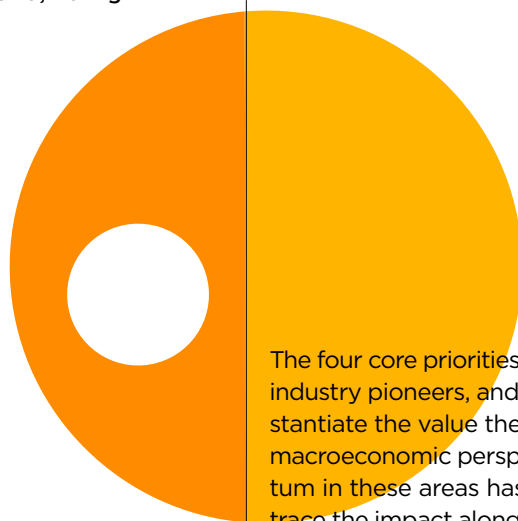
- Karl Johan Persson, CEO, H&M group

With the *CEO Agenda* we seek to steer the conversation about sustainability and to encourage you as fashion industry leaders to take action. Fashion brand CEOs are the primary target audience of the *CEO Agenda* because your decisions affect the entire value chain. At the same time we hope that the *CEO Agenda* will serve as an invitation to other players such as investors, manufacturers, government officials, researchers, initiatives and NGOs to engage in a conversation with fashion brands about the right path towards a more sustainable fashion industry.

The *CEO Agenda 2019* comprises two sections: four core priorities for immediate implementation, and four transformational priorities for fundamental change in the longer term.

“A modern corporation has to have a dimension of purpose or it won't last.”

- François-Henri Pinault, Chairman and CEO, Kering



The four core priorities have already been implemented by industry pioneers, and there are countless cases that substantiate the value they bring, both from a corporate and macroeconomic perspective. In the past year the momentum in these areas has increased. More and more brands trace the impact along their supply chain. Climate change is rising on the corporate agenda, and more companies are shifting to renewable resources. Increasingly fashion companies invest in programmes to make more efficient use of natural resources. And, partly thanks to whistle-blowers and social media, cases of inequality have been brought to light. Unless you have already done so, we urge you to kick off the implementation of these core priorities right away and join the ranks of your pioneering peers who have already taken action.

THE CASE FOR CHANGE

The fashion industry has a major opportunity to secure a prosperous future. The industry is facing rapidly growing demand worldwide. At the same time many companies are stepping up their efforts toward more environmentally and socially responsible practices. But the current scale and pace of change is not enough. To put fashion on a path to long-term prosperity financially, socially and environmentally, much more must be done.

The financial consequence of not taking action on sustainability adds up to a staggering EUR 160 billion for the global economy, a figure that reflects the potential cost savings derived from more efficient and respectful use of natural and human resources. By investing in sustainability, fashion brands should be able to reduce their social and environmental footprint whilst improving their bottom line, with an estimated increase in EBIT margins by up to 1-2 percentage points by 2030.

In 2018 the Pulse Score of the fashion industry improved from 32 to 38 (out of 100), confirming that sustainability is rising on the corporate agenda. In the 2018 Pulse Survey, 52% of all respondents said that environmental and social targets acted as a guiding principle for nearly every strategic decision they made - an increase of 18 percentage points from the previous year. In fact, Pulse Scores have improved across all segments of the industry. While encouraging, the results also speak to the need for still more movement toward increasingly responsible practices. In other words: Fashion companies are on the right trajectory, but more immediate action is needed.

For details, see the Pulse of the Fashion Industry 2018 report, authored by Global Fashion Agenda and The Boston Consulting Group.

“Today we can leverage the latest technology to create solutions for the industry’s deepest challenges – and in doing so, build a better, more sustainable fashion industry.”

- Spencer Fung, CEO, Li & Fung

While the transformational priorities are just as crucial and urgent to make the fashion industry more sustainable, the right course of action to bring about change is less certain in these areas. We do not know what future taxation and regulation will look like. And nobody has a full understanding of how exactly automation and other technological advances will affect the way clothes and shoes are produced and distributed. Yet we believe that, as fashion leaders, you have an obligation, both to your shareholders and other industry stakeholders, to blaze the trail. You should engage with your peers, manufacturers, NGOs, academics and policymakers to tackle these issues today and start developing solutions. It is our aspiration for the *CEO Agenda* to inform and guide that process.

The road ahead

“It’s only by working together that we will be able to deliver a systemic shift in the way our industry tackles urgent sustainability challenges and proactively design a future we can all believe in.”

– Nick Beighton, CEO, ASOS

THE PULSE OF THE FASHION INDUSTRY

The *Pulse of the Fashion Industry* is an annual report published by Global Fashion Agenda and The Boston Consulting Group. The report follows the strong belief that the environmental, social and ethical challenges the industry faces today are not simply a threat, but instead an immense untapped value creation opportunity.

The Pulse Score, powered by the Higg Index, is a global and holistic baseline of sustainability performance in the fashion industry. Developed jointly by Global Fashion Agenda and The Boston Consulting Group, it is based on the brand module of the Sustainable Apparel Coalition’s Higg Index, which recognises policies regarding both environmental factors, such as water consumption, and social factors, such as labour practices. The Pulse Score extends the Higg Index by extrapolating the findings to include the entire industry. The Higg Index is the most extensive and representative existing measurement tool for the industry. It covers the majority of large companies and has been extended to include small to medium-sized players.

We hope the *CEO Agenda* will guide you in taking prioritised action on sustainability. In the upcoming 2019 edition of the *Pulse of the Fashion Industry* report, we will further explore these topics, track progress and propose concrete actions you can take to make sustainability a dual driver of progress, promoting better business and a better world.

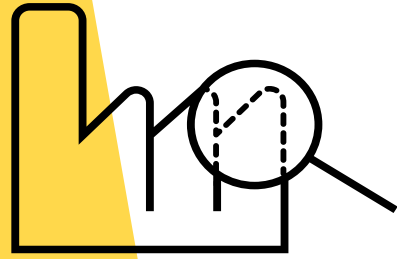
The *CEO Agenda* itself will be a living document. We will regularly update it to reflect the evolution of the fashion industry and its progress towards more sustainable practices and new solutions. We encourage you to engage with us and with your peers on the priorities laid out in the *CEO Agenda*. We are confident that the *CEO Agenda* will speak both to the early movers and the late adopters among you. For late adopters of sustainability the *CEO Agenda* provides orientation on where to start. For early movers the *CEO Agenda* contains advice on how to proceed and points out areas in which to form coalitions with their peers. For everyone, the *CEO Agenda* will help establish and advance sustainability as an integral part of the future of the industry.

FOUR CORE

PRIORITIES FOR IMMEDIATE IMPLEMENTATION

SUPPLY CHAIN TRACEABILITY

Trace tier one and two manufacturers¹



WHY DOES IT MATTER?

Traceability² is a prerequisite for identifying and improving the environmental, social, ethical and financial impact of fashion production. It is also a key catalyst of the evolution from a linear to a circular business model. It enables brands and their manufacturers to identify challenges and risks along their supply chain, as well as to understand and manage the opportunities to introduce more sustainable practices. As an added benefit supply chain traceability can help companies make their supply chain more efficient. Ultimately it will enable more informed business decisions.

Traceability is also a prerequisite for transparency³ and puts fashion companies in a position to collaborate more productively with their peers and external stakeholders on sustainability. Finally, traceability can equip companies with the data they need to communicate with customers, investors and manufacturers about sustainability and the impact of their products in a credible manner.⁴

WHERE ARE WE TODAY?

The fashion industry is one of the most complex global production networks. The complexity and fragmentation of the fashion supply chain can make it difficult for fashion brands to keep track of where and how their products are made.⁵ As a result many fashion brands across segments lack traceability and full visibility in their supply chain. The good news is that there are standard measurement tools that enable fashion producers to know where and how products are made, including the environmental and social impact involved in the production of a given product.⁶

In the past year we have seen a growing number of brands and manufacturers implement standard supply chain measurement tools, increasing the availability of comparable data. We have also seen frontrunners explore new technology, such as blockchain, that has the potential to make data collection easier and more credible. At the same time consumer interest in transparency has increased. The conversations and comments of consumers on social media platforms have a growing impact on the perception and the sustainability performance of fashion brands. In response more companies make traceability a part of their value proposition and their communication. Overall companies are increasing visibility in the supply chain, although the focus still lies mainly on the processing and garment manufacturing stages.

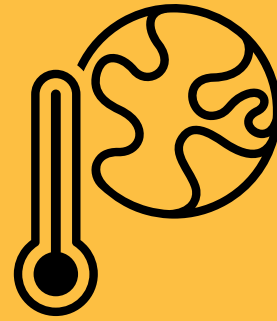
WHAT NEEDS TO CHANGE?

To increase traceability, fashion brands must, as a first step, trace and measure the impact of tier one and two manufacturers. They need to understand the production practices of these manufacturers, including their environmental and social impact, using a standardised industry approach across all manufacturers and supporting their manufacturers in doing the same. Using a standardised industry measurement tool can increase transparency, enable collaboration and drive stakeholder engagement on sustainability.

Frontrunners looking to go beyond this core priority will identify and tackle key impacts across their entire value chain. Companies at the forefront will invest in new technology solutions that drive supply chain data access and validity, for example blockchain and DNA technology.

COMBATING CLIMATE CHANGE

Implement measures that reduce greenhouse gas emissions



WHY DOES IT MATTER?

Humankind is both the principal current driver and one of the main prospective victims of global warming. Human activities are estimated to have caused approximately 1.0 degree Celsius of global warming already, compared to pre-industrial levels. This number is likely to reach 1.5 degrees Celsius between 2030 and 2052 if it continues to increase at the current rate.⁷ Climate change is an unprecedented threat to people and the planet. Rising sea levels, floods and droughts threaten people's lives, bring food insecurity and destabilise the business environment for companies.

The fashion industry is a large contributor to climate change. Greenhouse gas is being emitted throughout the fashion value chain, from agriculture and production to the use and disposal of textiles. If the industry stays on its current trajectory, emissions from textile production will rise by more than 60% by 2030, according to expert estimates.⁸ Therefore, fashion brands have a vital role to play in curtailling global warming. They need to reduce greenhouse gas emissions in their operations and help build a net zero-emission economy.

Even today climate change is affecting the fashion industry adversely. Issues such as water shortage, decreasing biodiversity and endangered ecosystems are projected to become more severe with global warming. This development will have disruptive effects on the fashion industry's supply chain. If climate change continues, the business environment for fashion companies will become increasingly unstable and unpredictable. Fashion brands have an opportunity not only to increase their resilience, but also to drive competitiveness and growth through innovation.

WHERE ARE WE TODAY?

Currently the total greenhouse gas emissions from textile production amount to 1.2 billion tonnes annually. This is more than the emissions of all international flights and maritime shipping combined.⁹ According to other estimates the global apparel and footwear industry accounts for 8% of the world's greenhouse gas emissions.¹⁰ While regulation is partly lagging, some companies are stepping up their game in anticipation of future thresholds and quotas. On an industry

level there has been increasing dialogue among stakeholders about solutions and efforts to drive commitments to reduce emissions. On an individual company level there have been some encouraging efforts, such as science-based target setting, the implementation of efficiency programmes and the increasing use of renewable energy sources.

However, progress is slow and global emissions are set to rise for the second consecutive year.¹¹ Latest research suggests that the world is not on track to achieve the targets of the Paris Agreement.¹² To keep the temperature increase below 1.5 degrees Celsius we will need to cut greenhouse gas emissions by 45% by 2030 and build a net zero-emission economy by 2050.¹³ The current solutions and business models will not be sufficient to meet these targets. The fashion industry needs to embrace a more systemic, more comprehensive change, and scale up low-carbon solutions. In the past year we have seen new reports released that stress the urgent need for action by companies, governments and individuals. Some industry leaders have increased their commitments to reduce emissions by setting targets and signing industry charters. However, more accelerated efforts are needed – not only to reduce the impact of the industry on the planet, but to reverse climate change.

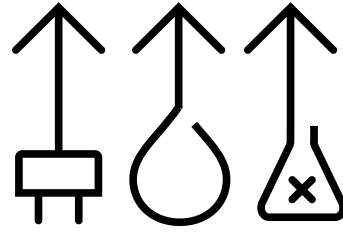
WHAT NEEDS TO CHANGE?

Fashion companies need to measure their impact on climate change along their value chain. They should work with players along their value chain to implement programmes that reduce greenhouse gas emissions, e.g. by switching to renewable energy resources. Leaders will set science-based targets that support the goals of the Paris Agreement.

Frontrunners will collaborate with industry peers, manufacturers, investors and policymakers to help reverse climate change and turn their companies into climate-positive businesses.

EFFICIENT USE OF WATER, ENERGY AND CHEMICALS

Implement water, energy and chemicals efficiency programmes in processing stages



WHY DOES IT MATTER?

Today energy is cheap in comparison to the environmental impact of fossil fuels. In the future an increase in demand and the introduction of carbon taxation could drive up the cost of energy derived from fossil fuels. At the same time clean drinking water and water for crops will become increasingly scarce.¹⁴ Fortunately the untapped potential for a more efficient use of water and energy in processing is substantial. On average it is estimated that textile processing mills can cut water use by 11% and energy use by 7%, with a return on investment within nine months.¹⁵ Reducing the use and release of hazardous chemicals, such as tanning agents and leather dyes, in processing should help improve the health of workers and reduce the damage done to the environment. By enhancing water resource efficiency, energy and chemical usage has the potential to increase a fashion company's EBIT margin up to 2-3 percentage points by 2030.¹⁶ Because wasteful practices in processing are typically easy to identify and can be remedied in holistic improvement programmes that tackle multiple types of resources.

WHERE ARE WE TODAY?

Looking at the fashion value chain, the activities with the largest impact on climate, water and chemical pollution can be found in the processing stage. This means that this stage has the highest priority for immediate action in most segments, from chemical tanning of leather for luxury brands to denim processing for high-street retailers. Although many fashion brands have already made significant progress in this area, a large gap still persists between top and bottom performers.¹⁷

In the past year we have seen industry players come together to invest in the scaling of efficiency programmes in the processing stages of the supply chain. However, there is still significant improvement potential for many companies, and this priority remains a low-hanging fruit for environmental and financial efficiency gains.

WHAT NEEDS TO CHANGE?

We encourage industry leaders to work closely with supply chain partners to start by identifying and tracking water, energy and chemicals consumption and pollution in the processing stage to create a baseline. Companies should then implement efficiency programmes in collaboration with manufacturers, industry initiatives and their peers that reduce the consumption of all three resources and minimise pollution in the processing stage of the supply chain.

Frontrunners should review their progress to date and implement measures to increase the efficient use of resources throughout the whole value chain, from the sourcing of raw materials to retail and consumer use, to reduce their environmental footprint further.

RESPECTFUL AND SECURE WORK ENVIRONMENTS

Uphold standards for the respect of universal human rights for all people employed along the value chain



WHY DOES IT MATTER?

Respect for universal human rights is not only an ethical imperative, it is also good business. Secure and respectful work environments can bring numerous economic benefits: higher productivity, fewer sick days, fewer errors and shorter turnaround times. The productivity uplift alone from implementing such measures has been demonstrated to reach 18% in the manufacturing stage.¹⁸ Respectful and secure work environments are also a key factor in employee attraction and retention. But many workers, especially in the early stages of the value chain, are still exposed to hazards, such as factory fires and the use of hazardous chemicals. On average one in twenty fashion industry workers suffer an injury every year. Two thirds of the global garment workforce are female, and many of these women are subject to discrimination. For example, in Pakistan only 13% of female workers are paid the minimum wage, compared with 73% of men.¹⁹ Improving work conditions, investing in skill building at manufacturers and promoting topics such as health, safety, financial inclusion, diversity and gender equality can increase the EBIT margin by up to 1-2 percentage points by 2030, as compared to the 2015 baseline.²⁰

WHERE ARE WE TODAY?

The 60 million people employed along the fashion value chain²¹ have historically been exposed to occupational hazards ranging from exposure to dangerous work conditions to discrimination.²² While the industry has come a long way in recent years, non-secure and non-dignified work environments still exist, be it in a cut-and-sew factory in Bangladesh or at a photoshoot in New York City. Human rights violations occur at all stages of the value chain, although the most virulent issues vary across segments. For example, high-street brands often focus on health and safety in developing countries. In contrast, luxury brands are typically more concerned with inequality and discrimination. While these may be the most common patterns, there are many nuances across the value chain.

In the past year we have seen an increasing number of governments and companies take a firmer stance on equality in the workplace, with new regulations and policies taking effect. Whistleblowers, the

debate on social media and mainstream media coverage have helped increase public awareness of the topic. An increasing number of companies are implementing local measures to ensure safe and secure work environments in the supply chain, e.g. by investing in training programmes and support services. However, as production continues to shift between countries, more measures need to be put into place to secure the protection of human rights, raise social standards and eliminate forced labour in the value chain.

WHAT NEEDS TO CHANGE?

Fashion brands need to make sure and demonstrate that they respect the universal human rights of direct and indirect employees.²³ This includes ensuring equal partnerships among players along the value chain. Specifically, companies should implement policies and processes to enhance the respect of universal human rights, including safe working conditions, no discrimination and no forced labour for all people employed directly or indirectly in the production and marketing of their products.

Frontrunners will want to engage with brands, manufacturers, employee representatives, local governments and associations to raise standards for the respect of human rights, to ensure the voices of workers are heard and, ultimately, to influence local legislation and raise industry compliance standards.

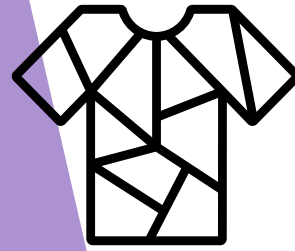


FOUR

TRANSFORMATIONAL
PRIORITIES FOR FUNDAMENTAL CHANGE

SUSTAINABLE MATERIAL MIX

Reduce the negative effects of existing fibres and develop new innovative, more sustainable fibres



WHY DOES IT MATTER?

The materials mix is one of the biggest drivers of a fashion brand's environmental footprint. Across segments it determines up to two thirds of a brand's impact in terms of water, energy and land use, as well as its air emissions and waste.²⁴ Changing the mix of materials can reduce the environmental footprint of a fashion producer significantly. For example, it is estimated that replacing conventional cotton with its organic alternative can save up to 90% of the fresh water and 62% of the energy currently used. It is estimated that substituting polyester with its recyclable counterpart can reduce toxic substances by up to 90%, energy consumption by 60% and emissions by up to 40%.²⁵

At first sight natural fibres generally appear superior from a sustainability perspective. Natural plant fibres, such as cotton, are renewable and biodegradable. However, conventional cotton production is one of the biggest drivers of water consumption in the supply chain. Natural animal fibres, such as wool, leather and silk, are very durable. But their production can entail force feeding, live plucking and unethical slaughtering practices. Also, animal farming has a high environmental impact because of its land use and climate effects.²⁶ When it comes to leather, the heavy use of chemicals for tanning is particularly problematic. In addition, the production of natural fibres such as cotton, viscose and leather can have a high negative impact on biodiversity when done unsustainably. Potential effects include soil depletion, deforestation and diminished wildlife populations.

So, what about synthetic alternatives? Some man-made fibres look promising. They typically require less water than natural fibres, are often very durable and can be more easily recycled. However, most existing synthetic fibres rely on fossil fuels and chemicals during production, and they are not biodegradable. When laundered many synthetic fibres shed micro fibres that account for up to 35% of plastic pollution in the oceans.²⁷ However, much more research is needed on this topic across fibre groups, and the true impact is still unknown.

Cellulosic fibres present an opportunity if their impact on deforestation and land degradation can be decreased. While the industry is still far from a truly sustainable material mix, it is worth investing in innovation in this area. The environmental and economic payoff could be substantial, especially considering the growing global population and the increasing scarcity of natural resources.

WHERE ARE WE TODAY?

The fashion industry is currently not placing enough focus on the development of new, more sustainable raw materials, possibly because deciphering the environmental, social and ethical impact of raw materials is a complex undertaking, and the picture is muddled further by the variety of calculation methods used. There are still debates on how to weigh the different trade-offs with existing fibres, and a miracle fabric, be it natural or man-made, is not yet in sight. It will take a major innovation push to improve existing materials and to develop new materials that are less resource-intensive and that can be recycled more easily.

In the past year we have seen encouraging developments around a more sustainable material mix in collections,²⁸ as well as increasing investment in new innovative materials. A rising number of companies and local governments have taken a stronger stance on fur, and they have implemented more stringent standards on animal welfare. Much more must nevertheless be done to raise the industry standard to ensure no animals suffer in the production of fashion. The issue of micro fibre pollution has risen on the industry's agenda, drawing increased attention of brands, regulators, media and academics. That said, much more research and investment is needed in this area. Overall innovation regarding sustainable materials has increased, but the industry is not yet implementing the advances at scale.

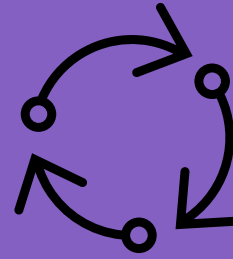
HOW CAN WE GET CLOSER TO A SOLUTION?

We encourage fashion industry leaders to trace and evaluate the environmental and social impact of the materials they use and to shift their mix towards low-impact materials, e.g. by using organic instead of conventional cotton.

Frontrunners should work with raw materials manufacturers, researchers and industry associations to reduce the negative effects of the production of existing fibres and further develop industry standards for animal welfare. Leaders will embark on a journey of discovery to develop new, more sustainable materials that reduce resource consumption, utilise existing material streams and attempt to mitigate negative externalities, such as micro fibre shedding and a decrease in biodiversity.

CIRCULAR FASHION SYSTEM

Design, produce, sell and collect products that enable the reuse and recycling of post-consumer textiles at scale



WHY DOES IT MATTER?

Fashion is primarily produced in a linear system of “take, make, dispose”, with 73% of the world’s clothing eventually ending in landfills. If today’s textile collection rate were tripled by 2030, it could be worth more than EUR 4 billion for the world economy.²⁹ This figure merely represents the value of those products that would not end up in landfills. If the industry were to find a way to collect and recycle all fibres, the value could be up to EUR 80 billion.³⁰ In any case decreasing the use of virgin material will make the industry less vulnerable to fluctuations in raw material prices. And unless the industry starts acting now, the linear model will soon reach its physical limits. According to current forecasts the world population will exceed 8.5 billion people by 2030, and global garment production will increase by 63%.³¹ But land and fossil fuel are finite resources, and water will become increasingly scarce. This is why current practices are putting both the industry and the planet in jeopardy.

WHERE ARE WE TODAY?

Today less than 15% of clothes are collected for recycling, and less than 1% of the material used to produce clothing is recycled into new clothing. Every second, a whole garbage truck full of textiles is thrown out.³² While the demand for clothing is projected to increase at 2% per year, the number of times clothes are actually worn has dropped by a third compared to the early 2000s.³³ Many of today’s products are designed with neither durability nor recycling in mind. They often consist of mixed fibres and compositions that are hard to disassemble. In effect the fashion industry is far away from a circular system in which materials are designed and recycled to avoid waste and generate additional value.³⁴ And although an increasing number of companies is exploring circular models, progress is slow because of regulatory, logistical, technical and economic issues regarding circular business models, textile collection and recycling. The solutions and infrastructure required to make a circular fashion system a reality simply do not yet exist.

In the past year we have seen an increasing interest in circularity among brands, regulators, investors and industry initiatives. There is also some evidence of a more collaborative approach across the industry. For example, European policymakers are working more

collaboratively to effect more concrete action. The second-hand market for fashion is growing, and more companies are looking into alternative resale channels. Post-consumer textile recycling has seen increasing investments and promising developments, with the potential to enable textile recycling at scale. Yet many designers still lack the tools to design for a circular fashion system. While some of these results are encouraging, the majority of textiles still ends up in landfill, and further industry collaboration is needed to turn the tide.

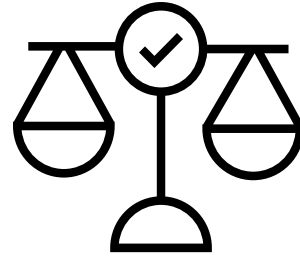
HOW CAN WE GET CLOSER TO A SOLUTION?

We encourage fashion industry leaders to train their design and product development teams to create products that are made for durability, disassembly and recycling, and to increase the share of recycled fibres in their products. Retailers should also increase their efforts to collect used garments.

Frontrunners should explore circular business models that have the potential to keep items in use for longer and enable recycling of post-consumer textiles at scale. Leaders should collaborate with their peers, industry organisations, governments and consumers to develop better systems for the widespread collection of used clothes and invest in the development of innovative technologies that will allow them to turn textile waste into high-quality fibres.

PROMOTION OF BETTER WAGE SYSTEMS

Collaborate with industry stakeholders to explore opportunities to develop and implement better wage system



WHY DOES IT MATTER?

The global fashion industry is a driver of economic prosperity and a major job creator. It employs 60 million people along its value chain.³⁵ Promoting industry-wide implementation of wages that meet the basic needs of workers is an opportunity for fashion brands to expand their contribution to the prosperity of the people employed along their value chain, their families and the greater community. There is EUR 5 billion at stake for the world economy in terms of increased prosperity for garment workers.³⁶

Although most fashion brands do not set the wages of production workers, they have a role to play in promoting systemic change, which is needed because of institutional failings. Fashion brands can support a dialogue between manufacturers, local governments and employee representatives to improve wage practices. As part of this dialogue, brands can encourage governments to create the necessary legal frameworks and systems for periodic adjustments and fair negotiations of wage levels. Fashion brands can further contribute to the introduction of better wage systems by exploring opportunities in areas such as purchasing, training and digitisation of payment systems.

Implementing improvements in these areas could not only better the lives of workers and their families, but also help increase productivity and reduce employee attrition, increase the quality of output, improve the reliability of deliveries and foster employee-driven innovation.³⁷ Such systemic change will not happen overnight. It will require unprecedented, pre-competitive collaboration between rival companies and other stakeholders, as well as government efforts to make sure all players work together.

WHERE ARE WE TODAY?

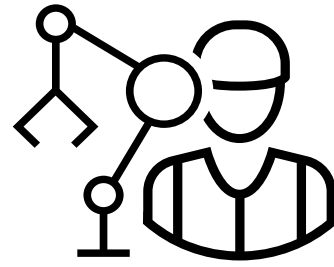
Research suggests that many factories fail to comply with applicable minimum wage laws, and that the wages paid in some garment-producing countries even when they comply with minimum wages are too low to meet the basic needs of workers.³⁸ Inadequate wages are often linked to bigger issues, such as a lack of governance and institutional support mechanisms. In the past year we have seen more collaboration between private and public stakeholders to drive wage

improvements,³⁹ there is still a need to develop a holistic understanding of how wages should be measured and how systemic change towards better wage systems can be brought about. Future research needs to take into account the fact that compensation is a complex issue, from base pay and deductions to pensions and non-cash benefits, such as insurance and healthcare.

HOW CAN WE GET CLOSER TO A SOLUTION?

Fashion brands need to work with manufacturers to make sure they comply with the minimum requirements of applicable local laws, i.e. that they pay at least minimum wage without undue delay and unlawful deduction, and that they do not impose other unfair or unreasonable impediments. We encourage brands to explore how improvements in areas such as purchasing, productivity and training can contribute to the establishment of better wage systems.

We encourage frontrunners to support a dialogue between brands, manufacturers, employee representatives, local governments and associations to promote systemic change towards clear, functioning, robust and reliable wage-setting mechanisms.



FOURTH INDUSTRIAL REVOLUTION

Embrace the opportunities in the digitisation of the value chain and engage with other brands, manufacturers and governments to prepare for the transition of workforces

WHY DOES IT MATTER?

Digitisation of the supply chain can bring social, environmental and economic benefits. Technology can rid workers of repetitive and dangerous tasks, such as dyeing and cutting fabric, and allow them to focus on more creative and more rewarding activities.⁴⁰ Additionally, technological advances that improve accuracy, productivity and transparency could help reduce energy use and waste. From a value creation perspective, digitisation can bring more flexibility to accommodate fluctuations in demand, speed up production, reduce variability and errors, and enable customisation at scale. Once the privilege of a chosen few, made-to-measure clothes and shoes could soon become ubiquitous thanks to technologies such as 3D printing and in-store heat moulding.⁴¹

But there is no denying the fact that such technological advances have a downside. Automation will claim jobs, with up to 90% of garment workers standing to lose their jobs in some countries.⁴² In places like Bangladesh, where the garment industry employs 3.6 million people,⁴³ supply chain digitisation will have a significant impact on the workforce that will need to be managed to avoid adverse and disruptive effects on the lives of workers, their families, the fashion industry and the economy as a whole.

WHERE ARE WE TODAY?

Ever since the introduction of the power loom in 1784, technology has been a major driver of change in the fashion industry. Today the industry is in the midst of a digital revolution. Technologies such as automation and the Internet of Things will transform the way garments are made and distributed. By 2020, robots are expected to carry out 25% of all manufacturing.⁴⁴ This development primarily affects segments that rely on low-cost manual labour in developing countries, i.e. high-street, mid-market and sportswear retailers. That said, all players are likely to feel the impact of digitisation. Automation and new technology-driven production methods will inevitably transform the fashion value chain, especially its manufacturing, processing and retail stages. However, the extent of that transformation is currently unknown and hard to predict.

In the past year we have seen growing investment in new technologies by both the private and public sectors. We have also seen some encouraging examples of what technology, such as artificial intelligence and 3D printing, can do for the fashion industry. However, positive impact at scale is still to be seen, and more effort on the development of programmes to transition workforces is needed.

HOW CAN WE GET CLOSER TO A SOLUTION?

Individual brands need to start preparing for the effects of technological innovation by analysing its potential impact on their value chains. But it will take a collective effort by the whole industry and public policymakers to prepare for the effects on entire workforces. Fashion brands need to work with industry stakeholders to develop a model of responsible automation that takes into account the impact on workforces and workers across the supply chain.

We encourage frontrunners to invest in training and up-skilling and to engage in contingency planning. Considering the prospective magnitude of the change, executives will want to reach out to their manufacturers and local governments to gauge the possible ramifications of technology-driven production methods and prepare to support the transition of workforces at scale.

APPENDIX

METHODOLOGY

The *Pulse of the Fashion Industry 2017* report, published by Global Fashion Agenda and The Boston Consulting Group in May 2017, set the framework for the *CEO Agenda 2018*. The report presented a baseline for the fashion industry in terms of sustainability, represented by the Pulse Score.⁴⁵ The report also outlined a landscape for change, comprising 42 impact levers with a high potential to improve the industry's overall sustainability performance. The *CEO Agenda 2018* was based on the insights from this first-ever baseline of industry sustainability performance, as well as on the combined experience and insights of Global Fashion Agenda's Strategic Partners.

These quantitative and qualitative insights were combined with the perspectives of industry experts representing various stakeholder groups, such as manufacturers, investors, academics and NGOs, to shape the *CEO Agenda*.

The *CEO Agenda 2019* has been updated with the latest findings to ensure it reflects where the industry stands today. The updates are based on the *Pulse of the Fashion Industry 2018* report, as well as on consultations with Global Fashion Agenda's Strategic Partners and other industry experts.

ENDNOTES

- 1 Tier one is defined as manufacturing and tier two as wet processing. For details, see Global Fashion Agenda and The Boston Consulting Group's *Pulse of the Fashion Industry 2017* report.
 - 2 Traceability is defined as supply chain visibility that enables the tracking of the social and environmental impact of production.
 - 3 Transparency involves disclosing supply chain information to third parties.
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 - 5 Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
 - 6 For example, the Sustainable Apparel Coalition's Higg Index and Kering's Environmental Profit and Loss (EP&L).
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 - 8 Ellen MacArthur Foundation (2017). *A New Textiles Economy: Redesigning Fashion's Future*.
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 - 12 UNFCCC (2018). *UN Climate Change Annual Report 2017*.
 - 13 Compared to 2010 levels. Intergovernmental Panel on Climate Change (2018). *Special Report on Global Warming of 1.5 °C*.
 - 14 Sachs, J.D. (2014). *The Age of Sustainable Development. Climate Change 2014: Impacts, Adaptation, and Vulnerability*.
 - 15 Global Fashion Agenda and The Boston Consulting Group (2018). *Pulse of the Fashion Industry 2018*.
 - 16 Ibid.
 - 17 The top quartile achieved a Pulse Score of 67/100 and the bottom a score of 15/100. Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2018*.
 - 18 Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
 - 19 Huynh, P. and Cowgill, M. (2016). *Weak Minimum Wage Compliance in Asia's Garment Industry*, quoted in Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
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 - 21 Fashion United (2016). *Global Fashion Industry Statistics: International Apparel*, quoted in Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
 - 22 Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
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 - 24 Global Fashion Agenda and The Boston Consulting Group (2018). *Pulse of the Fashion Industry 2018*.
 - 25 Ibid.
 - 26 Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
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 - 31 Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
 - 32 Ellen MacArthur Foundation (2017). *A New Textiles Economy: Redesigning Fashion's Future*.
 - 33 Global Fashion Agenda and The Boston Consulting Group (2018). *Pulse of the Fashion Industry 2018*.
 - 34 In 2017 the Pulse Score for the end-of-use phase was 17/100, the lowest among all stages in the value chain. Global Fashion Agenda and The Boston Consulting Group (2018). *Pulse of the Fashion Industry 2018*.
 - 35 Fashion United (2016). *Global Fashion Industry Statistics - International Apparel*, quoted in Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
 - 36 Global Fashion Agenda and The Boston Consulting Group (2017). *Pulse of the Fashion Industry 2017*.
 - 37 International Labour Organisation. The Benefits of International Labour Standards. <https://ilo.org/global/standards/introduction-to-international-labour-standards/the-benefits-of-international-labour-standards/lang-en/index.htm> (Retrieved 9 Feb. 2018).
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 - 39 For example, Action, Collaboration, Transformation (ACT).
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 - 45 The Pulse Score is a global and holistic baseline of sustainability performance in the fashion sector primarily based on the brand module of the Sustainable Apparel Coalition's proprietary Higg Index. The Pulse Score extends the Higg Index by extrapolating the findings to include the entire industry.
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