CEO AGENDA
2020
EIGHT SUSTAINABILITY PRIORITIES FOR THE FASHION INDUSTRY
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, company executives and researchers 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 outlined 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 dedicated support for spearheading necessary changes in the industry to drive progress towards a sustainable future.
Dear fashion leaders

Our mission at Global Fashion Agenda is to mobilise and guide the fashion industry to take bold and urgent action on sustainability. Planetary resources such as water and land are limited, straining the use of natural resources and impacting biodiversity. Only one decade is remaining to avert the effects of climate change beholding unprecedented challenges for our planet and its inhabitants. People rightly ask for safer, more respectful working conditions. A growing share of consumers demands greater transparency on environmental and social performance and that fashion brands adopt more responsible business practices.

The Pulse of the Fashion Industry 2019 update shows that fashion production is expected to rise by 81% by 2030 if the industry continues on its current trajectory. Optimising resource efficiency, minimising the use of natural resources and respecting human rights while meeting consumers desires and demands will be a growing business opportunity that will require bold systemic change and the involvement of all stakeholders.

The current model has served as powerful engine for global growth and development for the past 100 years, but we believe there is a compelling business case for those who invest in long-term social and environmental sustainability, beyond short-term financial incentives. While we acknowledge that changing established practices is not an easy feat, we also remain convinced that the fashion industry can act as an inspirational forerunner.

Already today, the fashion industry finds itself in a transformational state where company owners and shareholders seek to protect the long-term viability of their investments and acknowledge clear business opportunities by devoting themselves to sustainable development. A monumental opportunity for long-term, purpose-driven value creation is apparent, calling for creative leadership to champion change management and forward-looking approaches to progress, by redefining measures of success and decoupling growth from resource constraints. Creating sustainable growth within the planetary boundaries will be a must in order to cater to the demands of a growing population and middle class.

We urge you as industry leaders to investigate new business models outside current market mechanisms to drive change, implement innovation and tap into collaborative and progressive business opportunities. This is essential not only to future-proof your business, but it is also crucial for humanity to operate within planetary boundaries and to meet the needs of future generations.

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 is a business imperative.

Global Fashion Agenda and our Strategic Partners
In this spirit, we have published the 2020 edition of the *CEO Agenda*, which spotlights biodiversity among its existing priorities and provides further guidance for fashion brands to take action.

Biodiversity describes the variety of life on Earth and its natural systems, includes the variability of living organisms and the diversity within species, between species and of ecosystems. It represents the life support system of the Earth, with human livelihoods directly dependent on genetic, species and ecosystem diversity and function.¹

Not only does all economic activity depend on services provided by nature,² but the fashion industry’s increasing demand and utilisation of energy, land, water and natural resources results in a grave loss of ecosystems and species, as well as in microfibre pollution, to name a few. Biodiversity, along with the conservation and restoration of nature, should therefore urgently be taken into account in the industry moving forward.
HOW TO USE THE CEO AGENDA

This document articulates the eight most crucial sustainability priorities for fashion, offering clear guidance on where to focus your efforts. Within these eight priorities, the CEO Agenda is broken down into two key sections: Four core priorities for immediate implementation and four transformational priorities for fundamental change that require strong collaborative structures and investments.

Each priority is further divided into three key paragraphs per priority: ‘Why does it matter?’ offering an executive summary to the priority’s subject matter, ‘Where are we today?’ sharing a present-day status and ‘What needs to change?’ noting next steps for the industry.

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.

ABOUT GLOBAL FASHION AGENDA

Global Fashion Agenda is the foremost leadership forum for industry collaboration on fashion sustainability. As a thought leadership and advocacy organisation focusing on industry collaboration and public-private cooperation, the non-profit organisation is on a mission to mobilise and guide the fashion industry to take bold and urgent action on sustainability.

Global Fashion Agenda is behind the leading business event on sustainability in fashion, Copenhagen Fashion Summit, which has been leading the movement for over a decade.

We consider brands and retailers to be at the core of securing comprehensive change and of increasing the industry’s sustainability performance across the value chain to ensure that sustainability is a strategic priority. In partnership with our Strategic Partners ASOS, BESTSELLER, H&M Group, Kering, Li & Fung, Nike, PVH Corp., Sustainable Apparel Coalition and Target, we spearhead the fashion industry’s journey towards a more sustainable future. For more information, visit globalfashionagenda.com.
CORE PRIORITIES FOR IMMEDIATE IMPLEMENTATION

SUPPLY CHAIN TRACEABILITY
TRACE TIER ONE AND TWO MANUFACTURERS

REVERSING CLIMATE CHANGE
IMPLEMENT MEASURES THAT REDUCE GREENHOUSE GAS EMISSIONS, PROMOTE RENEWABLE ENERGY AND PROTECT BIODIVERSITY

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

With the CEO Agenda we seek to frame the conversation about sustainability and to encourage you as fashion industry leaders to take action. The CEO Agenda 2020 reflects the values and aspirations of our Strategic Partners and advisers, a diverse group of high-profile fashion companies that includes 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.

Since the first edition of the CEO Agenda in 2018, we have seen sustainability continue to rise on the corporate agenda around the world. Increasingly, executives acknowledge the importance of sustainable practices to safeguard their businesses and value the guidance that the CEO Agenda provides to help focus their investments and initiatives.

We have seen policymakers use the CEO Agenda to shape the dialogue on 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.

Fashion brand CEOs are the primary target audience of the CEO Agenda because your decisions can drive change and, ultimately, affect the entire value chain. Your voices hold the power to make sustainability an integral part of your business strategy and, collectively, of the fashion industry as a whole. The CEO Agenda 2020 encourages you to use your powerful position to set a bold, creative and forward-looking course.

We also hope that it 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 what the right path is towards a more sustainable fashion industry.

Industry pioneers have started implementing the four core priorities, and there are countless cases that substantiate the value they bring, both from a corporate and macro-economic perspective. Supply chain traceability plays a prominent role as key enabler to create baselines and measure impacts within all priorities. Climate change and biodiversity loss are rising on the corporate agenda, with companies committing to science-based targets to protect the planet. Increasingly, fashion companies invest in programmes to make more efficient use of natural resources. Media outlets have brought cases of inequality to the public eye and companies are urged to perform due diligence and create respectful and secure working environments. If you have not 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.

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. Nobody can fully predict how automation and other technological advances will affect the way clothes and shoes are produced and distributed. Simultaneously, closing the loop requires multiple stakeholders to be deeply involved to create a circular fashion system and to explore opportunities to develop and implement better wage systems. More research is needed to innovate new materials at scale. 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 to start developing solutions. It is our aspiration for the CEO Agenda to inform and guide that process.
THE CASE FOR CHANGE

The Pulse of the Fashion Industry 2019, a report published by Global Fashion Agenda, Boston Consulting Group and Sustainable Apparel Coalition, indicated that the fashion industry has improved its social and environmental performance in the past year, but at a slower rate than previously. The 2019 Pulse Score increased four points from the previous year, from 38 to 42 (out of 100), compared to a six-point increase in 2018. One reason for the slowing progress is that preparatory changes in the initial phases of the Pulse Curve take time to translate into trackable progress. Meanwhile, frontrunners displayed lower measurable progress, as their work in scaling up solutions and bringing proven initiatives deeper into the value chain does not necessarily immediately translate into Pulse Score gains. In addition, tackling issues that require innovation or changes in business models demand collaborative action.

Despite this improvement, the fashion industry has yet to reach its sustainability potential. Furthermore, the findings demonstrate that fashion companies are not implementing sustainable solutions fast enough to counterbalance the negative environmental and social impacts of the rapidly growing fashion industry. If the Pulse Score stays on its current trajectory, the gap between industry output and the Pulse Score will widen.

About 40% of the industry have not yet reached beyond Phase One of the Pulse Curve. As a result, if the industry does not implement changes at a faster rate, it will not be able to achieve the UN Sustainable Development Goals or meet the Paris Agreement.

As a result, Global Fashion Agenda, Boston Consulting Group and Sustainable Apparel Coalition call upon industry leaders to increase their pace towards deeper, more systemic change. Companies must measure their impact and work intensively towards systemic change, with more focused and coordinated efforts, to overcome technological and economic limitations that hinder progress. For details, see the Pulse of the Fashion Industry 2019.

THE ROAD AHEAD

We hope that the CEO Agenda will guide you in taking strategic action on sustainability.

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 it will speak to both, early movers and late adopters. For the latter, the CEO Agenda provides orientation on where to start. For early movers it contains advice on how to proceed, pointing 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 fashion industry.
FOUR CORE PRIORITIES FOR IMMEDIATE IMPLEMENTATION
CORE PRIORITY FOR IMMEDIATE IMPLEMENTATION

SUPPLY CHAIN TRACEABILITY

Trace tier one and two manufacturers³

WHY DOES IT MATTER?

Traceability⁴ is a prerequisite for identifying and improving the environmental, social, ethical and financial impact of fashion production across all CEO Agenda priorities. It is a crucial catalyst for fashion brands and manufacturers to identify challenges along their supply chains and to understand and manage opportunities to implement more sustainable practices. It is also the first step to assess risks to biodiversity, climate and human well-being and can help create a tangible baseline for proactive planning and future target setting. In addition, supply chain traceability can ultimately make supply chains more efficient by providing clarity on where to streamline efforts. By making more informed business decisions, businesses can mitigate negative impacts on the planet and workers along the value chain and strive for the creation of positive impacts instead.

Traceability is also a prerequisite for transparency⁶ 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 credibly communicate with customers, investors and manufacturers about sustainability and the impact of their products.⁷

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.⁸ As a result many fashion brands across segments lack full traceability and visibility in their supply chains.

In the past year we have started to see a growing number of brands and manufacturers implement supply chain measurement tools as they have become more widely available and accessible. Measurement tools increasingly enable fashion producers to know where and how products are made, including the environmental and social impact involved in their production,⁹ which is beginning to lead to an increased availability of comparable data.

We also see frontrunners explore new technology that has the potential to make data collection easier and more credible. More companies have made traceability a part of their value proposition and their communication, moving away from storytelling to story-proofing. At the same time, consumer interest in transparency has increased, while consumer conversations and comments on media platforms have a growing impact on brand perception. Overall, companies are increasing visibility of the supply chain, although the focus still lies mainly on the processing and garment manufacturing stages and few companies have achieved visibility of their impact on biodiversity.

WHAT NEEDS TO CHANGE?

To increase traceability, fashion brands must first 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. To gain a deeper understanding, brands can use a standardised industry measurement tool to holistically understand their value chain impacts, increase transparency, enable collaboration and drive stakeholder engagement on sustainability.

Frontrunners looking to go beyond this core priority will identify and address material impacts across their value chains. Companies at the forefront will invest in new technology solutions that enable access to supply chain data and provide validity. Brands leading the way will also utilise traceability to enhance their understanding of the potential ramifications for climate, circularity and biodiversity, illuminating consequences such as deforestation and pollution.
**CORE PRIORITY FOR IMMEDIATE IMPLEMENTATION**

**REVERSING CLIMATE CHANGE**

Implement measures that reduce greenhouse gas emissions, promote renewable energy and protect biodiversity

**WHY DOES IT MATTER?**

Climate change represents a major threat to sustainable development globally, while its devastating effects especially burden the poorest citizens. Climate change has led to wildfires, droughts, flooding, hurricanes, rising sea-levels, ocean acidification and the melting of permafrost. Drastic measures are required to halt the destabilisation of our planet and prevent further consequences.

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. Therefore, fashion brands have a vital role to play in curtailing global warming. They need to reduce greenhouse gas emissions in their operations and along their value chains to build a net zero-emission economy.

Even today climate change is affecting the fashion industry adversely. Extreme weather events such as hurricanes, flooding or typhoons directly disrupt supply chains and impact productivity. Issues such as water shortages, endangered ecosystems and decreased biodiversity are projected to become more severe with global warming. Major biodiversity loss and ecosystem collapse can lead to irreversible consequences for the environment, resulting in severely depleted resources for humankind and industries. Consequently, climate change is exacerbating biodiversity loss and harming vital ecosystems—such as oceans and forests—that are important for absorbing carbon emissions. This development will have disruptive and unpredictable effects on fashion industry supply chains and its workers.

**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. According to other estimates the global apparel and footwear industry accounts for 10% of the world’s greenhouse gas emissions. While some regulation is happening, many companies are stepping up their game in anticipation of future thresholds and quotas. On an industry level there has been an increasing commitment to reduce emissions. Some companies have set science-based targets, implemented efficiency programmes and use renewable energy sources to a greater extent.

However, progress is too slow and global emissions are set to rise for the third consecutive year. Latest research suggests that the world is not on track to achieve the targets of the Paris Agreement. 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.

In the past year we have seen new reports stressing the urgent need for action by companies and governments. The global climate movement demands governments and businesses to step up their game drastically. More and more, industry leaders have increased their commitments to reduce emissions by setting targets and signing industry charters. Simultaneously, the fashion industry lacks deep understanding of its impacts on biodiversity loss. Current solutions and business models will not be sufficient to meet climate targets or assess the industry’s impacts on biodiversity loss. Fashion brands and manufacturers must increase their resilience and work collaboratively to implement a common understanding of the impact of the industry and define a baseline for biodiversity measures. 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?**

The fashion industry needs to embrace more systemic and comprehensive change and scale up low-carbon and nature-based solutions.

As a first step, fashion companies should assess their impact on the climate along the value chain, starting with tier one and two manufacturers. A substantial focus for all industry players must be to re-evaluate the usage of natural resources. In addition, they should work with other players along their value chain to implement programmes that reduce greenhouse gas emissions and to protect and conserve the planet, e.g. by switching to renewable energy resources, promoting land restoration or investing in sustainable land management practices. Leaders have to set science-based targets with clear goals to ultimately meet the Paris Agreement. They should also support regenerative agriculture to allow increased space for habitats to flourish. Frontrunners will collaborate with industry peers, manufacturers, investors and policymakers to help reverse climate change and to turn their companies into climate-positive businesses.

This priority addresses Sustainable Development Goals 7: Affordable and clean energy, 12: Responsible consumption and production and 13: Climate action.
CORE PRIORITY FOR IMMEDIATE IMPLEMENTATION

EFFICIENT USE OF WATER, ENERGY AND CHEMICALS

Implement efficient water, energy and chemicals programmes in the processing stages

WHY DOES IT MATTER?

Today energy is cheap in comparison to the environmental impact of fossil fuels, but according to the European Commission, prices are already rising. In the future, an increase in demand and the introduction of carbon taxation could drive up the cost of energy derived from fossil fuels even further. The dyeing and finishing of textiles accounts for 17-20% of all industrial water pollution. Clean drinking water, sanitation and water for crops will become increasingly scarce, and already today two million people suffer from water shortages. At the same time, pollution represents a major threat to biodiversity. Fortunately, the untapped potential for a more efficient use of water and energy in textile processing is substantial. On average it has been shown that textile processing mills can cut water use by 11% and energy use by 7%, with a return on investment within nine months. Reducing the use and release of hazardous chemicals in textile and leather processing, including dyeing will help improve the health of workers and reduce the impact on the environment. Enhancing water and energy efficiency, as well as chemical usage, has the potential to increase a fashion company’s EBIT margin up to 2-3 percentage points by 2030. Since wasteful practices in processing are typically easy to identify, they 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. Thus, this stage represents a high priority for immediate action in most segments, from chemical tanning of leather for luxury brands to denim processing for high-street retailers. Besides, the increased demand for energy, land and water is resulting in grave biodiversity loss. Although leading fashion brands have already made progress in this area, a large gap still persists between top and bottom performers. In recent years 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 and 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 and scale efficiency programmes and renewable energy sources 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. While reducing the consumption of chemicals, companies should also work through supply chain relationships to drive the substitution of hazardous chemicals with less harmful alternatives. Investing and implementing sustainable water management is a crucial step to mitigate water scarcity, protect biodiversity and provide safe drinking water and sanitation.

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.

This priority addresses Sustainable Development Goals 6: Clean water and sanitation, 7: Affordable and clean energy and 12: Responsible consumption and production.
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 a growing expectation from consumers and remains a business imperative. Secure and respectful work environments can bring numerous economic benefits: higher productivity, fewer sick days, less errors and shorter turnaround times. Respectful and secure work environments are also a key factor in end-to-end 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 suffers an injury every year. Two thirds of the global garment workforce are female, and many of these women are subject to discrimination. Improving work conditions, investing in skill building 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. Fashion brands need to demonstrate, document and communicate their respect for the universal human rights of direct and indirect employees. This includes working to enable equal partnerships among players along the value chain. Specifically, companies should implement policies and processes to safeguard 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.

Where Are We Today?

The 60 million people employed along the fashion value chain have historically been exposed to occupational hazards ranging from exposure to dangerous work conditions to discrimination. While the industry has come a long way in recent years, non-secure and non-dignified work environments still exist across the value chain. Human rights violations occur at various value chain stages and are tackled differently, depending on brand impact and local context.

Over the years, 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. Consumer expectations, ongoing online discussions and mainstream media coverage continue to 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 will want to engage with brands, manufacturers, employee representatives, local governments and associations to collaboratively raise standards and track progress for human and labour rights. Further engagement is needed to ensure that the voices of workers are heard, to influence local policy and legislation and to raise industry compliance standards.

This priority addresses Sustainable Development Goals 5: Gender equality, 8: Decent work and economic growth and 12: Responsible consumption and production.
FOUR TRANSFORMATIONAL PRIORITIES FOR FUNDAMENTAL CHANGE
The material mix is one of the biggest drivers of a fashion brand's environmental footprint and comes with great implications for climate change, waste and biodiversity. Across segments it can determine 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.\(^{20}\) Changing the mix of materials can reduce the environmental footprint of a fashion producer significantly. For example, research suggests that cotton production alone is responsible for a quarter of all insecticides and herbicides used globally.\(^{21}\) It is estimated that replacing conventional cotton with its organic alternative can save 62% of the primary energy demand.\(^{22}\) For polyester, estimates suggest that substituting one metric ton of virgin polyester with its recyclable counterpart can reduce toxic substances by up to 80%, energy consumption by 60% and emissions by up to 40%.\(^{23}\)

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, down and silk offer unique qualities. But their production can entail forced feeding, live plucking and unethical slaughtering practices, and the rising number of vegetarian consumers strengthens the business case to protect animal welfare.\(^{24}\) Also, animal farming has a high environmental impact because of its land use and climate effects.\(^ {25}\) 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.

The fashion industry is challenged to 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. 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 there is a general lack of data on the environmental impact across all fibre types. 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 recent years we have seen encouraging developments around a more sustainable material mix in collections,\(^ {27}\) a heightened focus on recycled materials and emphasis on creative innovation for the development of more sustainable 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. Nevertheless, much more must be done to raise the industry standard to ensure that no animals suffer in the production of fashion.

The issue of micro fibre pollution has risen on the industry's agenda, drawing increased attention from brands, regulators, media and academics. That said, much more research and investment is needed in this area. Interest in innovation to mitigate the release of micro fibres through sustainable materials has increased. While some collaborative efforts are underway, industry implementation of advances are needed to accelerate large-scale change.

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. Companies must be aware of trade-offs since purely switching their materials mix will not solve all environmental issues. They must ensure that appropriate fibres are being selected for the intended end-of-use of their products. Frontrunners should work collaboratively with raw material suppliers, 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.

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This priority addresses Sustainable Development Goals 12: Responsible consumption and production, 14: Life below water and 15: Life on land.
TRANSFORMATIONAL PRIORITY FOR FUNDAMENTAL CHANGE

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 textile collection rates were tripled by 2030, it could be worth more than EUR 4 billion for the world economy. 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. While some brands have initiated the process of redesigning their product lifecycles, complexities around changing the linear model have slowed down the movement towards circularity. Unless the whole industry acts 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 81%, continuing to depend on finite planetary resources. This is why current practices are putting both the industry and the planet in jeopardy, and why the pace of transformation to a circular fashion system must accelerate rapidly.

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 garbage truck full of textiles is thrown out. While the number of times clothes are actually worn has dropped by a third compared to the early 2000s, total clothing sales are expected to reach 160 million tonnes in 2050. Upcoming European policy will, for the first time, ensure textile collection by 2025. Yet many of today’s products are designed with neither durability nor recyclability 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. Although companies are increasingly exploring circular models, progress is slow due to regulatory, logistical, technical and economic complexities regarding circular business models, textile collection and recycling.

In the past year we have seen an increasing interest in circularity among brands, regulators, investors, consumers and industry initiatives. There is also some evidence of a more collaborative approach across the industry through policy. The second-hand market for fashion has grown 21 times faster than the retail apparel market over the past three years and more companies are navigating alternative resale and aftercare channels. Post-consumer textile recycling has started to receive investment; however, it is not yet operating at scale. Although some tools exist, many designers still lack access to knowledge on how to design for a circular fashion system. While some of these results are encouraging, the majority of textiles still ends in landfill, and further industry collaboration is required to turn the tide.

HOW CAN WE GET CLOSER TO A SOLUTION?

We encourage leaders of the fashion industry to train their design and product development teams to understand the full impact of choices made in product creation. This includes, but is not limited to, designing for durability, disassembly and recycling and increasing the share of recycled fibres in their products. Retailers should increase their efforts to collect used garments and encourage consumers to engage in circular initiatives.

Frontrunners should explore circular business models that keep items in use for longer and enable recycling of post-consumer textiles at scale. Brands are also encouraged to explore new ways of creating value in existing material streams. It is vital for leaders to collaborate with their peers, industry organisations, governments and consumers to develop a fuller picture of the challenges and solutions involved in a circular system with the widespread collection of used clothes. Engaging with policymakers to enhance and incentivise mechanisms to scale circular fashion systems will be crucial at global scale. Continued investment in the development of innovative technologies will allow the industry to turn textile waste into high-quality fibres.

This priority addresses Sustainable Development Goal 12: Responsible consumption and production
TRANSFORMATIONAL PRIORITY FOR FUNDAMENTAL CHANGE

PROMOTION OF BETTER WAGE SYSTEMS

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

WHY DOES IT MATTER?

The global fashion industry contributes to economic prosperity and creates jobs – employing around 60 million people along its value chain. Promoting industry-wide implementation of wages that meet the basic needs of workers is an opportunity for fashion brands to enhance the prosperity of people interacting with the value chain, including formal, subcontracted and informal workers who contribute to goods manufacturing. There is EUR 5 billion at stake for the world economy in terms of increased prosperity for garment workers.

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 due to 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 training and digitisation of payment systems.

Implementing improvements in wages systems for garment workers could not only better the lives of workers and their families through health, safety and education, but also help increase productivity and reduce employee attrition, increase the quality of output, improve the reliability of deliveries and foster employee-driven innovation. 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 progress can be made.

WHERE ARE WE TODAY?

The current lack of a commonly agreed upon definition of a living wage is confounded further by the gap between legal minimum and living wages in most garment-producing countries. For the broader fashion industry, 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. 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, but 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. The lack of clear roadmaps or benchmarks, alongside a lack of transparency on wage data, are significant obstacles. In addition, compared to the amount of company commitments to living wages that exist, few results have been reported.

HOW CAN WE GET CLOSER TO A SOLUTION?

Fashion brands need to work with manufacturers and worker representatives 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 deductions, and that they do not impose other unfair or unreasonable impediments. We encourage brands to explore how improvements in areas such as purchasing, productivity, training and data implementation can contribute to the establishment of better wage systems and to investigate alternative systems of wage setting, such as collective bargaining agreements. Brands can also support manufacturers in improving compensation, benefit systems and human resource management, which in turn can lead to an overall better working environment.

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

This priority addresses Sustainable Development Goals 1: No poverty, 8: Decent work and economic growth, 10: Reduced inequalities and 12: Responsible consumption and production
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 rewarding activities. 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 and retail innovation.

Nevertheless, there is no denying the fact that such technological advances have a downside. Artificial intelligence, automation and robotics will create new jobs, but those who lose their jobs in this transition may be the least equipped to seize the new opportunities such innovation creates. In places like Bangladesh, where the garment industry employs 3.6 million people, supply chain digitisation will have a significant impact on the workforce that will need to be managed to avoid adverse, 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 and, today, the industry’s digital revolution is ongoing. Maturing technologies are transforming the way garments are made and distributed. Automation and new technology-driven production methods will inevitably transform the fashion value chain further, especially its manufacturing, processing and retail stages. However, the extent of that transformation is currently unknown and hard to predict as the impacts will vary from country to country, depending on current educational levels, economies and incomes.

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 digital infrastructure and programmes to transition workforces is needed. In light of these factors, the role of governments and international institutions in improving working conditions should not be underestimated as they are substantial in supporting technological innovation and employment on a local and global level.

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 must work with industry stakeholders to develop a model of responsible implementation that considers the impact on workforces and workers across the supply chain. Fashion has an influential role to play in educating its current workforce in preparation for a digitally enabled, global value chain.

Major technological innovation, alongside demographic shifts and climate change, will make for a disruptive and transformative future. We encourage frontrunners to help drive investment in training, re-skilling 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 to prepare to support the transition of workforces at scale.

This priority addresses Sustainable Development Goals 9: Industry, innovation and infrastructure and 12: Responsible consumption and production.
The Pulse of the Fashion Industry 2017, published by Global Fashion Agenda and 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.\(^1\)\(^2\) The report also outlined a landscape for change, comprising 42 impact levers with a high potential to improve the industry’s management, target setting and implementation of sustainability initiatives. 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 2020 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 2019 as well as on consultations with Global Fashion Agenda’s Strategic Partners and other industry experts.

ENDNOTES

1. IUCN (2016). Biodiversity Risks and Opportunities in the Apparel Sector.
3. Tier one is defined as manufacturing and tier two as wet processing. For details, see Global Fashion Agenda and Boston Consulting Group’s Pulse of the Fashion Industry 2017.
4. Traceability is defined as supply chain visibility that enables the tracking of the social and environmental impact of production.
5. IUCN (2016). Biodiversity Risks and Opportunities in the Apparel Sector.
6. According to the Fashion Transparency Index (2019), transparency involves credible, comprehensible and comparable public disclosure of data and information about a fashion brand’s supply chain, business practices and the impacts of these practices on workers, communities and the environment.
9. For example, the Sustainable Apparel Coalition’s Higg Index and Kering’s Environmental Profit and Loss.
10. UNFCCC. Action on Climate and Sustainable Development Goals.
13. Ibid.
23. Ibid.
43. Ibid.
44. 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 Boston Consulting Group (2018). Pulse of the Fashion Industry 2018.
52. For example: Action, Collaboration, Transformation (ACT).