A Focus on Disclosure

Sustainability benchmarking and reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. A number of questions within the Textile Exchange (TE) Benchmark of Organic Cotton and Preferred Materials ask about public reporting or whether information is in the public domain. According to Business in the Community and the Global Reporting Initiative, disclosure is integral to a sustainability agenda. In addition, a company’s sustainability efforts need to be as transparent as possible to satisfy stakeholders including businesses, non-governmental organizations, investors, analysts and consumers.

Disclaimer: The Textile Exchange Benchmark is based on participant self-assessment and TE does not verify the quality of the data or disclosures within a company’s survey submission, or the process of preparing the disclosures. That responsibility remains with the participating company.
Welcome

As we all work to improve our sustainability performance, how can we track our progress? Are our accomplishments ahead of the curve, or are others surpassing us? What can we learn from our colleagues in the sector, and on which areas should we focus? It is questions like these that have driven the Textile Exchange benchmarking initiative.

For the first time, TE is offering companies who complete the organic cotton and preferred materials market survey the opportunity to benchmark their performance, both internally and against industry peers.

Textile Exchange has been collecting data and reporting on trends in the organic cotton market for almost a decade now. More recently, a wider range of preferred materials has been added to the scope. The significant amount of data that TE collects puts them in a unique position to provide a comprehensive evaluation of how organic and preferred materials are being used across the market.

This report provides a benchmark for the sector based on survey submissions of 57 companies with a combined wealth of over US $500 billion. Customized feedback reports are provided which are confidential to each participating company, and this annual sector report provides aggregated results for a wider group of stakeholders to observe trends, strengths, and areas for improvement. By comparing their own progress with that of the sector, we hope to speed up the pace of improvement.

Elayne Masterson,
TE Board Chair and Director Operations PYE U.S.

A Word From Tchibo

For over 65 years, Tchibo’s conduct as a family business has been based on the model of the “honorable Hanseatic merchant” and a long-term view of success. Building on this foundation, in 2006 we integrated sustainability as a permanent element in our business strategy, to face the challenges of our time.

On our way to a 100% sustainable business model we have had some notable successes: For example, in 2015 80% of the cotton used in our products is sustainable. To address and improve social and working conditions in production sites we built up a dialogue-based supplier training program; “Worldwide Enhancement of Social Quality (WE)”. However, sustainable change along the global supply chain can only be achieved if all relevant actors of the textile sector work together.

That’s where the TE benchmarking program comes in. By measuring the individual performance and comparing the progress with the sector as a whole, each actor can get a clear idea of where the areas for improvements are, in supply chains and on a sector level.

We as Tchibo are proud to support this Textile Exchange program and look forward to further developing the benchmarking tool and to welcoming many more companies to this community of peer learning. Let’s go forward together.

Achim Lohrie
Director Corporate Responsibility, Tchibo
Towards a Resilient and Circular Textile Industry

All textiles start off as raw materials; grown on the land, produced by animals, or extracted from the ground. This means the industry depends upon the Earth’s natural capital and ecosystem services to thrive.

The issues and impacts associated with both natural and manmade materials are becoming increasingly problematic. Environmentally we need to be concerned about land, soil and water overuse and degradation (and the contribution to climate change). Socio-economic issues and impacts are just as worrying. Very often the production of raw materials, particularly cotton, is concentrated in less developed countries and contributes to the socio-economic issues and impacts of the country. Regardless of geography however, the textile industry’s dependency upon “cheap” and “plentiful” raw materials has to change.

Often the issues and impacts at the start of the supply chain are invisible to those further along the chain and to the end consumers – and they are often the most significant impacts. Research, including life cycle assessment and socio-economic studies, is finding that much of the industry’s negative impact on our natural capital occurs at the raw materials stage.

"Natural capital is the foundation of all human wellbeing, yet its degradation is largely unreported and important public and private sector decisions are routinely made without regard for its value. Government and industry should join efforts to require companies to disclose both their own dependence on, and also their impact upon, natural capital." — KERING

The history and future of fiber demand (as calculated by PCI Fibres) demonstrates the dominant role that polyester plays. By 2030 however, if the textile industry can accelerate its use of preferred fibers, we could be looking at a radically different picture to the one portrayed here; with organic and preferred cottons, recycled materials, preferred cellulosics and biobased materials replacing our dependency on conventional cotton and virgin polyester.

Ultimately we must move towards a circular economy; an economy that recognizes the interconnectedness of raw materials production and the ecosystems on which it impacts and depends upon, one that designs out waste, and re-thinks linear supply chains as value circles.

"A circular economy seeks to rebuild capital, whether this is financial, manufactured, human, social or natural. This ensures enhanced flows of goods and services… a continuous flow of technical and biological materials through the ‘value circle’." — ELLEN MACARTHUR FOUNDATION

Textile companies, with the roots of their businesses in the fields, forests, and the ground, have an important role to play in the transition to a more resilient and circular economy. Moving towards a preferred materials portfolio is part of that transition and is a significant way to improve impact. Innovators in the sector such as organic farmers, materials recyclers, and eco-designers are shining the light on the path ahead. Our challenge - and opportunity - is how to accelerate, replicate and bring this innovation to scale.
**Strategy**

- 81% Company strategies incorporate preferred materials.
- 69%•81%•44% Have publicly reported/ internal policies.
- 57% Have long-term goals for embedding preferred materials into strategy.
- 74% Have set targets for sourcing organic and/or other preferred materials.
- 56% Use a rating tool to guide preferred materials sourcing.
- 35% Report publicly on progress against key performance indicators or targets.

**Supply Chain**

- 63% Can map their supply chains back to fiber source.
- 70% Organic Cotton 64% Other Materials Use standards to support product and supply chain integrity.
- 40% Are investing in organic cotton farmers and securing their supply.

**Materials Usage**

- 74% Reporting organic cotton usage.
- 21% Reporting recycled polyester usage.
- 18% Reporting lyocell usage.

**Sales & Marketing**

- 42% Attach a third-party label on organic and preferred products.
- 81% Are communicating their products’ sustainability attributes.
- 21% Claim there is a financial Return on Investment from highlighting sustainability attributes.
- 63% Educate customers on sustainability issues.
- 42% Evaluate effectiveness of consumer engagement activities.

**Organic Cotton & Preferred Materials Benchmark 2015: Key Findings**

(Based on reporting period 2014)

**Areas to Improve**

**Strategy**

1. Ensuring policy covers (i) use of natural resources and (ii) animal welfare, where relevant.
2. Embedding overall goals, as well as specific targets.
3. Use of rating tools to inform material choices.
4. Public reporting on progress against targets or KPIs.

**Supply Chain**

1. Mapping supply back to source of raw materials.
2. Enhancing integrity of product and supply chain.
3. Investing in supply security.

**Materials Usage**

1. Developing internal data collection systems and processes for all preferred materials.
2. Reporting on preferred materials usage.

**Sales & Marketing**

1. Use of third-party (independent) labels on products.
2. Proving and communicating the full business case for the company and its partners/suppliers.
3. Evaluating the impact (and success) of consumer engagement activities.
Assessment is the starting point for action.

This section looks at the origins of the TE Benchmark and discusses the key benefits to companies and the sector. The methodology and benchmark structure are provided and, importantly, a number of “areas to improve” are pointed out.

**Findings:**

- There were 57 participating companies from 14 countries.
- Most of them headquartered in the USA, northern Europe (Germany and Sweden) and the UK.
- The majority (81%) were apparel brands or retailers.
- A third of the companies had turnovers of less than US$50 million, however 5% were over US$50 billion.
- 93% of participants have organic cotton programs, 61% recycled polyester, and 49% have introduced lyocell.
About The Benchmark

Benchmarking provides a systematic approach to help companies manage, measure and report their business impacts.

- **Identify**
  - Identify gaps for improvement and reinforce good practice.

- **Track**
  - Track progress over time and drive continuous improvement.

- **Benchmark**
  - Benchmark against peers and leading practice.

- **Engage**
  - Engage leadership and raise awareness internally.

The TE Benchmark of Organic and Preferred Materials (TE Benchmark) is based on Business in the Community UK’s Corporate Responsibility Index (BITC’s CR Index). The CR Index provides a robust framework to help companies systematically measure, manage and integrate responsible business practice into mainstream business operations, and through its public listing, to transparently and publicly communicate progress to stakeholders. Research by Ipsos MORI indicates that those who manage and measure responsible business practice in this way produce higher shareholder returns, compared to their corporate peers.

“Business In The Community believes that self-assessment is the starting point for action and improvement. The BITC CR Index is both a public exercise in transparency, and a robust tool to help companies systematically measure, manage and integrate responsible business practice. I am delighted to see the concept of benchmarking being extended to the textile industry by Textile Exchange, and I’m sure that TE members will see the same benefits of tracking improvement, identifying gaps, and peer learning, as BITC members do.”

– Maël Lagadec, Benchmarking Manager, Business in the Community

Methodology

The TE Benchmark is conducted through an online survey designed to provide companies with a simple framework to integrate organic and preferred materials into their sourcing practices. Companies follow a self-assessment process intended to help them identify both the strengths in their management and performance and the gaps where future progress can be made. By comparing their section scores with those achieved by the whole sector, companies can plan their improvement efforts and priority action areas.

1. Companies complete survey
2. TE reviews survey
3. TE clarifies gaps with companies
4. TE updates gaps
5. TE finalizes data
6. TE analyzes data
7. TE prepares reports

- Surveys were submitted by companies from February to April 2015 for reporting period 2014.
- Surveys were managed through “Probench,” TE’s online benchmarking tool.
- All information entered by companies is considered accurate and up-to-date.
- Attempts were made to complete or clarify data gaps or inconsistencies.
Timeline

<table>
<thead>
<tr>
<th>Jan15</th>
<th>Feb15</th>
<th>Mar15</th>
<th>Apr15</th>
<th>May15</th>
<th>Jun15</th>
<th>Jul15</th>
</tr>
</thead>
</table>

Aug15  | Sep15 | Oct15 | Nov15 | Dec15 | Jan16 | Feb16 |
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<th></th>
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<th></th>
</tr>
</thead>
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<tr>
<td>Benchmarking Reports Release</td>
<td>Stakeholder Consultation (To Improve Survey)</td>
<td>Market Survey Development</td>
<td>Market Survey 2016 Release</td>
<td></td>
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</tbody>
</table>

Pilot Phase
The TE Benchmark is a work in progress. Each year, we can better utilize reported results and in turn, provide valuable resources to participating companies.

Challenges we recognize include:
- Benchmarking structure limited by current market survey format.
- The need to rely on company disclosure and self-assessment.
- Inherent (historical) bias towards organic cotton.
- Gaps in responses lead to less accuracy in reporting.

Benchmark Framework
The TE Benchmark follows a systematic approach to integrating organic cotton and preferred materials into business strategy. There are four sections: (1) corporate strategy, (2) supply chain and integrity, (3) measuring volume uptake, and (4) consumer engagement through sales and marketing.

- **Section 1: Strategy**
  - Q1. Vision & Mission
  - Q2. Sustainability Strategy
  - Q3. Policies
  - Q4. Goals
  - Q5. Targets
  - Q6. Rating Tools
  - Q7. Responsibilities
  - Q8. Reporting

- **Section 2: Supply Chain**
  - Q9. Supply Chain Mapping
  - Q10. Voluntary Standards
  - Q11. Supply Chain Tracking
  - Q12. Voluntary Standards
  - Q13. Supply Chain Engagement
  - Q14. Supply Chain Engagement

- **Section 3: Materials Usage**
  - Q15. Breakdown of Cotton Usage
  - Q16. Materials Investment History
  - Q17. Reported Materials Usage
  - Q18. Reported Materials Usage
  - Q19. Reported Materials Usage

- **Section 4: Sales & Marketing**
  - Q20. Product Labeling
  - Q21. Sustainability Attributes
  - Q22. Return on Investment
  - Q23. Consumer Engagement
  - Q24. Monitoring & Evaluation

Looks at a company's sustainability strategy, human resources, and public reporting in relation to the sourcing of organic and preferred materials.
57 leading companies from 14 countries took part in the benchmarking pilot. Companies ranged from multinational organizations with many product lines to brands and retailers with single product lines. Companies included family retailers, department stores, high-street fashion brands, sports and lifestyle brands, luxury brands, and several smaller designers.

TE commends all participants on their courageous leadership and openness to be “benchmarked.” Their involvement helps to advance sustainability in the textile industry.

Below is the line-up of participants for the year 2014 (in alphabetical order):

- ALANA (dm)
- Anvil (Gildan)
- armedangels (Social Fashion Company)
- Arthur & Henry
- Aventura Clothing
- bgreen apparel (Nature USA)
- C&A
- CARREFOUR GROUP
- Continental Clothing Company
- Cotonea (Gebr. Elmer & Zweifel)
- Coyuchi, Inc.
- CREAM Workwear
- Decathlon
- Dibella GmbH
- EILEEN FISHER
- F&F, Tesco Clothing
- G-Star RAW C.V.
- greenfibres
- H&M
- Hanky Panky
- HUGO BOSS
- INDITEX S.A.
- K&L Ruppert
- Kathmandu
- Kowa Company Ltd.
- Kuyichi
- La Siesta
- Lindex
- Loomstate
- Mantis World
- MARC O’POLO International GmbH
- MEC
- MQ
- Coop Naturaline
- Naturepedic
- New Balance
- Nike, Inc.
- Nudie Jeans
- Otto Group
- PACT Apparel
- Patagonia
- prAna
- PUMA
- SKUNKFUNK
- Stanley & Stella
- Stella McCartney
- Target
- Tchibo GmbH
- The North Face
- Timberland
- Under the Canopy
- VADE Sport GmbH & Co. KG.
- Volcom
- Williams-Sonoma
- Woolworths
- Private Benchmarkers x 2

Top 10 Users of Organic Cotton by Volume
Race To The Top (% organic)
100% Club (only organic cotton)
Top 5 Users of Recycled Polyester by Volume
Top 5 Users or Lyocell by Volume
TE invited brands and retailers known to have an active interest in using organic cotton and other preferred materials; therefore the results show the performance of companies that have a focus on sustainability. The participant group is not intended to be a representative sample of the whole textile or apparel industry.

Breakdown of participating companies by sub-sector, location, and size:

Sub-sector
The survey covers textiles including apparel (81%), home textiles (14%) and footwear (5%).

Location
57 companies from 14 countries participated this year. The majority are headquartered in the US (32%), followed by Germany (21%), the UK (14%) and Sweden (7%). Of the remaining countries, many are in Europe and others include South Africa, Japan, Canada, Australia and New Zealand to make up the remaining 26%.

Company Size
Corporate turnover of participating companies ranged from US $1 million up to US $200 billion. Of those that responded to this question, one third can be considered small to medium enterprises (SMEs) with turnovers of less than US $50 million. Nearly 20% had annual revenues between US $50-500 million. 41% of participating companies had revenues over US $500 million, with four companies (7%) exceeding the US $50 billion mark.

"We were delighted by the broad coverage we achieved in this first benchmarking program. We have data from companies large and small and a good geographical spread too. As we recruit more companies to take part in future benchmarking, we can go deeper into the data to discover and interpret the different ways that different organizations approach their sustainability issues."

— La Rhea Pepper, Managing Director, Textile Exchange
Materials Portfolio

TE describes preferred materials as ecologically and socially progressive materials.

“More sustainable” is a way to convey a message similar to that above: that a fiber, material or product has been selected because it has more sustainable properties in comparison to other options.

And a “portfolio approach” is the process of building a suite of preferred materials, from a choice of preferred options, through the consideration of impacts and organizational priorities.

In 2014, based on the reporting of 57 companies, the sector’s preferred materials portfolio looked like this:

Textile Exchange’s materials strategy focuses on these five fiber categories (See glossary for more details and definitions):

- **Organic Cotton** – Organic cotton was our primary fiber focus and continues to be a strategic priority. It was selected to improve the ecological and social profile of cotton and support a healthy environment.

- **Recycled Polyester** – Polyester is the most-used conventional fiber in the textile industry. Recycling “waste” plastics to create a new textile product is preferable to drawing on more natural resources.

- **Preferred Cellulosics** – Rayon/viscose is the third most used fiber in the textile industry. Alternatives presenting less negative impact on the environment hold opportunities to replace more harmful options.

- **Certified Down** – Driven by industry and consumer demand to improve the welfare of ducks and geese raised for food and fiber.

- **Biobased Fibers** – Biobased fibers are currently a small category with opportunities for conventional polyester replacement.

<table>
<thead>
<tr>
<th>Material</th>
<th>Participant Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Cotton</td>
<td>93%</td>
</tr>
<tr>
<td>Preferred Cellulosics: Lyocell</td>
<td>49%</td>
</tr>
<tr>
<td>Preferred Cellulosics: Modal</td>
<td>46%</td>
</tr>
<tr>
<td>Preferred Cellulosics: Modal</td>
<td>12%</td>
</tr>
<tr>
<td>Certified Down</td>
<td>61%</td>
</tr>
<tr>
<td>Other Organic &amp; Preferred Materials</td>
<td>23%</td>
</tr>
<tr>
<td>Recycled Polyester</td>
<td>25%</td>
</tr>
<tr>
<td>Recycled Cotton</td>
<td>23%</td>
</tr>
<tr>
<td>Recycled Wool</td>
<td>14%</td>
</tr>
</tbody>
</table>
Section 1: Strategy

If you don’t know where you’re going, you won’t know when you get there.

This section asks how companies are placing organic and preferred fibers and materials at the core of their business. We ask if there is a strategy in place, and whether policies have been set to address key environmental and social issues in sourcing of materials. The setting of targets to monitor performance and track improvement helps a company stay focused, and the development or use of rating tools to inform decision making can strengthen internal systems. It is also important that staff hold responsibility for getting the job done. Public reporting is important to achieving transparency and demonstrates strength of commitment.

Findings:

- Almost all companies (93%) have a vision or mission to be more sustainable.
- The majority of companies (81%) are addressing raw materials use at the strategy level.
- While people policies were common (81%), policies concerning the environment were less so (69%) and policies on animal welfare are lagging (44%).
- Setting overall goals for preferred materials as a group was less common at 57% than setting individual targets for specific materials (74%).
- Public reporting of progress was the weakest area of the strategy section and only 35% of participants could confirm that they are doing this.
Q1. Vision & Mission

The first step in executing any sustainability initiative or program is to determine what a company wants to achieve by creating its sustainability vision. An articulated mission, vision or values statements serve as a compass for any company. Forward thinking companies have embedded their sustainability commitments into its core business vision and mission.

Sustainability is a core component of Patagonia’s company mission statement: Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.

- Patagonia

Q2. Sustainability Strategy

To ensure business continuity, it is essential that managers forge strong links between corporate strategy and other key management processes so that strategy results in meaningful actions. Linking sustainability with overall corporate strategy helps sustainability become part of the overall planning, budgeting and accountability processes. Thus, the business can operate successfully, and thrive, in a world of increasing resource risk.

An effective sustainability strategy will have assessed risk and opportunity up and down the supply chain, including the substitution of existing raw materials for more sustainable or “preferred” options. With long-term goals, and targets designed to mitigate risks and maximize opportunities, a company’s strategy should result in a more resilient supply chain.

Does your company have a sustainability strategy that incorporates the use of preferred materials?

- Yes, publicly reported: 81%
- Yes, internal: 11%
- In development: 11%
- No: 5%
- No response: 3%

81% of companies have a sustainability strategy that addresses fiber and other raw material use, and 70% have placed this strategy in the public domain. A small number keep their strategy for internal use only and the same number (11%) have sustainability strategies currently under development.

A majority (88%) of participating companies have publicly available vision and mission statements. This result reflects the mainstreaming of sustainability into corporate strategy and values systems.
Q3. Policy

Policies are principles, rules, and guidelines formulated or adopted by a company to reach its long-term goals. They are typically published and made widely-accessible. There are potentially many areas of policy appropriate for guiding the adoption of preferred materials and supply chain practices. This year, our survey focused on environment and natural resources, human rights and ethical trade, and animal welfare. All, perhaps with the exception of animal welfare, are relevant for all companies sourcing fibers and other raw materials.

Policy Areas covered in the Survey

A: Environment or Natural Resources Policy refers to the commitment of a company to the laws, regulations, and other policy mechanisms concerning environmental and natural resource issues. These issues generally include air and water pollution, solid waste management, biodiversity, ecosystem management, maintenance of biodiversity, and the protection of natural resources, wildlife and endangered species. Policies concerning energy or regulation of toxic substances including pesticides are part of an environmental policy.

B: Human Rights / Ethical Trade At a minimum a human rights policy is a public statement committing the company to respect international human rights standards and having processes in place to identify, prevent or mitigate human rights risks, and remediate any adverse impact it has caused or contributed to. Ethical Trading is the assumption of responsibility of retailers, brands, and suppliers to improve the working conditions of the disadvantaged people in its supply chains.

C: Animal Welfare An animal welfare policy should address the rights of animals, but also the commitment of a company to take the necessary steps to ensure these rights. The commitments for specific fibers and materials can then be made separately.

Human Rights and Ethical Trade are the most advanced with 81% of companies reported to have a policy. Policies covering the Environment and Natural Resources were slightly less evolved at 69%. Animal Welfare is the area of policy most lagging at 44%, however results are less certain due to the high "no response" rate.
Q4. Goals
Sustainability goals are written parts of a long-term vision detailing what results a company aims to accomplish. Targets are similar but can be considered smaller steps aligned with the details and deadlines of larger goals. A company makes progress, and brings ultimate goals into clearer focus, as a company reaches its targets.

Sustainability goals 2.0: An evolving landscape
(i) Public goal-setting is nearly universal among companies recognized as sustainability leaders. (ii) Sustainability leaders are increasingly setting goals that go beyond their direct operations – by addressing supply chain, products and community impacts. (iii) Companies are setting more ambitious goals than they have in the past. - PricewaterhouseCoopers

“Everyone in our company owns a piece of our process: Every decision, every product, every day. We know that what we make and how we make it affects the whole ecosystem. In 2012 prAna launched our first formal sustainability program and have goals in three areas of our business: (1) the materials of our products; (2) packaging and waste; and (3) human beings and working conditions.” – prAna

Q Has your company set a goal to incorporate the use of preferred materials?

Yes: 57%
Yes, publicly reported: 32%
Yes, internal: 25%
In development: 21%
No: 19%
No response: 3%

Q5. Targets
As well as setting overall goals, it is important to set specific targets at the fiber or material level and to measure progress. Targets for incorporating preferred materials should be SMART: Specific, Measurable, Achievable, Results-focused, and Time-related.

“...We have set a target that by 2020 all our cotton should come from more sustainable sources including Organic cotton, Better Cotton and Recycled cotton. We have our Conscious Materials: These are materials we use that are evaluated and qualified as more sustainable and good enough to be forefront due to reduced environmental impact. In our evaluations we use LCA data and Made-By’s fiber benchmark in order to assess the material’s impact. All our Conscious materials need to be either certified by an accredited certifier or/and possible to test. We are also committed to close the loop on all textile fibers. We also use a wide range of other organic or recycled fabrics and our goal is to increase our use of these more sustainable materials by 2020.” – H&M

57% of companies have set goals to incorporate preferred materials into their business, with just over half (32%) making their goal public. Results indicate that there is an increasing interest in goal setting for the use of preferred materials with 25% having set goals internally and 21% reporting that goals are in development.
Does your company have specific targets for organic and other preferred materials?

- Yes, we have targets: 74%
- In development: 56%
- Yes for any material: 23%
- Organic Cotton: 14%
- Preferred Cellulosics:
  - Lyocell: 9%
  - Modal: 5%
- Other Preferred Materials:
  - Responsible/Traceable Down: 11%
  - Organic Wool: 5%
- Recycled Materials:
  - Recycled Polyester: 18%
  - Recycled Cotton: 5%
  - Recycled Wool: 4%
- Other (Recycled Plastic, Recycled Polyamide): 2%

Companies are starting to set targets to replace conventional with preferred materials. Over half (56%) of companies have targets for incorporating organic cotton, followed by 23% for preferred cellulosics and 18% for recycled polyester. Judging by the percentage of participants with targets in development we can conclude that companies are ambitiously committed to expanding their use of organic and preferred materials.

“By 2020 C&A will use only more sustainable cotton.” — C&A

“Skunkfunk commits to using 100% organic cotton by 2020.” — SKUNKFUNK

“Our targets are: 100% sustainable cotton by 2020 and 90% sustainable materials by 2020.” — G-Star RAW C.V.

“All our manmade cellulose fibers will come from traceable and sustainably certified sources by 2017.” — Stella McCartney

“100% traceable down within 2015.” — HUGO BOSS

“100% RDS-Certified down in all European product by 2015, 50% of all down RDS-certified by 2016, increasing to 100% RDS-certified down by 2017.” — The North Face
Q6. Rating Tools
Since sustainability goals and targets are often pinned to expanding the use of preferred materials, it is important to know how each material performs. The use of rating tools such as indices and scorecards can play an important role in helping a company decide which preferred materials to focus on.

“We evaluate fabrics using our Material Ranking Tool (MRT). The MRT is a simple tool that evaluates a fabric based on a fiber score (60%) and a dyestuff score (40%) and takes all fiber content of material into consideration.” — EILEEN FISHER

“We use the SCAP metrics tool to understand full life cycle impact of products and priority areas for improvement.” — F&F, Tesco Clothing

“We use the Environmental Profit and Loss to trace and measure impacts from Tier 0 to Tier 4.” — Stella McCartney

Out of those who reported using rating tools, the majority (35%) reported a high level of influence over their sourcing decisions.

More than half (56%) of the respondents use rating tools to score materials, the majority (28%) of companies are developing rating tools themselves. Aside from in-house tools, the SAC Higg Index and the Made-By Scorecards are the two most commonly used tools. Companies reporting a high degree of influence are mostly those using a company developed tool.

Q: Does your company use a rating system or index to score its materials or products?

<table>
<thead>
<tr>
<th>Rating System or Index</th>
<th>Yes: 56%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company developed</td>
<td>30%</td>
</tr>
<tr>
<td>Cradle-to-Cradle</td>
<td>2%</td>
</tr>
<tr>
<td>Made-By Scorecard</td>
<td>14%</td>
</tr>
<tr>
<td>SAC Higg Index</td>
<td>14%</td>
</tr>
<tr>
<td>Other (PEF, BCorp)</td>
<td>4%</td>
</tr>
<tr>
<td>No</td>
<td>40%</td>
</tr>
<tr>
<td>No response</td>
<td>4%</td>
</tr>
</tbody>
</table>

Q: To what extent does your company’s rating system influence sourcing decisions?

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<thead>
<tr>
<th>Influence Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>35%</td>
</tr>
<tr>
<td>Medium</td>
<td>21%</td>
</tr>
<tr>
<td>Low</td>
<td>19%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>12%</td>
</tr>
<tr>
<td>No response</td>
<td>13%</td>
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</tbody>
</table>
Q7. Responsibilities

The delivery of a sustainability strategy is now recognized as “everybody’s business” and should be embedded into the organization. However, it is important that job descriptions explicitly include sustainability responsibilities and people are held accountable to getting the job done.

“The sourcing team has good knowledge of sustainable materials and study updates and developments in the market.” – Kuyichi

Does your company have staff with a responsibility to address sustainability in materials sourcing?

- Assigned staff: 79%
- External consultant: 5%
- In development: 11%
- No: 3%
- No response: 2%

A high number (79%) of companies assign staff to take responsibility for incorporating preferred materials into sourcing strategies.

Q8. Reporting

Reporting on raw material or supply chain programs and projects creates good visibility and leadership. It also shows a willingness to “open your books” and communicate risks, challenges, and opportunities, as well as progress against key performance indicators (KPIs) and towards targets. Program reporting can either be in sustainability reports or integrated into a company’s annual reporting.

Transparency Leads to Change in Business Behavior

According to KPMG, in 2011, 95 percent of the world’s largest 250 corporations produced annual sustainability reports, up from 80 percent in 2008. In response to the Rana Plaza tragedy in Bangladesh Richard Howitt, European Parliament Rapporteur on Corporate Social Responsibility remarked, “All evidence suggests that transparency is the best way to change business behavior.” - GreenBiz

Are you reporting on your organic or preferred materials programs, including KPIs or similar ways to monitor impact and progress?

- Yes, publicly reported: 35%
- Internal only: 23%
- Have plans to: 19%
- No: 19%
- No response: 4%

Just over one third (35%) of companies are publicly reporting on their organic and preferred materials programs, including performance progress against defined indicators.
Section 2: Supply Chain

This section explores supply chain management and integrity. In particular, we look at supply chain mapping, the use of voluntary standards in sourcing of raw materials and product processing, and supplier engagement. Certification to standards is one of the strongest ways to ensure that product claims are accurate and able to be verified. Ultimately, moving towards transparent supply chains allows companies to more closely manage risk and co-create more resilient trade relations that share value fairly back to the farmer.

Integrity is everybody’s business.

Findings:

- 63% of companies are mapping their supply chains back to fiber source.
- The majority of companies (70% organic cotton and 64% other preferred materials) are using standards to support the integrity of their preferred materials investment.
- 40% are investing in supply security at farm level.
### Q9. Supply Chain Mapping

Some years ago, beyond the supply chain function, virtually no one knew or cared about the origins of a company’s products. That has changed. Consumers, governments, and companies are demanding details about the systems and sources that deliver goods and services. They worry about quality, safety, ethics, and environmental impact. Farsighted companies are directly addressing new threats and opportunities presented by the question, “Where does this stuff come from?” As the expectation to know your supply chain and where “stuff” comes from increases, certified products such as organic cotton should offer an advantage since a chain of custody already exists through transaction certificates. Tracking and tracing a product this way is a step towards transparency.

> Since 2002, we have tracked our style count and units produced utilizing low impact textiles. Now we have converted 70-80% of our production to low impact textiles where greater than 50% by content. We can track origin and use of organic lint certificates at all contract factories.

– Aventura Clothing

#### Organic cotton supply chains are by far the best known. This is likely the result of the use of chain of custody tools which enable companies to track their supply. It does not however necessarily mean a brand or retailer has transparency or direct knowledge of all suppliers in the chain back to the fiber source. Mapping of recycled materials and other preferred materials is lower.

<table>
<thead>
<tr>
<th>Supplier Type</th>
<th>No response</th>
<th>Other</th>
<th>Organic Wool</th>
<th>Responsible Down</th>
<th>Modal</th>
<th>Lyocell</th>
<th>CmiA</th>
<th>Recycled Wool</th>
<th>Recycled Cotton</th>
<th>Recycled Polyester</th>
<th>Fairtrade</th>
<th>Other</th>
<th>BCI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewing factory</td>
<td>14%</td>
<td>0%</td>
<td>0%</td>
<td>9%</td>
<td>0%</td>
<td>14%</td>
<td>2%</td>
<td>9%</td>
<td>16%</td>
<td>37%</td>
<td>14%</td>
<td>5%</td>
<td>0%</td>
<td>68%</td>
</tr>
<tr>
<td>Fabric mill</td>
<td>14%</td>
<td>0%</td>
<td>0%</td>
<td>9%</td>
<td>0%</td>
<td>14%</td>
<td>2%</td>
<td>9%</td>
<td>16%</td>
<td>37%</td>
<td>14%</td>
<td>5%</td>
<td>0%</td>
<td>77%</td>
</tr>
<tr>
<td>Yarn mill</td>
<td>11%</td>
<td>0%</td>
<td>0%</td>
<td>7%</td>
<td>0%</td>
<td>28%</td>
<td>12%</td>
<td>7%</td>
<td>12%</td>
<td>28%</td>
<td>14%</td>
<td>4%</td>
<td>0%</td>
<td>63%</td>
</tr>
<tr>
<td>Fiber source</td>
<td>11%</td>
<td>0%</td>
<td>0%</td>
<td>7%</td>
<td>0%</td>
<td>2%</td>
<td>5%</td>
<td>5%</td>
<td>12%</td>
<td>4%</td>
<td>9%</td>
<td>9%</td>
<td>0%</td>
<td>53%</td>
</tr>
</tbody>
</table>

### How far back can you map your supply chains?

- Organic Cotton: 84%
- Preferred Cottons: 84%
- Recycled Polyester: 37%
- Recycled Cotton: 16%
- Recycled Wool: 9%
- Other: 9%

---

- Preferred Cellulosics: 28%
- Lyocell: 0%
- Modal: 19%
Q10. Voluntary Standards: Organic Cotton

Organic fibers must be grown to a recognized organic standard for the raw material to be certified as organic. It is not only best practice but prudent to ensure the organic integrity - and all its value-add at the farm level - can be communicated in the final product. This "content claim" can be verified through a range of approaches including electronic traceability systems and third party voluntary standards, such as Textile Exchange’s Organic Content Standard (OCS) or the Global Organic Textile Standard (GOTS). GOTS also includes additional environmental and social criteria through the processing phases, allowing for a product claim to be made.

What voluntary standards are you using to verify the source of your organic cotton?

Analysis of participants using organic cotton against those who are using voluntary standards:

- Percentage of participants using organic cotton: 93%
- Percentage of participants using voluntary standards for organic cotton: 70%

A comparison of companies sourcing certified organic cotton and those using third party voluntary standards (OCS and/or GOTS) to track supply reveals a 23% gap.

“…We continue to see increased commitment among companies to verify and certify their supply chains. The numbers for both OCS and GOTS demonstrate this. There is still work to be done in this area, and we look forward to seeing change continue to accelerate across the organic value chain.”

— Anne Gillespie, Director of Industry Integrity, Textile Exchange

The majority (70%) of participants are using voluntary standards to verify the source of their organic cotton. The most common is GOTS (at 65%) followed by the OCS. A third (33%) of participants reported using both GOTS and OCS. 16% of companies are combining organic cotton and Fairtrade certifications.
Q11. Voluntary Standards: Other Preferred Materials

As the drive to incorporate more preferred materials into supply chains increases so do the number of voluntary standards to guide production and ensure the integrity of the supply chain and final product.

What voluntary standards are you using for your other preferred materials?

Yes to any standards: 64%
- BCI: 21%
- CmiA: 7%
- Fairtrade: 12%
- REEL Cotton: 2%
- GRS: 30%
- RCS: 23%
- Other Recycled Content Standards (SRS, RPC): 4%
- Certified Down (RDS, TDS): 16%
- FSC: 32%
- OCS: 14%
- GOTS: 14%
- Other standards (LWG, GRASS, ZQ): 9%
- Not using any voluntary standard: 4%
- No response: 32%

The use of voluntary sustainability standards is considerably lower than the number of participants using each of the selected preferred materials. We cannot conclude from our survey however if this result is due to a significant gap between materials usage and certification practices.
Q12. Voluntary Standards: Environmental and Social Criteria in Processing

Once the raw material leaves the farm, field or forest, there are many voluntary standards available to the textile value chain. Some, such as TE’s Content Claim Standard (CCS), Organic Content Standard (OCS), and Recycled Claim Standard (RCS), provide chain of custody to ensure that the percentage of certified raw material (e.g. organic cotton or rPET) claimed to be in the final product can be tracked. Others, such as the Global Organic Textile Standard (GOTS) and the Global Recycled Standard (GRS), require additional social and environmental criteria to be met. A number of standards focus on issues such as trade and workers rights, for example the Ethical Trade Initiative, Fairwear, and the Fairtrade Standard. Additionally, there are standards for the welfare of animals such as the Responsible or Traceable Down Standard (RDS and TDS respectively).

The following is a non-exhaustive list of textile processing standards with environmental and/ or social criteria. The abbreviations are used below however in the glossary you can find the full names and more details on each.

“We are member of a number of German, European and Global Initiatives for the enhancement of social aspects in our supply chains. One important example is the Accord Initiative, which we were the second company worldwide to sign up to.” – Tchibo GmbH

The most common textile processing standard was reported to be GOTS (at 53%) covering the use and processing of organic materials. OEKO-TEX 100 was the next strongest in use (at 30%) covering environmental factors. The GRS, with social as well as environmental criteria, followed with a 21% usage. The next clustering included bluesign, BSCI, FLA, and SA 8000, with all (except bluesign) having a single focus on social and labor conditions.
Q13. Supply Chain Tracking

After the farm passes inspection by a third-party accredited certifier, an organic certificate is given. Both the OCS and GOTS rely on a Scope and Transaction Certificate System to ensure the chain of custody. Each facility along the chain is checked by an approved certification body to make sure they have the system in place to track the input and output of the claimed material through segregation, internal product flow, and mass balance. When this check is completed and is successful, the facility is issued a scope certificate.

Do you collect and manage transaction certificates for your organic cotton and/or recycled materials?

Analysis of participants using voluntary standards against those who collect and manage transaction certificates:

- Percentage of participants using voluntary standards for organic cotton: 70%
- Collecting & managing transaction certificates for organic cotton: 61%
- Percentage of participants using voluntary standards for recycled materials: 35%
- Collecting & managing transaction certificates for recycled materials: 30%

“We only work with mills and suppliers that can offer sustainable materials. We always ask for transaction certificates.” — Kuyichi

70% of companies reported to be using a voluntary standard for tracking their organic cotton with 61% actively managing their transactions. Numbers are lower for recycled materials however further inquiry is needed to draw conclusions.
Q14. Supply Chain Engagement

Engaging with farmers, raw material producers and other suppliers upstream in a supply chain can help secure the supply of a more sustainable raw material, reduce risk for all, and help grow the sector. Engagement also increases opportunity for efficiencies, innovation, building stronger trade relations and ensuring that farmers are benefiting from the investment. When supply chain participants know each other, the chain is more effective in a variety of ways.

“We have recently joined the Chetna Coalition and have made an initial commitment to a preset amount of organic cotton.” — Coyuchi, Inc.

“We are on the Steering Committee of the Organic Cotton Accelerator (OCA).” — H&M

— Are you working with your organic cotton value chain or suppliers to secure supply? This question currently covers organic cotton only.

<table>
<thead>
<tr>
<th>Yes we are investing in:</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward contract</td>
<td>9%</td>
</tr>
<tr>
<td>Paying premium</td>
<td>12%</td>
</tr>
<tr>
<td>Pre-financing</td>
<td>9%</td>
</tr>
<tr>
<td>Investment in organic in transition</td>
<td>5%</td>
</tr>
<tr>
<td>Community investment programs</td>
<td>11%</td>
</tr>
<tr>
<td>Other investments (OCA, ChetCo, Supplier Management Program)</td>
<td>7%</td>
</tr>
<tr>
<td>No</td>
<td>16%</td>
</tr>
<tr>
<td>No issues in sourcing organic cotton</td>
<td>23%</td>
</tr>
<tr>
<td>No response</td>
<td>21%</td>
</tr>
</tbody>
</table>

A significant number (39%) of respondents are currently not seeing the need to worry about their source of organic, but the same number (40%) are working to secure supply. The most common form of investment reported was payment of premiums, followed by community investment programs, forward contracting, and pre-financing. Just recently, a number of companies have come together to form collective action initiatives such as the Organic Cotton Accelerator (OCA) and the Chetna Coalition.
Section 3: Materials Usage

Good intentions combine with volume to create impact.

This section moves away from strategy and supply chain management to look at the hard numbers. How effective have these strategies been in leading to increased use of organic cotton and other preferred fibers and materials? Total volumes are a good indicator but it is important to consider the significant variation in company sizes. This is why the percentage breakdown of overall cotton usage is of particular interest, as it allows smaller companies with a strong commitment to organic/preferred cottons and other preferred fibers to be recognized alongside much larger companies with naturally higher volumes.

Findings:

- Volume reporting is the most challenging area in the survey.
- The majority (92%) of organic cotton was sold by European brands/retailers.
- While organic cotton usage is the most commonly reported metric, there was still a shortfall between the number of companies using organic (93%) and the number reporting on volumes (74%).
- Gaps are even bigger outside of organic - for recycled polyester (61% using and 21% reporting volumes), and lyocell (49% using and 18% reporting volumes).
- A minority of companies report on their use of other preferred materials.
Q15. Breakdown of Overall Cotton Usage

The percentage of total cotton consumption that comes from organic or other preferred cotton sources is an important part of a company’s benchmark, and it is also helpful for other stakeholders to follow these trends.

What is the estimated breakdown of your cotton fiber usage?

- Conventional Cotton: 82%
- Organic Cotton: 13%
- Preferred Cottons: 5%
- BCI: 3%
- CmiA: 1%
- Fairtrade: <1%
- Other: 1%

The above result is based on extrapolation of data from 61% of the participants who provided cotton usage data. From this sub-set, the majority (82%) of cotton usage in 2014 was conventional, 13% was organic, and 5% sourced from other preferred cotton options.

Q16. Investment History: Organic and Preferred Cottons

This question helps companies track their own investment history. Sourcing histories also give an anchor point when looking at responses to other questions in this survey because integrating organic and other preferred materials into the business takes time, resources and planning.

How long have you been using organic cotton and preferred cotton fibers?

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Organic Cotton</th>
<th>BCI</th>
<th>CmiA</th>
<th>Fairtrade</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since brand started</td>
<td>32%</td>
<td>0%</td>
<td>0%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>&gt; 5 years</td>
<td>53%</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>3-5 years</td>
<td>12%</td>
<td>5%</td>
<td>2%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>1-3 years</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>&lt; 1 year</td>
<td>4%</td>
<td>9%</td>
<td>0%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>% participants</td>
<td>93%</td>
<td>19%</td>
<td>7%</td>
<td>23%</td>
<td>7%</td>
</tr>
</tbody>
</table>

(Other: REEL Cotton)

The majority (over 50%) of companies have been sourcing organic cotton for at least five years. Sourcing from the relatively younger initiative, BCI, grew by 9% last year. Fairtrade also appears to be on the rise.

Analysis of participants using organic cotton against those who are reporting usage volumes:

- Percentage of participants using organic cotton: 93%
- Percentage of participants reporting on organic cotton usage: 74%
Q17. Reported Usage: Organic & Preferred Cottons

Reporting volume data for total organic cotton usage allows companies and other stakeholders to look at volumes of consumption in absolute terms and to track growth year-on-year.

Provided below are the public league tables for organic cotton usage:

<table>
<thead>
<tr>
<th>Top 10 Users by Volume</th>
<th>Top 10 Users by Growth</th>
<th>Race To The Top</th>
<th>100% Club (alphabetical)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. C&amp;A</td>
<td>Woolworths</td>
<td>Nudie Jeans</td>
<td>ALANA (dm)</td>
</tr>
<tr>
<td>2. H&amp;M</td>
<td>Dibella GmbH</td>
<td>Aventura</td>
<td>arnedangels</td>
</tr>
<tr>
<td>3. Tchibo GmbH</td>
<td>Stanley &amp; Stella</td>
<td>Kuyichi</td>
<td>Arthur &amp; Henry</td>
</tr>
<tr>
<td>4. Decathlon</td>
<td>EILEEN FISHER</td>
<td>Tchibo GmbH</td>
<td>bgreen apparel</td>
</tr>
<tr>
<td>5. Nike, Inc.</td>
<td>C&amp;A</td>
<td>EILEEN FISHER</td>
<td>Cotonea</td>
</tr>
<tr>
<td>6. CARREFOUR GROUP</td>
<td>Tchibo GmbH</td>
<td>prAna</td>
<td>Coyuchi, Inc</td>
</tr>
<tr>
<td>7. Target</td>
<td>H&amp;M</td>
<td>Kathmandu</td>
<td>CREAM Workwear</td>
</tr>
<tr>
<td>8. Lindex</td>
<td>prAna</td>
<td>Stella McCartney</td>
<td>greenfibres</td>
</tr>
<tr>
<td>9. INDITEX S.A.</td>
<td>Lindex</td>
<td>= Continental Clothing Company</td>
<td>Loomstate</td>
</tr>
<tr>
<td>10. PUMA</td>
<td>INDITEX S.A.</td>
<td>= Seasalt</td>
<td>Coop Naturaline</td>
</tr>
</tbody>
</table>

Organic cotton fiber usage growth rate 2013 to 2014: 25%

This section lists the top users and movers in organic cotton for 2014.

i. The first column ranks the top 10 users of organic cotton by volume. The total amount used by the top 10 brands grew by 25% between 2013 and 2014.

ii. The second top 10 includes the brands which are making the biggest changes in their business with an average growth of 108%.

iii. “Race to the Top” identifies companies that are converting their ranges to organic cotton, in order of percentage total cotton consumption. This group uses an average of 64% organic in their portfolio compared to a sector average of 13%.

iv. The 100% Club comprises 16 participating brands (28%) which used only certified organic cotton in their cotton products in 2014.

Distribution of participants by volume of organic cotton usage:

Distribution of participants by percentage of organic cotton usage:

The top right histogram shows the distribution of participants according to the amount of organic cotton fiber consumed. The majority of companies (32%) used between 101 and 1,000 mt. The second histogram shows the distribution of participants according to the percentage of their total cotton consumption that was organic. For 37% of companies, their organic quota was less than 25% of their total usage, while 30% reported over 95%.
Analysis of organic cotton fiber usage by sector:

- Apparel: 93%
- Home: 3%
- Footwear: 4%

Analysis of organic cotton fiber usage by location:

- Europe: 92%
- America: 7.6%
- Africa, Australasia, Asia: 0.4%

Analysis of organic cotton fiber usage by corporate turnover:

- <50m: 2.24%
- 50m-500m: 2.23%
- 500m-5b: 9.33%
- 5b-50b: 84.46%
- >50b: 1.73%

Analysis of organic cotton fiber usage by key voluntary standards:

- OCS: 90%
- GOTS: 94%
- OCS & GOTS: 89%

Although 37% and 65% of participating companies are certified to OCS and GOTS respectively (p21), the analysis above shows that 90% and 94% of the overall organic cotton usage was certified to OCS and GOTS respectively. This indicates that the larger organic cotton users are more likely to use third party certification to support integrity.

Analysis of organic cotton fiber usage by traceability to supply chain:

- Sewing Factory: 99%
- Fabric Mill: 96%
- Yarn Mill: 92%
- Fiber Source: 84%

Although 61% of participating companies manage their transaction certificates (p24), 84% of organic cotton is traced back to source. Again this supports that larger users are using third party certification to track their supply chain.

Please report your preferred cotton fiber usage.

Insufficient data has been provided for preferred cotton fiber usage.
Q18. Investment History: Preferred Materials

How long have you been sourcing preferred materials? (This category is not exhaustive but from survey entries. It currently includes recycled materials, preferred cellulosics, certified down, and other organic fibers such as organic wool, linen, and silk).

<table>
<thead>
<tr>
<th>Duration</th>
<th>Recycled Polyester</th>
<th>Recycled Cotton</th>
<th>Recycled Wool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since brand started</td>
<td>5%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>&gt; 5 years</td>
<td>19%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>3-5 years</td>
<td>16%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>1-3 years</td>
<td>16%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>&lt; 1 year</td>
<td>7%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>% participants</td>
<td>61%</td>
<td>25%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Preferred Cellulosics: Lyocell

<table>
<thead>
<tr>
<th>Duration</th>
<th>Preferred Cellulosics: Lyocell</th>
<th>Preferred Cellulosics: Modal</th>
<th>Responsible/Traceable Down</th>
<th>Organic Wool</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since brand started</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>&gt; 5 years</td>
<td>21%</td>
<td>2%</td>
<td>0%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>3-5 years</td>
<td>7%</td>
<td>2%</td>
<td>0%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>1-3 years</td>
<td>11%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>&lt; 1 year</td>
<td>7%</td>
<td>7%</td>
<td>18%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>% participants</td>
<td>49%</td>
<td>12%</td>
<td>23%</td>
<td>16%</td>
<td>11%</td>
</tr>
</tbody>
</table>

(Other: Linen, Organic Linen, Recycled Organic Cotton, Recycled Nylon, bluesign Polyester, Ovis21 Wool)

The introduction of recycled polyester and lyocell into portfolios shows a similar uptake pattern, with roughly 20% of participants investing for over 5 years. A rapid uptake of certified down is evident with 18% of companies starting to source RDS or TDS in the past year.

Q19. Reported Usage: Preferred Materials

This question looks at volume data for total preferred materials (preferred materials include recycled materials, preferred cellulosics, certified down and other organic fibers).

Provided below are the public league tables for preferred materials usage.

### Top 10 Users by Volume

<table>
<thead>
<tr>
<th>Recycled Polyester</th>
<th>Preferred Cellulosics: Lyocell</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Nike, Inc.</td>
<td>INDITEX S.A.</td>
</tr>
<tr>
<td>2 The North Face</td>
<td>H&amp;M</td>
</tr>
<tr>
<td>3 Target</td>
<td>Target</td>
</tr>
<tr>
<td>4 H&amp;M</td>
<td>G-Star RAW C.V.</td>
</tr>
<tr>
<td>5 PUMA</td>
<td>EILEEN FISHER</td>
</tr>
<tr>
<td>6 Williams Sonoma</td>
<td></td>
</tr>
<tr>
<td>7 G-Star RAW C.V.</td>
<td></td>
</tr>
<tr>
<td>8 MEC</td>
<td></td>
</tr>
<tr>
<td>9 Volcom</td>
<td></td>
</tr>
<tr>
<td>10 prAna</td>
<td></td>
</tr>
</tbody>
</table>

Analysis of participants using preferred materials against those who are reporting usage volumes:

- Percentage of participants using recycled polyester: 61%
- Reporting on recycled polyester usage: 21%
- Percentage of participants using preferred cellulosics: lyocell: 49%
- Reporting on preferred cellulosics: Lyocell usage: 18%
Section 4: Sales and Marketing

You can change consumer habits by telling your story.

This section evaluates how companies communicate their use of organic and preferred materials to their customers and consumers through the use of labels, in-store or on product messaging. It takes a look at how companies differentiate products and communicate sustainability attributes. It considers the return on investment at the consumer-end and how companies are educating their customers on how to make more sustainable choices.

Findings:

- There is a gap between the number of companies using voluntary standards (70% organic cotton and 63% preferred materials) and those labeling their products with third-party labels (42%). Almost half (49%) prefers to use labels they have produced themselves.

- 68% of companies see a brand benefit in highlighting sustainability attributes and 21% reported a fiscal return on investment.

- A majority (81%) of participants are promoting the sustainability attributes of their organic and preferred products to customers and 63% are educating.

- Only 42% of companies assess the impact of their consumer engagement, leaving room for improvement.
Q20. Product Labeling

Products certified by a third-party have been assessed and verified by an independent organization to ensure they meet certain performance requirements. Independent labels are attached to products that pass criteria defined by government, associations or standards certification bodies. Examples include GOTS and the OCS for organic products, GRS and the RCS for recycled, and RDS or TDS for products containing certified down as outlined by the standards.

Are you labeling your organic cotton or preferred material products?

- **Yes, with a standard logo:**
  - OCS: 5%
  - GOTS: 26%
  - Unreported standard: 11%
- **For organic cotton products**
  - For preferred cotton products: 9%
  - For recycled products: 4%
  - GRS: 4%
  - RCS: 0%
- **For preferred material products**
  - We use our own label: 5%
  - For organic cotton products: 4%
  - For preferred cotton products: 4%
  - For recycled products: 26%
  - For other preferred material products: 18%
- **We do not label our products:** 2%
- **No response:** 7%

**Analysis of participants using voluntary standards against those who are using the standards logo for product labeling:**

- **Percentage of participants using OCS for organic cotton:** 42%
- **Percentage of participants using GOTS for organic cotton:** 65%
- **Percentage of participants using GRS:** 30%
- **Percentage of participants using RCS:** 23%

The rules around labeling differ from country to country. The results here show that the majority (49%) of companies are using their own label to communicate their use of organic and other preferred materials. 42% are attaching labels associated with third-party certification. The most popular third-party label is GOTS (at 26%).
Q21. Sustainability Attributes

For many companies, the sustainability attributes of their products and services are becoming core to their brand value and identity. Companies are finding new and innovative ways to communicate their organic and more sustainable products through marketing and differentiating these products at the point of purchase (e-commerce, retail store, catalog, etc.).

Marketing Sustainability Attributes

To succeed a product with sustainability attributes needs to have six characteristics:

1. **Customer satisfaction**: products and services need to meet customer needs to survive in the market in the long-term.
2. **Dual focus**: compared with purely environmental products, sustainable products should focus both on ecological and social significance.
3. **Life-cycle orientation**: a sustainable product is environmentally friendly during its entire life. From the moment the raw materials are extracted to the moment the final product is disposed of, there must be no permanent damage to the environment.
4. **Significant improvements**: sustainable products have to contribute to addressing socio-ecological problems on a global level, or provide measurable improvements in socio-ecological product performance.
5. **Continuous improvement**: since the state of knowledge, technologies and societal expectation develop constantly, sustainable products should also be continuously improved regarding social and environmental variation.
6. **Competing offers**: more sustainable products may still lag behind competing offers, therefore, the competing offers may serve as a benchmark regarding social and ecological performance.

"Sustainability is part of our brand DNA; our passion for the outdoors is the catalyst behind all we do as a company. We have an inherent connection to the natural world, which is reflected in managing our products and operations responsibly." — The North Face

**Q** Are sustainability attributes core to brand value & identity?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Yes its core</td>
<td>68%</td>
</tr>
<tr>
<td>Its a feature</td>
<td>12%</td>
</tr>
<tr>
<td>We plan to incorporate</td>
<td>7%</td>
</tr>
<tr>
<td>No its not core</td>
<td>7%</td>
</tr>
<tr>
<td>No response</td>
<td>6%</td>
</tr>
</tbody>
</table>

**Q** Do you use the sustainability attributes of a product to market, promote, or otherwise differentiate these products at point of purchase?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>81%</td>
</tr>
<tr>
<td>We have plans to</td>
<td>5%</td>
</tr>
<tr>
<td>No</td>
<td>7%</td>
</tr>
<tr>
<td>No response</td>
<td>7%</td>
</tr>
</tbody>
</table>

A majority (68%) reported that sustainability attributes were core to their brand value. These brands and retailers are leveraging the sustainability attributes of their products to differentiate at point of purchase (81%). Yet for others, sustainability attributes are often not the dominant focus of product marketing.
Q22. Return on Investment

Return on investment (ROI) is the benefit a company receives as a result of an investment of resources. Today’s corporations are increasingly responsible for the environmental and societal impacts of their decisions. ROI is starting to shift to incorporate social and environmental returns as well as economic – one that helps to minimize cost and maximize return on investment. Decision-makers are moving towards a “Sustainability Return On Investment” (S-ROI) methodology to determine whether there is a business justification for initiatives that don’t show a direct positive ROI based on traditional costing methods.

“We believe that sustainable innovation that benefits the athlete, the company and the planet will play a key role in the future of our business.” – Nike, Inc.

“We see continued growth in our sales and our business because we are committed to sustainability. Since we don’t have a ‘non-sustainable’ portion of our business, there is no comparison to make.” – Coyuchi, Inc.

Is your company seeing any quantitative fiscal or brand benefits from highlighting the sustainability attributes of your products?

- Yes: 68%
- Increased sales: 21%
- Halo effect: 16%
- Brand protection/legal compliance: 23%
- Increase in positive product/brand reviews: 33%
- Positive social media: 30%
- Other (Core to brand, Key to future business): 5%
- Not sure: 4%
- No response: 28%

The most common benefit reported by companies was increase in positive product/brand reviews (33%). However, (21%) reported increased sales - a sign that financial return on investment is happening.

Analysis of return on investment against investments made to organic cotton value chain to secure supply:
Q23. Consumer Engagement

One of the biggest challenges for companies committed to sustainability is knowing how to best engage their customer and build the business case for sales. With so many competing requirements such as style, quality, affordability and so on, sustainability must be part of an “and” strategy. … And it’s more sustainable!

Consumer Engagement on Sustainability

Our world is changing rapidly. Natural resources are limited, our population is aging, and developing economies have a growing middle class demanding more goods and services. As a result, the marketplace in which businesses operate is changing too - communications and social media, technology improvements and access to credit are all impacting on how people consume. Businesses that recognize these trends and make the appropriate changes in their offer will prosper. However, brands can only do so much within their own businesses before needing to engage the consumer. Through creative marketing to inform and educate, or to influence behavior to use a product or service in a more sustainable way, brands that engage consumers can demonstrate that living sustainable lifestyles can be easy, affordable and attractive.

1. Choice editing and innovation: By offering only the most sustainable products and services, businesses are able to influence consumer choice, and nudge them towards more sustainable purchases.

2. Informing consumers and influencing choice: Educating and informing consumers on the key sustainability issues can help them make informed purchases and live more sustainable lives.

3. Engaging consumers and influencing behavior: Encouraging customers to change the way they use products can lower the impact of product use, which for many brands is often where their biggest impacts lie. - Business In The Community

Connecting Customer Engagement with Sustainability

Sustainability and customer engagement can be linked, when they are composed of trust, co-creation, involvement and authenticity. But successful customer engagement also requires strategies that move customers to act, connect them to others, and enable them to engage with the brand in a meaningful way. That is when you see the difference. – Connecting Customer Engagement with Sustainability. - Deloitte

Q. Do you aim to educate your customers on sustainability issues associated with textiles and apparel?

Despite the challenges and uncertainty of results, the majority (63%) of companies said that they aim to educate their customer about sustainability. Most companies (56%) do this via the internet, and 40% actively market sustainability to their customers. Others carry out campaigns or seek input via customer surveys and other consumer communications.
Q24. Monitoring & Evaluation

Monitoring and evaluating consumer engagement activities are important for tracking progress and facilitating decision-making. Monitoring helps a company track achievements by a regular collection of information to assist timely decision-making, ensure accountability, and provide the basis for evaluation and learning. Evaluation aims to determine the effectiveness and impact of a company’s consumer engagement activities and guide further improvements.

“...We are dedicated to helping change people’s perception of eco-fashion. We think that sustainability can take the form of beautiful and modern clothing and accessories.” – Stella McCartney

Do you monitor and assess your consumer engagement activities?

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Yes</td>
<td>42%</td>
</tr>
<tr>
<td>In development</td>
<td>26%</td>
</tr>
<tr>
<td>No</td>
<td>19%</td>
</tr>
<tr>
<td>No response</td>
<td>13%</td>
</tr>
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</table>

Monitoring and assessing the results of consumer engagement activities is still in the early stages with 42% confirming they do assess and a further 26% indicating that assessment programs are in development.

Concluding Remarks

Textile companies, with the roots of their businesses in the fields, forests, and the ground, have an important role to play in the transition to a more resilient and circular economy. Moving towards a preferred materials portfolio is part of that transition and a significant way to improve impact.

“...Population growth and competition for land will demand a new way of looking at fibers, as we will not have the resources for both food and clothing, as we know it today. By diversifying into a portfolio of preferred fibers, we are minimizing risk and ensuring we align our material strategy to global trends.” – Sophie Mather, biov8tion

The TE Benchmark is a new initiative, allowing companies, and the sector, to track progress on expanding a preferred materials portfolio. Through benchmarking, companies can relate their progress to others’ experience and results. By comparing progress with that of the sector, we are confident we will accelerate the pace of improvement.

Textile Exchange is here to help. Our goals are to:

- Embed sustainability into evolving business and supply chain strategies.
- Make it easier for companies to adapt to changing opportunities and requirements in textile sustainability.
- Ensure that actions taken toward sustainability result in real and meaningful change.
What Next?

Improving performance by sharing results.

The proof of this benchmarking initiative will be shown in the improvements that participants make as a consequence of what they have learned. This program will illuminate the path ahead. To support continued learning, Textile Exchange will:

- Continuously improve the benchmark experience (see p38).
- Run a series of webinar discussions on the key areas for improvement.
- Support company improvement through our made-to-measure advice services (see p39).
- Operate an informal matching service to link high performers with those who want to improve.
- Encourage more companies to take part.
- Introduce a similar service for suppliers.

Experience with benchmarking programs in other sectors shows that the opportunity to compare one’s performance with peers leads to a faster improvement cycle because the most effective actions can be shared amongst participants. TE will take the lead in encouraging shared learning amongst its benchmarking community to equip companies to do more good by doing more things right.
Open Consultation

Help Us Create our Benchmarking Tool!

We warmly invite all interested stakeholders to take part in creating a benchmarking tool that adds value and contributes to company performance improvement. We have scheduled the consultation phase for November 2015, in time to feed your suggestions into an improvement phase planned for the 2016 Market Survey and Benchmarking program.

Areas identified for improvement: We aim to improve the transparency, standardization, and materiality of the tool. Areas already identified include:

Self-Assessment: The benchmark is based on self-assessment and the value to each participant and the sector as a whole depends upon the honesty and standard of survey submissions. Is self-assessment enough? Should TE embark on a full survey review process and request supporting evidence? Could we increase accountability by having survey submissions signed-off by the CEO, a board member or other senior authority? What are other ways to increase confidence and ensure a high standard of reporting?

Scope and Coverage: Currently the survey does not capture the degree of implementation of a specific activity (e.g. supply chain mapping) or company coverage (e.g. of a specific policy). For smaller companies this may not be relevant but for bigger companies full implementation of a policy or other activity may take longer. Should we incorporate a “percentage coverage” allocation for questions where this is relevant?

Move to a Materials Portfolio Approach: As we further refine the survey and improve the online functionality one option is to build in more flexibility and consequently tailor a company’s benchmark closer to their preferred materials portfolio. Do you agree that a modulated or portfolio approach would be an improvement? Would you prefer to see the survey flex to align more closely with your materials portfolio?

Conversion Calculations: Currently we allow companies to report on their materials consumption by either using their own garment to raw material calculations or to provide details of final products and allow TE to do the calculation. To improve consistency should TE recommend an industry average? Should companies who know their supply chains well and have your own conversion factors provide transparent working of their calculations but continue to use their own?

Company Ranking: Most benchmarks incorporate a scoring and weighting system that provides the opportunity to convert results to numbers and for a company to receive a ranking. This rank can become a public disclosure exercise or remain confidential. Is this something the TE benchmark should provide?

Online Tool: We have started to make a number of systems upgrades and have plans to improve pre-population of survey each year, simplification, and enhanced guidance. How can we make the experience even better? What would you like to see added/removed/changed in the market survey and your customized benchmark?

We welcome your suggestions and recommendations on these areas and more. Your feedback will be important to the improvement and success of this program. To make sure we don’t miss out on your contribution please email Lisa Emberson Lisa@TextileExchange.org.
How We Can Help

For companies wishing to explore their results further we offer the following options:

A. Performance Analysis Presentation – US$5,000 (TE Members), US$8,000 (Non Members)

This presentation of findings includes:

- Summarizing key findings and areas of strength
- Presenting a detailed gap analysis of the company’s performance
- Modeling the company’s opportunities for improvement

This feedback option takes the form of a PowerPoint presentation, which is discussed during a meeting with the company’s core team.

B. Management Report - – US$5,000 (TE Members), US$8,000 (Non Members)

In addition to the performance analysis presentation, this option includes a narrative report:

- Summarizing key findings and areas of strength
- Presenting a detailed gap analysis of the company’s performance
- Providing tailored recommendations, including examples of best practice from peers and Index participants
- Prioritizing areas for improvement and action

TE will present the findings of this report at a meeting with the company's core team.

C. Bespoke Support - All advisory projects are scoped and priced individually

Based on the TE Benchmark results we can offer bespoke advice that can help you progress on your preferred materials journey. Focusing on the company’s individual needs, we will provide specialist support and practical recommendations to further embed sustainability, preferred materials, and good supply chain management.

Examples of our advisory services and projects include:

- Aligning business strategy with raw materials and supply chain risks and opportunities
- Developing an action plan to address specific issues identified through the TE Benchmarking program
- Materials mapping and supply chain engagement to help improve supply chain connections, transparency, and security of supply.
- Customized learning modules for you and your team
- Customized communication, messaging and infographics on environmental savings based on the peer-reviewed Life Cycle Assessment for organic cotton commissioned by TE and undertaken by thinkstep, global leaders in LCA.

Contact Liesl Truscott, European and Materials Strategy Director: liesl@TextileExchange.org

Report Production Team • Liesl Truscott (Lead), Evonne Tan, Lisa Emberson
Editing • Beth Hegde
Design and Graphics • Evonne Tan
Glossary

BCI - Better Cotton Initiative - a not-for-profit organization aiming to make the “mainstream better” in cotton production.

Biobased - a bio-based material is a material made from substances derived from living (or once-living) organisms, for example cellulosics.

bluesign - an independent standard for environmental health and safety in the manufacturing of textiles.

BSCI - the European social monitoring system for ethical sourcing initiated by the Foreign Trade Association.

Cellulosics - fibers made with ether or esters of cellulose, which can be obtained from the bark, wood or leaves of plants, or from a plant-based material. For the purpose of this report we use the term “Cellulosics” to refer to man-made cellulosic fibers.

CmiA - Cotton made in Africa - an initiative of the Aid by Trade Foundation (AbTF) that helps smallholder cotton farmers in Africa to improve their living conditions.

Cradle to Cradle - The Cradle to Cradle Certified™ Product Standard guides designers and manufacturers through a continual improvement process that looks at a product through five quality categories.

ETI - Ethical Trading Initiative - a leading alliance of companies, trade unions and NGOs that promotes respect for workers’ rights around the globe.

Fairtrade - a global movement that supports small-scale farmers and workers who are marginalized from trade in a variety of ways.

FLA - Fair Labor Association - a multi-stakeholder initiative including companies, colleges, universities and non-governmental organizations working together to improve workers’ lives.

FSC - Forest Stewardship Council - an international not for-profit established to promote responsible management of the world’s forests.

FWF - Fair Wear Foundation - a European multi-stakeholder initiative working to improve workplace conditions in the garment and textile industry.

GOTS - Global Organic Textile Standard - the worldwide leading textile processing standard for organic fibers, including ecological and social criteria, backed up by independent certification of the entire textile supply chain.

GRASS – Sustainable Grazing Standard developed by Ovis 21 and The Nature Conservancy (TNC).

GRS - Global Recycled Standard - a TE product standard for tracking and verifying the content of recycled materials in a final product, while ensuring strict production requirements.

KPIs - Key Performance Indicators - a type of performance measurement that evaluates the success of an organization or of a particular activity in which it engages.

Lyocell - the generic name for a biodegradable fiber that’s made out of treated wood pulp. It’s commonly sold under the brand name TENCEL®, which is made by Lenzing AG. Lyocell is a preferred cellulosic because it comes from renewable sources, is biodegradable, and is made in a closed-loop system that recycles 99.5% of the solvent used. TENCEL® is primarily made from wood originating from FSC certified eucalyptus forests.

Naturtextil IVN certified BEST - BEST reflects the standards for eco-friendly textiles developed by the International Association of Natural Textile Industry (IVN) and reviews the entire textile production chain both in terms of ecological standards and in terms of social accountability.

OCS - Organic Content Standard - a TE standard that uses third-party verification to verify a final product contains the accurate amount of a given organically grown material.

OEKO-TEX - an independent testing and certification system for textile products from all stages of production.

Organic Cotton - is cotton that is produced, and certified, according to organic agriculture standards. Organic cotton is grown as part of a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. It will be grown in rotation with other crops that replenish the soil. If cotton is to be sold as organic, it requires a third party certification from an independent, accredited certification agency. Organic cotton growing practices may vary slightly from country to country but common to all is the avoidance of the use of toxic and persistent synthetic agrichemicals (pesticides and fertilizers) and genetically modified seeds.
Organic farm standards vary from country to country but are mandatory for recognition as organically grown. Standards include: the European Union’s Council Directive on Organic Farming (EC) No 834/2007, the USDA’s National Organic Program (NOP), and India’s National Program for Organic Production (NPOP).

PEF – Product Environmental Footprint - A measure of the absolute environmental impact(s) over the full life cycle of a product (good or service). Life cycle in this context denotes all value chain stages for making and disposing of a product over its full lifespan.

Preferred Cellulosics - Lyocell (TENCEL®) and modal (Lenzing Modal®) are produced from renewable cellulosic plants such as beech trees, pine and eucalyptus. The fibers are biodegradable. Lenzing Modal® is produced primarily from PEFC certified beech trees and TENCEL® from FSC certified eucalyptus trees. Eucalyptus grows quickly and without irrigation, pesticides, fertilizers or genetic manipulation; it can also be planted on marginal land that cannot be used for food crops.

Preferred Cottons - There are a number of "more sustainable" or as we refer to them in this report "preferred" cottons which vary in how they balance their sustainability aims. They all (including organic) have a shared vision of improving the sustainability of cotton yet offer slightly different ways to get there. All offer worthwhile opportunities for improvement to brands and retailers, and companies often source more than one option as they transition to a preferred materials portfolio. For the purposes of this report we refer to BCI, CmiA, Fairtrade and REEL cotton options as preferred cottons.

RCS - Recycled Claim Standard - a TE chain of custody standard to track recycled raw materials through the supply chain.

Recycled Materials - Material that has been reprocessed from reclaimed material by means of a manufacturing process and made into a final product or into a component for incorporation into a product.

RDS - Responsible Down Standard – a TE standard that ensures down and feathers come from ducks and geese that have been treated well.

Recycled Polyester (rPET) - There are two types of PET recycling: mechanical and chemical: (1) Mechanical recycling involves melting the plastic and re-extruding it to make yarns (2) Chemical recycling means breaking the polymer into its molecular parts and reforming the molecule into a yarn.

REEL Cotton - Responsible Environment Enhanced Livelihoods – a program run by CottonConnect to educate and build the capacity of smallholder cotton farmers.

ROI - Return on Investment is a financial metric for evaluating the financial consequences of individual investments and actions.

SCs - Scope Certificates. Processors, manufacturers, traders and retailers that have demonstrated their ability to comply with the relevant criteria in the corresponding certification procedure to an Approved Certifier receive a scope certificate (= certificate of compliance) that lists the products / product categories which can be offered certified (and labeled) to the product and the corresponding production stages.

STEpf - ‘Sustainable Textile Production’ is the new OEKO-TEX® certification system.

TCs - Transaction Certificates. This certificate is issued by the certifier of a product supplier and lists the concrete products and shipment details including the buyers name and address and declares the certification status of the shipped goods.

TDS - Traceable Down Standard - An animal welfare standard, developed by independent certification organization NSF International, available to companies that use duck or goose down in their products.

TENCEL® - TENCEL® is Lenzing’s registered brand name for lyocell.

WRAP - Worldwide Responsible Accredited Production - an independent, objective, non-profit team of global social compliance experts dedicated to promoting safe, lawful, humane and ethical manufacturing around the world through certification and education.

If you haven’t had chance yet to read our 2014 Organic Cotton Market Report or Preferred Fiber and Materials Market Report, you can access them using the links below:

- Organic Cotton Market Report
- Preferred Materials Market Report
We envision a global textile industry that protects and restores the environment and enhances lives.

www.TextileExchange.org