FOREWORD

Over the last 15 years, the number of apparel and textile brands adopting preferred fiber and materials has increased significantly. The sectors they represent and the fiber types they use have diversified. This Preferred Fiber and Materials Benchmark Sector Report comes at a critical juncture for the textile industry. Companies are facing increased geopolitical, economic, environmental and social justice challenges throughout their supply networks. A preferred fiber strategy addresses, in part, several of those challenges. But equally significant is the analysis of the collective impact that these companies have had on land use, water quality, and animal welfare, to name just a few of the impacts analyzed.

We are encouraged by the continued growth in the sector, particularly the rise in the number of participating companies embedding fiber and materials strategy at a more senior level. We are seeing the increased momentum in their transition from a preferred cotton strategy to a broader preferred fiber portfolio approach. While the growth for apparel companies remains strong, from the small to the large multi-sector retailers, of note is the growth in Home Textiles, with the early pioneers in this sector showing leadership in all sectors of the report.

At Textile Exchange, we believe that adoption of more preferred fiber and materials is one of the barometers of meaningful transformation within the textile industry. For the first time, we’ve created a link between the choice of preferred fiber and materials and the collective impacts under the United Nations’ Sustainable Development Goals (SDGs), which have an expiration date of 2030 – a mere 13 years away. A preferred fiber and materials strategy is no longer simply a ‘nice to have’. It has become integrated into the successful business models of many TE Members and is increasingly demanded by consumers and scored by investors. This report outlines the benefits that are accruing to those companies that have started benchmarking, and shows how your company could benefit too. In 2016, 28 of the 71 participating companies are reporting for the first time.

At Textile Exchange, the next steps for us are to:
(1) address the areas of improvement (noted on page 13) and
(2) simultaneously drive toward a sustainable, profitable and scalable preferred fiber and materials strategy.

As always, Textile Exchange appreciates your partnership. Together we can, and are, making a material difference.

Be sure to join us at our annual conference the week of October 9th in Washington D.C. for a Call to Action: Catalyzing the Sustainable Development in Textiles.

Special thanks to TE Members for their financial support and their time and participation, which make this report possible - to Tchibo for their direct support for the Benchmark Report and to C&A Foundation for sponsoring the Data Improvement project.

La Rhea Pepper
Managing Director, Textile Exchange
WHAT MAKES A PFM INDEX LEADER?

- leadership and commitment held at the highest level
- sustainability integrated into strategic decision making
- stakeholder engagement part of risk review
- sustainability enshrined in sourcing policies
- goals and targets set to drive continuous improvement
- accountability held by senior managers
- responsibility, training, and reward for all staff
- traceability from finished goods back to raw materials
- corporate investment to grow the supply base
- consumption monitored and reported year-on-year
- brand identity established in the business case
- strategic communication and education of the consumer
- public reporting against issues material to the business
- "bench-learning" within peer groups and the wider industry

PFM INDEX 2016 PARTICIPANT LINE-UP

**APPAREL (XL)**
- C&A Global
- CARREFOUR GROUP
- Cintas Corporation
- Coop Switzerland
- Fast Retailing
- H&M
- Inditex Group
- John Lewis plc.
- Marks and Spencer
- Otto Group
- Tchibo GmbH
- VARNER
- WOOLWORTHS (PTY) LTD

**APPAREL (S/M)**
- ALANA (dm-drogerie markt)
- ARMEDANGELS (Social Fashion Company GmbH)
- Arthur & Henry
- Continental
- Cotonea (Gebr. Elmer & Zweifel)
- Cream Workwear
- Dedicated
- EarthPositive
- Felissimo Corporation
- Hanky Panky
- HempAge AG
- KnowledgeCotton Apparel
- Loomstate
- Mantis World
- Mara Hoffman
- Outerknown
- PACT Apparel, LLC
- Raven + Lily
- Salvage
- SKUNKFUNK
- Stanley and Stella SA

**APPAREL (M)**
- Boll & Branch
- Coyuchi, Inc.
- Dibella Group
- Hemtex
- LA SIESTA
- Naturepedic
- Portico
- Under the Canopy
- WestPoint Home
- Williams-Sonoma, Inc.

**APPAREL (L)**
- AB Lindex
- Burberry
- EILEEN FISHER, Inc.
- G-Star RAW C.V.
- HUGO BOSS
- JACK & JONES
- JACK WILLS
- Marc O’Polo International GmbH
- Stella McCartney
- Triaz GmbH

**APPAREL (XL)**
- adidas
- DECATHLON
- elkline
- JanSport
- Kathmandu
- MEC
- New Balance Athletics, Inc.
- NIKE, Inc.
- Norrøna Sport
- Patagonia
- PUMA SE
- The North Face
- Toad&Co
- Volcom

**HOME TEXTILES**
- +Olive
- Boll & Branch
- Coyuchi, Inc.
- Dibella Group
- Hemtex
- LA SIESTA
- Naturepedic
- Portico
- Under the Canopy
- WestPoint Home
- Williams-Sonoma, Inc.

Note: 1. Reporting Product Line Only, 2. Continental Clothing Company Ltd. 
Undisclosed participants: 2
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) PFM Benchmark ask about public reporting or whether information is in the public domain. According to 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. Investors in particular are driving better disclosure and are ranking companies accordingly, making a connection between their investment decisions and their sustainability and financial performance.

Disclaimer: The Textile Exchange PFM Benchmark is based on participant self-assessment. Textile Exchange 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.

The opinions expressed in this publication are those of Textile Exchange and do not necessarily reflect the views of any of our funders, member organizations or advisors.
In 2015, Textile Exchange (TE) launched the Preferred Fiber & Materials (PFM) Benchmark Program for measuring how a company systematically integrates a preferred fiber and materials strategy into mainstream business operations. This year, we released the first fully weighted and scored PFM Index that reveals a company’s position in relation to peers and the overall universe of participants (sector results).

PFM Index Results show a company’s top performing PFMs. It comprises of a company’s Corporate Strategy score plus the average score for a company’s top three performing PFM modules.

All participants receive customized and confidential Company Feedback Reports. Company Feedback Reports offer a useful tool for each participating company to share with important internal and external stakeholders, including the investment community.

Explicit links are made between the PFM Benchmark and the United Nations Sustainable Development Goals (SDGs) – in particular SDG 12: Sustainable consumption and production. Companies are starting to adopt the framework of the SDGs and the PFM Benchmark is built on foundations that align with this work.

**BENCHMARK VS. INDEX**

In this report you will find reference to both a “Benchmark” and an “Index.”

A Benchmark serves as a standard by which others are measured or judged and an Index is a statistical tool designed to measure performance over time.

Generally speaking, Textile Exchange runs a PFM Benchmark Program for the textile industry, helping companies identify strengths and gaps, and develop strategies for improvement. The applied weighting and scoring methodology allows Textile Exchange to create a PFM Index comprising of normalized values, company rankings and performance bandings, offering a way to evaluate year-on-year performance improvement. This annual analysis is something that companies, Textile Exchange and the wider textile industry, can use to track progress and to provide a snapshot of the “state of the sector”.

**A WORD FROM TCHIBO**

10 years ago, we decided that there is no alternative to sustainability for our business. Therefore, we built and scaled human rights and environmental change programs for our supply chains and products. Regarding the latter, we have transitioned a considerable share of our preferred fiber and materials towards sustainability, such as cotton and man-made cellulosic fiber but also coffee and wood.

On top of that, our goal of a 100% sustainable business model challenges us to also think about completely new, innovative ways of doing business. One of them is our partnership with the Appachi ECO-LOGIC Cotton Project in India which brings together a value chain from the farmers to the customers in which all actors along the supply chain know each other and benefit from more economic, social and environmental value.

The key is the partnership and working together – and we see this as pivotal for the entire sector.

This is why we are proud to support the PFM Benchmark. It is not only a tool to benchmark our individual progress as a company within the Index community, it also creates motivation for the sector to increase the conversion from conventional into sustainable materials and products.

Nanda Bergstein
Head of Vendor Relations & Sustainability (Non Food)
Tchibo
ABOUT THE PFM INDEX

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

In 2015, Textile Exchange (TE) launched the Preferred Fiber & Materials (PFM) Benchmark Program for measuring how companies systematically integrate a preferred fiber and materials strategy into mainstream business operations. This year, TE released the first fully weighted and scored PFM Index.

ABOUT THE PREFERRED FIBER & MATERIALS (PFM) INDEX

The origin of the PFM Index lies in UK based Business In The Community’s Corporate Responsibility (CR) Index, which TE has specially developed for use in the textile industry. Similar to the CR Index, the PFM Index is an exercise in transparency, providing a robust tool to help companies systematically measure, manage and integrate a preferred fiber and materials strategy into mainstream business operations, compare progress within sub-sector groupings and the overall universe of participants, and communicate performance and progress to stakeholders.

Companies follow a self-assessment process to help identify their strengths and the gaps where future progress can be made. By comparing scores with those achieved by peers and the broader sector, companies can plan improvement efforts and prioritize action areas.

The PFM Index is an online self-completion survey that rates a company’s strategic approach to integrating preferred fiber and materials into business strategy, and probes the depth of its commitment to transforming conventional supply chain practices. The online survey comprises of four sections, starting with Section 1: Corporate Strategy – a company’s strategic intentions. It then focuses on how those intentions are turned into actions within the company’s self-selected PFM modules through Section 2: Supply Chain, Section 3: Consumption, and Section 4: Consumer Engagement. Corporate Strategy is positioned as underpinning, with Supply Chain, Consumption, and Consumer Engagement elements rolled out through eight PFM module options. Modules include five preferred Cottons (Better Cotton Initiative [BCI], Cotton made in Africa [CmiA], Fair Trade [FT], Organic Cotton [OC], and Organic Fair Trade [OFT]), Recycled Polyester (rPET), preferred Man Made Cellulosics (pMMC) and Certified Down (cDown).

WHAT IS A PFM?

TE defines a “preferred” fiber or material as one that is:

- Ecologically and socially progressive and has been selected because it has more sustainable properties in comparison to conventional options.

Ways to recognize or achieve a preferred status include:

- The fiber or material has a recognized sector standard in place that confirms its status as preferred.
- The fiber or material has sustainability criteria developed through a formalized multi-stakeholder process.
- The fiber or material has been objectively tested or verified as having superior sustainability attributes, such as through a peer reviewed Life Cycle Assessment.

TE describes a “portfolio approach” as: The process of building a suite of preferred fiber and materials, from a choice of preferred options, through the consideration of impacts and organizational priorities.

The goal is that PFMs are produced to a globally accepted standard with strict criteria that qualifies the product as preferred, and that they can be traced through the supply chain.
INDEX FRAMEWORK

The Index can be represented visually, with each section’s scores weighted as shown (refer to Appendix I: PFM Survey Summary and Appendix III: Scoring Methodology for more detail).

SCORING MODEL

The basic components to the Scoring Model:

- **Question scores** are achieved based on responses entered for each question. Each question carries a question weight.
- **Section scores** are the accumulation of question scores in a section. There are four sections - 1: Corporate Strategy, 2: Supply Chain, 3: Consumption and 4: Consumer Engagement. Sections 2, 3 and 4 are module based. Each section carries a section weight.
- **PFM module scores** are the accumulation of section scores in a module. There are eight scoring modules to select from, including BCI, CmiA, FT, Organic OC, and OFT, rPET, pMMC and cDown. Modules are based on a company’s selection. The top three scoring modules make up the PFM Index.
- **PFM uptake** is the breakdown of the PFM portfolio and covers cotton (share of conventional, BCI, CmiA, FT, OC and OFT used), synthetics (share of conventional, recycled and other polyester used), MMC (viscose/rayon, lyocell, modal and other MMCs used) and animal fibers, currently represented by down (share of conventional, responsible [certified to the RDS], traceable [certified to the TDS] and other down used).

INDEX RESULTS

PFM Index Results show a company’s top performing modules. It comprises of a company’s Section 1 score plus the average score for Sections 2, 3 and 4 for a company’s top three performing modules. Uptake of the PFM as a percentage of the PFM portfolio is factored into Section 3 as part of Q21a.

REPORTING

This Sector Report provides an overview of the results from the 2016 PFM Index. Companies that participate in the PFM Benchmark receive a customized and confidential Company Feedback Report, which provides detailed feedback on individual scores and rankings alongside sub-sector and sector comparisons.
Overall, 89 companies participated in the 2016 PFM Benchmark Survey. Excluding partial submissions and shadow benchmark participants, 71 companies submitted complete entries and their responses form the basis of this report. Of these 71 companies, 60% are Textile Exchange members.

**SUB-SECTOR PROFILE**

At 30%, Apparel (Small/Medium) is the largest sub-sector represented, with fairly even distribution amongst all other sub-sectors. For the Outdoor/Sports sub-sector, there is significant variation in company size, however, the majority classify as either Large (USD 50 million - USD 2 billion) or Extra Large (>USD 2 billion) Enterprises by turnover (36% and 43% respectively). In Home Textiles, there is some variation in company size, however, the majority (73%) are Small or Medium Enterprises (USD ≤ USD 50 million).

Total value, based on the estimated turnovers of participating companies, is USD $1.53 trillion.

**COUNTRY PROFILE**

The chart to the right shows the participation rate according to HQ location. The majority of participating companies are located in the USA (33%), Germany (23%), and the United Kingdom (14%).

**MODULE SELECTION**

The dashboard to the right shows the selection breakdown across the PFM modules offered in the Index. Organic Cotton, at 79%, has the highest participation rate. Recycled Polyester follows at 58%, with preferred MMC (lyocell and modal) at 39%, Certified Down at 32% and BCI at 31%.
KEY FINDINGS 2016

The Index score in 2016 was 49 out of 100, indicating that, on average, the sector is at the “establishing” stage of integrating preferred fiber and materials into business strategy. For effective comparison and peer learning, results are presented by Index section, sub-sector, and PFM module.

Scoring 59, Apparel (S/M) was the highest performing sub-sector, topping the Index in Consumption and Consumer Engagement and leading on Organic, Organic-Fair Trade, Recycled Polyester, and preferred Man Made Cellulosics.

The Home Textiles sub-sector averaged 52 across the Index. This sub-sector is making great strides in integrating PFMs into business strategy, being ahead of the rest in Supply Chain and second only to Apparel (S/M) overall.

Outdoor/Sports achieved a score of 46 and topped the Index for Corporate Strategy, as well as for the modules on BCI, Fair Trade cotton and Certified Down. With an average share of 63% synthetics, and a recycled share of only 14%, there is room to improve.

Apparel (L) and Multi-Sector/Apparel (XL) use large volumes and have diverse fiber portfolios. Scoring 41 and 39 respectively, both sub-sectors scored well in Corporate Strategy, paving the way for improvements across the rest of the Index, including PFM uptake.

Section 1 - Corporate Strategy - is the highest performing Index section at 60, with strengths in mission statements, sustainability strategy, goals, policies, and annual reporting. Overall, the “tone is being set at the top.” However, the gaps are in risk review, use of rating tools, and integrating responsibility across the business.

Section 2 - Supply Chain - achieved a score of 50, indicating that there is more to do in the management of supply. The weakest module was Recycled Polyester, and the strongest module was Organic Fair Trade where pockets of excellence exist in Chain of Custody, Traceability and Investment.

Section 3 - Consumption - is split into two parts: (i) Targets & Reporting (55) results indicate that companies are becoming familiar with calculating consumption and reporting to Textile Exchange, while (ii) Uptake (scoring 38) results indicate a need to increase PFM uptake if the sector is to truly shift.

Section 4 - Consumer Engagement - is the lowest performing section, at 35. Front-runners are advanced in labeling, communicating, and building awareness, however, the majority is lagging and less likely to have a comprehensive consumer strategy in place to bring consumers along with them on their sustainability journey.

93% of participants completed one or more of the 5 Preferred Cotton module options; Organic Fair Trade cotton scored the highest at 56, followed by Organic (51), BCI (33), CmiA (30) and Fair Trade (23). The lower scores for FT were due to the number of companies with new programs.

58% of participants completed the Recycled Polyester module. This was the second highest participation rate after Organic Cotton. With a score of 31, there is significant opportunity to improve and excel in this exciting area of fiber and materials sustainability, with “closing the loop” having huge potential.

32% of participants selected the Certified Down module. On average, the sector scored 37, indicating that front runners are leading the way while many participants are in the early stages of implementing the Responsible Down Standard (RDS) or Traceable Down Standard (TDS).

39% of participants opted to complete the Preferred Man Made Cellulosics module, with an average score of 39. This module is still in development as work in this fiber evolves. Significant progress in feedstock traceability and protection of forests has been made through company collaboration with non-profit CanopyStyle.
SECTION RESULTS

The Index comprises four sections, starting with Corporate Strategy before honing in on activity around individual PFMs, for which each module includes sections on Supply Chain, Consumption and Consumer Engagement. Index scores were found to be highest for Corporate Strategy. Lagging behind was Consumer Engagement, one of the most challenging area of PFM activity - ripe with opportunity to improve!

49 OVERALL

The overall PFM Index score of 49 (out of 100) is based on the entries of 71 bold and progressive companies. A score of 49 indicates that, on average, the textile sector is at the "establishing" stage of integrating preferred fiber and materials into business strategy. However, averages hide the front runners and, this year, there were 23 companies scoring over 60 ("developing"), a further 12 scoring over 70 ("progressing well"), and 4 companies in the "leaders" band, scoring over 80.

SECTION 1: CORPORATE STRATEGY

Corporate Strategy is the highest performing section in the PFM Index. A score of 60 places the sector as a whole in the "developing" phase.

What the results show: Companies are getting to grips with their sustainability strategy, goal setting, and annual reporting of progress. The tone, in most cases, is coming from the top. However, on the whole, fiber and material sustainability is not being integrated into corporate risk reviews, nor is it adequately integrated into staff roles and responsibilities. Sustainability needs to go beyond the CSR team and deeper into buying, marketing, design, and product management. While a number of companies are using rating tools to guide decision-making, such as the Sustainable Apparel Coalition’s Materials Sustainability Index, many are not.

SECTION 2: SUPPLY CHAIN

Supply Chain achieved a result of 50, indicating that the sector is at the "establishing" stage and there is more for companies to do in the management of their PFM supply.

45 SECTION 3: CONSUMPTION

Consumption is split into two parts: (i) Targets & Reporting (scoring 55) and (ii) Uptake (scoring considerably lower, at 38).

What the results show: Companies are starting to set targets for uptake, and are prepared to disclose consumption data to Textile Exchange. Pulling PFMs through supply networks and replacing conventional with preferred fiber or materials holds the greatest opportunity for shifting the sector along the PFM performance continuum.

35 SECTION 4: CONSUMER ENGAGEMENT

Consumer Engagement is the lowest performing section, at 35.

What the results show: Front-runners, particularly in the Apparel (S/M) sub sector, tend to have entire businesses based on sustainable collections. They are doing best on product labeling, communications, and consumer awareness. However, the majority has no set agenda here. Many struggle to understand the business benefits, let alone calculate a return on investment. However, there is enormous potential for companies to "close the investment cycle" and more strategically engage their customers in this important agenda.

SUB-SECTOR RESULTS

Sub-sector averages were between 39 and 59. The range was topped by the Apparel (Small/Medium) sub-sector, with smaller volumes and often a narrower fiber focus, through to the Multi-Sector/Apparel (Extra-Large) sub-sector, with often more complex fiber portfolios, large volumes to take care of, and a mix of front-runner companies alongside those just starting.

HOW THE SUB-SECTORS PERFORMED

**APPAREL (S/M)**

Apparel (Small/Medium) was the largest sub-sector, making up 30% of all participants. It was also the highest performing sub-sector, achieving an average score of 59. Ten companies from this sub-sector ranked in the top 20, with six of them being in the top 10. This sub-sector led in the Consumption and Consumer Engagement sections. Companies have an average share of 76% cotton in their fiber portfolio. Being smaller in size, with a high number of companies having 100% Organic or Organic Fair Trade cotton portfolios, proved a winning combination in the Index. The sub-sector was also the highest scoring in preferred MMC and rPET, two of the weaker performing modules in the Index.

**HOME TEXTILES**

Brands and retailers of Home Textiles made up 15% of Index participants. With an average of 52, Home Textiles scored well, with five companies in the top 20, and two of those in the top 10. This sub-sector tended to consist mainly of small to medium sized companies, though there were also some bigger companies in the mix. Home Textile companies tend to be cotton-heavy, averaging 67% cotton in their fiber portfolios. Home Textiles was ahead of the rest in Supply Chain, and second only to Apparel (S/M) in all other sections of the Index.

**OUTDOOR/SPORTS**

The Outdoor/Sports sub-sector was well represented at 20%, and sits in the middle of the sub-sectors with an average of 46. Only one company in this sub-sector ranked in the top 20. Outdoor/Sports brands and retailers topped the Index when it came to Corporate Strategy, as well as for three of the PFM modules: BCI, Fair Trade cotton and Certified Down. Outdoor/Sports has an average share of 57% Lyocell in their MMC portfolio, second only to Apparel (S/M). However, with an average portfolio of 63% synthetics, and only 14% of this being recycled, the Outdoor/Sports sub-sector has significant room for improvement where it matters most.

**APPAREL (L)**

The Apparel (Large) sub-sector accounted for 15% of entries, and had an average score of 41. Only one company in this sub-sector ranked in the top 20. The sub-sector had an average share of 49% cotton, and was by far the highest user of animal and "other" fibers such as wool, linen and leather, totaling 30%. Organic Cotton and preferred MMC were this sub-sector's highest scoring modules. Although Apparel (L) companies use less Certified Down overall than the Outdoor/Sports sub-sector, they were found to be the most successful at converting conventional down to certified, with 54% of its down being certified to RDS/TDS and 20% certified to in-house or other standards.

**MULTI-SECTOR/APPAREL (XL)**

The Multi-Sector/Apparel (Extra Large) sub-sector accounted for 20% of entries. With an average score of 39, it is apparent that this group, on the whole, faces the most challenges. Larger companies are more likely to have diverse and complex fiber portfolios. With considerably larger quantities and varieties of products being produced, there is more work to be done! However, it is important to note that the lower average score hides the achievements of some of the highest performing companies in the Index. With three companies in the top 20 and one of those in the top 10, these leaders hold a beacon for others in this sub-sector, showing that, while size holds complexity, it should not be a barrier to PFM leadership.

Performance Banding: Starting Out (<40) | Establishing (40-59) | Developing (60-89) | Progressing Well (70-79) | Leading (>80)
Companies completed individual PFM modules relevant to their operations. The top performing module, at 56, was Organic Fair Trade cotton. With a range of 23 to 56, all are either in the “establishing” or “starting out” phase.

SCORES ACROSS THE PREFERRED FIBER & MATERIAL MODULES

PREFERRED COTTON

BCI, CmiA, Fair Trade, Organic Cotton and Organic Fair Trade.

Preferred Cotton (pCotton) offered the widest choice of module options. Results indicated that the companies engaged in Organic (OC) and Organic Fair Trade (OFT) cotton were the most advanced, with average scores of 51 and 56 respectively. For OFT, it was relatively clear that smaller brands, with limited numbers of (transparent) suppliers and brand identities riding on their sustainability attributes, were front-runners across the Index. There were lower participation rates for the Better Cotton Initiative (BCI) module, Cotton made in Africa (CmiA), and Fair Trade (FT). Scores were also lower for these modules at 33, 30, and 23 respectively. However, results should be viewed in light of the fact that these are newly developed modules and a high proportion of companies with “in development” programs.

PREFERRED MAN MADE CELLULOSICS

Lyocell and Modal. (Module in development)

The Preferred Man Made Cellulosics (pMMC) module is labeled as “in development” as there is no standard or definitive guideline on what counts as “preferred.” However, an average score of 39 is reported here based on participants’ use of lyocell and/or modal. Although not guaranteed, both lyocell and modal tend to originate from feedstock sourced from traceable, certified forests (such as Lyocell® and Modal® produced by Lenzing, which is dominant in the market) and chemicals, water, energy and effluent are managed during manufacturing. In the survey, this module was modified to ask companies about their use of a code of conduct for forest protection, instead of asking about the use of chain of custody standards or guidelines as in all other modules. Companies scored relatively well on setting a code, particularly members of the CanopyStyle initiative. Other strengths included Consumption Reporting and Establishing Brand Identity with consumers. Improvements are most needed in target-setting and in transitioning to pMMC.

RECYCLED POLYESTER

Recycled Polyester (rPET), with an average score of 31, was dominated by companies just “starting out” on their rPET journey. Areas in most need of attention include the use of chain of custody standards, setting of targets, investment in supply, and material uptake. With few exceptions, consumer engagement is lacking across the board, although a number of companies, typically Apparel (S/M) companies, are building brand identity through rPET attributes. There is significant opportunity to improve and excel in this exciting area of fiber and materials sustainability, and move towards closing the loop on synthetics.

CERTIFIED DOWN

Certified Down (cDown) comprises of down certified to either the Responsible Down Standard (RDS) or the Traceable Down Standard (TDS). Overall, the sector score for cDown was 37, indicating that most participants are at the early stages of implementation. On the whole, areas to improve included investment in down programs (where needed), collection of data on consumption levels and, once again, the ability to connect investment in supply with consumer awareness and brand benefit.
The PFM Benchmark results indicate some new areas for action, but also remind us that we need to be persistent in addressing the issues that we have known about for some time.

<table>
<thead>
<tr>
<th>TOP 10 WAYS TO IMPROVE</th>
</tr>
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<tbody>
<tr>
<td><strong>1</strong> Incorporate Risk Review Into Corporate Risk Registers. Sustainability issues, associated with fiber and raw materials sourcing, must take their place alongside other risks and opportunities for the business, and be integrated into corporate assessments of risk.</td>
</tr>
<tr>
<td><strong>2</strong> Integrate Responsibility Throughout The Business. Roles and responsibilities for fiber and materials sustainability need to extend beyond CSR departments to buying teams, product managers and designers.</td>
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<tr>
<td><strong>3</strong> Know Your Supply Chain - In Depth. Supply chain management that delivers products to market with sustainability intact is critical. The first step is chain of custody, and the next is traceability to build in more transparency.</td>
</tr>
<tr>
<td><strong>4</strong> Invest in Sustainability. Whether it’s technology, R&amp;D, capacity building, production efficiencies, quality improvements, or ensuring fair payments to farmers - if it creates a systems change, investment in sustainability usually pays off; socially, environmentally, and financially.</td>
</tr>
<tr>
<td><strong>5</strong> Set Quantified and Time Bound Targets. Setting ambitious uptake targets creates focus and a sense of urgency, which in turn impacts organizational priorities.</td>
</tr>
<tr>
<td><strong>6</strong> Measure What You Manage. Calculating consumption is key to monitoring outcomes. Disclosing to Textile Exchange not only helps build a robust benchmark but helps Textile Exchange improve the accuracy of fiber calculations, and everybody benefits.</td>
</tr>
<tr>
<td><strong>7</strong> Close the Uptake Gap between Conventional and Preferred. Ultimately, the goal is for the textile sector to source only preferred fiber and materials. Improving the mix of preferred to conventional is the first step towards this.</td>
</tr>
<tr>
<td><strong>8</strong> Prove the Business Case. Calculating the Return on Investment (ROI) is difficult but evolving. Concepts such as putting social and environmental capital on the balance sheet are crystallizing, but there is much work to do to generate buy-in from CFOs and others.</td>
</tr>
<tr>
<td><strong>9</strong> Talk About It. Equipping and enabling the “aware consumer” is a business opportunity. Consumer engagement and education about the benefits of PFMs is a vital step in the evolution of consumer tastes.</td>
</tr>
<tr>
<td><strong>10</strong> Collaboration Is Key. There’s only so much that companies can achieve on their own. Initiatives like TE’s PFM Benchmark bring companies together in common cause in pursuit of sustainability improvements through collective action under the Sustainable Development Goals.</td>
</tr>
</tbody>
</table>

**Spotlight on Recycled Polyester**

Polyester holds the greatest share of global fiber demand (at least 60% and growing). Polyester, and other petroleum based synthetics, are viewed as unsustainable, as society shifts into a carbon-constrained future. Polyester is associated with environmental impacts ranging from energy use, greenhouse gas emissions, chemical toxicity, and waste.

**Shifting from virgin to recycled offers significant environmental savings and is key to an Sector shift.**

The PFM Benchmark identifies the adoption of more recycled materials as one of the biggest opportunities for the sector. The potential is enormous - from directly removing plastic from waste streams to moving the textile sector towards a circular economy.
# PFM Barometer of Progress

The PFM Barometer is based on the 71 companies that participated in the 2016 PFM Benchmark. The PFM Barometer aligns progress in PFM modules against SDG 12: Sustainable consumption and production (targets 12.2 responsible use of natural resources, 12.5 reduce waste, and 12.6 reporting). The PFM Barometer tracks Target Setting, Data Disclosure, and Consumption. See Outcomes and Impacts on the next page.

## Participants

<table>
<thead>
<tr>
<th>Module</th>
<th>Participants</th>
<th>Targets</th>
<th>Disclosure</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred Cotton (pCotton)</td>
<td>66</td>
<td>73%</td>
<td>61%</td>
<td>336,487 mt*</td>
</tr>
<tr>
<td>Recycled Polyester (rPET)</td>
<td>41</td>
<td>39%</td>
<td>59%</td>
<td>22,622 mt*</td>
</tr>
<tr>
<td>Certified Down (cDown)</td>
<td>23</td>
<td>57%</td>
<td>39%</td>
<td>879 mt*</td>
</tr>
<tr>
<td>Preferred Man Made Cellulosics (pMMC)</td>
<td>28</td>
<td>39%</td>
<td>61%</td>
<td>7,909 mt*</td>
</tr>
</tbody>
</table>

1. All reported figures use the number of participants for the respective module as a baseline
2. * denotes consumption data disclosed by participants in the survey
3. pCotton includes: BCI, CmiA, Fair Trade, Organic Cotton, and Organic Fair Trade

* denotes consumption data disclosed by participants in the survey.
OUTCOMES AND IMPACTS

OUTCOMES

- **555,068 ha**
  - Land under improved land management (reduced chemical use/Integrated Pest Management)

- **344,693 ha**
  - Land under organic certification (no artificial or toxic chemicals)

IMPACTS

- **340 billion liters of water**
  - 91% reduced blue water consumption

- **449 million kW of energy use**
  - 62% reduced primary energy demand (non-renewable)

- **143,935 million mt of CO₂ equivalent**
  - 46% reduced global warming potential

- **1.37 billion**
  - Plastic bottles diverted from the waste stream

- **49 million**
  - Ducks and geese subject to a standard which protects them from live plucking and force-feeding

- **91% reduced blue water consumption**

- **83% reduced human toxicity potential**
  - (based on 1,4-DB equiv. (dichlorobenzene))

- **62% reduced primary energy demand**
  - (non-renewable)

- **59% reduced primary energy demand**
  - (non-renewable)

- **46% reduced global warming potential**

- **555,068 ha**

1. Calculation for number of ducks and geese protected is based on estimated averages provided by multiple down suppliers.
2. Savings for organic cotton (over conventional) are estimated using data from The Life Cycle Assessment Of Organic Cotton Fiber Summary Of Findings - A Global Average (and based on disclosed OC consumption data* reported on page 14).
3. Savings for chemically recycled polyester (over virgin) are estimated using data from Open-loop recycling: A LCA case study of PET bottle-to-fibre recycling (based on disclosed rPET consumption data* reported on page 14).
The rest of this report looks in detail at the benchmarking results. The 2016 PFM Index average of 49 (out of 100) suggests that the majority of participants are “establishing” the foundations of their PFM activities. Across the four sections of the Index, results show good progress in Corporate Strategy, Supply Chain, and Consumption – Targets & Reporting. Some companies are making headway on their uptake of PFMs, while others are still to make a dent on conventional use. Consumer Engagement results signal a need for the sector to think and act more strategically to close the supply-demand loop.

The Index comprises four sections, starting with Corporate Strategy before honing in on activity around individual PFMs, for which each module includes sections on Supply Chain, Consumption and Consumer Engagement. Index scores were found to be highest for Corporate Strategy. Lagging behind was Consumer Engagement, one of the most challenging area of PFM activity.

Cross section analysis shows that the sector is primarily in a "developing" phase for Corporate Strategy, an "establishing" phase for Supply Chain and Consumption - Targets & Reporting, and a "starting out" phase for PFM Uptake and Consumer Engagement.

The highest scoring section, at 60, is the overarching Corporate Strategy section. Outdoor/Sports (65), Apparel (S/M) (62) and Apparel (L) (61) are the key performing sub-sectors. The lowest performing section is Consumer Engagement, at 35, with Apparel (S/M) (48) and Home Textiles (41) the key performing sub-sectors.

The spread of participants' results is fairly even for Corporate Strategy across all developmental phases. Supply Chain (23%) and Consumption Targets & Reporting (28%) have the higher ratio of participants who are “leading”, with a relatively large share of participants in the “establishing” phase. The majority (>60%) of participants are in the “starting out” phase for Uptake and Consumer Engagement, indicating that the market has yet to mature in these areas. Overall, 4% are “leading”, 8% are “progressing well”, 11% are “developing” and just under half are either “establishing” (24%) or “starting out” (23%).

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PFM MODULE RESULTS BY QUESTION AND SECTION

RESULTS FOR THE ORGANIC FAIR TRADE AND THE ORGANIC COTTON MODULES REFLECT HOW RELATIVELY ESTABLISHED THE SECTOR IS IN THESE TWO PFMS. THIS CORRELATES WELL WITH THE HIGH SHARE OF PFM UPTAKE BY ORGANIC PIONEERS AND SMALL TO MEDIUM SIZED APPAREL COMPANIES WHEN COMPARED TO THEIR CONVENTIONAL USAGE. OTHER PREFERRED COTTON OPTIONS, PREFERRED MMC, RECYCLED POLYESTER, AND CERTIFIED DOWN, WHILE IN THE EARLIER STAGES OF DEVELOPMENT, DISPLAY SIGNS OF GROWTH AND IMPROVEMENT, PARTICULARLY IN CHAIN OF CUSTODY AND ESTABLISHING BRAND IDENTITY.

OFT AND OC ARE THE ONLY TWO FIBERS THAT ARE "PROGRESSING WELL" OR "LEADING" IN ANY AREAS OF THE INDEX. THIS COMES THROUGH MOST CLEARLY IN CHAIN OF CUSTODY, CONSUMPTION REPORTING AND ESTABLISHING BRAND IDENTITY. OFT IS ALSO "PROGRESSING WELL" IN TRACEABILITY AND IN THE SETTING OF SMART TARGETS. THIS SEEMS TO SUGGEST A POSSIBLE CORRELATION BETWEEN TRACING TO SOURCE AND CONSUMER MESSAGING FOR THESE TWO FIBERS, ALONGSIDE THE OBVIOUS BRAND IDENTITY BENEFITS ASSOCIATED WITH OC AND OFT.

WHILE COMPANIES ARE "DEVELOPING" BRAND IDENTITY FOR rPET, pMMC AND cDOWN, THIS HAS YET TO BE MATERIALIZED IN COMPARABLE RESULTS IN OTHER AREAS. POCKETS OF "ESTABLISHING" IMPROVEMENTS ARE SHOWING THROUGH IN CONSUMPTION REPORTING AND ESTABLISHING BRAND IDENTITY. OFT IS ALSO "PROGRESSING WELL" IN TRACEABILITY AND IN THE SETTING OF SMART TARGETS. THIS SEEMS TO SUGGEST A POSSIBLE CORRELATION BETWEEN TRACING TO SOURCE AND CONSUMER MESSAGING FOR THESE TWO FIBERS, ALONGSIDE THE OBVIOUS BRAND IDENTITY BENEFITS ASSOCIATED WITH OC AND OFT.

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RESEARCH BY PCI WOOD MACKENZIE SHOWS THAT SYNTHETICS COMPRISE OVER 60% OF GLOBAL DEMAND (PCI WOOD MACKENZIE, GLOBAL MILL CONSUMPTION SHARE OF ALL MAJOR FIBERS FOR 2015), YET UPTAKE FOR rPET REPORTED BY PFM BENCHMARK PARTICIPANTS REMAINS LOW. PFM DATA REPORTED TO TEXTILE EXCHANGE SHOWS OC AS HAVING THE HIGHEST UPTAKE, FOLLOWED BY pMMC, cDOWN AND OFT.

WHILE SUSTAINABILITY INVESTMENT IS "STARTING OUT" FOR ALL PFMS, HIGHER LEVELS OF INVESTMENT ARE SEEN IN BCI, OFT, OC, CmiA AND pMMC. INVESTMENTS CORRELATE WITH TARGETED INVESTMENT PROGRAMS, WITH LEADERS ACTING COLLECTIVELY WITHIN SPECIFIC INITIATIVES SUCH AS THE ORGANIC COTTON ACCELERATOR, THE CHETNA COALITION (AGGREGATING DEMAND), CANOPYSTYLE (PROTECTING FORESTS) OR THROUGH MATCHED FUNDING PROGRAMS SUCH AS BCI'S GROWTH & INNOVATION FUND.
Across the board, the significance of PFM to Establishing Brand Identity has yet to be actualized in Product Marks & Labeling. Monitoring Business Benefits, Calculating ROI and Evaluation of Consumer Strategy are the three least developed areas across all PFMs, signaling a discontinuity in raising consumer awareness to increase demand.

PFM MODULE RESULTS ACROSS SUB-SECTORS

We continue to educate ourselves on all matters related to sustainable fibers. We work closely with our marketing and sales team to educate them on our fibers so they can speak to these in meetings. Our designers and agents are only sourcing fabrics that have sustainable attributes to them.

No sub-sector, as a whole, is performing beyond "developing" in any PFM module. However, averages mask the range of results. The Spread of Participants’ Results provides a deeper look at the performance spectrum. Please also refer to the results for each PFM module later in the report. The MS/Apparel (XL) sub-sector has the widest mix of PFMs— all in the "starting out" phase except for OFT, which has advanced into the "establishing" phase. The Apparel (S/M) sub-sector, with the lowest mix of PFMs, leads with strong results in OC, OFT and pMMC. Interestingly, rPET is amongst the lowest performing PFMs for the Outdoor/Sports sub-sector.

At 14%, pMMC has the largest share of "leading" participants (although it is important to note that this module is still under development). pMMC is followed closely by OFT at 13%, OC at 11%. OC has the largest share of participants that are "progressing well", at 20%, followed by 13% for cDown. The large share of participants in the "starting out" phase suggests that pMMC, cDown and, in particular, rPET, are at the early stages of the sustainability journey. Participants completing the BCI, CmiA and FT modules generally did not fare beyond "developing" (however, it's important to note that participant numbers were relatively low for these three modules and therefore only a light indicator of PFM performance). With increasing impetus, we may see more participants further along the performance spectrum.
Corporate Strategy looks at how fiber and materials are integrated into mainstream business, and the tools a company uses to guide more sustainable sourcing decisions. It also identifies who holds accountability and responsibility to deliver on fiber and materials sustainability.

Overall, the sector is sitting at 60 for Corporate Strategy. However, there is a wide range in the scores and in the strengths and gaps within this section.

Results show that participants have generally incorporated fiber and materials into a number of important corporate documents. Participants generally scored well for Corporate Values (94), Sustainability Strategies (70), the setting of long-term Goals (80) and Corporate Reporting (72). Participants also scored relatively well for Policy setting (66), which suggests companies are sensitized to sustainability issues in the sourcing of raw materials and enshrining in policy.

Companies are also assigning Accountability to CEOs or senior directors (67). However, the scores drop off sharply when it comes to assigning Responsibility to staff (36). Results show a checkered response to incorporating fiber and materials into staff roles and responsibilities. Companies score well for the training of sustainability staff, and even marketing teams, designers, and buyers. However, outside the sustainability person/team, responsibility for fiber and materials sustainability tends not to be written into job descriptions, and is even less likely linked to targets or covered in performance reviews.

Companies are divided in the use of Rating Tools to support fiber and material decisions and, on average, scored 39 due to the number of participants not yet evaluating fiber/materials performance. The Outdoor/Sports sub-sector was the most likely to use a rating tool (86%). Around half of participants have developed their own tool, while the most commonly quoted industry tool was the Sustainable Apparel Coalition’s Material Sustainability Index (MSI). Of those using a rating tool, the majority (72%) found them influential.
We assess the fiber and materials usage at all the Product Divisions, identifying the risks and impacts of each raw material, especially on biodiversity issues.

With a score of 23, Risk Assessment is the weakest area of Corporate Strategy. Few companies are reviewing fiber and materials risk at the Corporate Strategy level. MS/Apparel (XL) is the sub-sector most likely to consider risk, with 36% carrying out a review and a further 14% integrating associated risk into corporate risk registers. Interestingly, external stakeholders (such as NGOs) are much more likely to be consulted than staff – another indication that companies can do more to equip and empower staff across the board.

Corporate Values

Overall, 95% of companies have sustainability as a corporate value, with almost all participating companies (92%) publicly communicating these values.

Sustainability Strategy

82% of companies have a sustainability strategy that covers fiber and materials. However, when looking deeper into the sub-sectors, half (50%) of the companies in the MS/Apparel (XL) sub-sector are still in the process of developing their strategy. Almost all (93%) of the Outdoor/Sports sub-sector reported having a strategy in place.

Company strategies most commonly include cotton (97% of companies), followed by recycled materials (71%), animal fibers (53%) and man made cellulosics (50%). The most common "Other" options reported (at 28% total) were linen, bluesign certified materials, other organic/natural materials, and FSC certified materials. Understandably, it is proving more difficult for larger companies to extend their sustainability strategy across their entire business, with 50% of companies from MS/Apparel (XL) and 91% of companies from Apparel (L) responding to this question.

Risk Assessment

The majority (69%) of companies have either not started a risk review of their fiber and materials use, or it is under development. Risk review tends to focus on parts of the business operations, not all. Out of the 31% of participants that have conducted a risk assessment, only 10% can confirm that risks associated with fiber and materials make it to the corporate risk registry.

The companies that are assessing risk tend to involve external stakeholders in this process. Interestingly, internal stakeholders (staff) are less likely to be involved.

Risks and opportunities reported as material to business included: Credibility and integrity of product; Climate change impacts on supply; Converting to more sustainable alternatives; Closer links to upstream suppliers.
Results show that, overall, accountability for fiber and materials strategy and its implementation sits with the CEO (42%) or senior management (31%). It is less likely that a Board member (18%) would carry this role, and even less likely that accountability would be at middle management (6%), or not held at all (3%).

86% of participants have set long-term goals for their fiber and materials usage, with 59% reporting publicly. The MS/Apparel (XL) sub-sector is the least likely to have developed goals, with almost half (43%) yet to set goals or have goals that are under development.

The majority (86%) of participants have introduced sustainability policies that reach down to the sourcing of fiber and materials. The smaller companies are the least likely to have formalized their policies, with 10% reporting that they have no formal policies in place.

In the survey, the question on Policies has been divided into three broad categories: (a) Natural Capital (including the environment and natural resources), (b) Social Capital (including human rights, labor standards, ethical trade), and (c) Animal Welfare.

- **Natural Capital**: Overall, companies tend to have a policy in place (95%) for Natural Capital. At 75%, the MS/Apparel (XL) sub-sector is lagging slightly behind. Overall, where a policy is in place, it is most likely to cover: Chemical Use/Toxicity, Water, Energy Use, and Climate Change. Policy areas least developed are Biodiversity and Forestry.

- **Social Capital**: Most companies (98%) tend to have a policy in place for Social Capital though, once again, the MS/Apparel (XL) sub-sector is slightly behind at 92%. Where a policy is in place, it most commonly covers: Decent Work, Child Labor, and Health & Safety. Least reported were Human Rights and Living Wage. Further analysis is necessary, but this may be due to the complexity of implementation at the fiber and material production (Tier 4) level.

- **Animal Welfare**: This is the least developed policy area of the three (72%), although it is not always relevant since not all companies use animal fibers. Depending on the company, policy areas most commonly covered are Angora (Rabbit), Down, Fur, Leather, and Wool.

**Accountability**

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**Rating Tools**

Approximately half of participants (51%) report using a rating tool to evaluate the sustainability of their fiber and materials usage. At 86%, companies belonging to the Outdoor/Sports sub-sector are the most likely to carry out an evaluation. Within the user group, 58% have developed their own tool, 50% are adopting the Higg Index and using the Material Sustainability Index (MSI), 28% are using the Made-By Fiber Benchmark, and 8% have embarked on Cradle-to-Cradle. At 83%, Outdoor/Sports are the most likely sub-sector to use the Higg Index.

**Corporate Reporting**

Overall, results for Annual Reporting were fairly evenly spread. 52% of companies said they did not report on their fiber and materials activities at all, though 21% of this group said that reporting is under development. For the 48% of companies that are publicly reporting, 28% have incorporated key performance indicators (KPIs) and progress trends. At 72%, the MS/Apparel (XL) sub-sector is the most likely to report, with half (36%) of this sub-sector reporting their KPIs. All participants that answered affirmatively to reporting confirmed that their reports are in the public domain. A high proportion (50%) of reports are independently verified.

We identified a risk to the business by not dealing directly with fabric mills. As a result we are working on identifying opportunities to do this. We also identified a risk to not having a clear standard on what our company considers to be Responsible Fiber. Now we have developed a standard on using good-better-best tiers to classify fiber sources and fiber certifications.
A company estimates its fiber and materials (FM) usage by allocating a percentage according to the main categories. In 2016, the FM usage of participating companies was estimated to be 58% Cotton, 25% Synthetics, 5% MMC, 4% Animal fiber, and 7% “Other”, such as linen. The Multi-sector/Apparel (XL) sub-sector has the most diverse PFM portfolio, particularly for cotton, where the majority of participants have a cotton strategy and are using one or more preferred cotton options (see page 24).

The company estimates its FM usage by allocating a percentage according to the main FM categories: Cotton, Synthetics, Man Made Cellulosics (MMC), Animal Fibers, and “Other” FMs. “Other” FMs reported by participants included natural fibers such as linen, wool and leather, and synthetic fibers such as acrylic and nylon. Company estimates are self-reported and provide a proportional breakdown only: this graph is not based on absolute volumes. Sub-sector and sector breakdowns are based on company averages.

As an approximation, the FM usage for the universe of Index participants is: 58% Cotton, 25% Synthetics, 5% MMC, 4% Animal fiber and 7% “Other.” Note that this percentage share profile is not representative of global trends (where synthetics are dominant). Index results indicate a skew towards companies with high cotton usage as more likely to engage in sustainability, or at least participate in TE’s PFM Benchmark Program.

Apparel (S/M) has the largest share of Cotton at 76%, with Synthetics at 12%, MMC at 6%, Animal Fibers at 2% and “Others” at 4%. This profile is mirrored closely in Home Textiles, where use of Cotton is 67%, Synthetics is 15%, MMC is 1%, Animal Fibers is 6% and “Others” is 11%. The MS/Apparel (XL) and Apparel (L) sub-sectors are approximately 50% Cotton, with Apparel (L) companies displaying the greatest use of Animal Fibers (13%) and “Others” (17%). It is evident that the higher-end/luxury companies that make up this sub-sector are more likely to have wool, leather, linen and silk at higher proportions of their overall FM usage than companies in other sub-sectors. Outdoor/Sports has the largest share of Synthetics, at 63%, and the smallest share of Cotton, at 28%.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Cotton</th>
<th>Synthetics</th>
<th>MMC</th>
<th>Animal</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Sector/Apparel (XL)</td>
<td>50</td>
<td>30</td>
<td>6</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Apparel (L)</td>
<td>49</td>
<td>15</td>
<td>6</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Apparel (S/M)</td>
<td>28</td>
<td>63</td>
<td>15</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Outdoor/Sports</td>
<td>67</td>
<td>67</td>
<td>15</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Home Textiles</td>
<td>67</td>
<td>15</td>
<td>6</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

**555,068 ha**
Land under improved land management (reduced chemical use/Integrated Pest Management)

**344,693 ha**
Land under organic certification (no artificial or toxic chemicals)

**1.37 billion**
Plastic bottles diverted from the waste stream

**49 million**
Ducks and geese subject to a standard which protects them from live plucking and force-feeding
In the process of transforming our business operations in the supply chain, we focus on the areas where we can have the most impact on people and the environment, and where we can exercise the most influence for change.

We developed a 2015 eco dashboard for internal use that tracks progress against our Vision2020 goals for eco-preferred materials, organic cotton, organic linen, MM cellulosics and chemistry.

The MS/Apparel (XL) sub-sector has the most diverse PFM portfolio, particularly for cotton. With the exception of bPET (Bio-based Polyester) and TDS, the sub-sector uses all types of PFMs. This corresponds with the diversity of modules submitted by participants, which ranges between 3 to 7 for MS/Apparel (XL), 2 to 4 for Apparel (L), 1 to 4 for Apparel (S/M), 2 to 6 for Outdoor/Sports and 1 to 4 for Home Textiles. 68 (96%) participants use Cotton and 66 (93%) use one or more Preferred Cottons. 44 (62%) participants use Synthetics and 39 (55%) use rPET. 25 (35%) participants use Down and 23 (32%) use either RDS or TDS. Lastly, 32 (45%) participants use MMC and 31 (44%) use either Lyocell or Modal.

**PORTFOLIO DIVERSITY**

### Number of PFMs Used By Participants

<table>
<thead>
<tr>
<th>Sector</th>
<th>Cotton</th>
<th>BCI</th>
<th>CmiA</th>
<th>FT</th>
<th>OC</th>
<th>OFT</th>
<th>Synthetics</th>
<th>BCI</th>
<th>CmiA</th>
<th>FT</th>
<th>OFT</th>
<th>MMC</th>
<th>Lyocell</th>
<th>Modal</th>
<th>Down</th>
<th>rPET</th>
<th>RDS</th>
<th>TDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Sector/Apparel (XL)</td>
<td>8</td>
<td>18</td>
<td>4</td>
<td>4</td>
<td>58</td>
<td>15</td>
<td>39</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td></td>
<td>30</td>
<td>17</td>
<td>23</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparel (L)</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>12</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>8</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparel (S/M)</td>
<td></td>
<td>18</td>
<td>5</td>
<td>1</td>
<td>18</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>8</td>
<td>4</td>
<td></td>
<td>8</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outdoor/Sports</td>
<td></td>
<td>2</td>
<td>7</td>
<td>13</td>
<td>12</td>
<td>7</td>
<td>17</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td></td>
<td>11</td>
<td>17</td>
<td>1</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Textiles</td>
<td></td>
<td>1</td>
<td>1</td>
<td>9</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The above table looks at the number of PFMs used by participants. The numbers may not necessarily correspond with the number of modules completed by participants.

In terms of PFM usage, 39% of participants consume OC as their main fiber, followed by 31% for BCI, 13% for rPET, 11% for OFT, 4% for cDown and 1% for CmiA. For 62% of participants, their highest PFM scoring module also corresponds with their largest consumed PFM. This is particularly true for Apparel (SM), where 81% of the cases match, and Home Textiles, where 82% match. On the other side of the spectrum, only 36% of MS/Apparel (XL) participants appear to match their highest scoring module with their largest consumption PFM.

**PFM WITH HIGHEST USAGE**

<table>
<thead>
<tr>
<th>PFM with Highest Usage</th>
<th>Match between Highest Scoring and Highest Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>33% BCI</td>
<td>36% MS/Apparel (XL)</td>
</tr>
<tr>
<td>1% CmiA</td>
<td>55% Apparel (L)</td>
</tr>
<tr>
<td>11% OC</td>
<td>81% Apparel (S/M)</td>
</tr>
<tr>
<td>13% OFT</td>
<td>50% Outdoor/Sports</td>
</tr>
<tr>
<td>4% rPET</td>
<td>82% Home Textiles</td>
</tr>
<tr>
<td>36% cDown</td>
<td>82% Sector</td>
</tr>
</tbody>
</table>

Textile Exchange PFM Benchmark Sector Report © 2016 •• 23
Almost all (66) participants completed one or more of the preferred cotton modules. At 56 participants, the OC module has the highest number of participants by far and accounts for 79% of all index participants. This is followed by BCI at 22 participants (31%) and OFT at 16 participants (23%). It should be noted that the number of participants in the OC (56) and FT (6) modules excludes participants who are using cotton certified to both FT and OC, which is accounted for in the OFT module.

As an approximation, the breakdown of cotton usage in this Index is: 44% Conventional, 4% BCI, 1% CmiA, 0.1% FT, 40% OC, 10% OFT and 2% “Other”. Based on the chart below, MS/Apparel (XL) has the largest share of conventional (72%) and Apparel (S/M) has the least (22%) vis-à-vis Preferred Cotton. Apparel (S/M) has the largest share of OC (50%) and OFT (23%), followed by Home Textiles with 43% OC and 12% OFT. Apparel (S/M) also has the largest share of “Other” Cottons (5%), such as recycled. Although volumes are small, the MS/Apparel (XL) and Apparel (L) sub-sectors are using more BCI and CmiA than the others.

66 companies completed one or more of the Preferred Cotton (pCotton) modules. Over the next pages, a review of each pCotton has been provided. However, a couple of common themes are emerging, such as Consumer Engagement lagging behind Supply Chain and Consumption (Reporting). The Uptake (share of preferred to conventional cotton) varies considerably from company to company, but is naturally more challenging for larger companies. A next step for all, particularly the frontrunners, could be to go the extra mile with supply investment.
The Better Cotton Initiative (BCI) sets out to improve the sustainability of mainstream cotton production. Growers must meet minimum environmental and social requirements for their cotton to qualify as Better Cotton. Continuous improvement is a key element of the Assurance Program.

The 22 participants who responded to the BCI module were mainly from the MS/Apparel (XL) sub-sector (41%), followed by Outdoor/Sports (27%) and Apparel (L) (23%). 9% were in the Home Textiles sub-sector and there were no responses from Apparel (S/M).

Overall, the sector is scoring well on Chain of Custody (64) and following the BCI Guidelines for mass Balance CoC but more work is needed on Traceability (37) back to the supply base. Sustainability Investment (39) reflects the farm level investment being carried out by some companies and the matched funding through the program's Growth & Innovation Fund.

At an average score of 48, the sector is performing well for setting SMART Targets. 23% of participants are in the developmental stages of target setting or have set overall targets for preferred cotton more generally (36%).

Uptake of BCI is approximately 4% of the cotton portfolio, resulting in a low Uptake score of 12. The sector fares better in reporting consumption data where the average score is 59.

Based on the sector scores, it is apparent that BCI is important to Establishing Brand Identity (57). However, this has not yet developed into product differentiation at point of sales or the use of the (new) on-product mark. Since product differentiation in the marketplace is a new concept for BCI (with the on-product mark introduced in 2015), consumer-facing activity is, unsurprisingly, relatively low.

Please note: in the chart above, we have included only sector level results for BCI.
By 2020, all our fibers will come from sustainable sources which include cotton from BCI, Organically grown cotton (GOTS, OCS Certified) and/or recycled cotton (according to GRS, RCS) or moving to other more sustainable fiber choices like lyocell.

Chain of Custody: 82% of participants that completed the BCI module say they use the BCI CoC Guidelines for verification. All participants (100%) from Outdoor/Sports, 80% from Apparel (L), 78% from MS/Apparel (XL) and 50% from Home Textiles are using the BCI Guidelines. 72% of sector participants who are complying with BCI guidelines are applying the guidelines across their entire business, whilst 22% apply it to 1-25% and 6% apply it to 26-50%.

Traceability: 68% of BCI module participants are tracing their BCI supply. Based on the chart above, of those tracing BCI, 73% have traceability to the Sewing Factory, 60% to their Fabric Maker, 53% to the Yarn Mill, 27% to the Gin, and 13% right back to the Fiber Producer. 83% of participants from Outdoor/Sports, 80% from Apparel (L), 56% from MS/Apparel (XL) and 50% from Home Textiles are involved in tracing their BCI supply to some degree.

SMART Targets: 36% of BCI participants have an overall target for cotton, while 32% have SMART targets for BCI in place. 23% stated they are working towards developing targets and 9% have not set targets. Of the 32% with overall targets, all (100%) report these publicly while, of the 32% with SMART targets specific to BCI, only 57% are reporting these publicly.

Consumption: 59% of BCI participants disclosed consumption data: 23% reported ≥10,000mt, 14% reported 1,000-4,999 mt, 9% reported 500-999mt and 14% reported <500mt.

Product Marks & Labelling: 14% of BCI participants communicate/mark their BCI products, 32% have plans to, and 55% are not currently communicating/marking their BCI products. Of the 14% who are communicating/marketing, all (100%) use their own communications and 67% communicate via their own website or corporate reports.

Consumer Strategy: 14% of BCI participants engage consumers, 41% are at the development stage and 45% are not currently engaging consumers in their BCI activities. Of those who are engaging consumers, 67% communicate via their website, 33% via marketing collateral, 33% encourage customers to ask questions, 33% involve customers, 67% have open dialogue with customers and all (100%) train staff to communicate sustainability benefits to customers. There is no consumer related marketing associated with BCI.
Cotton made in Africa (CmiA) is an initiative of the Aid by Trade Foundation (AbTF) that helps smallholder cotton farmers in Africa to improve their living conditions. Growers must meet minimum environmental and social requirements for their cotton to qualify as CmiA.

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The 5 participants who responded to the CmiA module were either from the MS/Apparel (XL) sub-sector (60%) or Apparel (L) (40%). With participation rates low, it is not possible to produce clear findings for the sector and, therefore, the comments below should be treated only as light indicators.

The sector is scoring above par on Chain of Custody (52), with participants following either the CmiA Mass Balance Guidelines for CoC, or choosing the Hard Identity Preserved option, which allows direct on-product labeling. However, more work appears to be needed on Traceability (33) and Sustainability Investment (32).

With a sector score of 35 for SMART Targets, 8 for Uptake and 40 for Consumption Reporting, it seems that Consumption (particularly Uptake) has room for improvement. Only 20% of participants have set SMART targets, while 40% have reported consumption data. The average percentage of CmiA within the cotton portfolio is estimated at approximately 1%.

The sector score of 51 for Establishing Brand Identity reflects that CmiA is primarily complementary (60%), rather than core (20%) to brand identity. Most participants report using their own communications or labels (75%). The sector scores for Monitoring Business Benefits (22), Calculating ROI (0), Consumer Strategy (39) and Evaluation of Consumer Strategy (20) reflect the need for a more strategic approach to Consumer Engagement.

Please note: in the chart above, we have included only sector level results for CmiA.
COTTON MADE IN AFRICA: SPOTLIGHT ON PARTICIPANTS’ RESPONSE

Chain of Custody: 60% of CmiA participants reported the use of either MB or HIP verification for CmiA CoC, and the remainder (40%) currently do not verify the content of their CmiA. 67% of participants from MS/Apparel (XL) and 50% from Apparel (L) are using the CmiA Guidelines. 67% of the user group use the CmiA MB system across 100% of their business operations, while 33% use the CmiA HIP System across 100% of their business operations.

Traceability: 40% of CmiA participants have a system in place to trace their CmiA, while an equal number (40%) do not. The remaining 20% are currently developing a system to trace their CmiA. Of the 40% who are tracing CmiA, all (100%) are tracing through Sewing Factories and Fabric Maker back to Yarn Mills. 50% are tracing back to Gin and 50% are tracing all the way back to Fiber Producer.

SMART Targets: 40% of CmiA participants have an overall target for preferred cotton, while 20% have specific SMART targets for CmiA. 40% have not set targets at all. Of the 40% with overall targets, all (100%) report targets publicly. The 20% who have SMART targets specifically for CmiA are not reporting publicly (0%).

Consumption: 60% of CmiA participants disclosed consumption data: 20% reported ≥5,000mt and 20% reported 1,000-4,999mt.

Product Marks & Labeling: 80% of CmiA participants communicate/label their CmiA products and 20% have plans to. Of the 80% who are communicating/labeling their CmiA products, 75% use their own labeling, 50% use CmiA product communications and 50% communicate via their own website or corporate reports. It should be noted that, of the 75% that use their own labeling, three quarters (75%) are using it in conjunction with CmiA communications.

Consumer Strategy: 40% of CmiA participants work to engage consumers, 20% are in the developmental stages of consumer engagement and 40% are not engaging consumers. Of those who are engaging consumers, all (100%) communicate via their website, 50% via marketing collateral, 50% encourage customers to ask questions, all (100%) have open dialogue with customers, and 50% train staff to communicate sustainability benefits of CmiA to customers.

We created our own sustainability communication by integrating the CmiA Seal and by the giving of detailed information on all consumer relevant touch points.
The Fair Trade (FT) module was also a less common choice of the 2016 group of participants. Overall, the sector average was 23 out of 100. Indication of progress is difficult to assess since there were a number of companies with FT strategies “in development”. This situation significantly lowered the averages for the FT module. However, it was clear from the results that participants with full FT strategies in place are building a Consumer Strategy around their use of FT (including building brand identify and product marking).

Half (50%) of the 6 participants who responded to the FT module were from the MS/Apparel (XL) sub-sector. The rest were evenly distributed across the Apparel (S/M), Outdoor/Sports and Home Textiles sub-sectors. As with CmiA, the low participation rate for the FT module means that it is not possible to produce clear findings for the sector, and the comments below should be treated as light indicators only.

The average sector scores hide the front-runners and the companies with FT programs just starting out. For instance, the score of 50 for Chain of Custody includes companies that were not certified to FT at the time of completing the survey. Likewise with Traceability, although those who are tracing are achieving full traceability across the supply chain. Companies paying a fair trade price inherently invest financially in the sustainability of the fiber, and this may account for the sector score of 1 for Sustainability Investment, which should be read as no further investment outside of the FT program in the supply chain.

With a sector score of 25, it is apparent that not many participants are setting SMART Targets for FT.

The average percentage of FT within the cotton portfolio is estimated at approximately 0.1%, but this low proportion is not truly reflective of the usage of FT because the majority of usage is reported under OFT, which accounts for 10% of the cotton portfolio.

On the surface, Consumer Engagement is an under-developed section for the FT module participants, once again due to the number of fledgling FT users completing this module. As a result, only 33% of FT module participants reported that FT is core to their brand identity, half (50%) are actively communicating the benefits of FT, and 17% are monitoring business benefits associated with FT. Likewise, only 33% are engaging consumers strategically. However, participants with fully-fledged Fair Trade programs are actively engaged in the many consumer engagement activities. The stronger scores experienced by these companies are moderated by the sector averages. No one is currently calculating returns on FT investments.

Please note: in the chart above, we have included only sector level results for Fair Trade.
Chain of Custody: 50% of FT module participants use the FAIRTRADE Cotton Mark (IP) across 100% of their business, while 50% are still developing their FT fiber programs. However, this sector average hides the cluster of scores at each end of the performance spectrum.

Traceability: 33% of FT module participants have a traceability system in place. 33% of participants from MS/Apparel (XL), and all (100%) from Outdoor/Sports, carry out supply chain traceability. Of those tracing their FT cotton, there is full traceability across the supply chain from Sewing Factory all the way to Fiber Producer.

SMART Targets: 50% of FT participants have overall targets but none (0%) have SMART targets. 33% stated they are working towards developing targets and 17% have no targets in place. Of the 50% with overall targets, 67% report targets publicly.

Consumption: 33% of FT participants disclosed consumption data, all reported <10 mt.

Product Marks & Labeling: Half (50%) of FT participants communicate/label their FT products and half (50%) have plans to incorporate this. Of the half who are communicating/labeling, 33% use their own labeling, all (100%) use FT product communications and 67% communicate via their website/reports. It should be noted that the 33% of participants using their own labeling are using it in conjunction with FT product communications.

Consumer Strategy: 33% of FT participants engage consumers and 67% are in the process of developing this engagement. Of those who are engaging consumers, all (100%) communicate via their website, all (100%) communicate via marketing collateral, 50% encourage customers to ask questions, 50% are participating in cause related marketing, all (100%) involve customers, 50% have open dialogue with customers and 50% train staff to communicate sustainability benefits to customers.

We did a campaign to give cotton seed to our customers and students in elementary and high school. It is good opportunity for us and students to cultivate cotton and they know there is farmer who make cotton in the world.
The Organic Cotton (OC) module had the highest number of participants, and is clearly the most established of the preferred cottons amongst the 2016 group of benchmarkers. Overall, the sector average was 51 out of 100. High scores for Chain of Custody, Consumption Reporting, and Establishing Brand Identity, in particular, reflect the relative maturity of participants’ OC strategies. A next step for OC users could be to polish up consumer engagement strategies and work harder at building the business case.

**ORGANIC COTTON: QUESTION LEVEL RESULTS**

Organic Cotton (OC) is grown within a rotation system that builds soil fertility, protects biodiversity, and is grown without the use of any synthetic chemicals or GMOs. Growers must meet organic agricultural standards as set nationally, and by the importing country if export is carried out. The Organic Content Standard (OCS) and the Global Organic Textile Standard (GOTS) provides third party assurance on organic product claims. In addition, the GOTS includes environmental and social responsibility in processing.

Of the 56 participants who responded to the OC module, 30% are from the Apparel (S/M), 21% and 20% are from MS/Apparel (XL) and Outdoor/Sports sub-sectors, respectively, 16% are from Home Textiles and the remaining 13% are from Apparel (L).

Overall, the sector is scoring well on Chain of Custody (CoC) (75) but more work is needed on Traceability (49) and Sustainability Investment (34). The lower Traceability score is due to only 34% full traceability to fiber producer. Although the Sustainability Investment sector score is only 34 for OC, it fares reasonably well compared to other modules that score between 1 and 40.

At 51 for Section 3, OC is the highest scoring module. The sector is performing reasonably in SMART Targets (58) and well in Consumption Reporting (73). Just over half (52%) of OC participants have SMART targets in place, which accounted for the relatively lower sector score for that question. For Consumption Reporting, OC recorded the second highest sector score of (73) after OFT (75). The estimated sector average percentage of OC in the cotton portfolio is approximately 40%. This is excluding the 10% of OC production reported in the OFT module.

At 42, OC and OFT are the highest scoring modules in the Consumer Engagement section. 63% of OC participants reported that OC is core to brand identity and almost all (96%) communicate/label their OC products, although only half (52%) use third party standard communications. The two areas for greatest improvement are Calculating ROI (which has a score of 16) and Evaluation of Consumer Strategy (which has a score of 22).
Chain of Custody: 82% of OC module participants use a third party standard for material verification. 89% of participants from Home Textiles, 86% from Apparel (L), 83% from MS/Apparel (XL), 82% from Apparel (S/M) and 73% from Outdoor/Sports carry out verification. Of those using a third party standard, 9% use OCS, 30% use GOTS and 61% use both OCS and GOTS. 75% of OCS-only certified companies apply the OCS to 100% of their business and the remaining 25% apply it to 76-99%. The situation is similar with GOTS, where 71% of GOTS-only certified companies apply it to 100% of their business and the remaining 29% apply it to 76-99%. In cases where companies are using both OCS and GOTS, 25% apply these standards to 100% of their business.

Traceability: 68% of OC participants have a system in place to trace their fiber. Based on the chart above, of those with a traceability system, 95% have full traceability of their OC to Sewing Factory, 71% to Fabric Maker, 55% to Yarn Mill, 39% to Gin and 34% to Fiber Producer.

SMART Targets: 20% of OC participants have an overall target, while just over half (52%) have SMART targets, making it the PFM with the second highest percentage of SMART targets. 14% stated they are working towards developing targets whilst 14% have no targets in place. Of the 20% with overall targets, most (82%) report targets publicly and of the 52% with SMART targets, 69% report publicly.

Consumption: 73% of OC participants disclosed consumption data: 5% reported ≥10,000mt, 4% reported 5,000-9,999mt, 13% reported 1,000-4,999mt, 5% reported 500-999mt, 25% reported 100-499mt and 21% reported <100mt.

Product Marks & Labeling: 96% of OC participants communicate/label their OC products. Of these, 70% use their own labeling, 52% use third party standard product communications and 63% communicate via their website/reports. It is worth noting that, of the 70% that use own labeling, 37% use it in conjunction with third party standard communications.

Consumer Strategy: 68% of OC participants engage consumers, 14% are in the process of doing so, and 18% do not. Of those who are engaging consumers, 95% communicate via their website, 71% communicate via marketing collateral, 53% encourage customers to ask questions, 24% participate in cause related marketing, 55% involve customers, 61% have open dialogue with customers, 63% train staff to communicate sustainability benefits to customers, and 11% use other methods, such as partnerships, workshops, social media, and campaigns to reach consumers.

From farmer, gin, knitter, weaver to sewing factory, we personally know all the actors of our organic cotton supply chain. We provide yearly forecasts in advance to the farmer cooperative for their planning and financing needs.
While participant numbers for the Organic Fair Trade (OFT) module were lower, performance was high, with an overall sector average of 56 out of 100. Companies tended to be the smaller Apparel brands and retailers and those within the Home Textiles sub sector. A company’s use of OFT is clearly attached to brand identity. Strong results for Chain of Custody and Traceability reflect the organization and transparency of OFT supply chains – although more could be done to invest or support farmers. Average results suggest there is more work to do in taking a general approach to consumer engagement to something more strategic.

Half (50%) of the 16 OFT participants were from the Apparel (S/M) sub-sector, 31% from Home Textiles, 13% from MS/Apparel (XL) and 6% from Outdoor/Sports.

Overall, the sector is scoring well on Chain of Custody (85) and Traceability (73). All OFT participants carry out some form of CoC, be it FT (21%) or a combination of FT and third party standard (79%). The majority (75%) of participants almost fully trace their materials across the supply chain. While the Sustainability Investment sector score (40) is not high, it is the highest of all PFM modules.

With a score of 49, OFT is the second highest scoring module for Section 3, with a sector score of 70 for SMART Targets, 35 for Uptake and 75 for Consumption Reporting. This is because 75% of OFT participants have SMART targets in place and the same number (75%) report consumption data. The estimated sector average percentage of OFT in the cotton portfolio is approximately 10%.

With a score of 42, OC and OFT are the highest scoring modules in Consumer Engagement. This is primarily due to the higher scores in Establishing Brand Identity (88), Product Marks & Labeling (54) and Consumer Strategy (67). Monitoring Business Benefits (13), Calculating ROI (13) and Evaluation of Consumer Strategy (24) are areas with generally lower scoring across all modules.
Chain of Custody: 88% of OFT module participants use a combination of FT and third party standards for organic verification, while 12% rely purely on a FT standard. All (100%) participants from Outdoor/Sports and Apparel (S/M), 80% from Home Textiles, and 50% from MS/Apparel (XL) carry out product verification. Of those who use both FT and third party organic standards, 21% use the FT Physically Traced system and 79% use a combination of OCS, GOTS and FT. All (100%) of those who use the FT Physically Traced system apply it across all (100%) of their business. 91% of those using an OCS, GOTS and FT combination apply it across all (100%) of their business and 9% apply it to 51-75% of their business.

Traceability: 74% of OFT participants have a system in place to trace their cotton. Based on the chart above, of those with a traceability system, OFT has almost full traceability across the supply chain with 100% to the Sewing Factory, 92% to the Fabric Maker, 100% to the Yarn Mill, 92% to the Gin and 92% to Fiber Producer.

SMART Targets: 6% of OFT participants have an overall target, while most (75%) have SMART targets in place – making it the PFM with the highest percentage of SMART targets. 13% of module participants stated they are working towards developing targets and only 6% have no targets in place. Of the 6% with overall targets, none (0%) report these targets publicly while, of the 75% with SMART targets, 58% report publicly.

Consumption: 75% of OFT participants disclosed consumption data: 6% reported ≥1,000mt, 31% reported 100-499mt, 31% reported 10-49mt and 6% reported <10mt.

Product Marks & Labeling: 94% of OFT participants communicate/label their OFT products, of which 53% use their own labeling, 67% use third party standard product communications and 73% communicate via their website/reports. Of the 53% using own labeling, half are using it together with OFT on or off product communications.

Consumer Strategy: 81% of OFT participants engage consumers, 6% are in the process of doing so, and 13% are not. Of those who are engaging consumers, all (100%) communicate via their website, 85% communicate via marketing collateral, 62% encourage customers to ask questions, 38% participate in cause related marketing, 62% involve customers, 69% have open dialogue with customers, 62% train staff to communicate sustainability benefits to customers and 8% employ other means, such as sustainability workshops.
In total, 41 participants selected the rPET module, which accounts for 58% of Index participants. 93% of participants from Outdoor/Sports selected this module and make up the largest share (32%). Participation rates from other sub-sectors are distributed fairly evenly.

The graph below shows the estimated proportional breakdown of virgin to preferred polyester for the Index and across all sub-sectors. As an approximation, polyester portfolio breakdown for the participants of this Index is 67% Virgin and 33% Recycled. Although bulk volumes of polyester are smaller than many of the other sub sectors, Apparel (S/M) has the highest share of rPET (76%), followed by Home Textiles (46%). Outdoor/Sports uses approximately 14% rPET vis-à-vis conventional and is the only sub-sector that has reported usage of bio-based polyester. MS/Apparel (XL) has the most room for improvement, with uptake of rPET at 2%.

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<th>Portfolio Breakdown</th>
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<th>Bio-based</th>
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In total, 41 participants selected the rPET module, which accounts for 58% of Index participants. 93% of participants from Outdoor/Sports selected this module and make up the largest share (32%). Participation rates from other sub-sectors are distributed fairly evenly.

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<tr>
<th>Participants' Breakdown</th>
<th>Index</th>
<th>Multi-Sector/Apparel (XL)</th>
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<th>Apparel (S/M)</th>
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Ensure sustainable consumption and production patterns.

Target 12.5 Indicator 12.5.1

41 (58%) of companies completed the Recycled Polyester (rPET) module

11 (27%) of these have set targets for uptake of rPET

22,612 mt* is the aggregated consumption of rPET fiber

24 (59%) have disclosed consumption data on rPET to TE

* indicator only - note not all companies have disclosed data
41 companies completed the Recycled Polyester (rPET) module. After Organic Cotton, rPET was the second highest module participation rate, which is very promising since polyester is a popular FM category. Overall, the sector averaged 31 out of 100. Results show that leaders are likely to be using a third party standard for Chain of Custody (RCS or GRS) and have good transparency of supply chains. They are setting Uptake Targets, labeling and differentiating products made from recycled content at point of sales. However, volumes are still small compared to the sectors overall use of virgin polyester, and much more investment is needed to bring about change in the polyester market.

With virgin polyester holding the biggest share of the textile market, the greater adoption of recycled materials, such as rPET, has significant potential to reduce the impact of textiles on the environment.

Sector scores are 35 for Chain of Custody, 39 for Traceability and 16 for Sustainability Investment indicating that participants are making headway on adoption of CoC standards and traceability systems, but Sustainability Investment is low, with 17% of participants investing in their rPET supply chains.

The sector is performing just above par for Consumption Reporting (59), with further improvement needed for setting SMART Targets (29) and increasing Uptake (27). 59% of rPET participants reported consumption data while 27% have SMART targets in place. The estimated sector average percentage of rPET in a polyester portfolio is 33%.

Overall, the sector scored 27 for Section 4: Consumer Engagement in rPET. The low score is primarily due to gaps in Monitoring Business Benefits (15), Calculating ROI (5) and Evaluation of Consumer Strategy (8). While 78% of rPET module participants communicate/label their rPET products, only 22% of them use third party standards for their communications. The question on Customer Strategy scores better, though still slightly under par at 42.
Chain of Custody: Just under half (46%) of rPET participants use a third party CoC standard for material verification. Of the remaining share, 37% are in developmental stages and 17% do not verify. 71% of participants from Apparel (L), 67% from Home Textiles, 43% from MS/Apparel (XL), 38% from Outdoor/Sports and 25% from Apparel (S/M) carry out verification to the RCS, GRS or both.

Of those who use third party standards, 16% use RCS, 42% use GRS and 42% use both RCS and GRS. These results show that, where standards are in place, participants prefer the more comprehensive GRS. 33% of RCS certified companies apply the standard to 100% of their business while 67% apply it to 1-25% of their business. 63% of GRS certified companies apply the standard to 100% of their business, the rest are spread evenly between 76-99%, 51-75% and 1-25%. Where RCS and GRS are used together, 75% apply the standards to 100% of their business.

Traceability: 56% of rPET participants have a traceability system in place. Of those, there is 87% full traceability to Sewing Factory, 65% to Fabric Maker, 39% to Yarn Mill and 35% to Feedstock Supplier.

SMART Targets: 12% of participants who completed the rPET module have an overall target, while 27% have SMART targets in place. 24% stated they are working towards developing targets and 37% have no targets in place. Of the 12% with overall targets, 60% report them publicly, while of the 27% with SMART targets, 27% report publicly.

Consumption: 59% of rPET participants disclose consumption data: 10% reported ≥1,000mt, 5% reported 500-999mt, 10% reported 100-499mt, 5% reported 50-99mt, 12% reported 10-49mt and 17% reported <10mt.

Product Marks & Labeling: 78% of rPET participants communicate/label their products, 12% have plans to and 10% do not. Of the 78% that are communicating/labeling, 84% use their own, 22% use a third party standard and 59% communicate via their website/reports. Of the 84% using their own labeling, 26% also use a third party standard.

Consumer Strategy: 49% of rPET participants engage consumers, 22% are in development and 29% are not. Of those who are engaging consumers, all (100%) communicate via their website, 70% communicate via marketing collateral, 55% encourage customers to ask questions, 20% participate in cause related marketing, 50% involve customers, 65% have open dialogue with customers and 60% train staff to communicate benefits to customers.

Our licenses are required to trace each step of manufacturing to ensure proper use of RPET in accordance with the RCS.
In total, 28 participants selected the pMMC module, which accounts for 39% of Index participants. The highest participation rates are from MS/Apparel (XL) at 57%, followed by Apparel (L) at 45%, Outdoor/Sports at 43%, Apparel (S/M) at 38% and Home Textiles at 9%. 25 participants selected Lyocell, all of which selected Lyocell-TENCEL and 14 of which selected Lyocell-Other (Excel and Monocel). 14 participants selected Modal, 13 of which selected Modal-Lenzing and 2 of which selected Modal-Other (Excel). 6 participants selected Viscose/Rayon from Sustainable Forestry.

The graph below shows the estimated proportional breakdown of conventional to preferred MMC for the Index and across all sub-sectors. As an approximation, MMC usage breakdown for the participants of this Index is: 56% Viscose/Rayon, 8% Modal, 32% Lyocell and 5% Others. Apparel (S/M) has the highest share of pMMC, with 14% Modal and 61% Lyocell. This is closely followed by Outdoor/Sports, with 5% Modal and 57% Lyocell. Home Textiles has the largest room for improvement in it’s share of pMMC, which currently stands at 6% Lyocell.

The Portfolio Breakdown shows the aggregated consumption of lyocell and pMMC for each category. 28 (39%) companies completed the Preferred Man Made Cellulosic (pMMC) module. 25 (89%) of these reported on lyocell. 3 (11%) have set targets for uptake of pMMC. 8 (29%) have set targets for uptake of Lyocell. 7,561 mt* is the aggregated consumption of pMMC fiber. 3,559 mt* is the aggregated consumption of lyocell. 17 (67%) have disclosed consumption data on pMMC to TE. 15 (54%) have disclosed consumption data on lyocell to TE. * indicator only - note not all companies have disclosed data.
REVIEW: PREFERRED MMC

28 companies completed the Preferred Man Made (pMMC) module, although what constitutes a pMMC is yet to be fully defined. This year both Lyocell and Modal have been included due to the high use of traceable Lyocell-TENCEL® and Modal® by Lenzing. Overall, the sector average was 39 out of 100. Well-established pMMC users have incorporated their use of a pMMC into consumer engagement and product differentiation and are now developing Codes of Conduct to help protect old growth forest from entering their supply chains.

What constitutes a preferred Man Made Cellulosic (pMMC) is yet to be defined. However, MMC such as Lyocell and Modal, where the feedstock is sourced from plantations certified to forest sustainability standards, such as the Forest Stewardship Council (FSC), and is processed in an environmentally responsible way, are a good start. New processes for recycling cellulose are providing promising opportunities to avoid virgin inputs.

PREFERRED MMC: QUESTION LEVEL RESULTS

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In Supply Chain, the sector scored 51 for Code of Conduct, 37 for Traceability and 32 for Sustainability Investment. 54% of participants reported the adoption of a Code of Conduct and 50% are using some form of Traceability. While Sustainability Investment is generally not high across modules (the highest score being 40), investment in pMMC supply chains scored relatively well at 32 due mainly to the Leaders Group of companies working in collaboration with CanopyStyle.

While the sector is doing well in Consumption Reporting (61), it does not appear that this is driven by SMART Targets (31). Of the 40% of pMMC participants that have targets, 29% have SMART targets for Lyocell. The estimated share of pMMC in overall MMC use averages 40%; the high percentage share of pMMC in the Apparel (SM) and Outdoor/Sports portfolios buoys this percentage.

It is apparent that pMMC is fairly important to Establishing Brand Identity (61) and most pMMC participants (64%) are engaging consumers, although direct engagement (<50%) could be improved. 75% of pMMC participants are communicating/labeling their pMMC products. Like other modules, Monitoring Business Benefits, Calculating ROI and Evaluation of Consumer Strategy are areas for improvement.
PREFERRED MMC: SPOTLIGHT ON PARTICIPANTS’ RESPONSE

Code of Conduct: 54% of pMMC participants have a policy or adhere to a code of conduct covering the sourcing of MMC. 14% are in developmental stages and 32% do not have any policy/code in place. All (100%) participants from Home Textiles, 63% from Apparel (S/M), 60% from Apparel (L), 50% from MS/Apparel (XL) and 33% from Outdoor/Sports have developed a code of conduct. Of those who have a policy/code of conduct, 33% have their own policy in place and 33% adopt Canopy’s Code of Conduct, with 33% applying a combination of both. All (100%) companies with their own codes of conduct/policies apply these across 100% of their business.

Traceability: 50% of pMMC module participants have a system in place to trace their pMMC. Based on the chart above, of those with a traceability system, pMMC has 100% full traceability to Sewing Factory, 64% to Fabric Maker, 50% to Yarn Mill, 43% Fiber Supplier and 29% to Feedstock Plantation.

SMART Targets: 11% of sector participants who completed the pMMC module have overall targets, while 29% have SMART targets. 21% stated they are working towards developing targets and 39% have no targets in place. Of the 11% with overall targets, 33% report targets publicly while of the 29% with SMART targets, half (50%) report publicly.

Consumption: Of the 25 participants that selected Lyocell in their pMMC module, 64% disclosed consumption data: 4% reported ≥1,000mt, 4% reported 500-999mt, 8% reported 100-499mt, 4% reported 50-99 mt, 24% reported 10-49mt and 20% reported <10mt.

Of the 14 participants who selected Modal in their pMMC module, only 36% disclosed consumption data: 7% reported ≥1,000 mt, 7% reported 100-499 mt, 14% reported 10-49mt and 7% reported <10mt.

Product Marks & Labeling: 75% of pMMC participants communicate/label their pMMC products, 7% have plans to and 14% do not. Of the 75% who are communicating/labeling, 62% use their own labeling and 62% use supplier communications/labeling. 38% use their own labeling together with supplier communications.

Consumer Strategy: 64% of pMMC participants engage consumers, 18% are in development and 14% are not. Of those who are engaging consumers, all (100%) communicate via their website, 44% communicate via marketing collateral, 44% encourage customers to ask questions, 6% participate in cause related marketing, 33% involve customers, 33% have open dialogue with customers and 28% train staff to communicate sustainability benefits to customers.

By 2017 we will be able to ensure that none of or MMC come from ancient or endangered forest. As of 2016 all of viscose will come from 2 nominated sources.
In total, 23 participants selected the Certified Down (cDown) module, accounting for 32% of index participants. The highest participation rates are from MS/Apparel (XL) at 57% (8), followed by Apparel (L) at 55% (6), Outdoor/Sports at 43% (6) and Home Textiles at 27% (3).

The graph below shows the estimated proportional breakdown of conventional to cDown for the index and across all sub-sectors. As an approximation, the breakdown of down usage for the participants of this index is: 40% Conventional, 40% Responsible (RDS), 5% Traceable (TDS) and 15% Other (mainly down audited and inspected by the IDFL). The Outdoor/Sports sub-sector holds the highest share of cDown, with 40% Responsible and 17% Traceable. This is closely followed by Apparel (L), with 54% Responsible. Home Textiles has a 50% share of Responsible Down and MS/Apparel (XL) has a 25% share.

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<th>Portfolio Breakdown</th>
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<td>Other</td>
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- **Certified Down** (cDown) module
- **Portfolio**
- **Natural** consumption and production patterns.
- **Target** 12.2 Indicator 12.2.1

- **23 (32%)** companies completed the Certified Down (cDown) module
- **12 (52%)** of these have set targets for uptake of cDown
- **880 mt** is the aggregated consumption of cDown material
- **9 (39%)** have disclosed consumption data on cDown to TE

* indicator only - note not all companies have disclosed data
23 companies completed the Certified Down (cDown) module. Certified Down included down produced to the Responsible Down Standard (RDS) or the Traceable Down Standard (TDS). Overall, the sector averaged 37 out of 100. Results show strengths in Chain of Custody and high levels of Traceability achieved. High scores for Establishing Brand Identity suggest brands are retailers are leveraging their commitment to down certification in the marketplace, however are yet to display third party logos at point of sales.

Certified Down (cDown) comes from farms certified to either the Responsible Down Standard (RDS) or the Traceable Down Standard (TDS). The down of birds is a layer of fine feathers found under the tougher exterior feathers and is obtained from the breast area of geese and ducks. Down is often blended in products with smaller feathers. Among other criteria, cDown excludes feathers/down from birds that have been live plucked or force-fed.

Overall, the sector scored 45 for Chain of Custody, 50 for Traceability and 18 for Sustainability Investment. The relatively higher score for Chain of Custody and Traceability is due to the third party standard adoption of 61% and the traceability system implementation of 52%. While Sustainability Investment is generally not high across modules (the highest being 39), at 18, investment in cDown supply chain is relatively low.

On the whole, the sector scored 48 for cDown in Section 3: Consumption. This is reflected in the sector scores of 49 for SMART Targets, 37 for Uptake and 39 for Consumption Reporting. Just over half (52%) of participants have SMART targets in place and 39% report consumption data. The estimated sector average percentage of cDown in the down portfolio is 45%.

cDown is a fairly important component to a participant Establishing Brand Identity (62), particularly for the Outdoor/Sports sub-sector (92), however there is room for improvement when it comes to Product Marks & Labeling (25), Consumer Strategy (24), Monitoring Business Benefits (9), Calculating ROI (0) and Evaluation of Consumer Strategy (8).
CERTIFIED DOWN: SPOTLIGHT ON PARTICIPANTS’ RESPONSE

Chain of Custody: 70% of cDown participants reported use of a third party standard for material verification, 22% are in development and 9% do not currently verify. 83% of participants from Outdoor/Sports and Apparel (L), 67% from Home Textiles and 50% from MS/Apparel (XL) carry out verification.

Of those who use third party standards, 63% use RDS, 6% use TDS and 31% adhere to laboratory testing such as IDFL, which, although not a third party sustainability standard, forms a transition for many participants. 90% of RDS certified companies apply the standard to 100% of their business and 10% apply it to 1-25%. All (100%) TDS certified companies apply the standard to 100% of their business.

Traceability: 52% of cDown module participants have a traceability system in place. Of those with a traceability system, cDown has close to full traceability (92%) to both Sewing Factory and Down Processor, 83% to Slaughter House and 67% to Farm.

SMART Targets: 4% of sector participants who completed the cDown module have overall targets, while 52% have SMART targets specific to the RDS/TDS. 13% state they are working towards developing targets and 30% have no targets in place. Of the 4% with overall targets, none (0%) report targets publicly, while of the 52% with SMART targets for the RDS/TDS, 58% report publicly.

Consumption: 39% of cDown participants disclosed consumption data: 4% reported ≥500mt, 4% reported 100-499mt, 9% reported 50-99mt, 13% reported 10-49mt and 9% reported <10mt.

Product Marks & Labeling: 52% of cDown module participants communicate/label their cDown products, 30% have plans to and 17% do not. Of the 52% who do communicate/label, 83% use their own labeling, 42% use supplier communications/labeling and 58% communicate via their website. 30% of those who use their own labeling do so in conjunction with supplier communications.

Consumer Strategy: 26% of cDown participants work to engage consumers, 35% are in development and 39% are not. Of those who are engaging consumers, 83% communicate via their website, 67% communicate via marketing collateral, 83% encourage customers to ask questions, 17% participate in cause related marketing, 50% involve customers, all (100%) have open dialogue with customers, 83% train staff to communicate sustainability benefits to customers and 17% employ other means, such as holding sustainability workshops.

We want to build long-term relationships and we find certifications (and company goals) to be a good way to do this. This way, we have signed up for certified down which is also a security for our suppliers. We have also supported their training and certification processes.
**GLOSSARY**

**Benchmark** - serves as a standard by which others are measured or judged. Textile Exchange runs a PFM Benchmark Program for the textile industry, helping companies identify strengths and gaps and develop strategies for improvement.

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

**CanopyStyle** - an environmental not-for-profit working with over 65 brands to protect the world’s ancient ecosystems. CanopyStyle is focused on phasing out the use of ancient and endangered forests, exploring the use of alternative inputs, and creating traceability and engaging producers in solutions.

**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** - a product certification program that looks at a product through five quality categories. The Cradle to Cradle Certified™ Index comprises of normalized values, company rankings and performance bandings, offering a way to evaluate year-on-year performance improvement.

**Fairtrade International** - a global organization working to secure a better deal for farmers and workers. Fairtrade International and its member organizations make up the world's largest and most recognized fair trade system. In 2009, Fairtrade International, along with the World Fair Trade Organization, adopted the Charter of Fair Trade Principles, which provides a single international reference point for Fair Trade.

**Fiber/Material (FM) usage** - an estimated percentage breakdown of a company's fiber and material usage within all FM categories. For example, an estimated percentage breakdown of its cotton, polyester, down, or MM cellulolics consumption, where applicable.

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

**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.

**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.

**Index** - a statistical tool designed to measure performance over time. In Textile Exchange’s PFM Benchmark Program, the applied weighting and scoring methodology allows TE to create a PFM Index comprising of normalized values, company rankings and performance bandings, offering a way to evaluate year-on-year performance improvement.

**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 cellulose 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.

**Man Made Cellulosic fibers** - manufactured (man made) cellulosic fibers come from plants that are processed into a pulp and then extruded in the same ways that synthetic fibers like polyester or nylon are made. Rayon or viscose is one of the most common “manufactured” cellulose fibers, and it can be made from wood pulp.

**Modal** - Modal is a second generation regenerated cellulosic fiber and a variation of rayon (viscose). Lenzing Modal® is made from beech trees in PEFC (Programme for the Endorsement of Forest Certification) certified European forests. Modal fibers with a high wet modulus were originally developed in Japan in 1951. Lenzing started selling modal fibers in 1964. In 1977, Lenzing started using an environmentally friendly bleaching method for the pulp for their cellulosic fibers.

**Lenzing Modal®** - Lenzing Modal® is Lenzing’s registered brand name for modal.

**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.

**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).

**Portfolio Approach** - The process of building a suite of preferred fiber and materials, from a choice of preferred options, through the consideration of impacts and organizational priorities.
Preferred Fiber/Material (PFM) - one that is: ecologically and socially progressive and has been selected because it has more sustainable properties in comparison to conventional options.

Ways to recognize or achieve a preferred status include: (a) The fiber or material has a recognized sector standard in place that confirms its status as preferred. (b) The fiber or material has sustainability criteria developed through a formalized multi-stakeholder process. (c) The fiber or material has been objectively tested or verified as having superior sustainability attributes, such as through a peer reviewed Life Cycle Assessment. The goal is that PFMs are produced to a globally accepted standard with strict criteria that qualifies the product as preferred, and that they can be traced through the supply chain.

Preferred Fiber/Material (PFM) portfolio - an estimated percentage breakdown of a company’s preferred fiber and materials usage within each fiber/material category. For example, a Preferred Cotton Portfolio would be an estimated percentage breakdown of a company’s use of one or more Preferred Cottons, including the percentage of Conventional Cotton (as a yard stick).

Preferred Man Made Cellulosics - What constitutes a preferred Man Made Cellulosic (pMMC) is yet to be defined. However, MMC such as Lyocell and Modal, where the feedstock is sourced from plantations certified to forest sustainability standards, such as the Forest Stewardship Council (FSC), and is processed in an environmentally responsible way, are a good start. New processes for recycling cellulose are providing promising opportunities to avoid virgin inputs. See Lyocell and Modal.

Preferred Cottons - There are a number of “more sustainable” or, as we refer to them in this report, “Preferred” Cottons that vary in how they balance their sustainability aims. They share a vision of improving the sustainability of cotton yet offer 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, Organic, and Organic Fair Trade 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 final product.

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 involves breaking the polymer into its molecular parts and reforming the molecules into a yarn.

RDS - Responsible Down Standard – a TE standard that ensures down and feathers come from ducks and geese that have, among other criteria, not been live plucked or force-fed.

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), which lists the products/ product categories that can be offered certified (and labeled) to the product and the corresponding production stages.
## APPENDIX I: PFM SURVEY SUMMARY


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APPENDIX II: PROGRAM CYCLE

1. Invitation to participate
   All brands and retailers in Textile Exchange’s global database are invited to participate in the PFM Benchmark each year. In 2015, the database held 500+ brands and retailers.

2. Registration
   Companies take part in the PFM Benchmark through a secure online portal. The technology platform, Probench, is powered by the UK-India based company 73bit.
   Each company must register to access their unique online portal, where their survey is stored. Upon registration, companies are issued with access details and a secure pass code.

3. Submission Window
   The survey is launched at the beginning of May each year. Participants have a six week window to complete and submit their survey.

4. Reporting Cycle
   Information and data submitted should be based on activities carried out by the company during the benchmark reporting period, or the closest equivalent based on the company’s own reporting cycle. Common reporting cycles are the calendar year, financial year, or production year (e.g. Spring/Summer – Fall/Winter).

5. Company Support
   Textile Exchange provides guidance notes, a help line and other supporting material. The TE team is available to directly support the survey submission process.
   TE believes that self-assessment is the starting point for action and improvement. We understand that this may lead to limitations in the information provided by companies and the misinterpretation of questions. To minimize the inherent constraints of a self-assessed survey, TE supports participants throughout all phases of the process.

6. Survey Completion and Submission
   A survey lead is nominated. The lead has responsibility for ensuring that the survey is completed correctly, reviewed thoroughly, signed-off and submitted on time.

7. Sign-off
   Each submission is only considered valid if it is signed off by the survey lead at the company to ensure commitment to the veracity of survey responses. The signed-off sheet must be uploaded to the system when a company formally submits their survey.

8. Review Process
   First Review: Completeness, consistency and adequate supporting evidence: The TE team reviews each company’s submitted survey and supporting documentation. Online checks are made where appropriate. Where there is a gap, TE, with the agreement of the company, will make the necessary amendments. Note: this process is not an audit; the basis of the submission is self-assessment. All submissions receive a first review and the TE team works to a common review template. This helps build a consistent approach across reviewers. Queries are raised with the company via phone and email. During the review phase, the TE team is available to join online meetings or make company visits.
   Second Review: Standardization: A second review is carried out across a selected sample of 50 percent (minimum) of submissions. In order to increase consistency further, this second review is carried out by a single individual. Once submissions are finalized through mutual agreement with the company, any resulting amendments are entered into the system by the TE team. The data is then ready to be analyzed.

9. Data Analysis
   Scores are generated automatically for the Company Feedback Reports. The TE team checks all data, the scoring system and the aggregation of scores. The team carries out data analysis and creates sub-sector and sector averages for the Index. Both quantitative and written analyses are prepared.
   For information on scoring and weighting, see Appendix III: Scoring Methodology.

10. Report Preparation
   The TE team runs a final accuracy check of the data reported in graphs and text.

11. Report Dissemination
   Customized Company Feedback Reports are generated for all participating companies. Company reports are complementary and designed to incentivize performance improvement.
   The Sector Report is produced for wider communication of sector and sub-sector results. The Sector Report is public available and aims to inform a wider set of stakeholders on the status, trends and general progress. In 2016, the PFM Benchmark was linked to the United Nations Sustainable Development Goal (SDG) 12: Ensure sustainable consumption and production patterns.

12. Program Review
   Stakeholder Consultation: Each year, on the release of the results, TE carries out a consultation survey to seek feedback and suggestions for improving the program. The ultimate aim is to create a benchmarking tool that truly adds value to the sector and contributes to company performance improvement.
   Multi-Stakeholder Review Committee and Process: With the support of business sustainability experts, BSD Consulting, TE will develop a Multi-Stakeholder Review Committee and Process to support the continuous improvement of the program.
   Improvement Implementation: On completion of the stakeholder consultation and internal review, program improvements, including system upgrades, are carried out in time for the launch of the next cycle.

Consumption Data
Consumption data is provided by companies on a voluntary basis in one of two ways:

Product details: Companies can provide consumption data by product details via the survey’s online calculator by specifying the product range, number of units, average weight per unit and average blend per unit. The online calculator will provide a default waste factor from product to fiber for pCotton, rPET and pMMC. Companies can override the default should they have their own specific waste factors. The fiber/yarn/ filament usage is automatically calculated by the system using the formula: Units * Average Weight (g) * 1000 * Average Blend * Waste Factor = Fiber/Yarn/Filament Usage (kg)

Bulk fiber: Companies can also provide consumption data by specifying bulk fiber for pCotton, rPET and pMMC, by reporting bulk fiber, companies need to also specify whether their calculations have taken waste through the process stages into consideration. If waste is not included in their calculations, TE will multiply the bulk fiber by the respective default waste factors to estimate the true fiber usage.

Default waste factors are based on averages Textile Exchange has collected from the industry and are as follow:
   Preferred Cotton: 1.5 waste factor from product to fiber
   Recycled Polyester: 1.4 waste factor from product to staple fiber/filament
   Preferred MMC: 1.39 waste factor from product to staple fiber/filament

Note: As consumption data is self-reported by each company, while all attempts are made to ensure that data is consistent with year-on-year reporting, audit and/or verification of data is not carried out as part of the benchmark program.
APPENDIX III: SCORING METHODOLOGY

EXAMPLE OF PFM INDEX MODEL

<table>
<thead>
<tr>
<th>Company's Estimated FM Usage</th>
<th>Overall FM Usage</th>
<th>FM USAGE</th>
<th>Cotton</th>
<th>Synthetics</th>
<th>MMC</th>
<th>Animal Fiber</th>
<th>Other</th>
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<tbody>
<tr>
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<td>30%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>Company's Animal Fiber Usage</td>
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<table>
<thead>
<tr>
<th>PFM Modules Selected</th>
<th>SECTION 2: SUPPLY CHAIN</th>
<th>SECT. WEIGHT</th>
<th>QUESTION WEIGHT</th>
<th>QUESTION SCORE</th>
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<tr>
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<tr>
<td>cDown</td>
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<th>QUESTION SCORE</th>
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<tr>
<th>Module Scores</th>
<th>Index Result</th>
<th>SECTION 1 SCORE</th>
<th>SECTION 2 SCORE</th>
<th>SECTION 3 SCORE</th>
<th>SECTION 4 SCORE</th>
<th>AVERAGE OF TOP 3 PFM MODULE SCORES</th>
<th>OVERALL INDEX SCORE</th>
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<tbody>
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<td>82</td>
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<td>61</td>
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</tr>
</tbody>
</table>

CONSTRUCT OF SCORES

Question scores are achieved based on responses entered for each question, and are always out of 100. Each question carries a question weight. (Refer to page 7 for full list of question weights.)

Section scores are the aggregation of question scores, multiplied by the question weight in a particular section. There are four sections - 1: Corporate Strategy, 2: Supply Chain, 3: Consumption and 4: Consumer Engagement. Sections 2, 3 and 4 are module based. Each section carries a section weight. (Refer to page 7 for full list of section weights).

PFM module scores are the accumulation of section scores, multiplied by the section weight in a module. There are eight scoring modules to select from: BCI, CmiA, FT, OC, rPET, pMMC and cDown. Modules are based on a company’s selection.

The PFM Index Result comprises of a company’s Section 1 score plus the average score for Sections 2, 3 and 4 for a company’s top three performing modules. A company’s top three performing modules are ranked on the entirety of the module and not according to sections.

Formula:
Section 1 Score * Section 1 Weight +
Average (Top Module 1 Section 2 Score, Top Module 2 Section 2 Score, Top Module 3 Section 2 Score) * Section 2 Weight +
Average (Top Module 1 Section 3 Score, Top Module 2 Section 3 Score, Top Module 3 Section 3 Score) * Section 3 Weight +
Average (Top Module 1 Section 4 Score, Top Module 2 Section 4 Score, Top Module 3 Section 4 Score) * Section 4 Weight

Averaging:
- If a company completes one to three PFM modules, all completed modules will be averaged.
- If a company completes more than three PFM modules, only the top three scoring modules will be averaged and included in the Index results.

Performance Banding
- Starting Out (<40) - Beginning the journey
- Establishing (40-59) - Laying the foundations
- Developing (60-69) - Building on the foundations and developing further
- Progressing Well (70-79) - Activities maturing and leadership is emerging
- Leading (>80) - Leading the field
BENCHMARK REVIEW

Help Us Improve Our Benchmark Program!

Our policy is continuous improvement. We warmly invite all participants and interested stakeholders to take part in improving the PFM Benchmark Program. Textile Exchange aims to create a tool that really adds value and contributes to company performance improvement and, to do this, we need your input.

Below are four key areas we have identified for this review process. They include:

1. Use
We would like to know which components of the program are most important for you and should guide the further development of the PFM Benchmark Program.

2. Materiality
We would like to know what data is the most important to you and should be prioritized in the PFM Benchmark.

3. Scoring
We would like to know which scoring focus and Index design you prefer.

4. Communication
We would like to know how you think the results and the Index should be communicated.

We welcome your suggestions and recommendations on these areas and more. Your feedback is important to the improvement and success of this program.

We have scheduled the consultation phase for April 2017. All participants will receive notification and a link to the consultation survey directly. If you are not already a participant but would like to contribute to the process, please do not hesitate to email Lisa Emberson on Lisa@TextileExchange.org.

IMPROVEMENTS MADE IN 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self Assessment</td>
<td>Sign off by the “lead survey practitioner” was introduced.</td>
</tr>
<tr>
<td>Scope &amp; Coverage</td>
<td>A “percentage of business coverage” was incorporated into relevant questions.</td>
</tr>
<tr>
<td>A Portfolio Approach</td>
<td>The survey was modularized to allow participants to respond based on their specific portfolio of preferred fibers and materials.</td>
</tr>
<tr>
<td>Conversion Calculations</td>
<td>A tool was provided for companies to use so that they could manage their own wastage/conversion calculations.</td>
</tr>
<tr>
<td>Calculating Blended Products</td>
<td>The consumption question was adapted to allow participants to input their own percentage averages.</td>
</tr>
<tr>
<td>Weighting &amp; Scoring</td>
<td>A weighting and scoring system was incorporated which allows TE to provide quantified results and more effective benchmarking.</td>
</tr>
<tr>
<td>Company Ranking</td>
<td>A ranking system was introduced which is presented in performance bands. Overall ranking is provided as well as rankings across the 4 sections.</td>
</tr>
<tr>
<td>Reporting</td>
<td>Responses indicated a preference for sector level reporting rather than visibility of individual companies. TE to carry out further stakeholder consultation on this subject in 2017.</td>
</tr>
<tr>
<td>Participant Support</td>
<td>TE provided a variety of tools to support participants during their survey submission.</td>
</tr>
</tbody>
</table>

2016 PFM BENCHMARK PARTICIPANT RATING

![Participant Rating Chart]

- 13% VERY GOOD
- 43% GOOD
- 24% NEUTRAL
- 19% CAN BE BETTER
- 0% BAD

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HOW WE CAN HELP

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

Performance Analysis Presentation
US$6,000 (TE Members), US$9,000 (Non-Members)

This feedback option includes a Performance Analysis Presentation to your company's core team, covering:
- A summary of your PFM Benchmark results and areas of strength
- A gap analysis of your company's performance
- Modeling of your company's areas for improvement

Gap Analysis Report
US$7,000 (TE Members), US$10,000 (Non-Members)

This feedback option provides a Gap Analysis Report, covering:
- A summary of your PFM Benchmark results and areas of strength
- A detailed gap analysis of your company's performance
- Tailored recommendations, including examples of best practice from peers and Index participants
- Prioritization of areas for improvement and action

Bespoke Support
All advisory projects are scoped and priced individually

Based on your TE Benchmark results we can offer bespoke advice that can help you progress on your preferred materials journey. Focusing on your 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 Benchmark 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

PFM Benchmark Team
Liesl Truscott (Lead) | Evonne Tan (Lead Analyst)
Simone Seisl | Lisa Emberson | Nicole Lambert
We envision a global textile sector that protects and restores the environment and enhances lives.