

## **Apparel and Footwear Sector Science-based Targets Guidance**

### *Summary of Public Comments on First Draft*

**July 2018**

#### **Introduction**

On May 21 in Vancouver, BC, WRI convened a workshop to solicit feedback on the first draft of the apparel and footwear sector science-based targets guidance document. Roughly 70 stakeholders from different areas of the industry attended – brands, retailers, suppliers, NGOs, consultancies, and others. In parallel, WRI developed an online survey to solicit feedback from a wider audience. The survey was emailed to the over 400 individuals who have signed up as stakeholders for this project, and the survey was available for others to complete via the Science Based Targets [website](#). A total of 47 individuals submitted survey responses.

This document summarizes key points of feedback from the workshop and the online survey. The WRI team will consider this feedback as it develops the second draft of the guidance (targeted for late summer or early fall).

#### **Overarching Themes**

- In general, stakeholders find the guidance to be helpful, but they would like to see more sector-specific information. For example, they want examples of how apparel and footwear companies are addressing key issues such as access to quality data, setting scope 3 targets (particularly purchases goods and services), and collaboration with value chain partners to achieve emissions reductions.

- Related, stakeholders want to see more explicitly how the guidance is intended for companies across the value chain, and not just brands and retailers. Some opined that examples from finished goods manufacturers and mills would help in this regard.
- Stakeholders want the guidance to be specific and prescriptive wherever possible, for example, explicit direction on which target setting method to use for scope 1 and 2 targets.
- Scope 3 target setting was identified as a challenge for many stakeholders. Stakeholders are concerned about the criterion that does not allow for any absolute increase in scope 3 emissions. Concerns were raised from different angles: from larger brands that are growing (and thus emissions from purchased goods and services are too), suppliers that don't have control over product design and material choices, and smaller, fast-growing brands. Stakeholders asked for more clarity on the use of greenhouse gas emissions per unit of value added (GEVA) method for setting scope 3 targets.
- Given the nature of the apparel value chain, stakeholders believe that significant collaboration is needed to deliver the reductions required by SBTs. For example, mills typically have multiple brands as customers. Reducing emissions will be more feasible if brands work together with mills to achieve reductions.
- A question was raised about whether the SBTi might consider developing an SDA method for more homogenous portions of the value chain, for example, textile mills.<sup>1</sup>
- Where possible, stakeholders would like to understand how companies with approved targets are planning to achieve them (and progressing against them). Many companies will have a difficult time obtaining executive sign off on long-term targets without having a good sense of the roadmap to achieve them. Seeing examples from other companies would be helpful.

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<sup>1</sup> While WRI will further consider this point, our initial perspective is that textile mills are not sufficiently homogenous to establish an SDA. Developing such a method will likely require significant time and resources.

#### **Section 4 and 5: Introduction and Business Benefits of Science-based Targets**

- Overall, many stakeholders find this section helpful for making the business case for SBTs within their organizations. As mentioned above, examples of the business case for apparel and footwear companies would be useful.
- Many stakeholders would like to see more company-specific examples of getting internal buy-in, overcoming barriers, and the competitive advantages created by setting and reaching SBTs.
- Stakeholders find the guidance on addressing the challenges to setting scope 3 targets helpful.
- Several stakeholders cite the challenge of aligning business targets (e.g. revenue growth) with SBTs. For example, few companies set 5 to 15 year revenue targets, and yet this is the recommended time-frame for SBTs.

#### **Section 6: Key Issues in Setting SBTs**

- Most stakeholders believe that the section covers the key issues in setting SBTs.
- Some stakeholders suggest that we examine the [Higg Index](#) (particularly the Facilities Environmental Module) to understand how it is set up to gather the data that companies need to set and deliver against SBTs.
- Stakeholders would like to see more guidance on developing a high-quality GHG inventory, keeping SBTs relevant over time (especially given the dynamic nature of the industry), and measuring progress towards targets.
- Some stakeholders would like to understand how efforts to extend the useful life of products can be accounted for in target setting.

## **Section 7: Overview of the Apparel and Footwear Industry**

Stakeholders opined that the section addresses key trends in the sector, and offered several others:

- End-of-life management is becoming increasingly important given the growing attention to textile waste and the circular economy.
- The growth of athleisure wear and leather alternatives (which could lead to the use of more synthetic fibers).
- Key apparel manufacturing countries such as China, India, and Vietnam remain heavily reliant on coal-based electricity.
- Big data and artificial intelligence could lead to better demand forecasting and management of GHG emissions throughout the value chain.
- The rapid growth of online retail will impact logistics-related emissions.

### **Value Chain Illustrations: Figures 2 And 3 On Page 5 of the Guidance**

- Overall, stakeholders believe that the figures are clear and describe the value chain well.
- Some stakeholders would find it helpful to see an overlay of GHG emissions sources across the value chain schematic.
- Retailers that sell multiple brands would like guidance on how to account for emissions of such brands. For example, if a retailer's business is 20% own-brand product and 80% other brands, what are some of the acceptable approaches to addressing scope 3 emissions for these other brands?

## **Section 8: How to Set a SBT for Scope 1 and 2 Emissions**

- Most stakeholders think that section 8 explains the target setting process well.
- Many stakeholders find the section similar to the main SBTi manual and not specific enough to the industry. They would like to see more sector-specific examples of how companies set and implement their targets.

- Stakeholders would like to see more explanations of the technical nuances in the process of creating a GHG inventory and setting a target (e.g. accounting for heat and steam, adjustments to GHG base-year inventory when companies undergo structural changes).
- Some would find it helpful to visualize the target setting methods (Table 1) and steps companies must take to meet SBTi criteria.

### **Section 9: Scope 3 Criteria for Target Validation by the SBTi**

- A majority of stakeholders find section 9 useful.
- Several stakeholders are concerned about the scope 3 criteria that requires zero growth in absolute emissions, especially its implications for growing companies with ambitious revenue growth trajectories. Stakeholders are also interested in knowing whether GEVA would be acceptable and under what conditions.
- Some stakeholders would like to better understand how to account for emissions reductions resulting from changes in material use and a longer product useful life and whether suppliers get credit for providing materials that enhance product durability.
- Some stakeholders would like to better understand the details behind approved scope 3 targets from companies with relatively similar value chains (e.g. McDonald's, HPE, PepsiCo). Understanding how these companies addressed challenges (e.g. data quality) would help apparel and footwear companies.

### **Sections 10: Purchased Goods and Services and Section 11: Use of Sold Products**

- Some stakeholders suggest developing a hierarchy for the scope 3 calculation methods recommended in section 10.
- Some would like to see more examples of how companies reduced their emissions from purchased goods and services.
- Several stakeholders would like to understand if there is a need for verification of inventory data and tracking progress over time.



## **Section 12: GHG Reduction Framework**

- Some stakeholders noted the importance of industry collaboration to deliver reductions upstream in the value chain.
- A number of stakeholders would like to see more case studies on target implementation including energy efficiency, renewable energy, sustainable materials, and education of customers on use-phase impact.
- Some stakeholders raised questions about addressing specific emission hotspots. For example, suppliers can have significant heat and steam-related emissions that cannot be addressed by renewable electricity. Stakeholders acknowledged the challenges of funding and coordinating actions to solve such problems.