

# THE FASHION PACT

## CLIMATE PILLAR LEADERSHIP SUPPORTING PACKAGE



## INTRODUCTION

Climate action is becoming increasingly strategic for corporations. Whether it is from external pressure by consumers or investors, (inter)national legislation, entrepreneurial spirit or risk management, more companies are taking steps to incorporate climate change. Meaningful climate action requires long-term strategies that account for all elements of a business from raw materials, to end of life treatment, to finding new ways of doing business.

This Leadership package aims to provide guidance and references, to companies that are (or aim to become) leaders in tackling climate change.

### How to use this guidance

The aim of this guidance is to help signatories to the Fashion Pact in showcasing leadership and accelerating their progress on climate. Each section aims to showcase best practices and share references to guidance documents, publications and organisations that can further support in your company's journey.

Specifically, this guidance sets out to:

- Provide clarity on emerging trends, standards and programmes that your organisation should be aware of to maintain your leadership on climate action
- Connect you to external guidance documents and organisations that can support you in your ongoing climate work

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## Who should use this guidance?

This guidance is one of three packages available for Pact signatories. The other two packages are the Supplier Package (which can be used either by four types of producers - or brands and retailers wanting to work with producers or to learn more about supply chain action) and the Accelerator Package (for brands and retailers who are starting their climate journey).

To know if this guidance may be helpful for you, there are four key questions to answer for a brand or retailer:

1. Do you have a greenhouse gas inventory for scope 1, 2, and 3 emissions?
2. Do you have ambitious absolute (potentially science-based) targets for scope 1, 2 and 3?
3. Do you report externally on your GHG emissions, targets, and reduction progress?
4. Do you have a clear, proactive strategy for reducing your GHG emissions, including supply chain engagement and raw materials sourcing?

If you have all these elements in place, you are probably going to benefit most from this package. There is no hard and fast rule - you can mix and match content if this is useful for your company.

To find out more about the support packages, a relevant webinar is [available on the SharePoint library](#).

## The need for action

We are at a defining moment in time when it comes to addressing climate change. In Paris at the COP21 in 2015, more than 195 countries agreed to keep global emissions well below a 2°C temperature increase with the aim to limit warming to 1.5°C. As this will require far reaching and unprecedented changes within society, the corporate sector has an important role to play in limiting warming to 1.5°C, creating an urgency for companies to act.

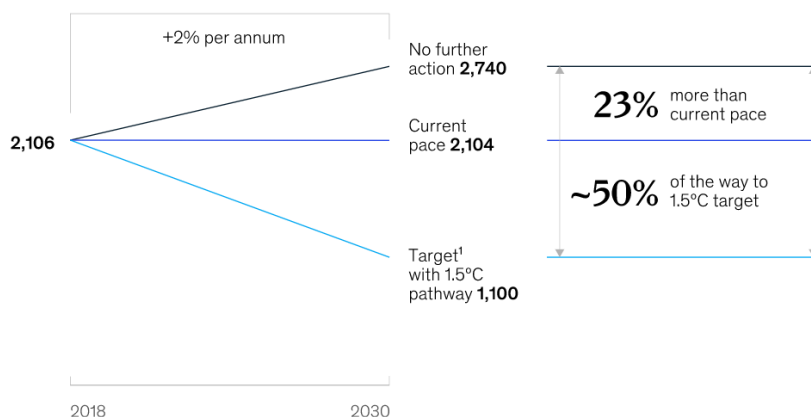
An assessment of current policies and pledges by countries to aim for limiting warming to 1.5°C is falling well short of what is necessary. The emissions and ambition gaps that need to be overcome are significant as with current pledges we will likely surpass 3°C, not considering any tipping-points that will likely be crossed. Simply put, to have a chance of limiting warming to 1.5°C, we need annual global reductions of 7.6% until 2050. This is not yet considering the actions necessary to address the impacts on human society, and biodiversity that are the result of a warming world.

McKinsey and GFA's Fashion on Climate report also highlight that if the fashion industry continues with current efforts on climate, it will miss its required 1.5°C GHG reduction by 50%. This clearly highlights the need for further and more ambitious action from the industry. Collaboration is key in

achieving the tasks that lie ahead, as the power of the collective can achieve more than a single company.

**Under the current trajectory, the fashion industry misses the 1.5°C pathway by 50 percent and abates only emissions from incremental growth.**

**Emissions abatement assuming the industry decarbonization continues at current pace, million tons of CO<sub>2</sub> equivalent**



\*Calculation: half of available 1.5°C pathways indicate 25 billion to 30 billion tons of CO<sub>2</sub> equivalent a year by 2030 (IPCC). 4% of 27.5 billion tons of CO<sub>2</sub> equivalent equals 1.1 billion tons of CO<sub>2</sub> equivalent.  
Source: Consolidated model as of June 19, 2020



Companies willing to take a leadership role are facing considerable internal and external hurdles in setting, measuring, and achieving climate strategies, in line with the best available knowledge. Additionally, companies with good intentions can therefore make less than optimal decisions, for example in terms of advancing goals and addressing impacts, whilst other companies can use these hurdles and uncertainties to set commitments that only look good on paper, leading to greenwashing.

The challenge is monumental. Not only to reduce the worst impacts of climate change and staying within a 1.5°C world, but balancing this with reducing other environmental impacts, maintaining a healthy and profitable business for the years to come, and engaging in activities that go beyond your company’s value chain. This leadership package therefore aims to provide some guidance to companies at the forefront of these engagements and link to additional guidance and initiatives that could support the Fashion Pact members.

**Section 1: Science based target setting and emerging approaches**

A positive trend is visible in the number of companies that are setting greenhouse gas reduction targets in line with science. This chapter outlines what is expected from a company that aims to become a leader in terms of an ambitious science-based target. The chapter generally follows the guidance of the Science Based Targets initiative but will highlight where companies can make additional efforts. The SBTi is also working on guidance around setting a Net-Zero target which would likely be in line with a 1.5°C scenario. Fashion Pact members are encouraged to keep a close eye on these developments, and upgrade targets where relevant.

Beyond the SBTi criteria additional considerations apply to make a company's targets best in class:

1. Ensure that GHG emission reduction targets are in line with a 1.5°C pathway covering scope 1, 2 and 3 emissions.
2. Set short- (2025), mid- (2030) and long-term targets (2040/2050) to spur short-term action and long-term innovative processes.
3. Include as many GHG emissions as possible in the company's climate strategy. Preferable 100% coverage of GHG emissions in the long-term targets.
4. When publicly communicating targets, state absolute and relative emission reduction targets and report both absolute and relative emissions progress to make it easy to track and verify by external and internal parties.
5. Develop robust and meaningful financial commitments to address remaining emissions or to go beyond your company's science-based emission reduction in the short- and mid-term.
6. Encourage and support suppliers in setting science-based targets.

### Level of ambition

The Fashion Pact members that aim to maintain or reach a leadership role should set targets in line with the most ambitious emission reduction pathway available. This means that companies should set absolute emission reduction targets in line with the 1.5°C pathway for their scope 1, 2 and 3 emissions. Although the Science-based Targets initiative (SBTi) does not yet assess scope 3 emissions beyond well-below 2°C compliant, it is generally assumed that halving value chain emissions by 2030, halving them again by 2040 and reaching a net-zero state by 2050 (with few residual emissions or even absolute zero for some sectors) is in line with a 1.5°C pathway according to the IPCC. This translates into a 7.6% annual reduction of emissions between 2020 and 2050. Delayed action will increase the annual rate of reduction further.

### Timeframe

In terms of overall ambition, it is advised to set short-, medium- and long-term targets. Immediate action is needed to tackle climate change and reduce the need for more expensive mitigation and adaptation measures in the future, as well as to avoid reaching a tipping-point. Mid- to long-term ambitions are needed to ensure that the gravity and scope of the changes that are needed are achieved. To reach a net-zero by 2050 goal and largely decarbonise the business sector, significant changes in the way businesses currently operate need to be realised. This requires long-term vision, strategies, and innovation to ensure that these changes happen timely.

### GHG inventory scope

Specifically, for scope 3 emissions, the SBTi's requirement is to at least cover 2/3<sup>ds</sup> of your company's value chain emissions. An ambitious target covering 66% is already challenging for many companies especially if it is a target that is in line with a 1.5°C pathway. However, in the long-term, solutions must be found for the entirety of value chain emissions. A long-term target and strategy can support decisions and innovation covering all aspects and all emissions of the business. For Fashion Pact members the recommendation is considering a Net-Zero target at the latest by 2050, but preferably sooner.

## Communications of targets

The SBTi requires absolute emission reduction targets – although relative reduction targets can be communicated if they lead to absolute emission reduction targets. The recommendation to The Fashion Pact members is to communicate targets in both absolute and relative emission reduction terms to clearly indicate the progress over time. Absolute emissions reduction achieved will give a clear indication if a company is reducing in line with science. Related emission reduction progress will give a clear indication if a company is succeeding in decoupling its growth from its climate impact.

## Financial commitments

A financial commitment can further support a company's climate ambitions and cement a leadership position. On a company's journey to decarbonise the business, emissions will still occur. A financial commitment can address the impact of such emissions. Various ways exist for setting a financial commitment such as an internal carbon price, a percentage of revenue, or determining a specific amount to be invested in additional climate action. The size of the financial commitment should be sufficient to reflect the environmental cost of the emissions. The funds from the financial commitment can be used to invest in additional emissions reductions, higher cost materials, supply chain programmes, renewable energy sourcing or climate innovation. Careful consideration is due for most of these options to ensure high-quality and long-term solutions with no- to minimum-adverse impacts.

Setting targets on GHG impact reduction without a suitable financial commitment or budget and relevant internal or external advisory or planning capacity is likely to make achieving these targets highly challenging. Most strategic activities that will lead to lower GHG emissions will have some time or cost implication, and this is important to socialise internally as a concept.

## Net-zero targets

Businesses are increasingly committing to ambitious targets to achieve net-zero emissions. This reflects the growing sense of urgency required to tackle the climate crisis, as well as the need to future-proof economic growth. However, net-zero targets can have many forms and nuances. There is also no universal definition of 'net-zero' for businesses, leading to many inconsistencies in its usage across industries.

A common definition of net-zero is therefore needed. Businesses need an understanding of net-zero that is grounded in science, applicable across all industries and accurately addressing the climate crisis and wider sustainable transition of the global community.

There are multiple criteria for an effective net-zero target. Below are some recommendations for creating net-zero targets:

**A clear end-goal:** The global economy needs to reach a balance between emission sources and carbon removals, and a net-zero target should achieve this aim. In essence, companies need to eliminate their contributions of greenhouse gases in the Earth's atmosphere.

**A sustainable trajectory:** Even with a credible end-goal, the emissions pathway of a net-zero target is equally important. The gradient of an emissions reduction trajectory will determine the outcome, and therefore should be designed with as much care as the end-goal target itself. As well as being in

line with science, a sustainable pathway must also consider global planetary boundaries and local sustainability goals, to contribute to wider societal progress including sustainable development, while minimising any trade-offs.

**A comprehensive target:** Companies must address all relevant impacts across all direct and indirect emissions. Identifying these boundaries and ensuring that they are included is key to a truly comprehensive and credible net-zero target.

**Interim targets:** Setting interim targets before the net-zero goal is also important to ensure that a company is accurately addressing the magnitude of the changes that are required. Meaningful interim targets can also demonstrate to internal and external audiences and stakeholders that a company is on-track to achieving their target.

**Wider societal benefits:** As well as reducing their own emissions, companies can contribute to wider societal transitions through their own target.

### Climate positive

Climate positive is a term that is used to describe a range of activities. But it is important to use it accurately and precisely in order to avoid making false claims.

More brands are setting the ambitious goal of becoming 'climate positive'. WWF and a group of companies have taken the first steps to develop a framework, aiming to bring together brands who want a credible, scientific, and globally accepted way of becoming a 'climate positive' company. These guidelines include information on setting conventional Science Based Targets, but also recommend the following elements to demonstrate a positive contribution to climate change reduction:

#### Enable Customers and Suppliers

- Work in a collaborative way with suppliers and business partners to support transformation of business elements, businesses, or markets, including sharing of methodologies and competences.
- Enable customers to make choices that will progress and accelerate the climate positive movement.

#### Public Affairs

- Expand policy affairs influence with forward looking policies on climate change and e.g. energy efficiency, renewable energy, food or materials.
- Engagement should be based on strategic relevance of topics, connected to impact on emissions, i.e., a priority list of issues to address for maximum leverage.

#### Engaging with others

- Take part in co-developing and co-investing in forward-looking technology roadmaps to advance and speed up progress for the most challenging sectors and critical materials.



- Engage with other stakeholders on the climate positive journey and be an explorer and supporter of frameworks which focus on reducing emissions in society at scale through high impact innovation and investments.

To find out more about target setting, a relevant webinar is [available on the SharePoint library](#).

To find out more about net-zero and climate positive targets for Fashion Pact members, a relevant webinar is [available on the SharePoint library](#).

For more information on renewable energy sourcing and power purchase agreements, see [here](#) and [here](#)

### Raising aspirations - 50% by 2030

Every year the Race to Zero (R2Z) consults with its partners and stakeholders to ensure the criteria for entry to the campaign are keeping pace with science and best practice, and to help the entire climate action community converge around robust approaches. The University of Oxford facilitated the 2021 criteria update process through a total of eight online consultation sessions encompassing 30 presentations from academic institutions, organizations, and coalitions. Participants included experts from the networks and initiatives that form R2Z, but also a larger set of individuals with expertise in non-state and subnational climate action. In total 204 individuals followed the consultations, from this 146 were individual registrations from experts representing organizations across regions and subjects of expertise, and 58 were part of the Race to Zero partners network.

Updated requirements from the Race to Zero partners network now recommend:

*Pledge at the head-of-organization level to reach (net) zero GHGs as soon as possible, and by mid-century at the latest, in line with global efforts to limit warming to 1.5C. Set an interim target to achieve in the next decade, which reflects maximum effort toward or beyond a fair share of the 50% global reduction in CO2 by 2030 identified in the IPCC Special Report on Global Warming of 1.5C.*

The Fashion Pact is monitoring these developing goals and expectations, and will keep signatories and the steering committee updated on whether Fashion Pact goals need to adjust in the medium to long term to take account of new developments.

## RESOURCES

- [Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature](#)
- [Creating a Climate Positive Business Movement](#)
- [Race to Zero criteria](#)
- [Roadmap to Net Zero Delivering Science-Based Targets in the Apparel Sector, WRI, SAC, Aii \(draft\)](#)
- [SBTi Criteria, manual and Foundations paper](#)
- [SBTi Foundations for Science-based Net Zero Targets paper](#)

- [SBTi Net-Zero foundations paper and draft criteria \(for consultation\)](#)
- [The Fashion Industry Charter for Climate Action Playbook](#)
- [The SBTi Apparel and Footwear guidelines](#)
- [WWF Climate Positive Company Framework](#)
- [WWF Climate Positive Framework \(draft\)](#)

## Section 2: Industry action & collaboration

When it comes to sustainability, collaboration within the industry is necessary to achieve the required changes as is proven by initiatives such as the Fashion Pact and others. To achieve this, scalable solutions need to be developed and implemented. Considering the complex nature of today's businesses with complex supply chains with many suppliers crossing different markets, it is natural for a company to feel daunted by the tasks ahead to reduce impact in line with 1.5C.

### Potential activities

To achieve the scale and speed necessary, companies in the fashion industry need to collaborate to find joint solutions and share the costs and resources to achieve a decarbonised supply chain network. This can be done by, for example:

1. Joining collaborative programmes to support lower climate raw materials sourcing, including for example Textile Exchange roundtables, OCA, LWG, or Canopystyle
2. Joining industry programmes designed to reduce the impact of tier 1-3 production, such as Aii, IFC or WWF on ground programmes, or using the Higg FEM, and
3. Joining global sector specific or multi-sector collaborations helping to deliver solutions such as renewable energy at scale, best practice sharing and coordinated industry action to help influence public and private sector ambition levels.

### Example initiative - Race to Zero

[Race to Zero](#) is a global campaign aiming to unite critical non-state actors towards climate leadership, bringing together businesses, cities, regions, universities and investors to work towards a zero-carbon future. Its objective is to rally all organisations with a common goal; halving emissions by 2030 and achieving net-zero emissions as soon as possible and by 2050 at the latest. Led by the High-Level Climate Champions for Climate Action – Nigel Topping and Muñoz – Race to Zero also mobilises actors to join the [Climate Ambition Alliance](#), launched to strengthen the ambitions of nations committed to the Paris Agreement.

Manufacturers and brands can join Race to Zero through the Fashion Charter, which is the official Race to Zero partner for the fashion sector, or separately through [other official partners](#) such as UNGC Business Ambition for 1.5. Fashion Charter is by far the most common method, however, for joining Race to Zero, and is recommended to ensure consistency and alignment with other industry actors while benefiting from aligned Fashion Charter mechanisms.

For example, the Charter also hosted a cross-industry alignment process that allowed for the creation of the [fashion industry decarbonisation milestones document](#) (equivalent to the UNFCCC Marrakech Partnership Climate Action Pathways), which was supported by many key sustainability initiatives in the fashion industry. This is a key document for capturing fashion sector targets and progress on a 1.5 degree pathway, to track the contributions of key organisations in the space, and to showcase the existing progress made by the industry.

## RESOURCES

### Raw materials:

- [Better Cotton Initiative](#)
- [CanopyStyle Commitment](#)
- [Forum for the Future Net Positive MMCF 2030](#)
- [Textile Exchange MMCF Roundtable](#)
- [Cotton 2040](#)
- [Fashion For Good](#)
- [Leather Working Group](#)
- [Organic Cotton Accelerator](#)
- [Partnership for Sustainable Textiles](#)
- [Responsible Leather Roundtable](#)
- [SAC Higg MSI](#) and other product tools
- [Textile Exchange roundtables](#) and [Climate+ strategy](#)

### Circularity initiatives (covered in the later section on business models)

- [Ellen McArthur Foundation Make Fashion circular](#)
- [Fashion For Good](#)
- [Fashion Positive](#)

### Producers/manufacturers engagement:

- [Apparel Impact Initiative](#)
- [Clean by design programme for mills](#)
- [PaCT programme by IFC](#)
- [SAC Higg FEM](#)
- [WWF on-ground textiles programmes](#)

### Industry collaboration:

- [Alliances for Climate Action](#)
- [Business Ambition for 1.5°C commitment](#)
- [Fashion Industry Charter for Climate Action](#)
- [Fashion industry decarbonisation milestones document](#)
- [Race to Zero campaign](#)
- [Race to Zero November Dialogues programme](#)

- [RE100](#)
- [Renewable Energy Buyers Alliance \(also active in Mexico, Vietnam, India, and China\)](#)
- [Renewable Thermal Collaborative](#)
- [WWF Climate Business Network](#)

To find out more about the Fashion Charter, a relevant webinar is [available on the SharePoint library](#).

For information on more sustainable raw materials sourcing, two relevant webinars are available [here](#) and [here](#).

For more information on climate action in the supply chain, it is [available on the SharePoint library](#).

### **Section 3: Policy engagement**

Governments and corporations need to work together to deliver on the Paris Agreement commitments and to close the emissions gap. In addition, corporations need favourable policy environments and incentives to deliver on ambitious environmental strategies. Governments therefore must ensure that ambitious companies do not encounter policy barriers that reduce a company's ability towards climate action and incentivise additional corporate action, while encouraging or forcing laggard companies to act.

Corporates in turn need to encourage such policy changes and actively show governments that they are willing and able to act. In many textiles production or consumption regions, the fashion and textiles industry can be an important voice in advocacy for climate friendly regulatory environments. Companies also have a large role to play in their respective trade and industry organisations, particularly if they create collective asks and advocate together in an appropriate way. Many of these organisations are not ambitious enough when it comes to addressing environmental impacts and, in some cases, actively lobby against governments on these topics. Clear and uncompromising support must be provided by individual companies to ensure positive contributions.

#### **Potential activities**

1. Identify markets and barriers where policy engagement would make a significant difference - or engage in shared platforms that will help your internal teams understand important policy barriers and opportunities
2. Join shared advocacy opportunities convened by credible partners in collaboration with other companies, expert organisations or through industry platforms. Credible approaches should include:
  - a. A clear sense of the policies, incentives or implementation issues that need to be addressed
  - b. Clear recommendations as to how these can be addressed, including a detailed understanding of how policies and incentives interact and how the transition to the new approaches can be made

- c. An evaluation of the outcomes of the new policies, practices or incentives, including an estimation of climate and social benefits, economic pros or cons, job outcomes, and any trade-offs with other impacts areas or interests
  - d. A detailed analysis of the key stakeholders involved in making the change, such as important ministers, departments, bodies and advocacy groups, and how to make the case effectively to the most important decision makers (taking account of their political goals and metrics)
  - e. An understanding of the timescale involved in successful delivery of policy change (usually fairly long term), and the presence of a credible and effective convener or advocate to support research and engagement with key actors - ideally one with strong previous experience of engaging with those institutions previously or a deep connection with/understanding of the relevant context
3. Work within your trade and industry associations to align them to the Paris Agreement, by speaking up, working towards solutions and if necessary, changing their positions.
  4. Allocate the necessary funds and resources to policy engagement activities in line with the company's environmental ambitions.
  5. Work with your networks to mobilize additional groups in advancing climate policy and spread the message of action.

Several initiatives and organisations exist that can support your company navigating the climate policy space. This area is still developing; and new initiatives, and guidance documents will be added.

### Example initiative - the Fashion Industry Charter for Climate Action

The Policy Working Group in the Fashion Industry Charter for Climate Action is creating policy engagement plans for key textile production regions globally, and shared a communique for business at COP25 asking for government support in delivering net zero goals for the industry. Presented at COP25, the Charter's communique states their multiple commitments and asks key governments to support their journey towards achieving these goals by creating supportive policy environments. Elements of focus include the scale up of renewable energy in line with the Paris Agreement; advancing low-carbon technologies; investing in sustainable production and related technologies; and the phase out of coal power within fashion supply chains.

Co-chaired by representatives from the H&M Group and Nike, the Policy Working Group works more broadly to create a roadmap towards two of the Charter's Principles, namely focused on policy development and advancing renewable energy within the fashion industry. The group also aims to select target countries, map out potential connections between existing renewables initiatives, and engage with governmental agencies developing climate policy.

To find out more about policy engagement for Fashion Pact members, a relevant webinar is [available on the SharePoint library](#).

## RESOURCES

- [AAA Framework and brochure](#)
- [CDP Responsible Corporate Engagement](#)

- [Fashion Industry Charter for Climate Action working group on policy](#)
- [InfluenceMap](#)
- [Policy Hub Proposal for an EU Green Recovery Plan in textiles industry](#)
- [RE100](#)
- [Responsible Corporate Engagement in Climate Policy](#)
- [WWF on-ground textiles programmes \(country level advocacy\)](#)

## Section 4: Business model

As businesses play such an influential role in society, often transcending national boundaries and worth more than many nation-states, the way business is done equally determines the impacts and benefits. Businesses are therefore ideally positioned to become part of the solution and to reach the scale that is necessary. Unfortunately, current business models are largely unsustainable. The current system of producing and using products follows a linear approach, using large amounts of virgin materials and fossil fuels, also creating vast amounts of pollution and waste for products that are often short-lived.

Fashion companies need to start thinking already now about developing and implementing necessary changes to become a sustainable business. This is not only needed to stay within the 1.5°C threshold and generally within the planetary boundaries, but also to address the multitude of risks that companies are and will face related to resource availability, regulatory risks, consumer and investor pressure and a changing climate. A more circular business model with regenerative aspects is one concept that is often opted as the solution for various industries. This entails moving away from a linear model and closing loops when it comes to resources.

### Potential activities

1. Implementing more circular business practices, such as:
  - a. Sustainable design practices to increase recycling, and product life, and reduce environmental impacts including design for disassembly and longevity.
  - b. Sustainable packaging to decrease the environmental impact associated with both primary and secondary packaging. This may include improved packaging materials, reduction of packaging volumes, reusable packaging solutions, grouping into secondary packaging etc
  - c. Considering more sustainable transportation alternatives, and optimising transportation to decrease the number of movements necessary.
  - d. Innovations can support companies in tracking products and materials, identifying opportunities to address related risks and impacts.
2. Building new infrastructure and incentives for end-of-life solutions, such as:
  - a. Broad garment collecting programmes to reduce products ending up in landfills and increase the potential for reusing and recycling

- b. Managing unsold / surplus products by supporting resale of products through various initiatives
3. Considering new customer offers that provide more circular models, such as:
  - a. Renting and / or leasing of products as a new business model to ensure traceability of products and decrease fashion waste and overconsumption.
  - b. Repair services and longevity related programmes
  - c. Increased and improved digital showrooms to reduce the number of trips of customers and reduce the number of returned items.
  - d. Slowing down and reducing seasonal collections to reduce overstock and reduce overconsumption.

### Example initiative - the UNEP Circularity Roadmap

In addition to these resources, the UN Environment Programme (UNEP) is launching a roadmap to outline the priority actions that the fashion industry can adopt to transition towards circularity. The report will also clarify how existing textiles sustainability goals can support the delivery of a circular value chain, and how interdependencies between actors can help create a shared approach to facilitating transformation at a global scale. This roadmap should be available in Q3 of 2021, building on their [initial evaluation of the potential impact benefits of circularity in the textiles value chain](#).

### RESOURCES

- [A New Textiles Economy: Redesigning Fashion's Future](#), Ellen Macarthur Foundation (2017)
- [Centre for Sustainable Fashion - Circular Design Handbook](#)
- [Circle Economy's Fashion Tool](#)
- [Circle Economy's toolbox for apparel brands](#)
- [Cradle to Cradle Products Innovation Institute](#)
- [Designforlongevity.com](#)
- [Ellen Macarthur Circulytics tool for measuring circularity](#)
- [Fashion for Good's 'Sorting for Circularity' project](#)
- [Global Fashion Agenda's Innovation Forum](#)
- [Guidance for Fashion Companies on Design for Recycling](#), Mistra Future Fashion (2019)
- [Mistra durability guidelines](#)
- [Promotion of Circular Economy in the Mexican Apparel Industry](#), Mexican Center for Environmental Law funded by C&A Foundation (2019)
- [Textiles and the Environment in a Circular economy](#), EEA's European Topic Centre on Waste and Materials in a Green Economy (ETC/WMGE) (2019)
- [Textiles in Europe's Circular Economy](#), European Union Environment Agency (Briefing) (2019)
- [The Circularity Gap Reporting Initiative - 2021 Report](#)
- [The Future of Circular Fashion: Assessing the Viability of Circular Business Models](#), Accenture and Fashion for Good (2019)
- [The Jeans Redesign](#)
- [UNEP Sustainability And Circularity In The Textile Value Chain: Global Stocktaking](#)

- [UPMADE Certification for manufacturers](#)
- [WRAP durability guidelines](#)

## Section 5: Transparency and reporting

Transparency will play a central role in achieving the necessary changes to stay within a 1.5°C world. Creating internal and external transparency is needed to demonstrate positive environmental and social impact to stakeholders. Trust is the key word that will inspire confidence of stakeholders to invest in your company and customers to return. Fortunately, corporations are improving in reporting targets and progress on climate, however a lot still needs to be done.

Companies have an increasing need for primary data, both for internal streamlining and tracking of progress as well as for external validation and reporting. Generally, creating awareness and transparency within your value chain operations can result in determining supply chain risks and can create opportunities for impact and cost reduction.

### Potential activities

1. Reporting according to the current best practices especially around reporting of scope 3 emissions, and this is where most of the emissions occur for large fashion brands.
2. Sharing potential solutions and initiatives that can help the sector or other corporations in increasing transparency.
3. Encourage and support suppliers to account for and report emissions publicly.
4. Publishing absolute and intensity indicators in terms of impact and reductions (or increases).
5. Publishing detailed product impact information and whereabouts.

Fashion Pact members will also report to the [Fashion Pact annual reporting process](#), to ensure credibility for progress against shared goals

### RESOURCES

- [BSR and Futerra: Making accurate claims - avoiding greenwashing](#)
- [CDP](#)
- [EU Non-Financial Reporting Directive](#)
- Fashion Industry Charter for Climate Action reporting mechanisms through CDP (members can access through the Fashion Charter portal)
- [Fashion Transparency Index](#)
- [Global Reporting Initiative](#)
- [SASB Apparel, Accessories and Footwear Reporting Standard](#)
- [SASB Implementation Supplement - Greenhouse Gases and SASB](#)
- [TCFD guidelines on reporting Climate related financial disclosure](#)



## Section 6: Appropriate use of carbon offsets or insets

Carbon offsets (i.e. carbon credits) have been used by many companies to make claims on their carbon progress. However, it is very important to ensure that offsets (or alternative mechanisms akin to 'insets') are used carefully, as they should only be used to address emissions that are unavoidable and impossible to reduce through other means. Offsets can also be used as a way to make additional investments in climate solutions and to achieve net negative emissions on top of existing 1.5°C reductions. Despite this, the main focus should be on actual emissions reductions within your operations and value chain activities, with offsets only being used as a final option where direct emissions reductions cannot be made. 'Hard-to-abate' emissions are almost always not relevant to fashion companies, as most emissions can be abated with sufficient investment and focus. Therefore it is recommended that offsets are treated with caution. For reporting emissions, those reporting to SBTi or CDP are not able to 'count' offsets as part of their emissions reduction progress. Most reporting schemes require carbon offsets to be reported separately, in order to emphasise the important focus on emission reductions.

It is also very important to ensure that any offsets are sourced from a credible organisation, and that no inappropriate claims are made.

### RESOURCES

- [CDP - 'Where do carbon offsets fit into a net-zero future?'](#)
- [Oxford guide to credible offsetting](#)
- [Value \(Scope 3\) Interventions - Greenhouse gas accounting and reporting guidance](#)

To find out more about net-zero and climate positive targets for Fashion Pact members, a relevant webinar is [available on the SharePoint library](#).

## Section 7: Nature based climate solutions and links to other impact areas

Nature-based solutions is a family of approaches that involve working with nature to address societal challenges, to provide benefits that are both environmentally and socially sustainable. This approach is at the cutting edge of climate strategy, and is still being fully developed. But the general aim is to engage on climate solutions that are anchored in the natural landscape, with a host of co-benefits in other environmental areas.

Through working with nature, actions can be implemented that simultaneously protect, manage and create ecosystems, while also engaging with local communities with key decisions. These solutions will play an integral role in global efforts to mitigate climate change and biodiversity loss, as well as achieving other sustainable development goals. For companies, nature-based climate solutions can play important roles in achieving science-based net-zero targets, either as part of your emissions abatement plan or as a compensatory measure during your transition towards net-zero. These

solutions can also contribute to neutralising emissions that are not feasible to reduce through other means. However, as with carbon offsetting methods (mentioned earlier), nature-based solutions used as compensation and neutralisation measures should not replace the need to reduce your operational and value chain emissions in line with science.

Common examples include restoring upland forests, which can help global cities regulate water flow and manage extreme floods. Other solutions such as restoring habitats can help to remove carbon dioxide from the atmosphere. These solutions can also promote innovation, offering economic benefits for many communities around the world.

In essence, companies will need to be careful in deploying nature based climate solutions, to ensure that they a) work with a credible partner to implement programmes in a way that truly provides net benefit for the environment and local communities and b) carefully follow guidelines on offsets, including reporting methods and other recommendations for best practices.

## RESOURCES

- [Guidance on science-based targets for nature](#)
- [IUCN guidance](#)
- [Key definitions](#)
- [WWF guidance](#)

To find out more about the links between the climate workstream and the biodiversity and ocean workstreams, a relevant webinar is [available on the SharePoint library](#).

## Section 8: A just climate transition

A just transition aims to ensure that the benefits of an environmentally sustainable transition are shared between members of society, including whole countries, industries, people or communities. This approach focuses on balancing out the opportunities created by a green economy with those lost; such as livelihoods and whole industries. By taking this systematic perspective, a just transition aims to not leave behind people or communities who are negatively impacted by the green economy, and instead incorporate these actors into the new system in a socially just approach.

A just transition is a fundamental part of many global commitments towards the green economy, including the Paris Agreement. Ensuring a socially just system also contributes to 14 of the 17 Sustainable Development Goals, such as: SDG 12 - climate action, 10 - reduced inequalities, 8 - decent work and economic growth, and 7 - affordable and clean energy.

To find out more about just transitions and climate justice, a relevant webinar is [available on the Sharepoint library](#).

## RESOURCES

- [ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all](#)
- [OECD Report on Just Transitions](#)
- [The European Commission - The Just Transition Mechanism tool](#)
- [WRI Expert Perspectives – Towards a Just Transition](#)