



Reshaping the textile sector with focus on sustainability

This note has been prepared by WWF and UNEP and does not necessarily reflect the views of the OECD.

Objectives of the session

- Taking examples from across the value chain, highlight some key challenges preventing a sector-wide transition to more environmentally sustainable practices, both pre- and during the COVID pandemic.
- Explore how the pandemic and the current context is affecting businesses' ability to address identified environmental risks in their value chain and implications for sustainability programmes, together with good examples.
- Raise understanding of the role of different actors (businesses, governments and financial institutions), and their intersections, in supporting the sustainable transformation of the textile sector.

Background

What is the context?

The textile industry has significant impacts on the global climate, the quality of ecosystems and human health. However, it is a sector that employs more than 300 million¹ people along the supply

¹ Business of Fashion & McKinsey (2019), *The State of Fashion Report 2019*, <https://www.mckinsey.com/~media/McKinsey/Industries/Retail/Our%20Insights/The%20State%20of%20Fashion%202019%20A%20year%20of%20awakening/The-State-of-Fashion-2019-final.ashx>

² Global Fashion Agenda & The Boston Consulting Group (2017), *Pulse of the Fashion Industry 2017*, <https://www.globalfashionagenda.com/publications-and-policy/pulse-of-the-industry/>

³ Global Fashion Agenda & The Boston Consulting Group (2017), *Pulse of the Fashion Industry 2017*, <https://www.globalfashionagenda.com/publications-and-policy/pulse-of-the-industry/>

chain and has been particularly impacted by the COVID-19 pandemic, with millions of workers at severe risk of losing their livelihoods (global lockdown scenarios, shortages in raw material supply, order cancellations, etc).

While short term demand for apparel may have declined, long term demand for apparel is projected to increase, making the issue of planetary boundaries and sustainable growth a central challenge going forward. Transformation of the sector will need to happen throughout the supply chain to improve the resilience of communities, reduce environmental impacts and ensure textile businesses are future proofed by shifting to more sustainable business models.

As one of the world's most polluting industries, the fashion, apparel and textile sector has a significant impact on planetary systems. According to 2015 figures², the sector was responsible for the consumption of 79 billion cubic metres of water, the emission of 1,715 million tons of CO₂ and the production of 92 million tons of waste. Under a business-as-usual scenario, it is estimated³ that these numbers will increase by at least 50 per cent by 2030, putting even more pressure on planetary systems – from biodiversity to water to climate.

What are the various perspectives?

Many leading actors in the textile sector now understand the significance of embedding environmental sustainability in core business strategies and operations to mitigate the worsening impacts based on long-term growth expectations for the sector.

In this context, a coalition of leading actors in the fashion, apparel and textile sector, and NGOs that work for a more sustainable fashion industry, have launched an open letter to raise awareness to ensure sustainability remains central in the face of our collective recovery from COVID-19. The International Labour Organization (ILO) has launched a call to action “COVID-19: Action in the Global Garment Industry”, which aims to catalyse action across the industry to support manufacturers and protect garment workers’ income, health and employment.

The UNEP roadmap for sustainability and circularity in the textile value chain has also been developed in consultation with around 100 NGOs, brands, producers, financial institutions, policymakers and communications specialists from around the world, and will bring the insights from all these players into one cohesive roadmap for the textiles industry.

While some governments have prioritised climate action in their response to the coronavirus crisis, others have particularly neglected progress towards environmental action. Examples include governments that incorporated environmental conditions to their stimulus and aid packages, such as the EU where about 30% of its EU-wide stimulus plan and its 2021-2027 budget will be dedicated to climate-friendly investments². On the other hand, a number of governments have not included environmental conditionality in their responses or even suspended temporarily environmental provisions, such as China, that modified environmental supervision to boost post-

² Y. Dadgnet and J.Jaeger (2020), “*Not enough climate action in stimulus plans*”, World Resources Institute, <https://www.wri.org/blog/2020/09/coronavirus-green-economic-recovery>

coronavirus recovery³ or the US, where the Environmental Protection Agency (EPA) issued a sweeping suspension of its enforcement of environmental laws, so that companies don't need to meet environmental standards during the coronavirus outbreak⁴.

What progress has been made?

In the past decade, many actors have been working to increase the sector's sustainability and we have now started to see some promising results.

Programmes from multi-stakeholder platforms, such as Sustainable Apparel Coalition (SAC), Zero Discharge Hazardous Chemicals (ZDHC), Textile Exchange (TE), Fashion Revolution India, Open Apparel Registry (OAR), Apparel Impact Institute (All) and the OECD Due Diligence Guidance have contributed to raising the sustainability bar for suppliers, improving transparency, making discharge limits more stringent, and enhancing levels of pre-competitive collaboration. These sector-specific efforts are in turn supplemented with cross-cutting efforts, such as the World Business Council for Sustainable Development (WBCSD) WASH Pledge, which calls for better access to water, sanitation and hygiene services in workplaces, the Carbon Disclosure Project's (CDP) efforts for companies on climate, forests and water, and the Alliance for Water Stewardship's Standard and training programmes. All of these represent progress that must be maintained as we build back better.

As mentioned above, the EU is committed to making a shift to sustainable practices and has dedicated 30% of the EU-wide stimulus plan to green investments. Within the EU, governments of Germany and France are leading the way in channeling investments towards environment-friendly measures. However, countries like China and India continue to support coal development despite supporting green measures in parallel. On the other hand, the developing countries will need enormous economic support, around \$2.5 trillion, to recover from the losses incurred by the pandemic and to get back on track.⁵

What are the remaining challenges/gaps?

The textile sector has an enormous ecological footprint in terms of water use and pollution, hazardous chemicals' discharge and emission of greenhouse gases. The sector's massive environmental impact poses a long-term financial and business sustainability concern for brands and retailers. With the onset of the COVID-19 pandemic, the sector has seen unprecedented disruption to its operations and supply chains. Across the globe, thousands of factories and stores are closing and millions of workers remain in a precarious position. Environmental impacts are now increasingly recognized as potential business risks. The current environmental landscape has

³ M. Xu and B. Goh (2020), "China to modify environmental supervision of firms to boost post-coronavirus recovery", Reuters, <https://www.reuters.com/article/us-health-coronavirus-china-environment/china-to-modify-environmental-supervision-of-firms-to-boost-post-coronavirus-recovery-idUSKBN20X0AG>

⁴R. Beitsch (2020), "EPA suspends enforcement of environmental laws amid coronavirus", The Hill, <https://thehill.com/policy/energy-environment/489753-epa-suspends-enforcement-of-environmental-laws-amid-coronavirus?fbclid=IwAR19tJdVNboFdvh-uT-hwN1XK2wKBvianPAeqIP6UNHGjg9LUmDSq7Ms5VY>

⁵ Y. Dagnat and J. Jaeger (2020), "Not enough climate action in stimulus plans", World Resources Institute, <https://www.wri.org/blog/2020/09/coronavirus-green-economic-recovery>

sparked an interest among the investors to factor sustainability while assessing a company's long-term risks and business value. Investors can leverage their influence to push companies towards more environment-friendly practices.

One of the key challenges faced by the business community is to identify ways to transform their business models that decouple production and consumption from the depletion of water resources and the emission of greenhouses gases, and ways to collaborate with other stakeholders (government, other companies, investors and communities) within the river basins upon which they depend for the sustainable management of resources. This includes prioritising where to channelize financial flows in the supply chain for maximum reduction of environmental impacts and strengthening relationship with suppliers.

Discussion questions

- Given the impact of the global COVID-19 pandemic on the textile industry, what risks / fragilities are now in the spotlight?
- What needs to change to implement increasingly effective due diligence processes, and how can it help the transition to more sustainability in a post-COVID-19 world?
- What are the opportunities for the industry around green recovery, including the business and environmental benefits from a shift to circular and sustainable business models?
- How to leverage the financial sector to support the textile sector transformation? Pathways for deployment of capital – where to optimize that in the supply chain?
- In what ways stakeholders should collaborate and coordinate their actions towards the same priorities ?

For more information

- A coalition of leading actors in Fashion, Apparel and Textile sector, *Open Letter*, 2020, https://wwfint.awsassets.panda.org/downloads/open_letter_final_201020_.pdf
- UNEP, *Sustainability and Circularity in the Textile Value Chain*, 2020, https://www.oneplanetnetwork.org/sites/default/files/unep_sustainability_and_circularity_textile_value_chain_1.pdf

About the partners

About World Wide Fund (WWF)

WWF is an independent conservation organization active in nearly 100 countries working to sustain the natural world for the benefit of people and wildlife.

Working with many others – from individuals and communities to business and government – WWF urgently seeks to protect and restore natural habitats, stop the mass extinction of wildlife, and make the way we produce and consume sustainable.

About the Open Letter

The open letter represents a call on behalf of a coalition of these leading actors in the fashion, apparel and textile sector and NGOs that work for a more sustainable fashion industry, to ensure sustainability remains central in the face of our collective recovery from COVID-19. Launched during 2020's virtual World Water Week, the Open Letter's signatories include multinationals such as H&M, Tchibo, Burberry, PVH, Tommy Hilfiger, Calvin Klein and Primark as well as the Sustainable Apparel Coalition, ZDHC, Alliance for Water Stewardship, CDP and WWF

About United Nations Environment Programme (UNEP)

UNEP (Consumption and Production Unit) – The United Nations Environment Programme (UNEP) is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment.

UNEP aims to provide leadership and convene partners to develop knowledge and solutions to advance towards a sustainable and circular textile value chain, while supporting the sound management of chemicals. This will contribute to achieving the 2030 Agenda for Sustainable Development, especially SDG 12 on responsible consumption and production.