

The Business Case for Sustainability

THE BUSINESS CASE FOR SUSTAINABILITY

Overview

Sustainability is a *business opportunity*. Every year, the business case for sustainability in fashion grows stronger as sustainability innovation offers opportunities for increased profitability. Congruently, evidence suggests that neglecting the fashion industry's environmental and social impact will have detrimental effects on business growth and profits.

A shift toward sustainable practices begins one step at a time. The steps outlined in this guide are meant to help those taking that first step and those much further down the line that are completely re-thinking their design and production processes. No matter where you are on this path, every step has the potential to be a long-term investment that will pay off.

This guide aims to serve as a resource for brands to immediately implement and improve a wide variety of design and business processes. Increased profits in the long-term may require upfront investment, and this guide provides the tools you need for evaluating those decisions.

PULSE OF THE FASHION INDUSTRY —————

“Even without considering the positive effects on brand building and risk management, *there is a sound business case.* By realizing the potential savings and efficiency increases described in the Roadmap to Scale, companies will see an uplift in their profitability by *1 to 2 percent.*”

2017 Industry report

NATURAL BUREAU OF ECONOMIC RESEARCH

“In a matched sample of 180 ‘High Sustainability’ companies and ‘Low Sustainability’ companies over an 18-year period, *the High Sustainability group outperformed the Low Sustainability group by 4.8 percent* on a value-weighted base. The outperformance is stronger in sectors where the customers are individual consumers, where companies compete on the basis of brands and reputation, and where companies’ products significantly depend upon extracting large amounts of natural resources.”

From the report [‘The Impact of a Corporate Culture of Sustainability on Corporate Behavior & Performance’](#)

NATURAL BUREAU OF ECONOMIC RESEARCH —————

“The boards of directors of High Sustainability companies are more likely to be formally responsible for sustainability and top executive compensation incentives are more likely to be a function of sustainability metrics. High Sustainability companies are more likely to have established processes for stakeholder engagement, to be more long-term oriented, and to exhibit higher measurement and disclosure of nonfinancial information. Finally, *High Sustainability companies significantly outperform their counterparts over the long-term, both in terms of stock market and accounting performance.*”

From the report “[The Impact of a Corporate Culture of Sustainability on Corporate Behavior & Performance](#)”

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Sustainability doesn't have to be expensive

It can cost nothing to get started. For example, on a basic level, minimizing use of water and energy can bring huge savings, both at production facilities or even in your office. (You can learn more about some of these opportunities in the [Sustainable Buildings & Offices](#) section of this guide.)

Some initiatives such as [Canopy Style](#), which works to protect forests endangered by the fashion industry, are free and easy to join. Before you implement any changes at your company, just signing on can add to a collective voice with the bargaining power to shift an entire industry.

EXAMPLE

The NRDC's Clean by Design Program

[NRDC Clean by Design](#) promotes a simple 10-step program to reduce the environmental impact at what it refers to as the “hottest spot” of the industry’s environmental impact: fabric dyeing and finishing.

The impact has been stellar: each and every mill that has implemented the program—the old and new, the large and small, cotton and synthetic, woven, knit, and denim—has benefited substantially. One mill reduced its water use by 36 percent, another reduced its energy use by 22 percent. The top mill for economic returns in 2014 earned \$3.5 million in the first year, with projects that paid themselves back in only 13 months.

“In total, the 33 mills in the 2014 NRDC Clean By Design program saved:

- 3 million tons of water
- 61 thousand tons of coal
- 36 million Kwh¹ of electricity
- 400 tons of chemicals
- \$14.7 million dollars

Annual return per mill averaged \$440,000 with the top five mills saving more than \$800,000.”

TOOLS & RESOURCES

Measure environmental impact in your business calculations

The Natural Capital Coalition developed a tool to help make the invisible impacts of business visible, quantifiable and comparable. They recognized that main environmental risk categories have a direct link to business performance, including higher resource costs, new government regulations, reputational damage, reduced market share, and fewer financing options.

Kering used this tool to create its own Environmental Profit & Loss Calculator (E P&L). According to Kering, conducting an E P&L will not only help you improve your environmental impact, but it will help you discover potential efficiencies, innovations and improvements that can give you a real edge.

Both the Natural Capital Coalition Protocol and the Kering E P&L are available as open source for free. You could access both of them here:

[Kering's Environmental Profit & Loss \(E P&L\) Methodology](#)
[The Natural Capital Coalition Protocol](#)

NATURAL CAPITAL COALITION

“Overexploitation of, and damage to, natural resources, particularly in vulnerable ecosystems, presents a very real financial risk to businesses operating in the sector. For example, cotton price volatility halved the profits of some apparel retailers in recent years, while toxic discharges from dye houses to water systems can result in large financial penalties from fines and clean-up fees.”

TOOLS & RESOURCES

Suggested reading

A guide for CEO's:

[The CEO Agenda 2018](#)

The Global Fashion Agenda has created a guide to what every CEO in fashion needs to prioritize to future-proof their company.

Reports & studies:
The business case for
sustainability

[Sustainability Pays](#)

A list of studies from Natural Capital Solutions that prove the business case for sustainability.

[Investing for a Sustainable Future](#)

MIT Sloan Management Review Research Report & The Boston Consulting Group.

[Fashion is Old Fashioned: Disruption, Sustainability, and Investment Opportunity in the Fashion and Apparel Industry](#)

MIT Sloan Management Review Research Report & The Boston Consulting Group

[Labor Lens Investing: The Business Case for Fair Labor Practices](#)

Boundless Impact Investing

[The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance](#)

National Bureau of Economic Research

[Sustainable Business case studies: Innovation and inspiration in corporate sustainability](#)

The Guardian Sustainable Business

[The World in Context: Beyond the Business Case for Sustainable Development](#)

HRH The Prince of Wales's Business & the Environment Programme & The University of Cambridge Programme for Industry



TOOLS & RESOURCES

Suggested reading

Reports & studies:

[The Key to Confidence: Consumers and Textile Sustainability — Attitudes, Changing Behaviors and Outlooks](#)

Oeko-Tex

Consumer behavior & sustainability:

[Shopping Trends Among 18-37 Year-Olds](#)

LIM College

[The State of Fashion 2018](#)

Business of Fashion and McKinsey and Company

[The Nielsen Global Survey of Corporate Social Responsibility and Sustainability](#)

Nielsen

[The Consumer Study: From Marketing to Mattering](#)

The UN Global Compact-Accenture CEO Study on Sustainability in collaboration with Havas

[2018 Timberland Wardrobe Value Survey Fact Sheet](#)

Timberland

Articles:

[“The Comprehensive Business Case for Sustainability”](#)

By Tensie Whelan and Carly Fink, Harvard Business Review

[“By Not Accounting for Nature, Business Is Reporting Fake Profits”](#)

By Philippe Joubert, Sustainable Brands

[“Sustainability Targets + Science: The Smart Business Equation”](#)

by Daniel Hill, Sustainable Brands



TOOLS & RESOURCES

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Articles cont'd:

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By Philippe Joubert, Sustainable Brands

[“Sustainability Targets + Science: The Smart Business Equation”](#)

By Daniel Hill, Sustainable Brands

[“Millennials Say They Care About Sustainability. So, Why Don’t They Shop This Way?”](#)

By Luna Atamian Hahn-Petersen, The Business of Fashion

[“The Sustainability Practitioner’s \(Basic\) Guide to Investors”](#)

By Martin Rich, Sustainable Brands

[“The Ecosystem of Shared Value”](#)

By Mark R. Kramer and Marc W. Pfitzer, Harvard Business Review

[“The Latest Trend at Fashion Houses? ‘Sustainability’ Experts”](#)

By Ray A. Smith, The Wall Street Journal

Impact Assets

Investment fund Impact Assets provides an excellent list of articles on its website [here](#).

LUNA ATAMIAN HAHN-PETERSEN

“The gap between millennials’ stated interest in sustainability and their actual purchasing patterns *is not due to lack of conviction but product availability* and lack of clear marketing.”

The Business of Fashion



Create A Company Sustainability Strategy

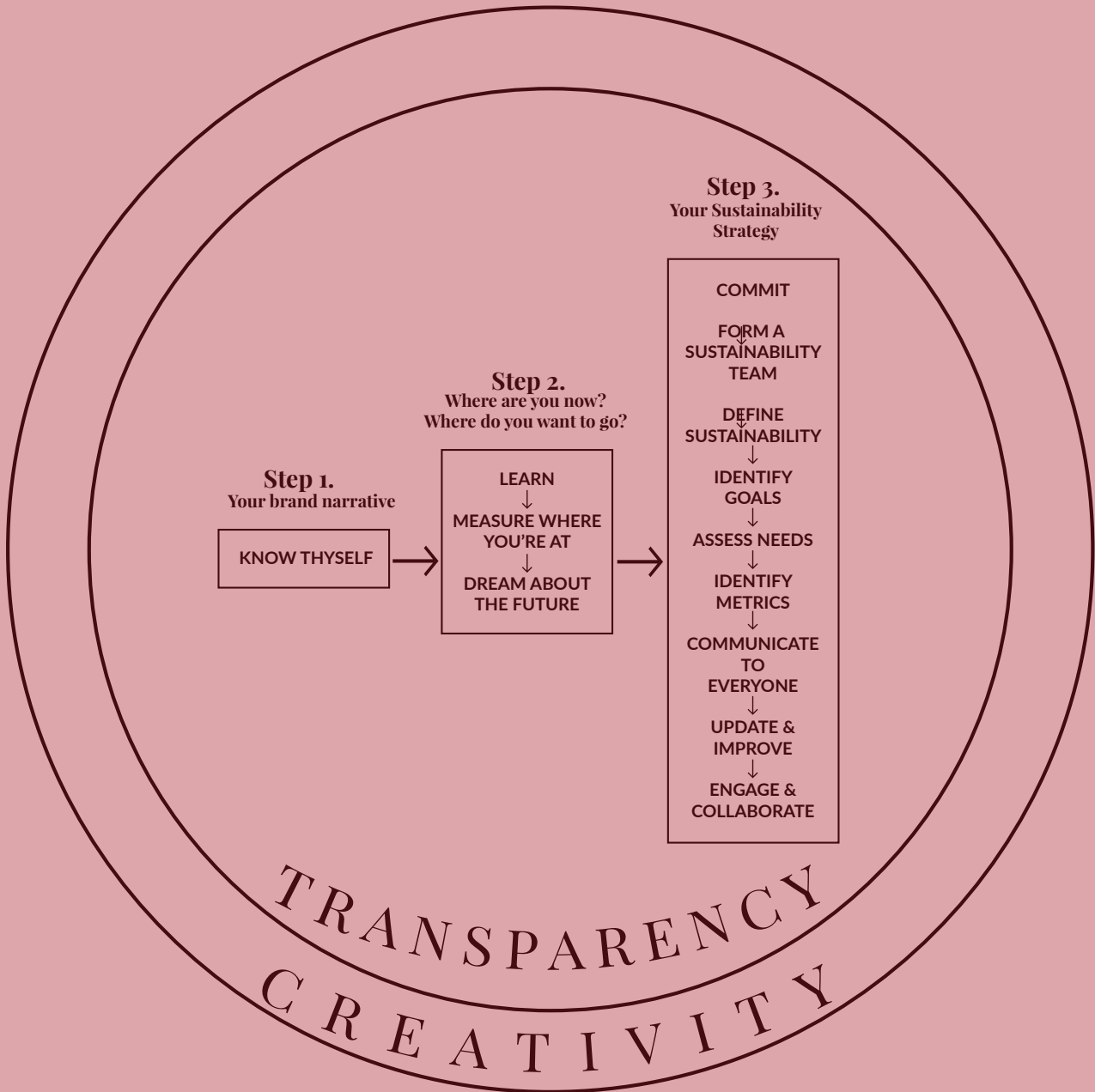


CREATE A COMPANY SUSTAINABILITY STRATEGY

Overview

Creating a sustainability strategy can benefit your company in a number of ways. It doesn't matter whether your company is small or large, what your budget is, or how far along you are in your sustainability journey (even if you haven't started yet). A sustainability strategy provides incentive for continuous improvement and can keep you motivated to continue your sustainability journey. It means you take the long-term health of your company seriously and helps you stay true to your brand values.

There are many benefits to having a sustainability strategy. It can be good for PR, increase brand loyalty, and attract investors. Data shows that employees care about purpose at work and prefer to work for a company that actively addresses its environmental and social impact. Not only does it attract better talent, but employees are more engaged and committed. There is a [quantifiable link](#) between a company's sustainability strategy and employee productivity and retention.



PRABAL GURUNG

“While the definition of sustainability is incredibly layered, find what practices work best for you and your brand and start by focusing on those. *No brand will become a zero-impact brand overnight,* it’s just not a reality, but any change for the better helps. Finding likeminded partners is also very helpful. Certainly an initiative that proves we’re stronger in numbers.”

NOTE

Pay attention to numbers, but understand their limits

Goals are more meaningful when a business can measure progress, which is why metrics are important. That said, many existing metrics are incomplete and can be misleading if used incorrectly. No metric is able to take into account the whole story. Therefore, it is important to consider all factors of your individual supply chain and your brand's greater purpose. (For example, *just because something may be more "efficient" doesn't mean it's better.*)

There are a various measurement tools that help put specific numbers to things. At times metrics are simple and literal, such as when measuring the level of a known carcinogen in wastewater. Some tools, however, like Kering's EP&L, work to quantify more complicated aspects, such as future risk. The most widely used tool is the Higg Index, which measures social and environmental impact along the entire product lifecycle. While we recommend all of these tools, it is important to maintain a healthy sense of critical thinking and skepticism when using them. If a given score or ranking relies on data not provided specifically by you, find out where it comes from.

WORKSHEET

Create a company sustainability strategy

1. Create a Brand Narrative

Start with the Big Questions

Whether you're just starting out or far along on your fashion journey, take a step back to think about your brand. For example: Who are we? Why do we create? What does sustainability mean to our company? This may seem superfluous, but it is vital to creating a relevant sustainability strategy. It is essential to know, on a fundamental level, why you're doing what you're doing, and what your unique positive impact will be. Sustainability is not one-size-fits all, there are myriad routes one could take and they all have value. Take your time on Step 1.

Create Your Brand Narrative

- What is the purpose of your brand?
- (Re)Create your mission statement
How can you include sustainability moving forward?
- Be sure your brand story and history are updated and shareable.
- Make a vision statement that clarifies your long-term vision and goals of the company.
- Make a list of core values and principles.
- What is your value proposition (the value you promise to deliver to the consumer)?
- Who is impacted by you what you do?
Your people, also called stakeholders, include employees, suppliers, customers, and everyone who touches your brand. Make a list of your stakeholders.
- What does your current governance and operations structure look like?
- What does your current revenue model look like?

2. Assess Where You Are Now & Where You Want to Go

Where are you now?

- What has your Sustainability journey been to date?
- What does Sustainability mean for your brand?
 - What benefit does the pivot for sustainability bring to your company?
 - What is the business case for a shift towards sustainability?
 - What are the risks of not pursuing sustainability?

Trends in Fashion + Sustainability

- What are some macro trends that are shifting the supply and demand curve of your product?
- What do you see from your customers, suppliers, and competition?
- Look to outside sources for research and factual data to back up your claims.
- How are your ideas in sustainability addressing these shifts in the market?

Conduct a self-assessment. There are some wonderful tools you can use to measure where you stand:

- B Corp Impact Assessment
- Natural Step (ABCD) Method
- Higg Brand & Retail Module (Higg BRM)
- C2C Certified™ Self Check

WORKSHEET

Create a company sustainability strategy cont'd

Where do you want to go?

- What is your long-term sustainability goal?
 - Begin with your final vision (not only for your company, but for the whole world) and work back to how you will get there by setting checkpoints for yourself. This process is called Backcasting (Natural Step's ABCD Process).
- What are first steps you can take to begin working towards your goal?
 - Write down a basic strategy for the business areas you want to transform (design, manufacturing, etc.)
- Highlight key innovation and impact areas that are easiest for your company

3. Create and implement a sustainability strategy

Creating your company's brand narrative and conducting a self-assessment are a great start. As you move forward, here are some of the basic steps and tools for creating and implementing a sustainability strategy for your company:

1. Commit to improving environmental and social performance
2. Form a sustainability team
 - To begin, this just needs to be a couple motivated/dedicated employees. In order to succeed, they will need explicit support from, and direct access to, top management. This team will also require access to all relevant information.
3. Define what sustainability means for your company
 - Develop a common language and understanding. (You can use information gathered in Steps 1 and 2. There are also some great worksheets and exercises in the CFDA Sustainable Strategies Toolkit.)
 - How will decision-making and evaluation of design and business impacts be approached?
 - What tools or framework methods will be used?
4. Identify short- and long-term goals
 - Based on learnings from your self-assessment, identify goals for 1, 3, and 5 years - and beyond!
 - Brainstorm opportunities for action.
 - Prioritize and simplify.
5. Assess your needs to meet those goals
 - This includes things like tangible resources,
 - tools, equipment, staffing, stakeholder
 - relationships, R+D, etc.
 - How will those needs be met?
6. Identify metrics for assessment
 - How will environmental, social, and financial impacts be measured/considered?
 - Create an action implementation table and timeline.

WORKSHEET

Create a company sustainability strategy cont'd

7. Share and communicate your strategy with your entire team, your suppliers, the public, and all extended stakeholders

- Create and share a written company policy.
- Have written supplier guidelines (like an RSL list, code of conduct, etc.) to share with your team, your suppliers, and the public.
- Design a conscious brand strategy. This is a vision-based plan articulating the story of your brand and its journey to sustainability. For example, how does your company use design and the products it creates to empower, educate, inform, and catalyze meaningful change?
- Be transparent and publicly report your progress and challenges.

8. Regularly review your strategy and integrate new and improved concepts of sustainability

9. Engage and collaborate

- Engage and collaborate with consumers, civic, social, community, education, eco/social awareness raising, philanthropic, design leadership, activism, brand partnerships, etc.



TOOLS & RESOURCES

Tools to conduct a self-assessment

You can use these tools to measure where you currently stand:

[B Corp Impact Assessment](#)

This Assessment will walk you through a series of questions to help you learn what it takes to build a better business - better for your workers, community, and the environment. It takes approximately 30 minutes to get a quick snapshot, or 2-3 hrs for a full impact report. The results will help you to determine your strengths and weaknesses as well as to compare your policies against other companies. They also offer free tools to help you improve your impact, which can be found [here](#).

[Natural Step \(ABCD\) Method](#)

The A-B-C-D method to applying the Framework for Strategic Sustainable Development consists of four steps which are repeated as an organization progresses toward sustainability.

A = Awareness and Visioning

B = Baseline Mapping

C = Creative Solutions

D = Decide on Priorities

[HIGG Brand & Retail Module \(HIGG BRM\)](#)

Businesses of all sizes can use the Higg Brand & Retail Module (Higg BRM) to measure the environmental and social impacts of their operations and make meaningful improvements. The Higg BRM also supports these Higg Index users in sharing sustainability information with key stakeholders, including supply chain partners.

[C2C Certified™ Self Check](#)

Test your products based on the Cradle to Cradle criteria.



TOOLS & RESOURCES

Tools to create a roadmap & strategy for the future

These free tools and guides can help you create your own sustainability strategy:

[CFDA Sustainable Strategies Toolkit](#)

A combination of practical information, resources, research, and exercises to help brands broaden awareness, deepen knowledge, and develop a framework for future strategies to incorporate sustainability into their business model and culture.

[Planning for Sustainability: A Starter Guide from Natural Step](#)

This is a compilation of hands-on exercises and worksheets to help innovators create more elegant, effective, and creative solutions for the circular economy. Solutions that are invaluable for people, give business a competitive advantage, and are regenerative for our world. This guide allows you to explore new ways to create sustainable, resilient, long-lasting value in the circular economy.

[Sustain-Live](#)

Sustain-Live offers a downloadable “Model Sustainability Policy” you can use [here](#). If you choose to hire them, Sustain-Live can also work with all your staff to roll out their Sustainability Change Management Process using trusted and proven methodologies to reorient the vision, goals and guiding principles of your business or organization toward achieving sustainability. Based on the business or organizational needs and using scientific sustainability principles, they identify the relevant issues and goals, working with the company to develop the most useful framework, criteria and actions in order to achieve them. Ensuring that the right people, processes and structures are in place to guarantee success.

[PG&E One-pager: Creating a basic green \(environmental\) policy](#)

An environmental policy is your company’s statement about the commitment to sustainability and environmental management that your business is prepared to make. Having a formal environmental policy shows your employees and customers that managing environmental issues is a high priority for your company. This PG&E worksheet is a great way to get started.



TOOLS & RESOURCES

Tools to create a roadmap & strategy for the future, cont'd

These organizations will work with you to create your own sustainability strategy:

[Fjord](#)

Fjord drives business value by pivoting a company's service, product or entire organization, using a people-focused approach. Through design-led strategy, Fjord can help to frame why it's necessary to make such a change, who for, and how it will make money.

[AccountAbility](#)

AccountAbility works with organizations to improve their performance through their sustainability strategy, the environmental and social impact of their operations, innovation and growth opportunities, stakeholder engagement and the reporting of their information. AccountAbility's AA1000 Series of Standards are principles-based Standards and Frameworks used by a broad spectrum of organizations – global businesses, private enterprises, governments and civil societies – to demonstrate leadership and performance in accountability, responsibility and sustainability. You can download their standards [here](#).

[The Sustainability Consortium](#)

The basis of the Sustainability Consortium's measurement and reporting system are their toolkits, comprised of a category sustainability profile (CSP), which contains key performance indicators (KPIs), sustainability insights and, when available, their illustrated supply chain diagrams. They are interactive tools that highlight environmental and social issues relevant to a product category, practices that can be used to drive improvement on those issues, and key performance indicators (KPIs) to track and measure performance against them. The toolkits are science-based and stakeholder-informed, including input by companies, academics, civil society organizations, and government agencies.

[CECP: The CEO Force for Good](#)

More CSR than fashion supply-chain specific, CECP's customized benchmarking data services go beyond what is available in the self-serve access system, providing in-depth analyses of additional topics and insights from CECP's 15+ years of research. This is an exclusive benefit to CECP-affiliated companies, evaluating, advising and helping them make improvements. They advocate for adjustments to budget or staffing levels, and benchmark programs year-over-year and against peers.