

Launch of Apparel, Textiles, and Footwear Sector Guidance for Setting Science-based Targets



SCIENCE
BASED
TARGETS

June 22, 2017



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Meet the speakers



Nate Aden

Senior Fellow
WRI



Cynthia Cummis

Director of Private Sector
Climate Mitigation
WRI



Jim Goddard

Director of Advanced
Sustainability Analytics
Nike



Kevin Moss

Director of Business
Center
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Agenda

- **1. Who is WRI** **(5 min)**
- 2. Science Based Targets initiative overview (15 min)
- 3. SBT sector guidance (5 min)
- 4. Lessons learned from Nike (15 min)
- 5. Technical issues to address (20 min)
- 6. Guidance development process (30 min)

WRI'S MISSION | To move human society to live in ways that protect Earth's environment and its capacity to provide for the needs and aspirations of current and future generations

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WRI'S Approach

COUNT IT

Managing for
Results
Data, Analysis
& Tools

CHANGE IT

Systemic
Adoption &
Communications

SCALE IT

Convening,
Testing &
Influencing

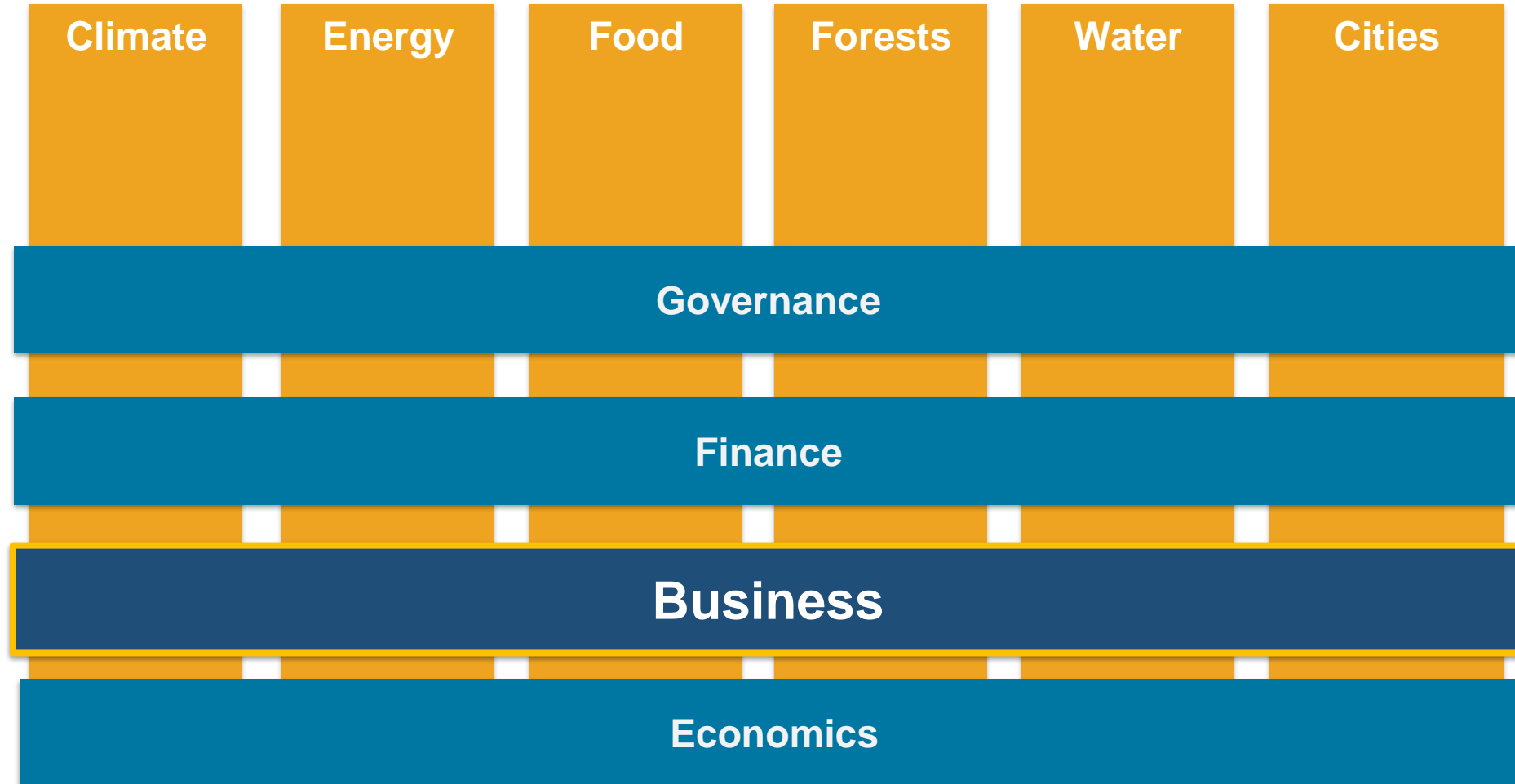
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Business engagement addresses WRI's 6 global challenge areas



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Apparel, Footwear, and Textile Engagement at WRI

Science Based Targets initiative

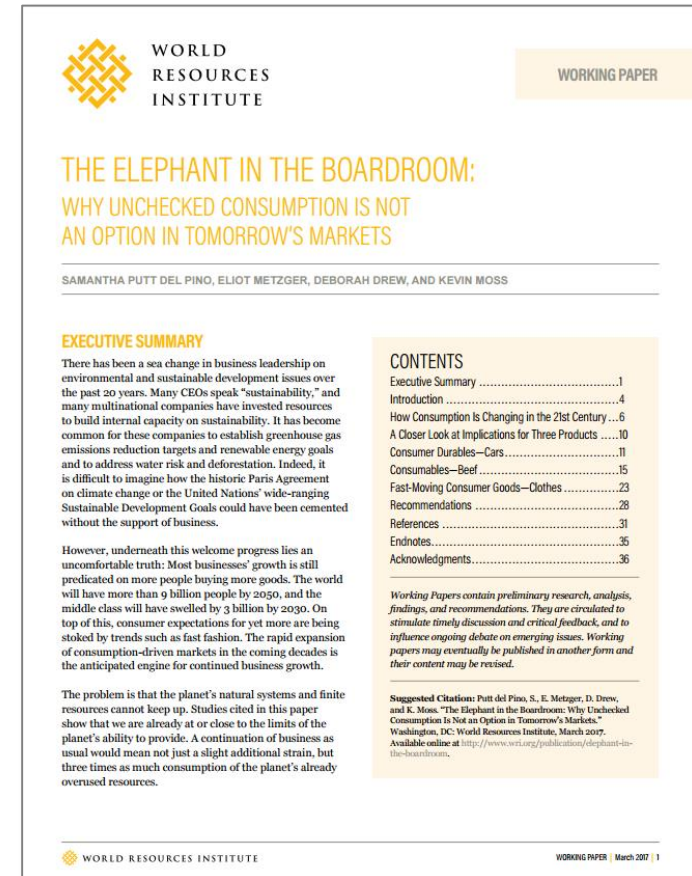
Defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

Tomorrow's Markets

Examines how business models must change to meet the demands of a rapidly expanding global middle class within planetary boundaries over the coming decades

Corporate Consultative Group (CCG)

Brings together nearly 40 Fortune 500 companies to advance business practices that mitigate risks and support sustainable growth.



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Science Based Targets initiative

The Science Based Targets initiative (SBTi) champions science-based target setting as a powerful way of boosting companies' competitive advantage in the transition to the low-carbon economy.



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**WE MEAN
BUSINESS**

What is a science-based target?

A greenhouse gas emissions reduction target aligned with the latest climate science.

Defines how much and how quickly companies need to cut their emissions to ensure they contribute their part to the global effort to prevent dangerous climate change.

Gives companies a clear vision of where they need to be in the future, challenging them to transform their business and help create a low-carbon economy where they can thrive.

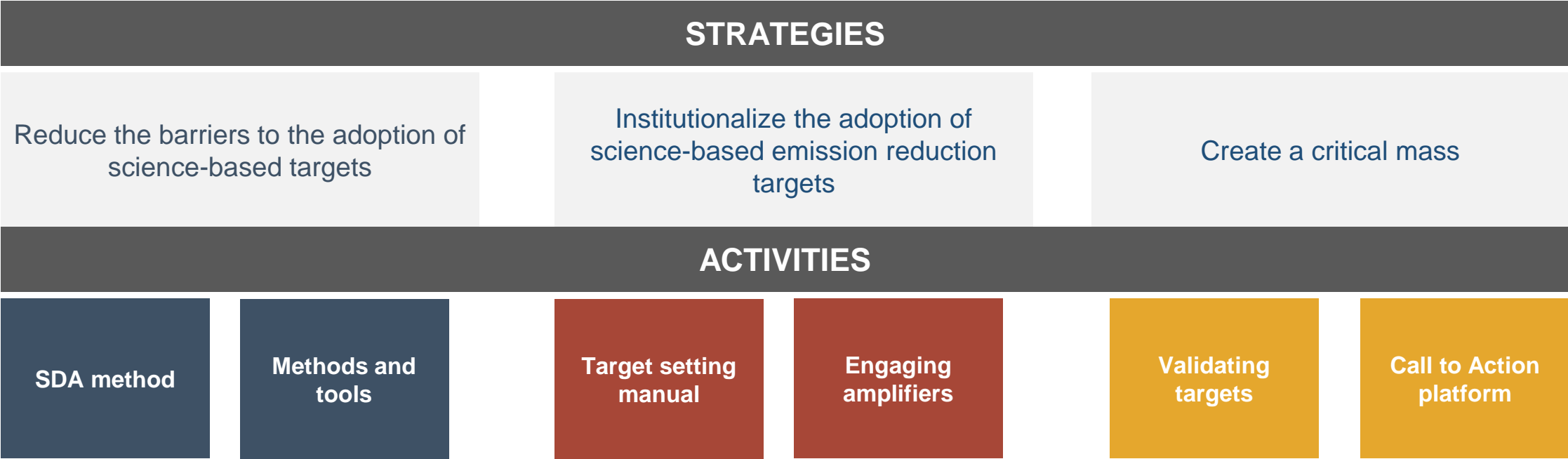
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SBTi's three-pillar strategy



SBTi Call to Action



The Science Based Targets initiative is calling on companies to demonstrate their leadership on climate action by publicly committing to science-based greenhouse gas reduction targets.

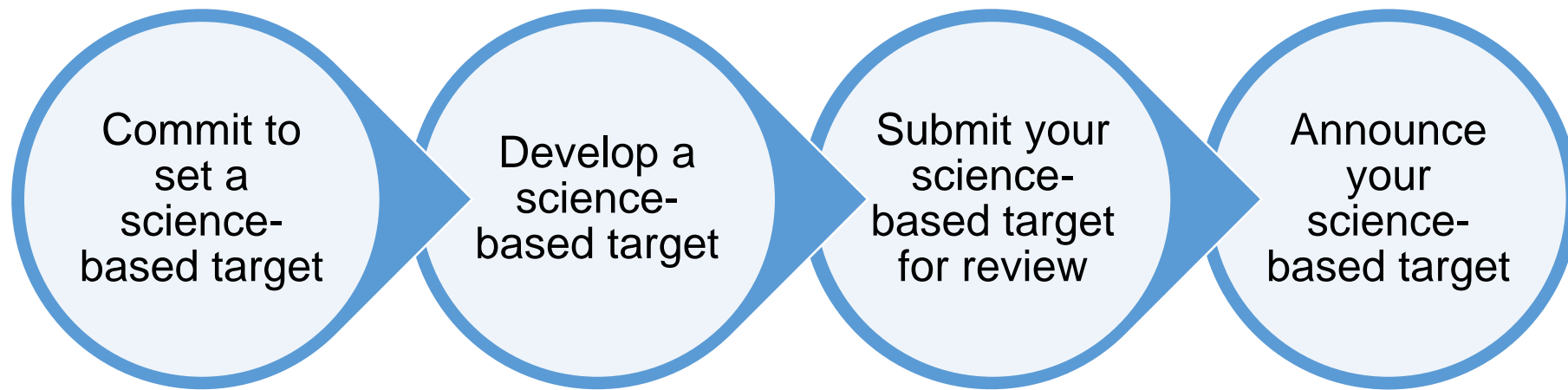
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SBTi Call to Action: A four-step process



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SBTi Call to Action eligibility criteria

1. Boundary

Covers company-wide scope 1 and scope 2 emissions and all GHGs as required in the GHG Protocol Corporate Standard.

2. Timeframe

Commitment period must cover a minimum of 5 years and a maximum of 15 years from the date the target is submitted for an official quality check.

3. Level of ambition

At a minimum, the target will be consistent with the level of decarbonization required to keep global temperature increase to 2°C compared to pre-industrial temperatures, though we encourage companies to pursue greater efforts towards a 1.5° trajectory.

Intensity targets are only eligible when they lead to absolute emission reductions in line with climate science or when they are modelled using an approved sector pathway or method (e.g. the Sectoral Decarbonization Approach).

All five criteria are mandatory



SBTi Call to Action eligibility criteria

4. Scope 3

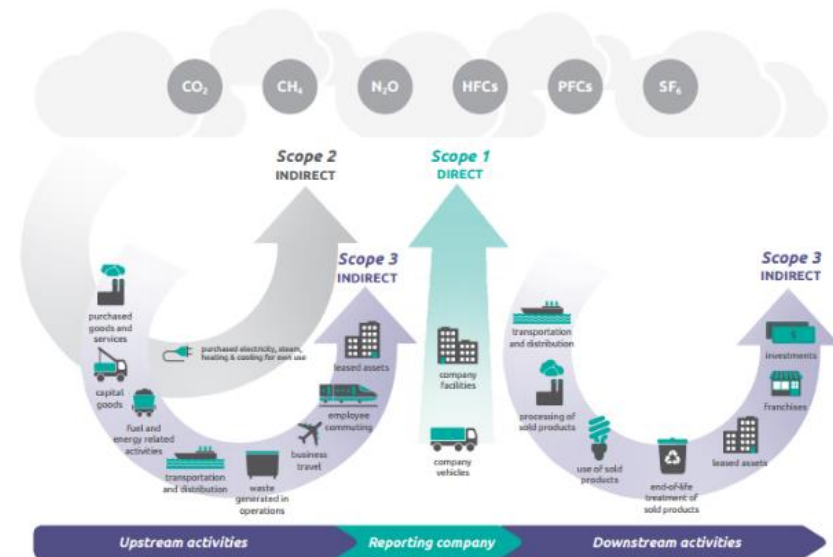
Companies must complete a scope 3 screening for all relevant scope 3 categories in order to determine their significance per the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

An ambitious and measurable scope 3 target with a clear time-frame is required when scope 3 emissions cover a significant portion (greater than 40% of total scope 1, 2 and 3 emissions) of a company's overall emissions.

The target boundary must include the majority of value chain emissions as defined by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

5. Reporting

Disclose GHG emissions inventory on an annual basis.



Download the GHG Protocol Scope 3 Standard:
<http://www.ghgprotocol.org/standards/scope-3-standard>

SBTi Call to Action pipeline

Since officially launching in June 2015

279

Companies
committed to
set a SBT

148

Targets submitted for
review by committed
companies

51

Approved
targets

~2

Companies
joining the
initiative every
week

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SBTi target-setting methods

SBT approach

A) Sector-based approach

Based on sector-specific carbon budgets determined by mitigation/technology options and activity projections.

B) Absolute-based approach

Based on absolute emissions reductions determined in climate reports (e.g. 49-72% reduction in IPCC 5th AR).

C) Economic-based approach

Based on the average emissions reductions determined in climate reports per projected economic output.

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SBTi current priorities

Provide additional clarity to key sectors

- Apparel Sector Guidance
- SBT method development for financial sector
- Refine 2-degree pathways for chemical sector
- Refine 2-degree pathways for transportation sector
- Develop a 2-degree pathway for oil and gas sector

Scaling-up capacity in under-represented countries

- Focus is currently on expanding capacity in India
- Future efforts include Brazil, South Africa, and China

Well-below 2-degree pathways

- Emissions reduction ambition of companies will move toward well-below-2-degree pathways



SBTi apparel sector approved targets



Kering commits to reduce scope 1, scope 2 and scope 3 emissions from upstream transportation and distribution, business air travel and fuel-and-energy related emissions 50% per unit of value added by 2025 from a 2015 base-year.

In addition, the company commits to reduce scope 3 emissions from purchased goods and services 40% per unit of value added within the same timeframe. This is part of their overall goal to reduce environmental impacts upstream, such as air emissions, water use, water pollution, land use change and waste.



Marks & Spencer commits to reduce absolute scope 1 and 2 greenhouse gas emissions 80% by 2030 below 2007 levels and has a longer term vision to achieve 90% absolute emissions reductions by 2035, below 2007 levels.

Marks and Spencer also commits to reduce scope 3 emissions by 133 MtCO₂e between 2007 and 2030.



Wal-mart Stores, Inc. commits to reduce absolute scope 1 and 2 emissions 18% by 2025, from 2015 levels. Walmart will also work to reduce CO₂e emissions from upstream and downstream scope 3 sources by one billion tonnes between 2015 and 2030.

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SBTi apparel, footwear, and textile sector committed companies



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Why apparel, textiles and footwear?



\$2.4 Trillion

The fashion industry is large
and growing



2X

Global clothing production
doubled between 2000 and 2014.



1/2

Consumers keep almost
every type of apparel only
half as long as they did 15
years ago.

Sources: [McKinsey & Company](#) and [The Economist](#)

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Purpose of the guidance

- ✓ Identify barriers for apparel companies to set SBTs and provide recommendations to address these barriers
- ✓ Create specificity and consistency in how apparel companies set SBTs, where possible
- ✓ Define and provide examples of best practices
- ✓ Explore opportunities for companies to collaborate in reducing emissions



Scope of the guidance

I. Business case for apparel companies to set SBTs

II. How to choose a SBT setting method

- a. Pros and cons of each method
- b. Criteria for choosing a method

III. How to set a SBT (scope 1 and 2 emissions)

- a. Determining the boundary
- b. Choosing a base-year and target year
- c. Absolute vs intensity targets
- d. Choosing a metric for intensity targets

IV. How to set a scope 3 target

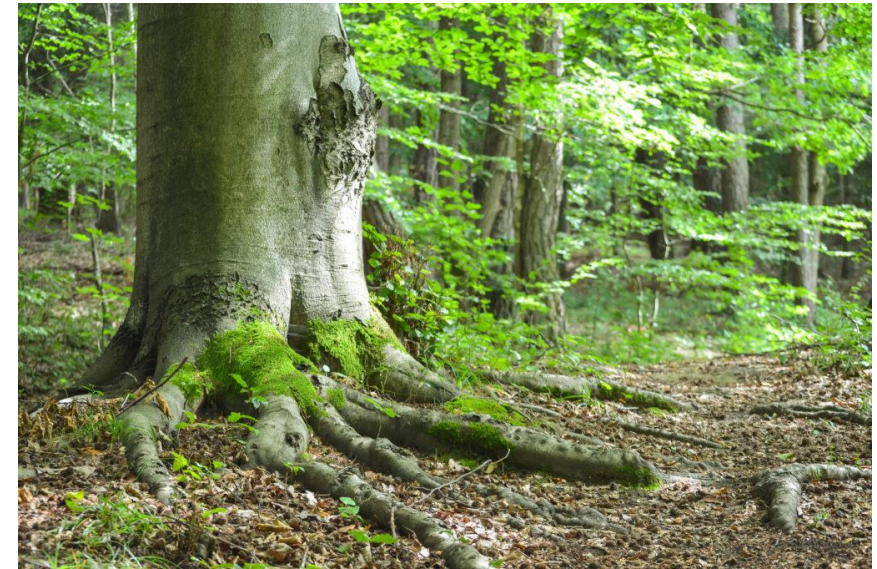
- a. Options for types of scope 3 targets
- b. Determining an appropriate level of ambition
- c. Choosing a target boundary
- d. Collecting high quality data to enable performance tracking – activity data and emissions factors

V. Best practices for setting emissions targets

VI. Engaging with suppliers to effectively drive scope 3 emissions reductions

What's not addressed by this guidance

- New 2- or 1.5-degree pathways
- Other impact areas (water, etc.)
- GHG accounting issues (e.g., biofuels)
- Regional differentiation
- New emissions factors
- Offsetting projects and avoided emissions



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NIKE SUSTAINABLE
BUSINESS & INNOVATION

SCIENCE BASED TARGET_(SBTs) NIKE CASE STUDY

JIM GODDARD

JUNE 2017



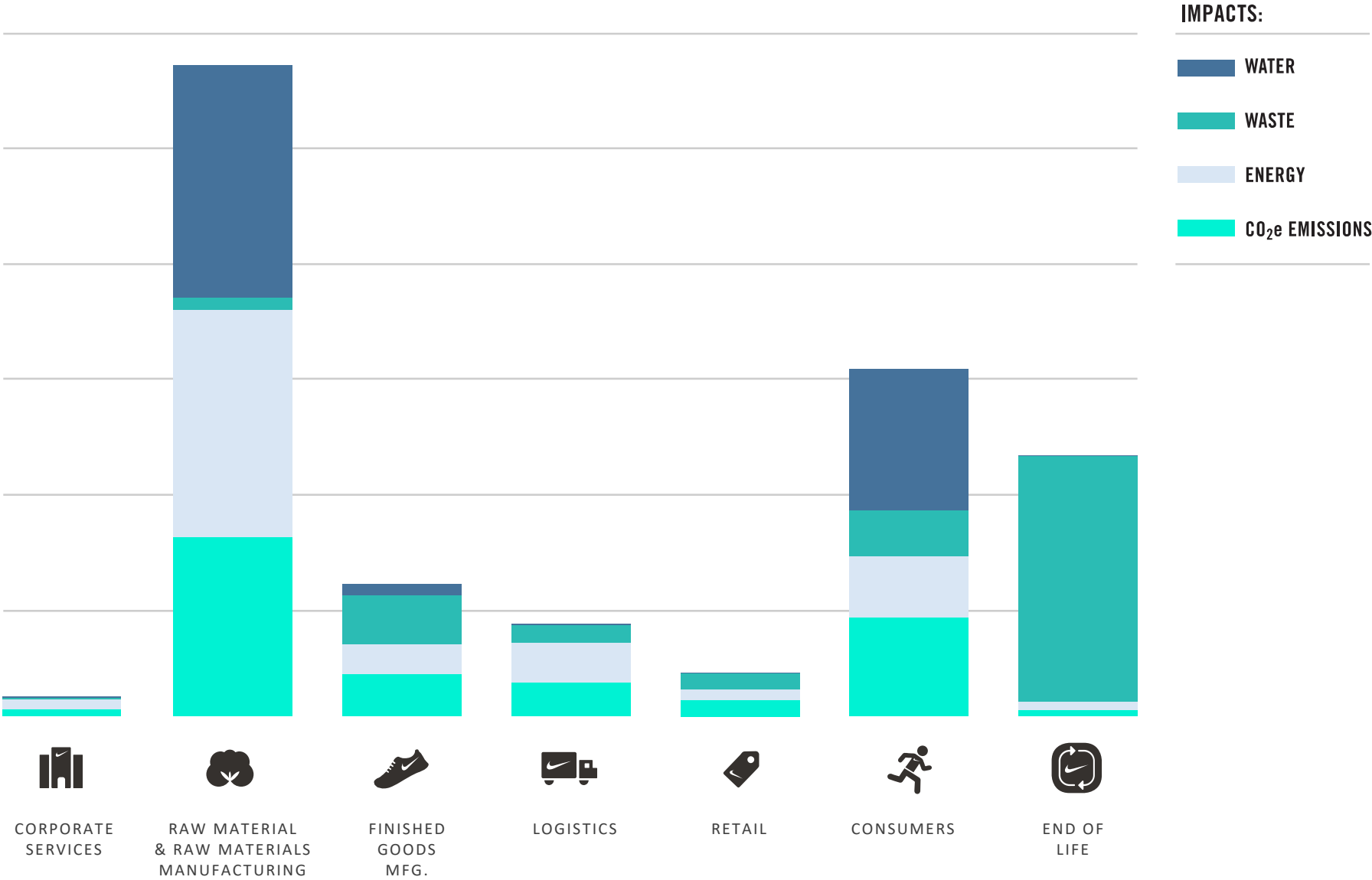
MOONSHOT AMBITION

DOUBLE OUR BUSINESS, WHILE HALVING OUR ENVIRONMENTAL IMPACT



NIKE'S CARBON HISTORY

PROPORTIONAL ENVIRONMENTAL
IMPACT AT EACH VALUE CHAIN
STAGE

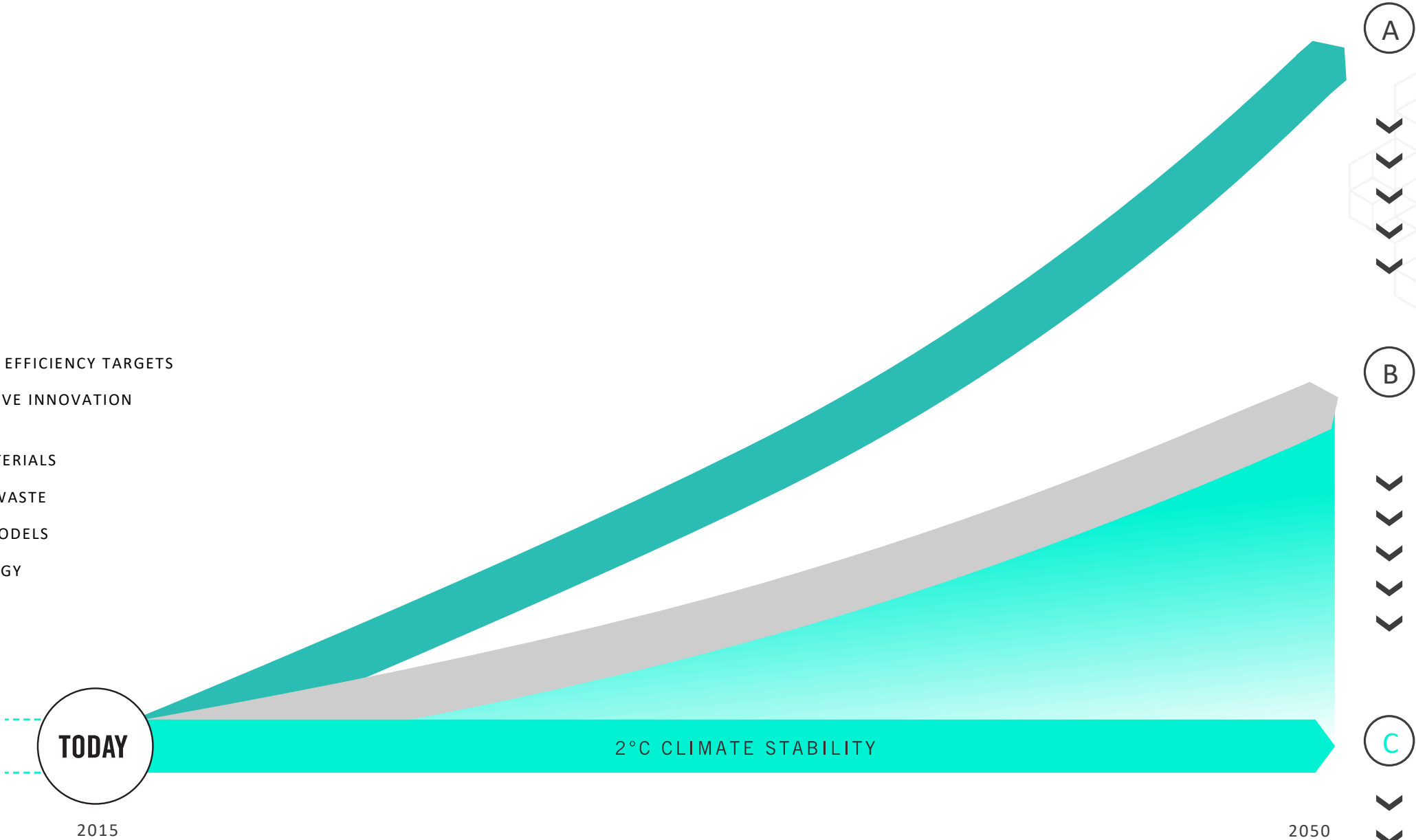


PATH TO SCIENCE BASED TARGETS

WHAT HAPPENS TO
OUR CARBON
EMISSIONS
IF...

- A. WE DO NOTHING
- B. WE CONTINUE SETTING EFFICIENCY TARGETS
- C. WE INVEST IN DISRUPTIVE INNOVATION

- LOW IMPACT MATERIALS
- TRANSFORMING WASTE
- NEW BUSINESS MODELS
- RENEWABLE ENERGY





CONSIDERATIONS FOR FOOTWEAR AND APPAREL SECTORAL GUIDANCE

BOUNDARIES

WHAT IS INCLUDED?

DATA

FACTORED DATA, LIMITED AVAILABILITY AND LACK OF TRANSPARENCY

ACCOUNTING

WHICH CARBON ACCOUNTING METHOD SHOULD APPLY?

SME's

WHAT IS FEASIBLE FOR SMALL AND MEDIUM ENTERPRISES?

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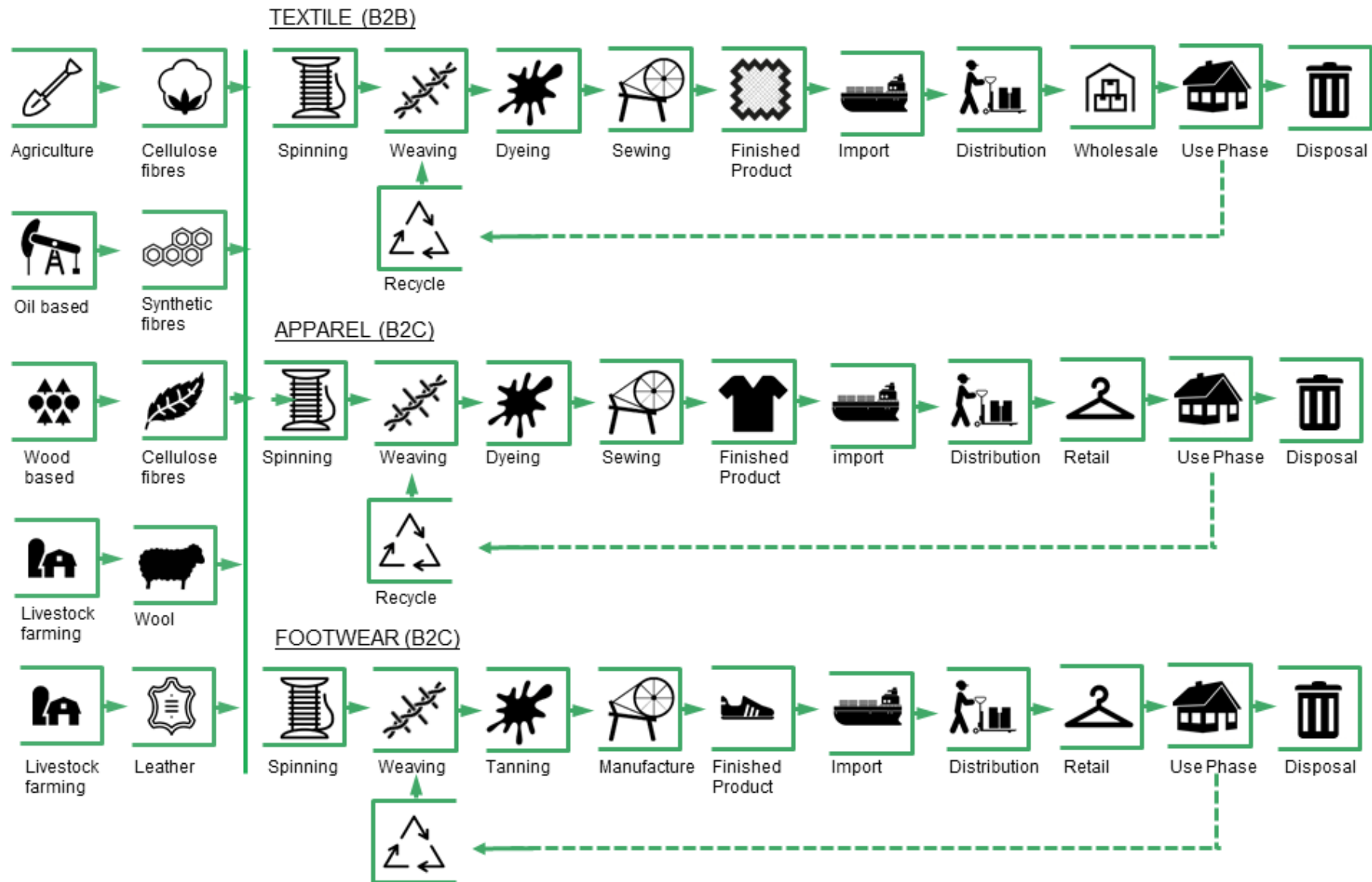
Sector-level issues

- 1 Scope**
Lack of clarity on which supply chain categories and subsectors to include
- 2 Data**
Lack of sector-level pathways; sector and geographical disparities
- 3 Scope 3 Targets**
Insufficient ambition and undefined best practices

Company-level issues

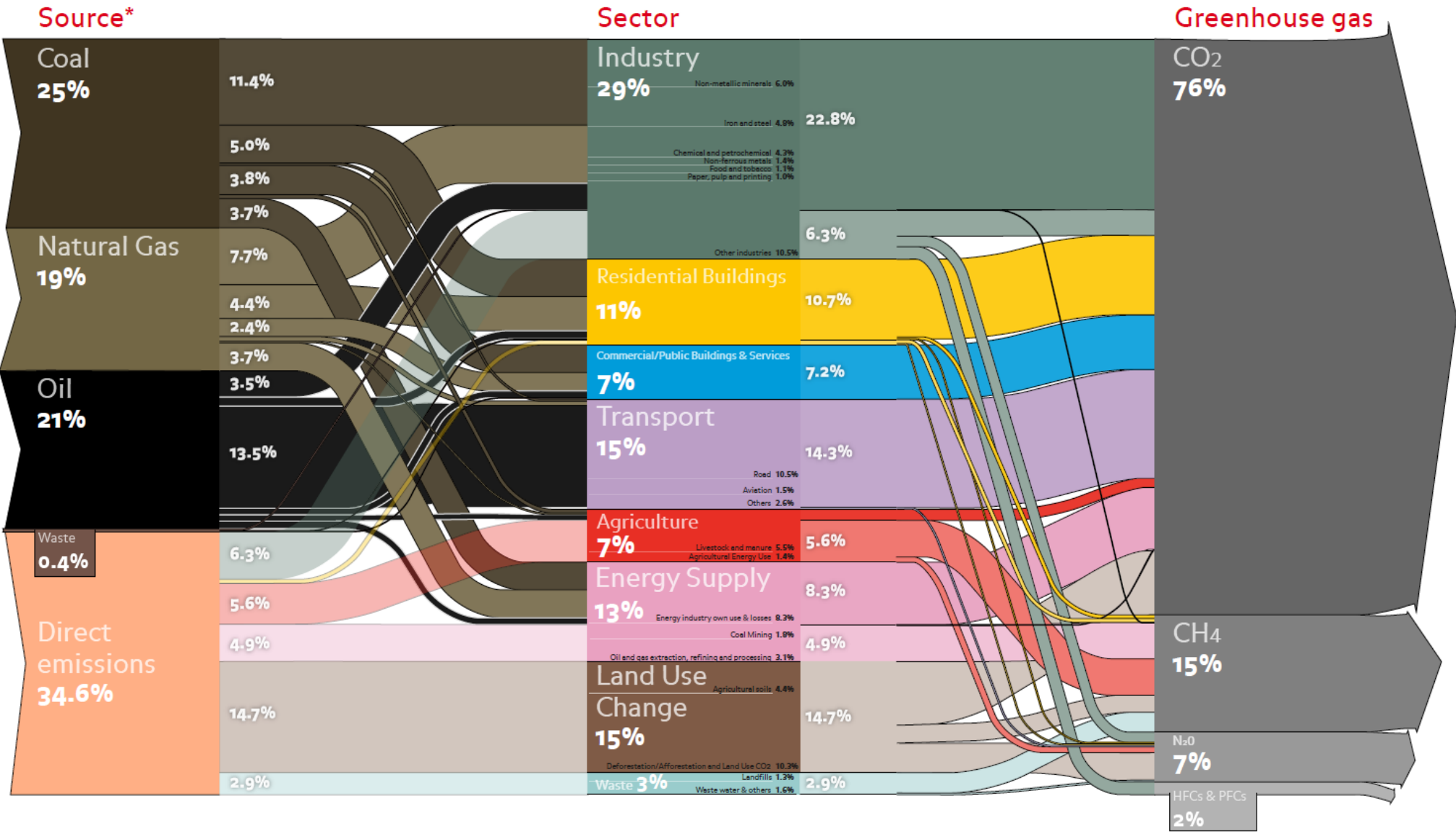
- 1 Boundaries**
Uncertainty on how to address consumer use phase
- 2 Data**
Limited access to primary data, leading to low accuracy & reliability; supply chain fragmentation
- 3 Intensity Metrics**
Challenge of consistent denominators

Target scope



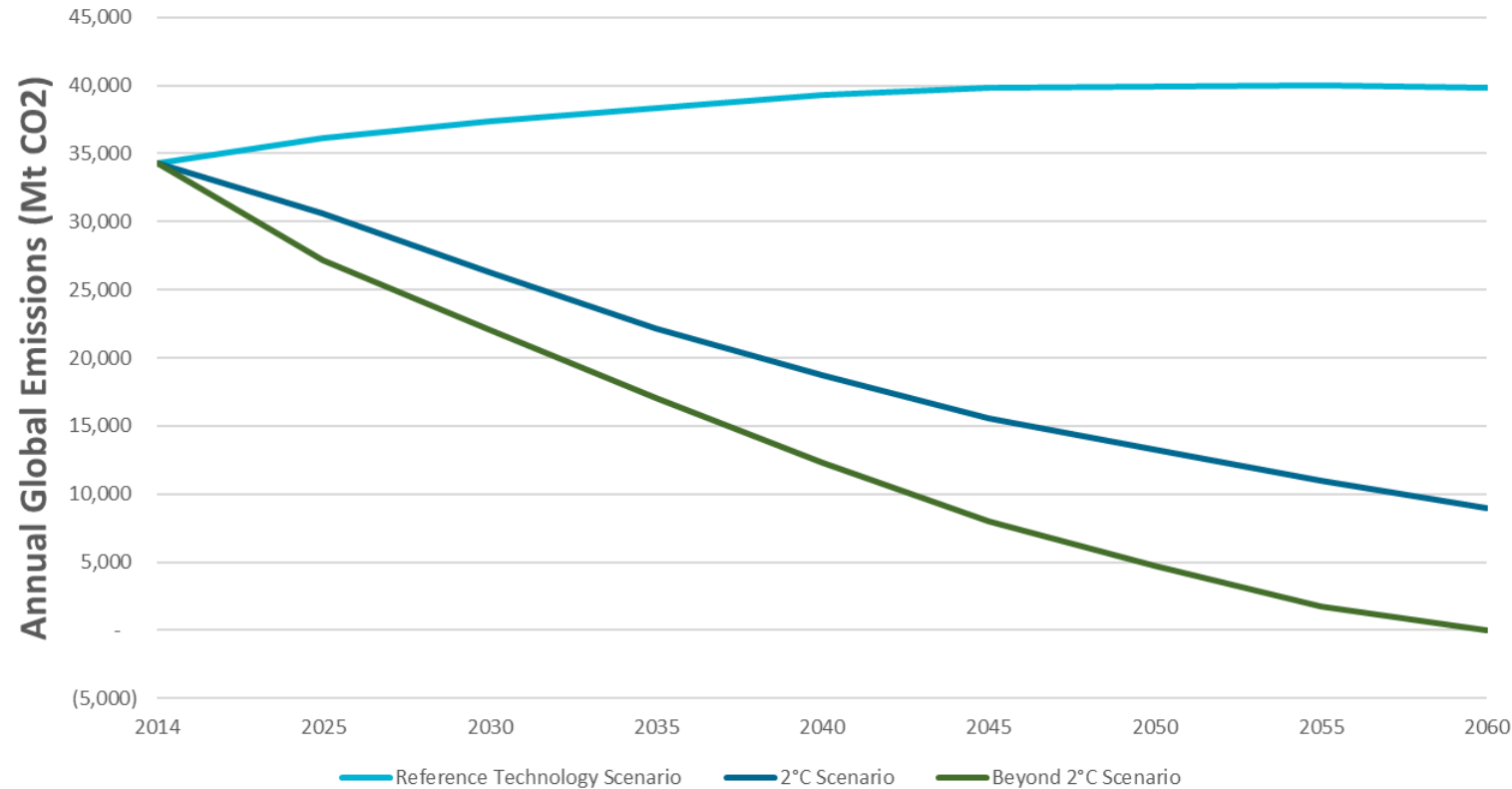
Source: <https://www.sharedvaluechain.com/industries/textile-apparel-footwear-industry/>

Sector scope



Source: <http://www.ecofys.com/files/files/asn-ecofys-2013-world-ghg-emissions-flow-chart-2010.pdf>

Data: Global climate pathways



Source: IEA, ETP 2017

- Current 2-degree pathways don't extend to the apparel, textile, and footwear subsector level
- Subsector emissions estimates vary

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Data: company-level clarity

Apparel, footwear, and textile company emissions often occur at upstream points where company leverage and data are limited

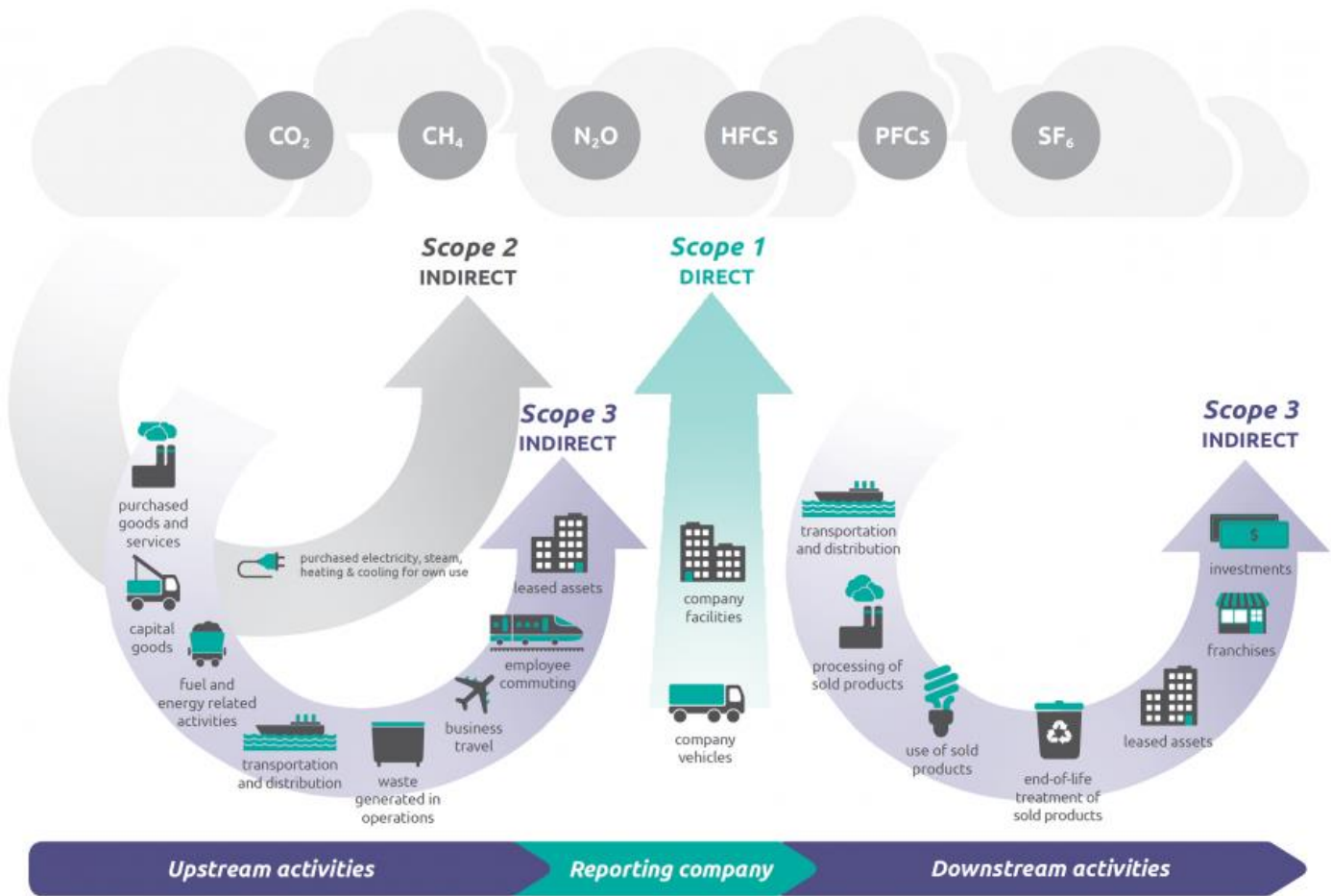
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Scope 3



Source: [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#)

STAGE	IMPACT AREA	EXAMPLES
Fiber production	<ul style="list-style-type: none">Land useWater useEnergy useGlobal warming potential	Better Cotton Initiative Sustainable Apparel Coalition Higg Index Puma Environmental Profit & Loss
Spinning, weaving & dyeing	<ul style="list-style-type: none">Water useEnergy useEutrophication & acidification	Levi's E-valueate & Water<Less Nike ColorDry & FlyKnit Zero Discharge of Hazardous Chemicals
Cutting, sewing & finishing	<ul style="list-style-type: none">Energy useWater useHuman healthLabor practices	Levi's Wellthread H&M Living Wage pledge Adidas Safety Monitoring System
Distribution	<ul style="list-style-type: none">Energy useGlobal warming potentialSolid waste	Forest Stewardship Council packaging Puma's redesigned packaging Increased rail shipping
Retail	<ul style="list-style-type: none">Energy useGlobal warming potential	Walmart renewable energy initiatives Nike energy reduction programs
Use	<ul style="list-style-type: none">Energy useWater useHuman health	Levi's "Wash in Cold" labels Timberland Earthkeepers
End of life	<ul style="list-style-type: none">WasteHuman healthEcotoxicity	Patagonia Worn Wear Nike Regrind M&S Schwoop

Source: [The science of sustainable supply chains](#)

Hierarchy of SBT Scope 3 targets

1. % absolute emissions targets (in line with 2-degree pathway when possible) or intensity target based on the sector decarbonization approach (SDA)
2. Emissions-based intensity targets
3. Non-emissions targets in absolute or intensity terms such as reducing kWh or reducing energy use per product
4. Targets that influence behavior of suppliers or customers (e.g., request suppliers to set SBT, educate customers on cold water washing)

Most preferred



Least preferred

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Existing resources and programs



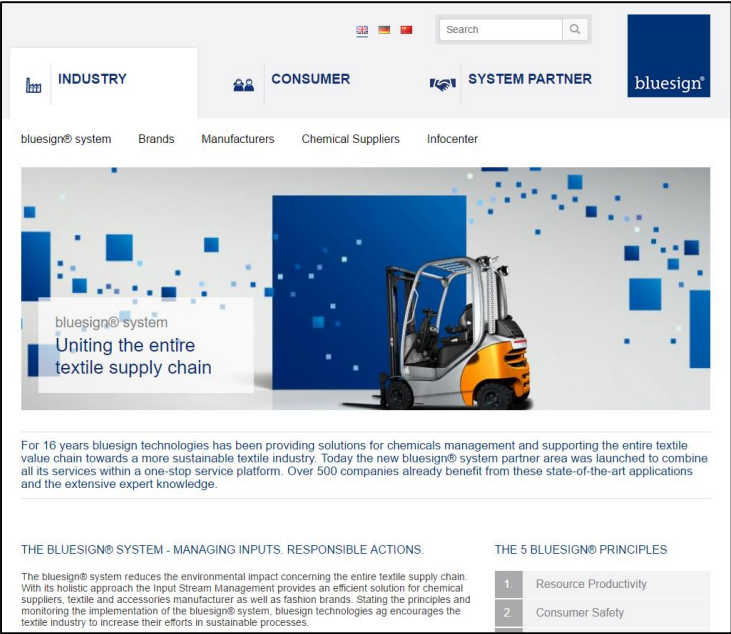
Solidaridad Better Mill Initiative

Solidaridad

NRDC'S Clean By Design



BlueSign



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Schedule of the guidance development process

Activity	Deliverable	Completion date
Scoping phase	Webinars to launch scoping phase and seek input on scope of guidance and development process	June 2017
	Complete project plan and guidance outline	August 2017
Development of guidance	Complete white papers with recommendations to address key issues	January 2018
	Host webinars and workshops to seek input from stakeholders	January 2018
	Develop first draft based on feedback and draft case studies	April 2018
	Release draft for review by stakeholders	April 2018
	Review feedback and integrate into second draft	June 2018
	Release second draft for feedback from stakeholders, SBTi team review, and WRI peer review	June 2018
Publication of guidance	Make revisions and finalize the guidance	September 2018
	Launch events, blog, and social media campaign to publicize the guidance	November 2018

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Governance structure

Guidance will be developed through an international and transparent multi-stakeholder process

WRI manages process and is primary author

**Stakeholder Advisory Group
of companies, NGOs,
academics, consultants, and
governments**

An inclusive Stakeholder Advisory Group will provide input at key milestones throughout the process.

**Team of
expert advisors**

Expert advisors will be consulted on topics aligned with their expertise. Stakeholders and expert advisors offer their time on a voluntary basis.

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Opportunities for participation

- **Sign up** for project mailing list
- **Join** the Stakeholder Advisory Group to provide feedback on draft documents and participate in workshops (a commitment of approximately 4 hours per month)
- **Express interest** in joining team of expert advisors. We are looking for apparel sector experts in:
 - GHG accounting
 - GHG target setting
 - Supply chain management
- **Contribute** case studies

Send an email to yakopian@wri.org indicating how you wish to participate.

Next steps

Complete scoping phase

- Develop detailed outline of guidance
- Develop project plan
- Identify topics for white papers
- WRI will distribute documents for feedback from Stakeholder Advisory Group

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Thank You

Sponsors

Nike, Inc. (founding partner)
Lenzing AG
Target Inc.

Participants

Arc'teryx
eBay Inc.
Gap Inc.
Levi Strauss & Co.

Additional collaborators are welcome. Please consider funding and participating in the process.

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