Fashion Industry Charter for Climate Action

Aggregate Report of the Transition Plans

Fashion for Climate

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FASHION INDUSTRY CHARTER FOR CLIMATE ACTION

AGGREGATE REPORT OF THE TRANSITION PLANS

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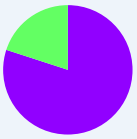
KEY FINDINGS BASED ON THE SUBMITTED DATA

→ The aggregate report shows that the Fashion Charter signatories are moving in the right direction, but based on the data received, they need to pick up the pace of change to be on an effective path towards halving their emissions by 2030.



80%

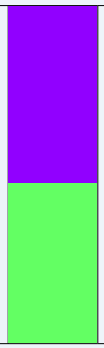
→ Among the 42 signatories submitted transition plans, more than 80 per cent of them chose 'SBTi-approved target', whereas the remaining chose '50 per cent absolute reduction target'.

2019

→ 2019 was the most selected year as the base year, followed by 2018.

→ The aggregated greenhouse gas (GHG) emissions trajectory from the 21 signatories that submitted their full emissions pathways from their base year to 2030 shows that their aggregated Scope 1+2 GHG emissions are estimated to reduce by around 47 per cent from 2023 to 2030.

47%



→ Over half of the 42 signatories reported that they had already obtained third-party validation by the time of submission (51-60 per cent).

→ *Electricity from renewable sources* was the most frequently reported action by signatories to reduce Scope 1+2 emissions (81-90 per cent).

→ The aggregated GHG emissions trajectory from the 21 signatories that submitted their full emissions pathways from their base year to 2030 shows that their aggregated Scope 3 GHG emissions are estimated to reduce by around 32 per cent from 2023 to 2030.

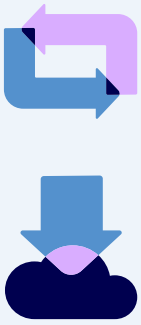
2023

2030

32%

→ *Priority materials sourcing* was the most frequently reported action by signatories to reduce Scope 3 emissions (81-90 per cent).

→ Several policy leverages were mentioned by signatories as enablers, in particular, i) policies regarding improving access to renewable energy (31-40 per cent) sources, such as through settling regulations on power purchase agreements; ii) carbon pricing policies including carbon tax (21-30 per cent); iii) fossil-fuel phase-out (including coal) (1-10 per cent); and iv) settling GHG accounting standards (1-10 per cent).



→ Barriers to action reported by signatories include Scope 1+2: lack of direct ownership of assets (Scope 1+2) (21-30 per cent); and Scope 3: commitment or capacity from suppliers (21-30 per cent) and technological feasibility (21-30 per cent).

A. BACKGROUND

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The Fashion Industry Charter for Climate Action (the Charter) is an international voluntary initiative of the fashion industry launched during the twenty-fourth session of the Conference of Parties (COP 24). The mission of the Charter is to drive the industry to net-zero greenhouse gas (GHG) emissions by 2050. In line with this goal, the Charter contains a specific Commitment to submit reduction pathway plans for the selected 2030 goal and provide updates every three years thereafter. Currently (as of October 2023), 100 companies from 23 countries and 9 industry sectors are recognized as signatories to the charter.

During COP 27, the United Nations (UN) Secretary-General's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG) published a report, Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions (*Integrity Matters*). The report provides recommendations on approaches and components for companies' transition plans towards net zero. The report emphasizes the role of transition plans as "an essential tool to show how non-state actors will successfully deliver on their commitments in an equitable and just way, and therefore build public trust".

Recognizing the importance of ensuring greater accountability of the Charter, at COP 26, signatories agreed to submit GHG emissions reduction transition plans, as outlined in Commitment 3 of the Charter and UN Climate Change announced it would prepare an aggregate report in the initial stage of this delivery aiming to collect and aggregately analyse the potential of the transition plans of the signatories. Signatories are however encouraged to transparently publish their transition plans and work is underway to prepare for that in the near period. The Charter fully recognizes the effort of the signatories that have submitted their initial transition plans in a limited time. The Charter will take this work and the findings of this report beyond COP 28 to further amplify actions that will support the rapid and effective delivery of Charter Commitments, particularly as these are stretch targets that require collective action to enable individual companies to achieve them.

B. APPROACH

This report is prepared by UN Climate Change, which provides an analysis of transition plans submitted to UN Climate Change by the 42 signatories listed in the Appendix. It synthesizes the elements, such as emission pathways, emission reduction actions and barriers referred to in their plans, considering the confidentiality of company-specific information included in some transition plans.

The following range of proportions are used in this report according to the frequency of signatories whose transition plans mention particular information in the relevant sections of the plan: 1) 0-9 per cent; 2) 10-20 per cent; 3) 21-30 per cent; 4) 31-40 per cent; 5) 41-50 per cent; 6) 51-60 per cent; 7) 61-70 per cent; 8) 71-80 per cent; 9) 81-90 per cent; 10) 91-100 per cent, where decimal points are rounded out. Unless mentioned, 100 per cent is identical to the 42 signatories who submitted their transition plan within the timeframe and is considered in this report. The calculations of ranges are based on the UN Climate Change's readings of the plans.

Following the overview, the report aggregates the transition plans building on the structure of the *template for the transition plans for Fashion Charter companies (template)*, which has been reviewed and commented on by the Task Team, Working Group and Steering Committee members of the Charter and has been shared to the signatories from the UN Climate Change along with the call for submission of the transition plans. Note that, due to the scope of the report, the feasibility of aggregation and time constraints, not all questions of the *template* have been subject to this report.

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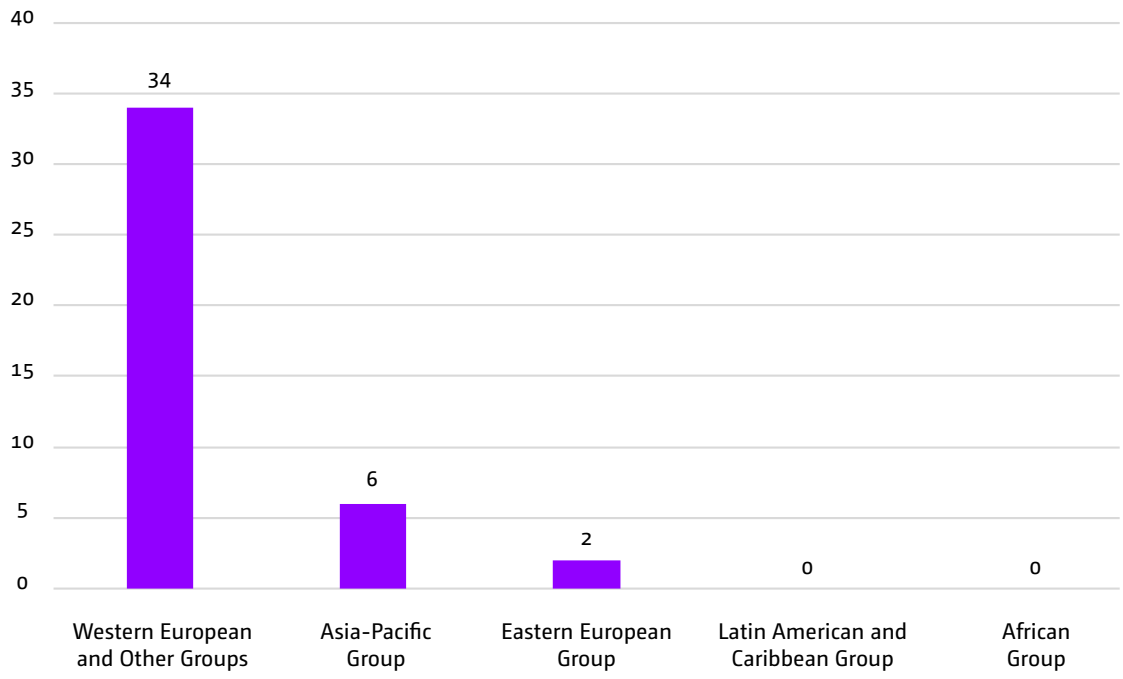
C. OVERVIEW OF THE SIGNATORIES SUBMITTED TRANSITION PLANS

This section presents an overall picture of the 42 signatories who submitted transition plans. In terms of regional distribution, UN regional groupings were applied to attribute regions of signatories based on their addresses.[1]

Among all signatories who submitted transition plans, the most represented region was the Western European and Others region, followed by the Asia-Pacific region. Figure 1 presents a detailed regional distribution.

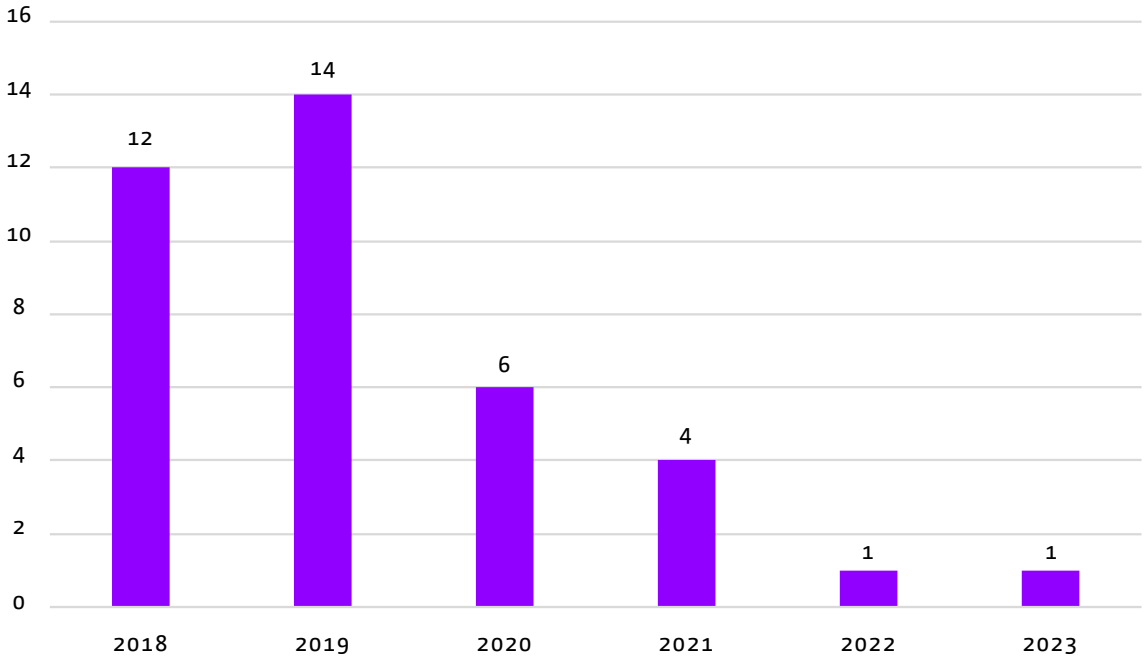
FIGURE 1: Regional distribution of the 42 signatories



1. See https://www.un.org/dgacm/en/content/regional-groups.

The *template* asked signatories to report their year, month and date of commitment to the Charter. Among the 42 signatories, 38 reported their year of commitment to the Charter in their transition plans. While the years varied between 2018 and 2023, the year with the highest number of new signatories was 2019. The detailed distribution is shown in Figure 2.

FIGURE 2: Distribution of the year of commitment



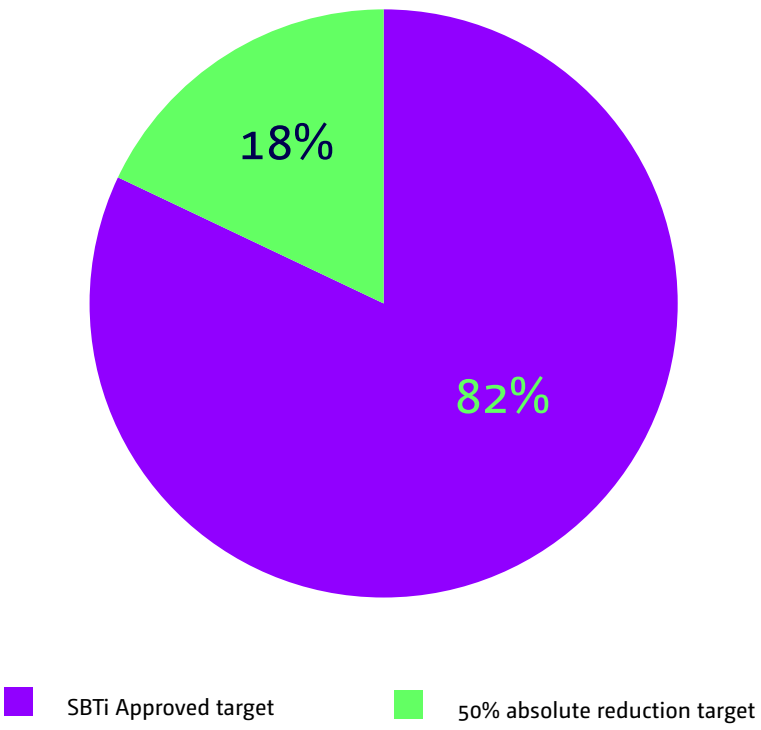
81-90 per cent of signatories provided their annual turnover. While some of them were not identifiable to a particular amount (e.g. broad range of turnovers) and the fiscal year of turnovers differed among signatories, the total turnover of the ones that were identifiable to a particular amount and convertible to USD (exchange rate as of 6 Nov 2023) was at more than USD 260 billion.

D. STRATEGY AND GOVERNANCE

This section presents findings regarding the signatories' overall strategy, such as their base year and major emission sources, as well as their governance approaches to reduce GHG emissions.

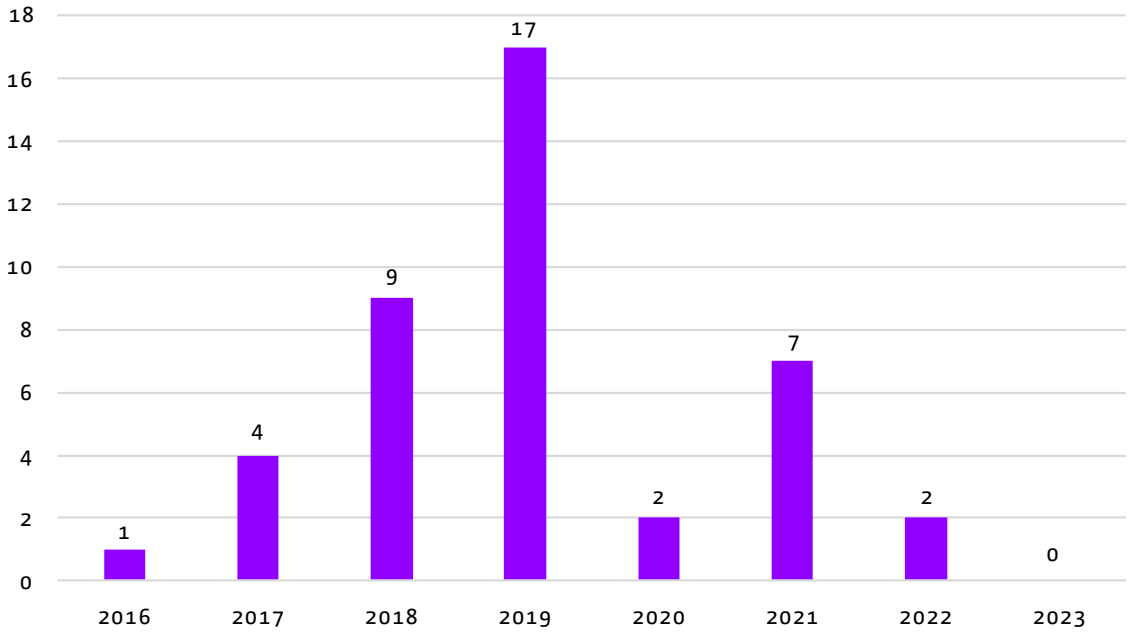
All signatories of the Charter are required to select one of the two options as targets, as part of their commitment to support the ambition of the Paris Agreement in limiting global temperature rise to 1.5 degrees Celsius above pre-industrial levels: i) SBTi-approved target: Setting Science Based Targets initiative (SBTi) approved science-based emissions reduction targets on Scope 1,2 and 3 within 24 months, in line with the latest criteria and recommendations of the SBTi, and commit to achieving net zero emissions no later than 2050 or ii) 50 per cent absolute reduction target: Setting at least 50 per cent absolute aggregate GHG emission reductions in Scope 1, 2 and 3 of the Greenhouse Gas Protocol Corporate Standard, by 2030 against a baseline of no earlier than 2019 and commit to achieving net zero emissions no later than 2050. 39 signatories reported their choice of GHG reduction target for the Charter. The distribution is shown in Figure 3. The majority of signatories chose the SBTi-approved target.

FIGURE 3: Selection of Charter targets



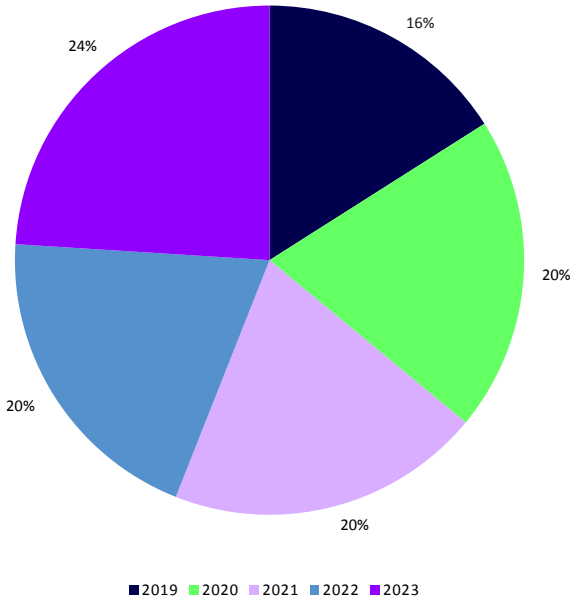
All of the 42 signatories reported the base year of their GHG reduction target, whereas the year varied between 2016 and 2022. 2019 was the most selected year as the base year, followed by 2018. The distribution of the base year is shown in Figure 4.

FIGURE 4: Base Year Distribution of GHG emissions reduction target



The *template* also asked about the status of third-party verification of signatories' GHG emission reduction targets. 51-60 per cent of signatories reported that they had already obtained third-party validation by the time of the submission of their transition plans. As shown in Figure 5, the years showed a roughly equal distribution between 2019 and 2023.

FIGURE 5: Distribution of year of third-party validation



It is incontrovertible that identifying the major source of GHG emissions from companies' economic activities is imperative to reduce emissions effectively and efficiently. In this regard, 31-40 per cent of signatories explicitly mentioned Scope 3 as their largest emission source. This aligns with the emissions trajectories presented in the following section. Also, 31-40 per cent also pointed out that Scope 3 Category 1 (purchased goods and services) is their largest or one of their largest emissions sources.[2]

On the other hand, data limitations were identified by several signatories, where 21-30 per cent of signatories mentioned the lack of primary data for Scope 3. Also, it is noteworthy that while 31-40 per cent of signatories referred to the Higg Index, some mentioned its use whereas others pointed out its limitation.

In addition to the identification of emission sources, conducting a robust analysis of risks imposed by climate change will support entities to be well-prepared and strengthen resilience against changes. In this regard, 31-40 per cent of signatories mentioned the use of scenario analysis. Various existing models and scenarios were referred to by the signatories: these include the Task Force on Climate-Related Financial Disclosures (TCFD), the Intergovernmental Panel on Climate Change (IPCC)'s Representative Concentration Pathways (RCP) scenarios (e.g. RCP 8.5) and Shared Socioeconomic Pathways (SSP) scenarios, International Energy Agency (IEA)'s Net Zero Emissions by 2050 Scenario, and World Wide Fund for Nature(WWF)'s Water Risk Filter Tool. Various physical and transition risks were highlighted among signatories. These include i) physical risks: water, crop yields, materials, store closure; and ii) transitional risks: carbon pricing, consumer preference.

Fit-for-purpose public policy is a strong enabler in reaching corporate GHG emission reduction targets, and several policy leverages were mentioned by signatories as enablers. In particular, 31-40 per cent pointed to policies regarding improving access to renewable energy sources, such as through settling regulations on power purchase agreements, whereas 21-30 per cent pointed to carbon pricing policies, including carbon tax. While a small portion, 1-10 per cent of signatories pointed to fossil-fuel phase-out (including coal), and also 1-10 per cent referred to settling GHG accounting standards.

Structuring an entity with strong leadership, authority and responsibility to ensure the realization of its transition plan will contribute to effective implementation throughout the organization. While such governance oversight approaches for climate action varied among signatories, 51-60 per cent mentioned the direct role of the Chief Executive Officer (CEO) (or equivalent).

2. Scops and Categories follow the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard https://ghgprotocol.org/corporate-standard.

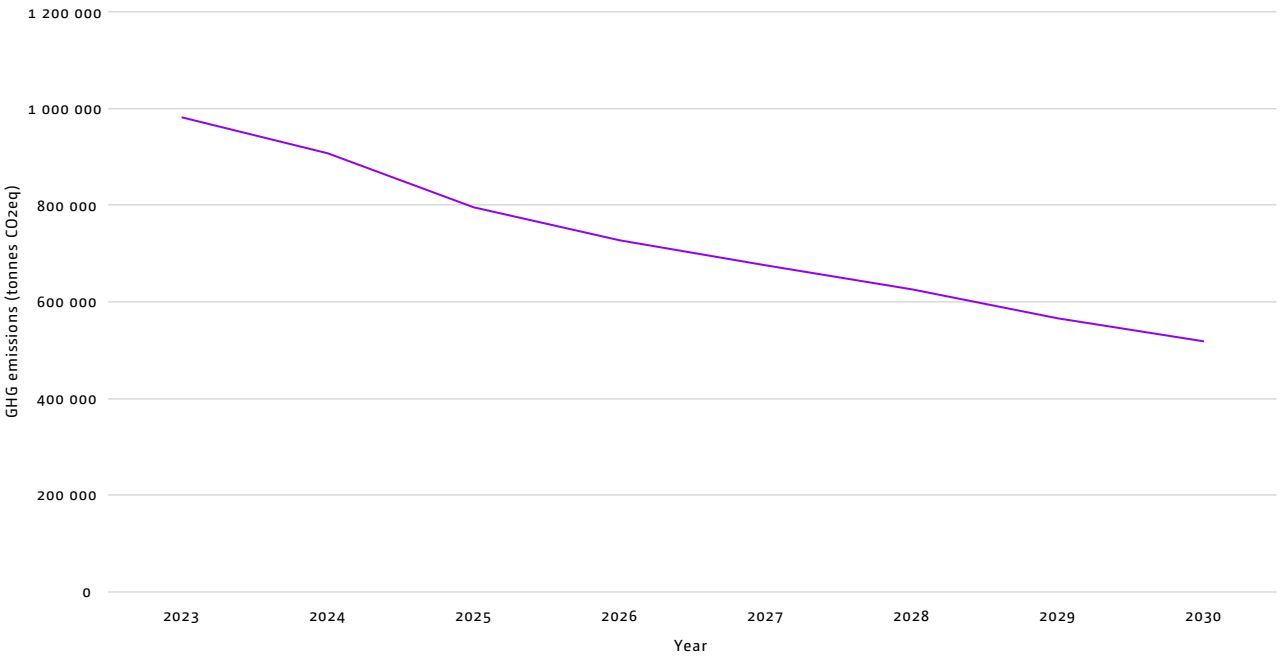
E. EMISSION REDUCTION PATHWAYS

This section aims to provide, from multiple perspectives, the trajectory of GHG emissions of the 42 signatories from their base years to 2030, based on their submitted transition plans. The total amount of base year GHG emissions of the 25 signatories that reported both their base year and 2030 GHG emissions among all Scopes (including those combined Scope 1 and 2) were approximately 2.5 million tonnes carbon dioxide equivalent (tCO2eq) for Scope 1+2, and approximately 71 million tCO2eq for Scope 3. Note that this amount is the sum of emissions from different base years. The GHG emissions for 2030 were around 550,000 tCO2eq for Scope 1+2, and around 44 million tCO2eq for Scope 3.

Among the 42 signatories, 71-80 per cent were identifiable of their emissions reduction ratio from their respective base years to 2030 (including ones that were calculable from their disclosure of reduction figures). The emissions trajectory presented by the signatories showed a wide range of variance. For instance, while 21-30 per cent of the signatories presented transition plans with more than 50 per cent reduction of their GHG emissions from their respective base year to 2030, 1-10 per cent of the signatories presented transition plans that will result in an increase of its absolute emissions in 2030.

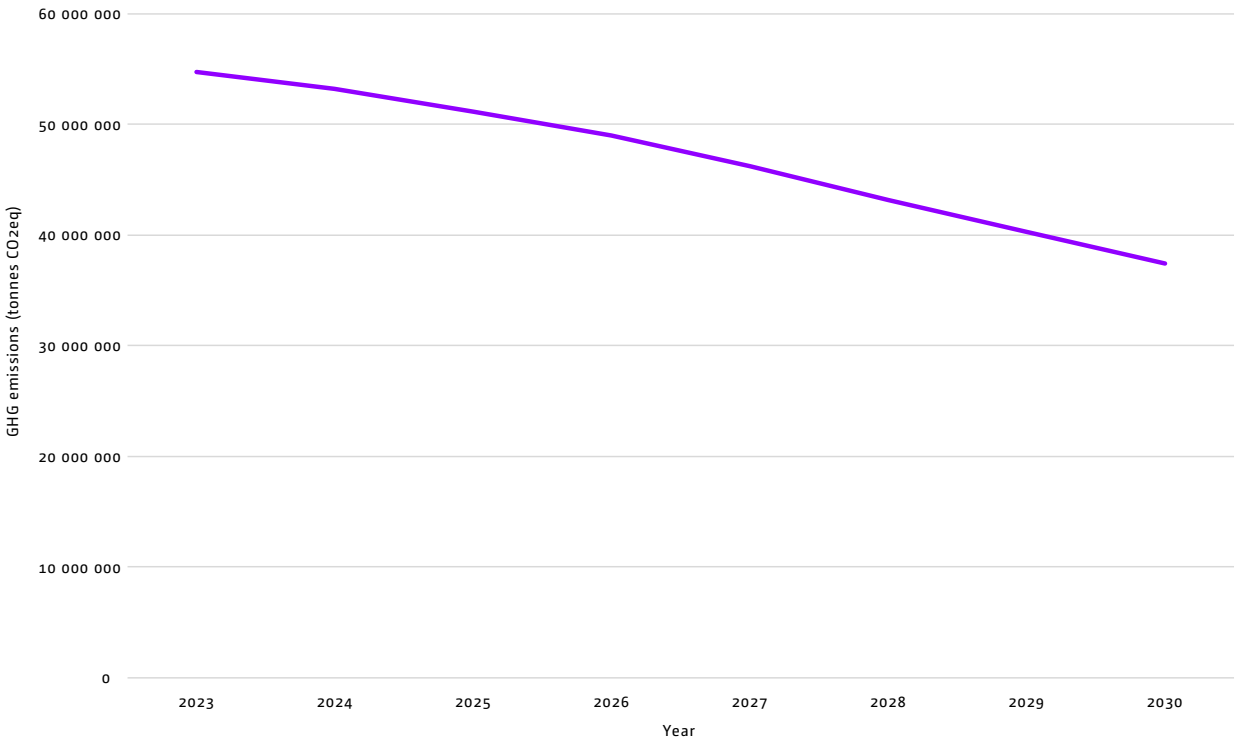
Not only emissions of the baseline and the target year are important, but also its trajectory is crucial to assess the validity of estimations. The aggregated pathways of the 21 signatories that submitted annual GHG emission reduction pathways across all Scopes from their base year to 2030 (including ones with Scopes 1 and 2 combined) are shown in Figure 6 (Scope 1+2) and Figure 7 (Scope 3). As the base year differed among signatories, which were set no later than 2023, the timeframe is set between 2023-2030. Both graphs show overall linear trajectories from 2023 to 2030. The graphs also show that Scope 1+2 emissions are estimated to reduce by around 47 per cent from 2023 to 2030, whereas Scope 3 emissions will be reduced by around 32 per cent.

FIGURE 6: Aggregated GHG emissions trajectory (Scope 1+2: 2023-2030) of the signatories submitted emissions pathways from their base year to 2030



Emissions reductions would require budget allocation, investment and capital expenditure. In this regard, the *template* asked signatories to present their budget allocation for emissions reduction, as well as capital expenditure and investment plans. 21-30 per cent of signatories reported the range of budget allocation of their emissions reduction pathways from their base year to 2023, and 11-20 per cent of signatories included a monetary amount of investments as part of their capital expenditure and investment plans.

FIGURE 7: Aggregated GHG emissions trajectory (Scope 3: 2023-2030) of the signatories submitted emissions pathways from their base year to 2030



F. SCOPE 1+2 AND SCOPE 3 EMISSIONS REDUCTION ACTIONS

Scope 1+2 Emissions Reduction Actions

This section analyses how signatories are taking or plan to take actions to reduce their Scope 1+2 and Scope 3 emissions. In this regard, the *template* asked signatories to disclose their actions to reduce Scope 1 and 2 emissions referring to corresponding Charter Commitments and other relevant actions (i.e. energy efficiency (Commitment 4), electricity from renewable sources (Commitment 5), company-owned or operated vehicle fleet and logistics (Commitment 11), renewable heating sourcing).

Energy Efficiency: 41-50 per cent of signatories provided action(s) regarding *energy efficiency*. Among them, 51-60 per cent provided an actual amount of expected emissions reduction (in tCO2eq, and so forth) from such energy efficiency action(s). Some of the signatories provided detailed actions, which include installation of a light-emitting diode, automating the production process and regulating the air conditioning of facilities.

Electricity from renewable sources: 81-90 per cent of signatories provided action(s) regarding *electricity from renewable sources*. Among them, 51-60 per cent provided an actual amount of expected emissions reduction from such electricity from renewable sources action(s). Some of the signatories provided detailed actions, which include installation of solar and wind farms, and power purchase agreements.

Company-Owned or Operated Vehicle Fleet and Logistics: 31-40 per cent of signatories provided action(s) regarding *company-owned or operated vehicle fleet and logistics*. Among them, 51-60 per cent provided an actual amount of expected emissions reduction from such *company-owned or operated vehicle fleet and logistics* action(s). Some of the signatories provided detailed actions, which included the installation of electric vehicles and shuttles.

Renewable Heating Sourcing: 31-40 per cent of signatories provided action(s) regarding *renewable heating sourcing*. Among them, 71-80 per cent provided an actual amount of expected emissions reduction from such *renewable heating sourcing* action(s). Some of the signatories provided detailed actions, which include sourcing green gases and electrification.

Other: While several other actions were mentioned, 21-30 per cent of signatories provided actions regarding the use of certificates.

Scope 3 Emissions Reduction Actions

For Scope 3, Charter signatories were asked to report their actions to reduce Scope 3 emissions. They were asked to include actions referring to corresponding to Charter Commitments 4 to 13.

Energy Efficiency: 41-50 per cent of signatories provided action(s) regarding *energy efficiency* (Commitment 4). Among them, 51-60 per cent provided an actual amount of expected emissions reduction from such *energy efficiency* action(s). Some of the

signatories provided detailed actions, which include tracking energy use of factories and efficient supply chains.

Electricity from renewable sources: 41-50 per cent of signatories provided action(s) regarding *electricity from renewable sources* (Commitment 5). Among them, 41-50 per cent provided an actual amount of expected emissions reduction from such *electricity from renewable sources* action(s). Some of the signatories provided detailed actions, which include increasing the use of renewable energy across supply chains and increasing the share of suppliers using green electricity.

Priority Materials Sourcing: 81-90 per cent of signatories provided action(s) regarding *priority materials sourcing* (Commitment 6). Among them, 51-60 per cent provided an actual amount of expected emissions reduction from such *priority materials sourcing* action(s). Some of the signatories provided detailed actions, which included a transition to sustainable cotton fiber and renewable polyester.

Engagement and Incentive Mechanisms: 41-50 per cent of signatories provided action(s) referring to *engagement and incentive mechanisms* (Commitment 7). Among them, 31-40 per cent provided an actual amount of expected emissions reduction from such *engagement and incentive mechanisms* action(s). Examples of actions include building plans and engaging suppliers to obtain science-based targets.

Phasing Out Coal: 31-40 per cent of signatories provided action(s) regarding *phasing out coal* (Commitment 8). Among them, 61-70 per cent provided an actual amount of expected emissions reduction from such *phasing out coal* action(s). Examples of detailed actions include monitoring the phase-out progress of suppliers.

Transition to Zero-Emission Air, Sea and Road Logistics: 71-80 per cent of signatories provided action(s) referring to *transition to zero-emission air, sea and road logistics* (Commitment 11). Among them, 51-60 per cent provided an actual amount of expected emissions reduction from such *transition to zero-emission air, sea and road logistics* action(s). Examples of action include the reduction of air freight, zero-emission shipping, use of biofuels, optimizing transport routes and local-for-local production.

Others: Some signatories also provided actions referred to other Charter Commitments: 11-20 per cent of signatories provided action(s) referring to *climate policy advocacy plan* (Commitment 9); 1-10 per cent of signatories provided action(s) referring to *dialogue with financial institutions* (Commitment 10); 1-10 per cent of signatories provided action(s) referring to *consumer and industry communication* (Commitment 12); and 1-10 per cent of signatories provided action(s) regarding support *UN Climate Change and other Charter signatories* (Commitment 13). In addition, several other actions were mentioned. For example, 31-40 per cent of signatories provided actions regarding recycling and circularity, and 1-10 per cent of signatories provided actions regarding business travel and employee commutes.

Approaches beyond business as usual and barriers

In order to secure the collective target of the Fashion Charter, which is to drive the fashion industry to net-zero GHG emissions no later than 2050, signatories should take ambitious actions that are beyond their business-as-usual (BAU) models. In this regard, the *template* asked signatories to explain how their GHG emissions reduction actions diverge from BAU models. While several signatories pointed out that their actions were not implemented under their BAU, some of them explicitly explained their BAU business model, and some presented the amount of

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GHG reduction compared to their BAU. Also, some pointed out their creation of a new strategy and plans, changing their governmental structure, divergence from industry standards, and their transformation of the business model towards a circular business model as well as redefinition of growth. On the other hand, some pointed out the continuous expansion of their business, while others expressed that their actions do not require a significant alternation of their business models.

Changing the course of business is not an easy task, and barriers to implementing the transition plans can be ubiquitous. Here, 21-30 per cent of signatories referred to lack of direct ownership of assets (e.g. buildings, vehicles) as a barrier to their Scope 1+2 action. Regarding Scope 3 actions, 21-30 per cent of signatories referred to commitment or capacity from suppliers as a barrier, and 21-30 per cent of signatories referred to technological feasibility as a barrier.

G. COLLABORATION AND ENGAGEMENT

While the Charter supports signatory companies to collaborate with the global fashion industry throughout the workstreams of the Charter, active engagement with external stakeholders to enhance action and align stakeholders towards the Charter's goals will strongly contribute to the aim of the Charter. As stated in the *template*, it is important for companies to advocate for policy measures and investments needed to support action and drive decarbonization. This also requires signatories to ensure strong alignment with their eternal engagement and their transition plans. In this regard, 11-20 per cent of signatories pointed internal team(s) within their enterprise for assessing engagement, and 11-20 per cent of signatories mentioned that they already have or plan to have metric(s) for assessing engagement and alignment.

Finally, as mentioned in the Integrity Matters report, it is important that transition plans contain an explanation of companies' contribution to just transition: climate action should be delivered in a way that ensures fairness and tackles inequity and injustice. Several measures are required, such as addressing negative impacts on workers to ensuring the voices of marginalized groups. Here, 21-30 per cent of signatories explained they are taking actions regarding employee well-being, whereas 11-20 per cent reported actions regarding gender and women, and 1-10 per cent on human rights.

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APPENDIX

LIST OF CHARTER SIGNATORIES SUBMITTED TRANSITION PLANS RESPONDING TO THE CALL FROM THE UN CLIMATE CHANGE (IN ALPHABETICAL ORDER)

adidas AG

The ALDO Group

American Eagle Outfitters, Inc.

Aquitex – Acabamentos Químicos Têxteis, S.A.

ARC'TERYX EQUIPMENT

CCC SA

CHANEL LTD

Crystal International Group Limited

DECATHLON

Elevate Textiles, Inc.

FAST RETAILING CO., LTD.

Fenix Outdoor International AG

GANT AB

Gap Inc.

G-Star RAW C.V.

H&M Group

Hansoll Textile

HERMES INTERNATIONAL

HUGO BOSS AG

HWASEUNG ENTERPRISE

INDITEX S.A.

Izzie & Ollie Ltd.

Lenzing Aktiengesellschaft

lululemon athletica inc.

LYMI Inc.,
dba Reformation

MAMMUT SPORTS GROUP AG

Nanushka International Zrt.

New Balance Athletics, Inc.

NIKE, Inc.

Otto (GmbH & Co. KG)

Peak Performance Production AB

Primark Limited

PUMA SE

Punto Fa, S.L.

Ralph Lauren Corporation

Regatta Ltd & Craghoppers Ltd

SALOMON

SLN TEKSTİL ve MODA SAN. TİC. A.Ş.

TAL Apparel Ltd.

Ten Tree International Inc.

The RealReal

YKK Corporation

Fashion
for Climate