

Corporate Fiber & Materials Benchmark Program

# Frequently Asked Questions



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### The purpose of this document

This document provides a quick guide to some of the most frequently asked questions about the Corporate Fiber and Materials Benchmark (CFMB) program.

It is designed as a quick FAQ-style read for:

- Practitioners wanting to get started and requiring general knowledge of the CFMB program or wishing to share key aspects of the program with colleagues, senior management, or their boards.
- Executives and company board members wanting to understand the general aspects of benchmarking.
- External stakeholders wanting insight into the CFMB program.
- NGOs, investors, industry experts, consultants, students, and others with an interest in corporate benchmarking, reporting and disclosure activities in the textile industry.

### **Frequently Asked Questions**

#### Q1. Why has Textile Exchange created a Corporate Benchmark?

Raw material production is dependent upon and impacts people, nature, and our climate, that's why at Textile Exchange, we are guiding a growing community of brands, retailers, manufacturers and other stakeholders towards more purposeful production and uptake of raw materials from the very start of the supply chain. With our Climate + Strategy in action, our goal is to help the global textile industry achieve 45% emission reduction in the emissions that come from producing fiber and raw materials by 2030, while ensuring landscapes, people and animals are considered in strategic sourcing decisions.

One of our key organizational objectives is to accelerate the adoption of preferred materials. By creating a Corporate Benchmark program for companies, Textile Exchange not only measures and reports company and industry progress but provides strategic direction for the companies that participate. The benchmark is built to help companies integrate materials management into business decisions and operations, including the measurement, management, and mitigation of key risks of the textile industry, and to respond to the urgency as well as huge potential of making improvements in impact areas identified in our Climate+ Strategy, such as soil health, water, and biodiversity.

#### Q2. What is the Corporate Fiber and Materials Benchmark program?

The Corporate Fiber & Materials Benchmark (CFMB) is the largest peer-to-peer comparison initiative in the textile industry, generating the Material Change Index (MCI) among other benchmarks. It tracks the apparel, footwear, and home textile sector's progress toward more sustainable materials sourcing, as well as alignment with global efforts like the Sustainable Development Goals, the Global Biodiversity Framework, and the transition to a circular economy. The CFMB program is the overarching structure that houses the Material Change Index (MCI) survey, which gives rise to products such as the Material Change Index Leaderboard, Insight's Report, and Impact Dashboard. See <u>mci.textileexchange.org</u> and explore more.

### Q3. What are the benefits of benchmarking?

Benchmarks work for five core reasons:



Figure 1: The above five benefits of benchmarking are from the World Benchmarking Alliance, of which Textile Exchange is a proud ally. For further details visit the World Benchmarking Alliance <u>here</u>.

#### Q4. How many participants take part in the Benchmark?

In 2015 there were 57 piloting brands and retailers and last year (2021) 292 brands and retailers (including their subsidiaries) successfully completed the MCI survey. **That's a growth rate of 464 % in 7 years!** The most recent <u>list of MCI participants can be found here</u>.

In 2020, the MCI survey was introduced as a pilot to 16 suppliers and manufacturers. The survey remained a pilot in 2021, and now 30 suppliers and manufacturers take part in the survey.

#### Q5. What is the Material Change Index (MCI) survey?

The Material Change Index (MCI) survey is an annual benchmark survey run through the Corporate Fiber and Materials Benchmark (CFMB) Program.

The MCI survey offers a quantified index ranking called the Material Change Index or the MCI, including a company's position in relation to peers and the overall industry (universe of participants). It provides an indicator of progress, helps companies identify strengths and gaps, and encourages year-on-year improvement and a "race to the top." Company participants see a lot of detail about their performance, and industry averages are reported for public consumption.

#### Q6. How different is the 2022 survey from the earlier versions?

The 2022 MCI framework has evolved from earlier versions. Although most of the questions from previous years have not changed, they have moved around to make it easier and more logical for participants to answer.

#### I. Strategy II. Materials Portfolio III. Circularity Biodiversity Animal Fibers & Materials Plant Fibers Regenerated Fibers Synthetic Fibers Ø 8/8 0% 3 00 Cotton Wool Down Leather Polyester Polvamide **Business Integration** Materials Strategy Risk Management Circularity Strategy Transparency Leadership Investment **Business Models** Materiality Internal Engagement Resource Efficiency Transparency Implementation Design for Circularity Materiality Targets Monitoring & Evaluation **Customer Engagement** Uptake **Textile Collection** Reporting Reporting Impact Monitoring **Recycled** Content

#### **Old MCI Framework:**

The framework is aligned with the Sustainable Development Goals (SDGs).

**New MCI Framework:** The 2022 MCI survey (version 3.0) comprises of three sections: Section I: Business Integration, Section II: Materials Portfolio, and Section III: Impact Areas, further divided into subsections indicated in the image below;



MCI framework is aligned with the Sustainable Development Goals

In 2020, the CFMB program ran a Beta version of its Biodiversity Benchmark. Biodiversity is now a "module" within the Material Change Index. It is designed in alignment with the Science Based Targets for Nature (SBTN) and aims to support companies on their biodiversity strategy, biodiversity assessments, target setting, and implementation. This will support companies in evaluating the management and performance of sourcing practices and facilitate tracking improvements and impact on biodiversity over time. Biodiversity is now fully integrated in the MCI survey and as an Impact Module. Find out more about the Biodiversity Benchmark here.

Other Impact Areas modules are Biodiversity – Gold, Oceans (focusing on plastic packaging), and Climate. All Impact Area modules (except the "Materials Impact" module for companies wanting an MCI result) are optional for participants to select and answer and are not scored for this cycle.

#### Q7. Why are the Sustainable Development Goals such a big part of the benchmark?

The 17 Global Goals (SDGs) are an overarching set of goals that can connect the textile industry to the world's most important agenda. The SDGs cover environmental, social, and economic themes that are critical to the health and prosperity of people and planet - and the long-term viability of business. The MCI helps companies make this connection. See the <u>SDG Companion Guide</u> for further guidance.

#### Q8. How can we take part?

The survey has built-in flexibility to allow for three different ways to take part.

#### **Option 1: Full survey**

For a holistic overview of your efforts, a complete scorecard, and to qualify for the overall Material Change Index (MCI), companies should complete the following.

- Business Integration Module (all questions even if the answer to a question is "no" or "don't know")
- Circularity
- Materials Portfolio Module (Materials Balance Sheet (MBS) and materials modules for used materials are mandatory. Note, that only scores for "priority" materials will count towards your overall MCI result.
- Materials Impact Area

#### **Option 2: Modular**

For companies that do not feel ready to take on the entire survey, or for those that prefer to focus on a limited number of materials. For this option participants are required to complete one or more of the following.

- Business Integration Module (Materials Strategy and/or Circularity)
- Materials Portfolio Module (MBS and Materials modules for all used materials)

Participants wishing to take part in the Biodiversity Benchmark without taking part in the full MCI survey can do so via the Modular approach.

#### **Option 3: Progress Tracker**

This option allows participants to submit material uptake targets and volumetric data only.

• Materials Portfolio Module (MBS and FM-3 Targets in the Materials module(s))

This option allows for progress tracking against targets and specifically accommodates those companies signed up to various fiber challenges or commitments which require annual reporting of uptake volumes, such as the <u>2025 Sustainable Cotton Challenge</u>, and the <u>2025 Recycled Polyester Challenge</u>.

In addition, all participants can select and complete the non-scoring Impact Area modules, Biodiversity – Gold, Oceans and Climate.

To note, for returnees, the Business Integration Module and Materials Impact Area Module for the 2022 survey will be pre-filled with 2021 responses and the participant will be required to review and update the responses where appropriate. The Materials Balance Sheet (MBS) will be pre-filled with the company's previous years' uptake and participants will be required to over-ride with new uptake data. For companies that took part in the Biodiversity Benchmark Beta, pre-filling will be available where there has been no significant change.

#### Q9. Who is eligible to participate?

All apparel and textile companies, including brands, retailers, manufacturers, and suppliers are eligible to participate in the Material Change Index (MCI), including the new Impact Area modules. In fact, the more companies taking part, the more meaningful the results for all involved.

#### Q10. Do I need to be a Textile Exchange member to take part?

No, you do not have to be a member of Textile Exchange. Non-members are eligible to take part in the MCI.

#### Q11. How much does it cost to take part?

There is no fee to participate. The priority is to grow participation rates by making the benchmark program accessible for all. All companies are encouraged to leverage the benchmark and make improvements to strategy, transparency, metrics, and performance tracking.

Financial compensation comes from (1) a voluntary participation fee (donation) and (2) differentiated scorecard contents (see more about premium scorecards in Q17 below). Thanks to the generous financial support over the years from C&A, Tchibo, and SAPPI (supporting biodiversity benchmark developments) costs associated with the early developments of the program and the technology platform was covered.

As the program continues to grow, Textile Exchange is looking for partners (and other ways) to ensure the long-term financial sustainability of the program and ensure we have the resources required to deliver a high-quality benchmarking product.

#### Q12. How much time and resource do we need to complete the survey?

Time and resources you need to set aside depends on several factors, including the following:

- Whether you are a new or returning participant
  - For returning participants, survey answers are pre-filled with the previous year's answers, so you will just need to check responses, update them where necessary, and submit along with your consumption data. You may also wish to change your level of participation from one year to the next by increasing or decreasing the number of modules you complete. Note, all priority materials must be completed to ensure your eligibility for the full MCI.
  - We recommend allocating a team to complete different sections of the survey depending on their area of expertise and which modules you are completing.
- Whether you have all the information on hand There is also work involved in organizing your data streams; we ask for data, calculation methodologies and evidence supporting your data and answers. For companies who have their data ready, the survey can take a matter of hours. It is important for a company to support answers with evidence in the public domain as we identify the quality of public disclosure and likely to assume this information as vetted.
- The organizational structure and size of your company This may have an impact on how quicky or easily you can get hold of the information needed. Most companies may have more resources in place, but it may be harder for departments to prioritize your requests. We recommend starting the process as early as possible to give all parties sufficient time to submit the survey by Friday, September 2nd, 2022.
- Which survey option you choose –The minimum requirement for participation is to report on your volumes of preferred and conventional materials. Beyond this, it is up to you how many modules you complete. The more modules you complete, the more useful the benchmark will be to you and across the industry. Participants tell us that just the act of completing the survey provides a valuable roadmap for improvement. Please see Q9 for more information on the Survey options.

#### Q13. How long do we have to complete the survey?

The 2022 survey is open from Tuesday, June 21st to Friday, September 2nd – which gives companies a 12-week period to make their submissions and the CFMB team is always on hand and happy to support this process.

Please refer to Appendix 4 to learn about the benchmark cycle and timeline.

#### Q14. How flexible is the deadline?

As the program grows, it has become increasingly important to keep to the submission date. Please keep us informed of your progress and any issues you may have with meeting the deadline.

#### Q15. What happens once we have submitted the survey?

Once the survey submission window closes and all participants have submitted their surveys, Textile Exchange undertakes a systematic review of all submissions. The team reviews all surveys for consistency, completeness, and accuracy. **Note that this is NOT an audit and we do not verify data**. As part of our data validation process, we expect a sign-off from a senior member of staff declaring that all information is truthful. See Q21 for further details on managing data and programmatic quality.

#### Q16. How do companies benefit from taking part?

We have designed the Corporate Fiber & Materials Benchmark (CFMB) Program to be much more than a benchmark. Here's a reminder of how companies benefit from taking part.

The CFMB Program provides a:

- Roadmap to building and implementing a robust materials strategy, incorporating materials circularity.
- Digital scorecard that summarizes your performance, and helps you communicate results to team members, your board, and external stakeholders.
- Externally verified reporting framework for tracking progress against targets year on year.
- Focal point for alignment with the Sustainable Development Goals.
- Placement in the Material Change Index and visibility of your company's good work among other frontrunners.
- Sector progress tracker by aggregating data and building a community of companies willing to voluntary disclose information and share learnings with the wider industry.

#### Q17. What do participants receive on completion of their MCI survey?

Each participant receives a digitalized, customized, and confidential company scorecard, comparing their own progress year-on-year and how they rank alongside their peers. Company scorecards offer a useful reporting tool for each participating company to share with important internal and external stakeholders, including the investment community.

These confidential scorecards are visible only to the participating company and are accessible on the secure benchmark portal. There are different versions of confidential scorecards, and you can find out more in the next questions (Q19).

#### Q18. Can you tell me more about the scorecards?

Our digital scorecards are confidential to the participant and come in three versions:



Figure 4: Three versions of confidential scorecard, Corporate Fiber and Materials Benchmark (CFMB) program.

Samples Scorecards can be viewed here.

#### Q19. How will a company's confidential data be handled?

Textile Exchange treats company data and any information shared with us very carefully. We believe that confidentiality is key to building trust - and we recognize the role we play in being entrusted to handle data responsibly.

For companies to get valuable learnings out of benchmarking (including gap analysis, progress tracking, and industry positioning), discrete data reporting is necessary. Participants receive confidential feedback through their secure benchmarking portal. Results are aggregated for trend analysis, best practice sharing, and reporting industry-level insights. We only show-case companies publicly when we have explicit permission and in full collaboration with the companies featured. Individual company results will NOT be publicized or shared with other companies or organizations.

Textile Exchange is <u>GDPR compliant</u> and we have developed a <u>Terms of Use</u> and a <u>Data Policy</u> for the Corporate Fiber & Materials Benchmark (CFMB) program. If participants feel more comfortable with an additional level of data sharing agreement they can either sign the CFMB <u>Non-Disclosure Agreement</u> (NDA) or ask us to comply with their corporate NDA.

#### Q20. Are the results made public?

No individual company scores are shared in the public domain. Only the aggregated results of the cohort and performance bands of individual participants are shared in the public domain in the following ways:

<u>The MCI Leaderboard</u> is a public listing that celebrates participating brands and retailers in a "name and fame" manner. It promotes the company through its logo, boilerplate, link, and a pop-out "progress card"

which presents participation details and performance banding. *Please note, the MCI Leaderboard is a voluntary public listing and participants have the option to opt out for a particular year by writing and explaining their reason to <u>CFMB@TextileExchange.org</u>* 

<u>The Impact Dashboard</u> provides a convenient place to find out how the MCI "community of participants" are doing each year when it comes to setting targets, making commitments, and progressing to preferred materials. It also models impacts associated with preferred materials sourcing, in collaboration with the Sustainable Apparel Coalition (SAC), using their Higg Materials Sustainability Index (Higg MSI). It is a key tool to track the MCI communities progress towards Textile Exchange's climate goal of a 45% reduction in greenhouse gas emissions over the next decade.

The <u>Sector Scorecard</u> models the confidential company scorecards and gives aggregates and averages for sub-sectors: Apparel/Footwear, Outdoor/Sport, Home/Hospitality, and Multi-sector as well as the overall sector.

The <u>Insights Report</u> is a detailed review of aggregated benchmarking results, the progress participants have collectively made, and where the industry need to go next to achieve ambitious targets for people and the planet by 2030.

#### Q21. How does Textile Exchange manage program quality?

- **Program credentials:** Textile Exchange has ensured its benchmarking program has been on par with best practice from the very start. In the beginning, the CFMB was designed in line with the Business In The Community's (<u>BITC</u>) Corporate Responsibility Index (CRI). The CRI benchmarked the FTSE 100 companies i.e. those listed on the London Stock Exchange (FTSE) and was published in the Financial Times each year. Knowledge transfer from BITC to Textile Exchange ensured a credible program was built at inception, including collaboration with the CRI benchmarking platform providers (see next bullet point).
- Data Security: We partner with a trusted technology partner, <u>73bit</u>, to run the online secure benchmark platform (Probench). Probench was built for FTSE-listed companies to share sensitive information and data security remains among the top priorities. Textile Exchange and 73bit have worked together since the beginning of the CFMB program. 73bit has an impressive list of clients, including the United Nations Principles for Responsible Investment (UNPRI), Access to Nutrition Index, and the Business Benchmark on Animal Welfare, all depending on the high security of Probench.
- **Survey review:** Textile Exchange undertakes a systematic review of all company submissions and checks for consistency, completeness, and accuracy. Once a company has submitted its survey, the CFMB review team completes a desk top review following a formalized methodology and corresponds with the company's lead practitioner to close out any points for clarification. This review process is carried out in full transparency with the company. Once all outstanding issues have been resolved and agreed between the reviewer and the company, updates (if any) are made online, and the survey is formally closed out.
- Independent program assurance: Our program is externally <u>verified by ELEVATE</u> in accordance with Global Reporting Initiative (GRI) guidelines, bringing increased credibility and confidence in the results as the program grows in size and importance.
- **Ongoing improvement:** To ensure the CFMB program is fit for purpose and continuously improving, Textile Exchange collaborates and consults with a wide range of stakeholders. First and foremost,

our participants: each year an open consultation is held to review the entire program and priority areas (e.g., fiber calculations). For peer-to-peer learning and collaboration we have become an ally of the World Benchmarking Alliance, and we are involved in the recent developments of the ISEAL benchmarking best practice guidelines (see Appendix 5 for an overview of the ISEAL draft guidelines and links to further information).

#### Q22. How does Textile Exchange assure the accuracy of fiber and materials usage data?

Calculating fiber and materials usage volumes is a valuable exercise for companies – especially for those who have never done such a calculation before. As more and more companies set targets for use of specific materials (such as recycled, organic, and use of other voluntary sustainability standards) they will need to understand their starting place and progress rate.

Textile Exchange strives to constantly improve the quality of data reported through the MCI survey. We have worked hard to develop tools, in collaboration with industry, such as the <u>Fiber Uptake Calculation Guide</u>, uptake calculators, and a <u>Fiber Conversion Rates Methodology</u>.

We also request all participants to complete a "metadata form" in the survey which provides an overview of data quality and origins. In the past, companies have needed to significantly amend their reported volumes for many reasons (e.g., staff turnover, errors in Excel, and "more sustainable" products converted to conventional towards the end of range planning). The program guides (and accompanying metadata form) will help companies identify the most accurate data in their systems, document their calculation approach, and, hopefully, decrease the frequency of errors occurring.

#### Q23. What is Textile Exchange doing to harmonize with other reporting initiatives?

Knowing how much work is involved in survey submissions (by companies), Textile Exchange works very intentionally to align or consolidate our systems with others. Here are some of the ways we are taking intent to action, and the partners we are working with.

 The Fashion Pact: After a successful pilot with Textile Exchange's Biodiversity Benchmark through *Transforming the Fashion Sector with Nature,* a two-year project co-executed by The Fashion Pact & Conservation International and funded by the Global Environment Facility, The Fashion Pact has made the Corporate Fiber & Materials Benchmark the full reporting program for its signatories. In collaboration, Textile Exchange and The Fashion Pact have worked together to add in additional Climate and Oceans modules. The new modules build on the work started by the Boston Consulting Group and align with frameworks led by topic experts including CDP and the Ellen MacArthur Foundation.

In this exciting partnership, we see an opportunity to further industry alignment and build upon existing where possible. Following the successful establishment of a baseline on biodiversity through the Biodiversity Benchmark, this partnership answers signatory requests to streamline industry timelines and reporting modules. The additional modules will be available for The Fashion Pact signatories to complete as part of their commitment to tracking progress against their commitments in The Fashion Pact's three pillars, Biodiversity, Climate and Oceans. Companies who are not signatories of The Fashion Pact also have the option to complete these additional modules. The Fashion Pact signatories are rewarded with confidential digital scorecards and all the support services, such as workshops, drop-in clinics, and helpline, that Textile Exchange provides to the benchmarking community.

- 2. **Sustainable Apparel Coalition:** As part of the Apparel Alliance, the SAC and Textile Exchange are committed to working together to align solutions and reduce any duplication in the tools to reduce reporting fatigue. What we hope to achieve is an integrated ecosystem of measurement, benchmarking and performance improvement framework that enables the industry to accelerate and scale environmental impact reduction.
- 3. Ellen MacArthur Foundation and Textiles 2030: We are also collaborating with the WRAP UK's Textiles 2030, Ellen MacArthur Foundation's Make Fashion Circular initiative.
- 4. Alliances and Platforms: We are also members of the World Benchmark Alliance, Science Based Targets Network (SBTN) Corporate Engagement Program, and the UN IPCC Fashion Industry Climate Alliance.
- 5. **Expert consultation:** We depend on the expertise and guidance from other lead organizations and consultants Conservation International, The Biodiversity Consultancy, WWF (among others) and work together to encourage alignment and harmonization.

#### Q24. What support and guidance are available to help us get started?

To get started in your benchmark journey:

- **Register or login to the CFMB company portal**: To register (as a new participating organization) or to sign back (if you are a returnee) go directly to <a href="https://cfmb.textileexchange.org">https://cfmb.textileexchange.org</a>.
- Join the CFMB Hub community: For companies benchmarking with us, we have a new online home at the Textile Exchange Hub. Please follow the link <u>here</u>, and make sure you join the Companies Creating Material Change CFMB Hub community, which you will find under "My communities". This is your new go-to place for receiving frequent updates, finding upcoming events, participating in discussion posts, creating community dialogues and for exploring the resource library which holds CFMB-related webinar recordings, reports, guides and more.
- Explore the CFMB program <u>Suite of Guides</u>
  - FAQs (this document)
  - Survey Guide
  - Biodiversity Guide
  - Oceans Guide
  - Climate Guide
  - CFMB Portal User's Guide
  - Fiber Uptake Calculation Guide
  - SDG Companion Guide
  - Biodiversity Companion Guide
  - Circularity Companion Guide
  - Fiber Conversion Methodology
- Check out MCI Website: To find out more about the program, visit our website https://mci.textileexchange.org/
- Available 2022 Survey Support Services The Corporate Benchmark team offers support services throughout the survey submission period (June-August) to support participants in their benchmark journey and to ensure seamless experience for benchmarkers. In 2022, the CFMB team will conduct a series of workshops for new and returning participants to provide all tips and information needed for benchmark practitioners to complete the 2022 survey. The popular weekly Drop-in clinics will also run throughout July and August (every Thursday, at 4 PM CET) to provide additional support.

Bring in your questions, learn from your peers, or participate in feedback sharing and community dialogues. **Register now and save the dates from our** <u>2022 Survey Support Schedule</u>.

• **Contact CFMB Team:** For any questions or concerns that you may have, do not hesitate to contact the CFMB team by writing to us at <u>CFMB@TextileExchange.org</u>. The CFMB team is happy to arrange a conference call to talk you through the benchmarking process and answer your questions directly. Please take some time exploring the survey and the guidance documents first. If you continue to have questions, we would be pleased to speak with you and your team to ensure you get off to the best start!

### **Biodiversity Benchmark FAQs**

#### Q1. Why a benchmark for biodiversity?

The Biodiversity Benchmark is designed to help companies consider their materials production and sourcing practices through a biodiversity lens and take urgent action.

Biodiversity – the fabric of life created by genes, species and ecosystems and all their complex interactions – is being lost at an alarming pace.

In 2019, the scientific community released its latest report (<u>IPBES Global Assessment</u>) on the status of species and ecosystems. The report found that around 1 million animal and plant species are now threatened with extinction, many becoming threatened within decades, more than ever before in human history. These dramatic results highlight what the <u>Stockholm Resilience Center</u> has also shown in relation to planetary boundaries: we are beyond the safe operating space for humanity when it comes to the degradation of our biosphere. The <u>World Economic Forum</u> (WEF) positions nature loss as one of the greatest systemic risks to the global economy and the health of people and the planet.

According to the <u>World Benchmarking Alliance</u> (WBA), benchmarking drives a "race to the top" and is one of the ways Textile Exchange (an ally of the WBA) mobilizes the industry to accelerate the uptake of preferred materials. Through Textile Exchange's Corporate Fiber & Materials Benchmark (CFMB) program and its annually published <u>Material Change Index</u> (MCI), participating companies are already making significant headway in identifying their portfolio of materials, the sustainability programs they are investing in, and targets for uptake and improvement, including <u>Science Based Targets</u>. The CFMB program also helps companies calculate uptake of preferred fibers and materials and report the extent to which materials are mapped back to the country of origin. This work forms the bedrock for understanding biodiversity risks and building a strategy to limit negative impacts from the company's supply base.

The Biodiversity Benchmark has been developed in partnership with Conservation International, The Biodiversity Consultancy, and reviewed by a broad multi-stakeholder advisory group. The survey content builds on the reporting framework, themes, and elements of the MCI survey.

The role of the Biodiversity Benchmark is to help companies track how they understand biodiversity risk in their raw materials supply base and how they are addressing these risks through credible, good practice strategies. Our ambition is to help prepare the textile industry for urgent action on this important cross-cutting topic. The Benchmark is designed to help companies compare performance to fundamental elements of good practice biodiversity risk management. Practitioners can use the Biodiversity Benchmark to understand the direction of travel their company needs to commit to and implement in order to become <u>nature positive</u> by 2030. The Benchmark guidance provides practical knowledge and insights on biodiversity risks, relevance to the apparel and textile industry, and how these risks can best be managed.

The benchmark is currently customized for the apparel and textile industry, i.e., fashion, sports, luxury, and home textiles brands, retailers, manufacturers, suppliers.

#### Q2. Who is eligible to participate in the Biodiversity Benchmark?

We invite brands, retailers, suppliers, and manufacturers to take part in the Biodiversity Benchmark.

Any company or organization sourcing raw materials is eligible to take part. You might already be benchmarking with us through the Material Change Index (MCI) (290+ companies in 2021, see Insights

<u>Report</u>), or you might be taking part in the Biodiversity Benchmark independently – it's up to you. For companies, participating in the Biodiversity Benchmark will help you to set a baseline of your biodiversity performance, measure progress annually, and provide access to a learning community.

All participants are invited to provide feedback in the last section of the benchmark survey.

#### Q3. How does the Biodiversity Benchmark fit with the Material Change Index?

The Biodiversity Benchmark – just like the Material Change Index (MCI) - is part of the Corporate Fiber & Materials Benchmark (CFMB) program.

The Biodiversity Benchmark aligns with the goals of the CFMB program to help companies measure, manage, and integrate a preferred materials strategy into mainstream business operations. It also fits with Textile Exchange's 2030 Climate+ Strategy since biodiversity is a key focus.

Biodiversity is integral to a preferred materials strategy and companies do not have to start from scratch when it comes to developing a biodiversity strategy. Until now, the CFMB has focused on a company's materials portfolio mix and sourcing practices – without a strong emphasis on geographical context. The Biodiversity Benchmark takes this good work in building a preferred portfolio and places it in a geographical context. This "place-based" context is key to exposing on-the-ground biodiversity risk including impacts and dependencies.

Pragmatically speaking, companies are able to complete the Biodiversity Benchmark survey in addition to their MCI survey or, alternatively, elect to engage with the Biodiversity Benchmark only as an Impact Module via the "Benchmark Options" section of the survey. The Biodiversity Benchmark is not a scored module – for this survey area, the scorecard provides an overview of the company's responses in comparison to the full participant group.

#### Q4. How does this benchmark co-exist with other biodiversity initiatives?

This Biodiversity Benchmark was not created in a vacuum nor will it exist in isolation.

Textile Exchange worked with <u>The Biodiversity Consultancy</u>, <u>Conservation International</u> to co-create the benchmark, with support from an interim <u>Biodiversity Advisory Group</u>. Its content will continue to be informed and shaped by experts in the field including the <u>Science Based Targets Network</u> (SBTN), and the <u>Fashion Pact</u>, through multi-stakeholder engagement in an annual open consultation, and through direct feedback from the companies taking part in the benchmark.

Textile Exchange is a member of the new SBTN Corporate Engagement Program, and we will work closely with the SBTN on consistency in language, frameworks, and measurements to support benchmarking participants on their biodiversity journey. Our benchmarking methodology and targets will adapt to align with the Science Based Targets for Nature as they develop over the next two years.

### Appendix 1. Terminologies

**Corporate Fiber & Materials Benchmark (CFMB) program:** The CFMB program is THE place to measure, track and compare a company's sustainability progress related to fibers and materials. The CFMB provides a robust structure to help companies systematically measure, manage and integrate a preferred fiber and materials strategy into mainstream business operations, to compare progress, and to transparently communicate performance and progress to stakeholders.

**Material Change Index (MCI) survey: The Material** Change Index (MCI) **survey is** an annual benchmark survey run by the Corporate Fiber and Materials Benchmark (CFMB) Program. **The Material** Change Index (MCI) **survey is** the largest peer-to-peer comparison initiative in the textile industry, which provides a robust structure to help companies systematically measure, manage and integrate a preferred fiber and materials strategy into the mainstream business operations, to compare progress and to transparently communicate performance and progress to stakeholders.

It tracks the apparel, footwear and home textile sector's progress toward more preferred fiber and materials sourcing, as well as tracks the cohorts progress towards Textile Exchange's Climate + Goal to help the global textile industry achieve a 45% reduction in the emissions that come from producing fibers and raw materials by 2030.

**Material Change Index and family of indices** are a product of the MCI survey and offer a quantified index ranking including a company's position in relation to peers and the overall industry. Family of indices incorporates scores achieved across the full benchmark framework: business integration, circularity, and the portfolio of materials

Performance bands: Company results are assigned to one of four performance bands.



**Leaderboard:** Textile Exchange introduced the Material Change Leaderboard in 2019 to provide a more holistic and contemporary assessment of leadership than the volume-based focus of the past. The Material

Change Leaderboard includes Level 4 Leading companies across the Material Change Index (MCI) and family of indices.

The Leaderboard is based on a company's management practices (including risk assessment, transparency, investment, target setting, and impact measurement) as well as the adoption rate of preferred fibers and materials. In this way it reflects both intention and action. See full listing on next page.

**Leaders Circle:** The companies included in the annual Leaders Circle have achieved a "Level 4 – Leading" performance band which means they have robust materials sustainability strategies, comprehensive integration, and implementation systems in place, including circularity, and are making good progress in transitioning their materials portfolio to preferred options.

### Appendix 2. Describing a Preferred Material

#### A preferred material

Textile Exchange defines a preferred fiber or material as one which results in improved environmental and/or social sustainability outcomes and impacts in comparison to conventional production.

#### Ways to recognize or achieve a preferred status



Sustainability criteria developed through a formalized multi-stakeholder process.



A recognized industry standard in place which confirms its status as preferred.



A robust chain of custody system in place to track or trace the material through the supply chain and back to its origin.



Objectively and scientifically tested or verified as having greater sustainability attributes, such as through peer reviewed Life Cycle Assessment.



Potential for circularity (under consideration for inclusion in updated preferred material assessment)

#### A portfolio approach



Build a suite of preferred materials, from a choice of preferred options, through the consideration of impacts and organizational priorities.



Embed a strategy that leads to preferred options replacing unsustainable or less sustainable options.



Make a commitment to the principles of continuous improvement and ensuring options selected result in a positive impact.

See the <u>Terminology Guide</u> for further information.

#### Preferred material portfolio options



Taking a portfolio approach means recognizing that there might not be one single fiber, material, or program that works for your business, and that your selection might change over time. It can be achieved by:

- Building a suite or mix of preferred fibers and materials, based on the consideration of impacts and organizational priorities.
- Embedding a strategy that leads to preferred options replacing unsustainable or less sustainable options over time - including target setting to align commercial and sustainability teams and drive progress.
- Having a commitment to integrity and the principles of continuous improvement thus ensuring the options selected result in a positive change.

There is no "one size fits all" and the MCI allows for participants to build their own portfolio based on the fiber and materials options and programs that their company is implementing.

#### An evolving landscape

No single fiber or material is fully sustainable; there are strengths, weaknesses, and trade-offs with all sustainability programs or options. There are, however, practices that should not be accepted, such as sheep mulesing, use of toxic and persistent chemicals, and deforestation. Best practices, thresholds, expectations and ambitions are constantly evolving - alongside technology, connectivity and ever-increasing transparency.

Different programs and schemes may have different strengths and product offerings, but generally there is a shared vision and some common ground. There is also an agreement on constantly striving to improve and a mounting urgency to move along the continuum from minimizing the harmful impacts to maximizing the positive.

Ultimately, the goal is to decouple the industry's growth and success from the consumption of natural resources, and secure a regenerative, circular textile production system that benefits the world now and into the future.

We need to accelerate positive sourcing practices, supply chain integrity, and fair returns for environmental stewardship. Most of all, we all need the courage to take on new and innovative business models that will move us towards a regenerative and circular industry.

### Appendix 3. The MCI Survey Deconstructed

#### **Benchmark framework**



MCI framework is aligned with the Sustainable Development Goals

### **Table A: MCI Themes and Elements**

Theme	Element		
Section I: Business Integration			
Materials			
S-1. Corporate Strategy	S-1a. Sustainability Strategy		
	S-1b. Global Goals and Commitments		
	S-1c. Impact Targets		
S-2. Leadership	S-2a. Accountability		
	S-2b. Leadership Example		
S-3. Internal Engagement	S-3a. Capacity Building		
S-4. Materiality	S-4a. Risk and Opportunity Assessment		
	S-4b. Stakeholder Engagement		
S-5. Customer Engagement	S-5a. Product Labelling		
	S-5b. Awareness Raising		
S-6. Investment	S-6a. Sustainability Investment		
S-7. Reporting	S-7a. Public Reporting		
	S-7b. Assurance		

Theme	Element	
Circularity		
CR-1. Circularity Strategy	CR-1a. Strategy	
	CR-1b. Circularity Targets	
	CR-1c. Leadership	
	CR-1d. Investment	
	CR-1e. Reporting	
CR-2. Business Models	CR-2a. Service Provision	
CR-3. Resource Efficiency	ency CR-3a. Pre-consumer waste	
	CR-3b. Unsold Finished Goods	
CR-4. Design for Circularity	CR-4a. Capacity Building	
	CR-4b. Design Factors	
	CR-4c. Certification Schemes	
CR-5. Textile Collection	CR-5a. Post-consumer Textile Products	
Section II. Materials Portfolio		
FM-1: Risk Management	FM-1a. Feedstock Production	
	FM-1b. Feedstock Processing	
FM-2: Transparency	FM-2a. Country of Origin	
	FM-2b. Supply Chain Mapping	
	FM-2c. Supplier Listings	
FM-3: Targets	FM-3a. Target Setting	
Section III. Impact Areas		
Materials		
Biodiversity		
Climate		
Oceans		
Gold		

## Appendix 4. Annual benchmark cycle -Timeline and Steps



- Survey launch (June August) Participants register and complete the survey
- Validation (September October) Submission review
- Analysis (November) Results preparation
- Reporting (December) Company scorecards and industry insights
- Review (January– March) Stakeholder consultation and program upgrades
- Bench learning (All year round) Conference, webinars, workshops, peer learning

	Participants	Corporate Benchmarking team
Survey submission (June – August)	Register or login to the CFMB Portal to start filling out the current year survey in June	Activates of new participants, and invites sent to returnees (previous year participants) <u>mailto:CFMB@TextileExchange.org</u>
	Lead benchmark practitioner established to coordinate responses from all relevant data owners	Makes available Survey Support Services such as Getting Started Workshops, Drop-in clinics etc. to ensure participants have all available tips, information and guidance to successfully complete and submit the survey
	12-week window to complete the survey and submit within the due date (i.e., before Friday, September 2nd, 2022)	Shares regular updates and useful tips/resources via The Hub and actively responds to specific participants queries coming in via <u>CFMB@TextileExchange.org</u>
	Lead benchmark practitioner gets sign off from Senior staff member and submits the survey	Receives notification of submitted surveys and runs a high-level completion check
Validation (September – October)		Reviews submitted surveys begin, where the team checks for completion, consistency, accuracy, and evidence
	Upon receiving review feedback from the Corporate Benchmarking team, benchmark practitioners review comments and respond, providing additional evidence where requested.	Emails the completed review of participants submission, along with queries, request for further evidence, and other points raised
	If necessary, participant/benchmark practitioner and Corporate Benchmarking team arrange a conference call to discuss and close out the review.	Makes updates to the online survey based on review process outcomes received from participants.
Analysis		Generates company, sub-sector, and sector scores. Undertakes analysis of data.

(November)		Prepares companies' confidential scorecards
Reporting	Communications of results e.g. use of MCI badge and social media images etc.	Releases scorecards to companies.
(December)		Publishes MCI results (including MCI Leaderboard, Impacts Dashboard, and Sector Scorecards) and Insights Report.
Review (January-March)	Benchmark practitioners are welcome to provide feedback and input through consolations in order to improve program and user experience etc.	Reviews and updates survey, guidance notes, technical notes, MCI website etc.
		Conducts Stakeholder Consolation to receive feedback and inputs in order to improve program and user experience.
		Prepares Support Schedule including Getting Started Workshops, Drop-in clinics for the next benchmark cycle
Bench learning (All year round)	Peer-to-peer learning opportunities are provided throughout the year via virtual meetings, webinar, workshops, The Hub, and annual conference.	<ul> <li>Facilitates and provides ways for "Bench learning" including:</li> <li>Webinars and Workshops</li> <li>The Hub (discussions, events, resources)</li> <li>Drop-in clinics and conference calls</li> <li>Textile Exchange Annual Conference</li> </ul>

## Appendix 5. ISEAL Benchmarking Good Practice Checklist

Textile Exchange will be ensuring the CFMB methodology aligns with the ISEAL new guidance for benchmarking good practice (currently under development). The checklist below distils key steps in the draft ISEAL guidance for setting up and implementing a sustainability benchmarking program. Visit the ISEAL website for more information on the draft benchmarking good practice consultation and further resources <u>here.</u>

#### Develop the framework

- Audience: identify who is the intended audience and what are their needs; speak with potential users to understand more deeply their expectations (8.1.1).
- **Purpose:** define the goal or purpose of the benchmarking program and ensure this is explicit and included in all communication about the benchmarking program (8.1.2).
- **Strategy:** assess whether a benchmarking program is the most effective strategy to achieve their purpose (8.1.2).
- **Needs assessment:** assess whether existing benchmarks already meet all or part of the articulated goal (use Annex 1 as a starting point) (8.1.2).
- **Scope:** decide who or what is being benchmarked, including the sector or commodity, geography, type of entity, supply chain scope, and market presence (8.2).
- **Openness:** decide whether to target specific companies or initiatives with the benchmark and which ones, or to allow any qualifying entity to be evaluated (8.2.3).
- **Management:** determine who will manage the benchmarking program (8.3).
- **Claims:** develop a publicly available claims policy that ensures claims are grounded in, and consistent with the actual results and do not misrepresent the conclusions that can be drawn from the evaluation (8.7).

#### Determine the benchmark

- **Process**: set the process for determining the content of the benchmark (8.4).
- Stakeholders: determine whether and how to engage stakeholders in the content development and, where appropriate, follow good practices in the ISEAL Standard-Setting Code for how to engage stakeholders (8.4.1.1).
- **Technical experts:** define the role for technical experts in content development, including their role in decision-making (8.4.1.2).
- **Commonalities:** identify all the characteristics that entities that fall within the scope of the program have in common, as a starting point for determining what is relevant to include in the benchmark (8.4.4).
- **References:** use international reference documents to inform content and encourage consistency (8.4.3).
- **Definitions:** include definitions of key terms in the benchmark to support consistent interpretation (8.4.1.4).
- **Content:** for sustainability standards, include in the benchmark at least standards content criteria and criteria to assess the assurance mechanisms. Also, strongly consider criteria on governance, traceability and sustainability claims (8.4.2 and Annex 3).
- Alternative models: for sustainability standards and related tools, consider how to accommodate different standards models, including those with different scoring models, different assurance

models, and different strategies for incentivizing uptake of more sustainable practices (8.4.4.1, 8.4.4.2).

• **Evaluation:** determine the evaluation structure of the benchmark (8.5).

#### Develop the benchmarking process

- **Effectiveness:** find a balance in the benchmarking process that achieves credible results in an accessible and cost-effective way (8.8.2).
- **Application:** determine the application process where benchmarking programs are open to qualifying entities (8.6.1).
- **Desk review:** carry out a review of detailed documentation about the entity's procedures and practices (8.6.1).
- Additional data collection: consider whether and how to gather additional information, such as an office visit or witness audit, to inform potential performance (8.6.1).
- **Benchmarking committee:** determine whether to put in place a benchmarking committee or some other mechanism (e.g. evaluator peer review) to support consistency of interpretation (8.6.1).
- **Public consultation:** consider a public consultation on draft evaluations and put in place the steps to do so where relevant (8.6.1).
- Decision-making: determine how decisions on benchmarked entities will be made (8.6.1).
- **Dispute resolution:** put in place a dispute resolution mechanism (8.6.1).
- Alignment: establish a process for monitoring continued alignment between the benchmark and the benchmarked entity over time (8.6.2).
- **Competence:** ensure that evaluators, decision-makers and others involved in the benchmarking process are competent for their work (8.8.1).

#### Additional considerations

- **Transparency:** make information about the benchmarking program, including how it works, governance, policies, decision-making and results publicly available and accessible (various clauses).
- **Impartiality:** manage for potential conflicts of interest in setting of the benchmark and implementation of the benchmarking program (8.3, 8.4.1.3, 8.6.1, 8.8.4).
- **Improvement:** capture insights and learning from implementation of the benchmarking program to inform its regular revision and improvement (8.8.3).



Corporate Fiber & Materials Benchmark Program

Find out more about the Material Change Index here:

mci.textileexchange.org www.textileexchange.org