

The first of a series of insights from the 2016 Preferred Fiber & Materials (PFM) Benchmark program launches this month with a focus on cotton.

In March 2017, Textile Exchange (TE) released the results of the 2016 PFM¹ Sector Benchmark². Results showed that 71 participating companies (see Figure 1), from conglomerates to small fashion boutiques, are getting serious about the sustainability of the raw materials at the core of their businesses. This TE Insights Series, released in partnership with Sourcing Journal Online, digests some of the key findings from the report. This month's focus is on preferred cotton³.

Figure 1: 2016 PFM Benchmark participants, presented alphabetically within sub-sectors⁴.



THE PREFERRED FIBER & MATERIALS BENCHMARK IN A NUTSHELL

The Textile Exchange Preferred Fiber and Materials (PFM) Benchmark 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 with the sector, and to transparently communicate performance and progress to stakeholders.

Companies follow a self-assessment process intended to help identify the strengths and the gaps where future progress can be made. By comparing section scores with those achieved by the whole sector, companies can plan improvement efforts and prioritize action areas. Going forward key indicators (inputs, outcomes, and impacts) of the Benchmark will be monitored through a Barometer of Progress and aligned with Sustainable Development Goal (SDG) 12: Ensuring sustainable consumption and production (discussed further on in this article).

MOVING TO A PORTFOLIO APPROACH

For the first time, Textile Exchange is able to see not only companies' performance in long-standing sustainability initiatives such as Organic Cotton, but also are also uncovering how far companies have come in building their mix of fibers and materials to get the most sustainability impact. That's the thinking behind the portfolio approach⁵ that the PFM Benchmark measures. The Benchmark offers the following PFM modules within four key fiber categories (Figure 2).

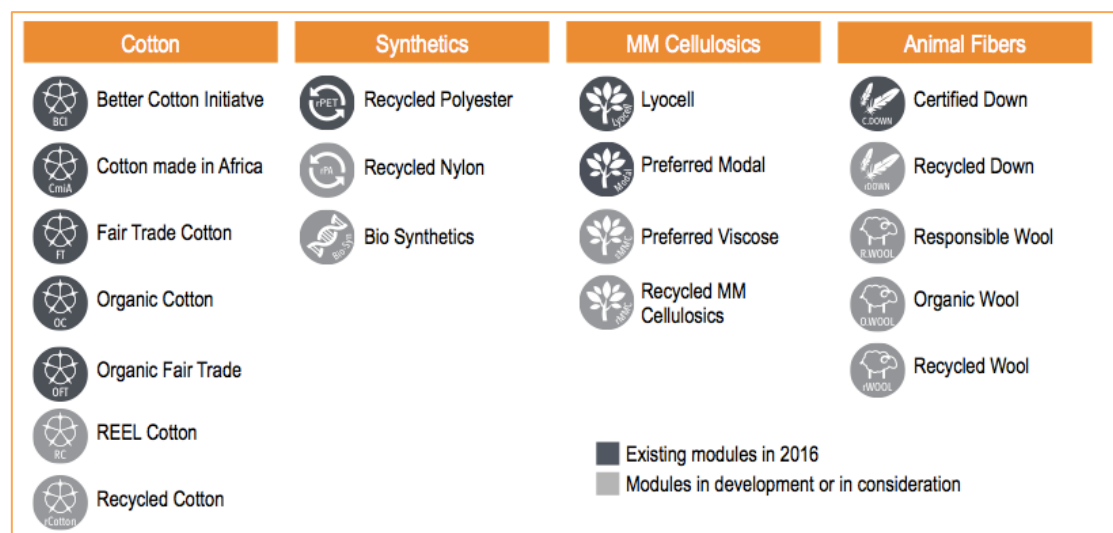


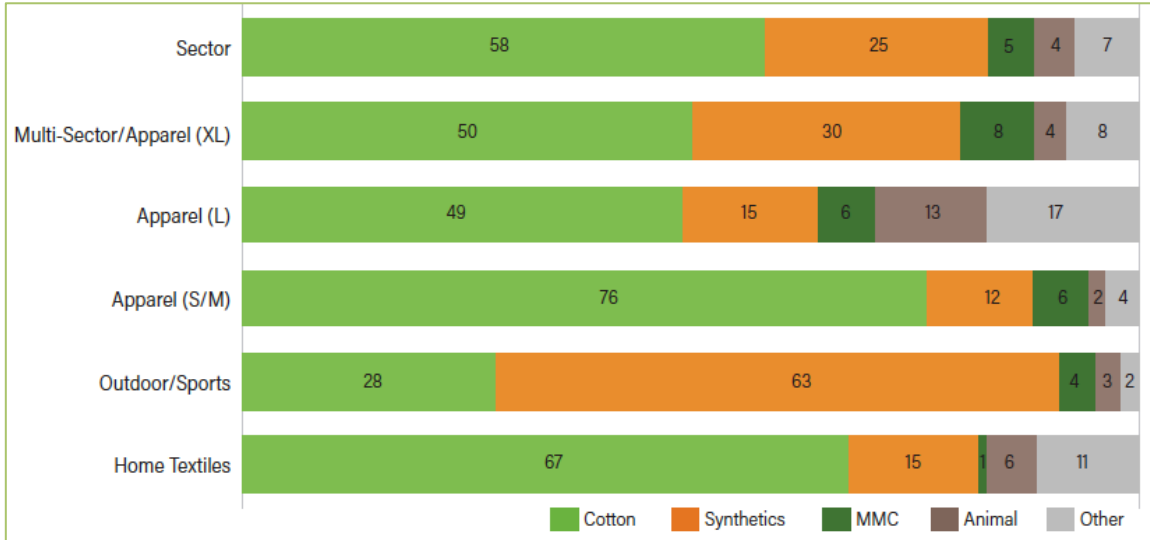
Figure 2: PFM Benchmark module options

COTTON IS STILL KING FOR MANY – AND A GUIDE TO THE FUTURE

The 2016 line up of participants were heavy cotton users, with an average share of 58 percent cotton in their overall fiber usage (Figure 3). This percentage share is significantly higher than the 24.6 percent reported for cotton by the International Cotton Advisory Committee in 2016⁶.

Cotton dominated the fiber usage of small and medium sized Apparel (Apparel SM) and Home Textile brands, while Outdoor/Sports companies were much heavier users of synthetics, mostly polyester (with an average share of 63 percent). Although synthetics and other fibers⁷ were a smaller share of the Benchmark overall, the use of alternatives in the non-cotton categories, particularly polyester, is lagging. More discussion on polyester in the next Insights report.

Figure 3: PFM Benchmark breakdown of fiber use (average by percentage share)



Further drilling into the breakdown of conventional to preferred cotton (Figure 4) shows that the Apparel (S/M) and Home Textile sub sector are also ahead in converting conventional to preferred, followed closely by Outdoor/Sports. The biggest users by volume sit within the Multi-Sector/Apparel (XL) sub-sector, and at 28 percent preferred, as a group these larger companies are making headway on converting to preferred alternatives.

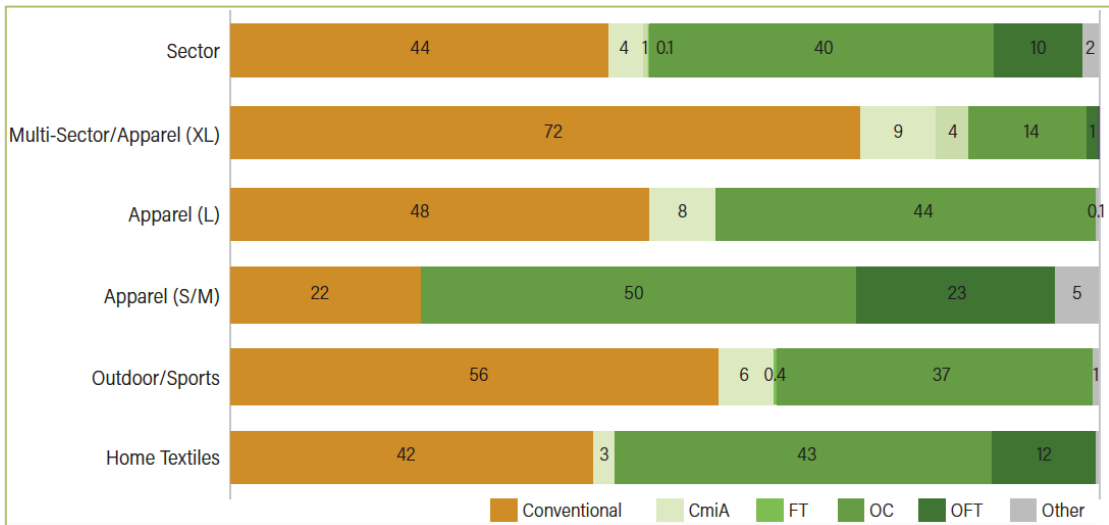


Figure 4: PFM Benchmark breakdown of cotton use (average by percentage share)

AN EYE ON THE END GOAL

PFM Benchmark results confirm that companies are setting ambitious SMART targets (Specific, Measurable, Achievable, Results-focused, and Time-related), particularly for the uptake of preferred cotton, with many taking a portfolio approach to converting virgin or conventional cotton into preferred.

By 2020, all our fibers will come from sustainable sources, which includes cotton from BCI, organically grown cotton (GOTS, OCS certified), and recycled cotton (according to GRS, RCS), or moving to other more sustainable fiber choices like Lyocell.

H&M

73 percent of the 66 companies who completed one or more preferred cotton module have set targets for uptake. 61 percent have discrete targets for Organic. This result can be compared with the 39 percent of the 41 companies who have set similar targets for the uptake of preferred synthetics, such as recycled polyester.

IN THE SPOTLIGHT

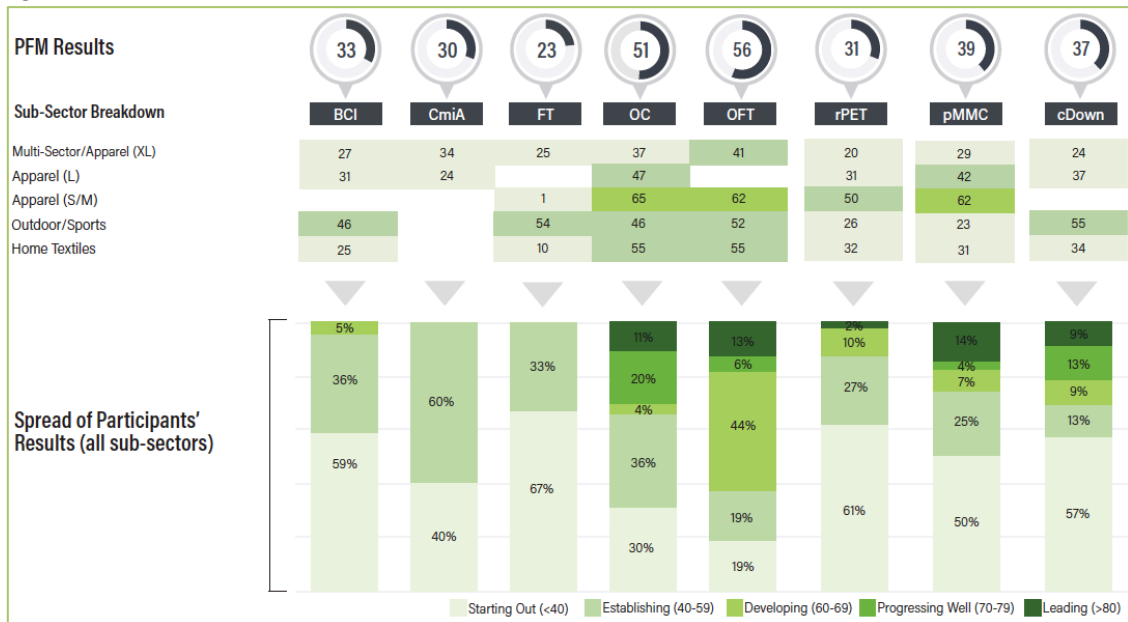
It is not surprising that cotton is ahead of other fiber categories when it comes to corporate focus on sustainability. Over the past 15 years, non-profits, researchers, campaigners, the media, and other stakeholders have been raising awareness of the problems with cotton and its impact on people at the base of the supply chain. With the majority of the 100 million cotton farmers⁸ being smallholders in developing countries, issues from poverty to pesticides have been, and continue to be, associated with some of the biggest sustainability challenges in the textile industry.

The industry has come a long way in acknowledging concerns and has put forward a number of solutions from Organic to Fair Trade to Cotton made in Africa, and the Better Cotton Initiative. Survey responses revealed that a number of large brands, including Nike, H&M, and Inditex (Zara), view Recycled Cotton as an important preferred cotton going forward.

WHAT THE RESULTS SHOW

The spread of results (Figure 5) show that overall companies are most advanced in their work in Organic (OC) or Organic Fair Trade (OFT). By sub-sector, Multi-Sector/Apparel (XL) brands are the most likely to diversify their preferred cotton portfolio, while Apparel (S/M) companies tended to be more focused on OC or OFT cotton. This “Small Apparel Organic Fair Trade” combination proved a winning one in terms of Benchmarked results.

Figure 5: Preferred Cotton scoreboard of results



From farmer, gin, knitter, weaver to sewing factory, we personally know all the actors of our organic cotton supply chain. We provide yearly forecasts in advance to the farmer cooperative for their planning and financing needs.

ARMEDANGELS

Third-party certification entities guarantee our high quality materials, fair labor standards, and low impact production. Close tracking of our process from seed to shelf ensures that every step of our production process meets the Standard's strict criteria.

Under the Canopy

Results show that more needs to be done to bring customers along on the journey. The Benchmark Section results (Figure 6) reveal that the lowest scores were in Section 4: Consumer Engagement, where many companies struggle to convert their efforts into a business outcome or return on investment. This lagging business case for sustainability continues to stunt large-scale corporate investment and growth in consumer engagement. Thankfully, there are signs of this changing as more companies come to grips with their strategy and start to talk more confidently about their work in this area.

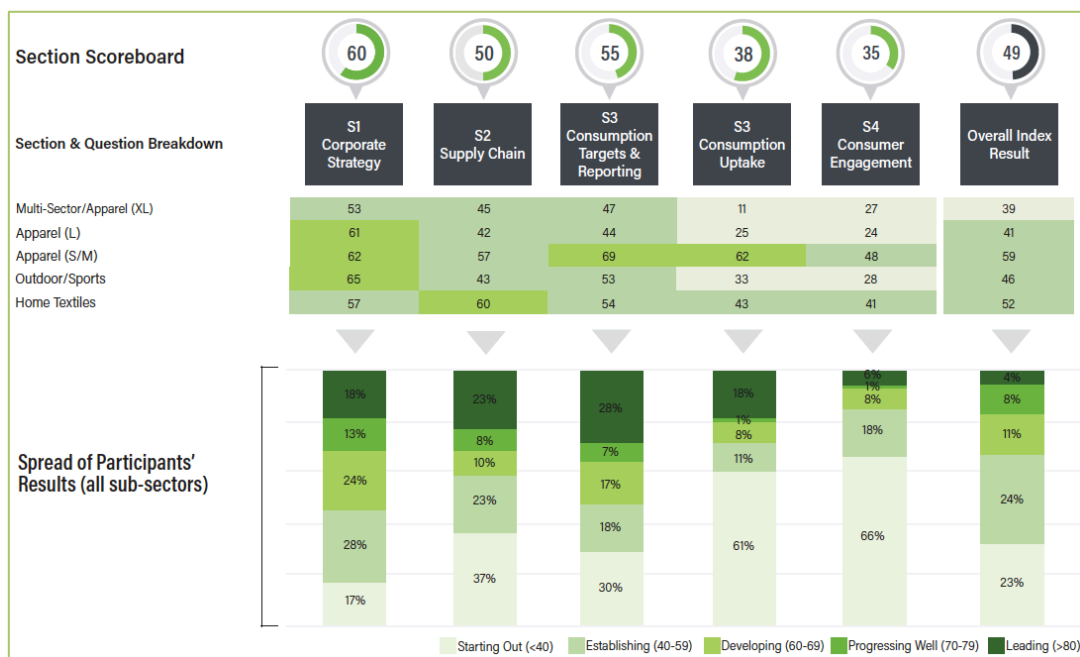


Figure 6: PFM Benchmark section scoreboard of results

But back to those SMART targets. If companies succeed, then tempting the customer may become less of a factor. Companies meeting their targets will result in customer choice directed towards sustainability. This is an interesting example of choice editing – the domination of more sustainable options leading customers, rather than waiting for tastes to change independently. In the meantime some brands say their customer is now better informed, and willingness to pay for sustainability is thought to be increasing. Slightly⁹.

COTTON PORTFOLIOS WILL COME IN MANY SHAPES AND SIZES

Life Cycle Assessment¹⁰ shows that Organic is the higher standard in terms of environmental sustainability, with stricter criteria on the use of fertilizers, pesticides and GMOs. With 56 participants (79%), the Organic Cotton module had the highest number of participants, many of them first movers in the market (such as C&A, Patagonia, Nike, and H&M). However, under pressure to meet targets, the more readily available preferred cottons, such as BCI, will offer quick access to volume, enabling the larger brands to accelerate progress.

The learning here is that there is not one size that fits all and a portfolio approach to cotton offers many advantages.

At Textile Exchange, we promote fairly traded Organic cotton as the “gold standard,” but recognize the important role that other initiatives play in making cotton more sustainable. We encourage brands and retailers to develop a cotton strategy that best fits their company’s business and starting position, and a portfolio approach can be the best way to get started.

Summary of Insights for Preferred Cotton

- **The setting and disclosure of targets will accelerate uptake of preferred cotton.** Many companies will go for a portfolio approach to meeting targets while others will be exclusively Organic or Fair Trade Organic. The uptake of cotton from mainstream sustainability initiatives such as BCI and its benchmarked initiatives¹¹ such as CmiA will likely provide the lion’s share for bigger companies.
- **An “engaged” consumer drives demand but it will be brands achieving targets that will change the retail landscape.** Values driven brands have led the way in consumer engagement through labeling, communications and social media, and when we see companies such as Zara and Mango follow H&M’s conscious collection with one of their own we know things are really shifting. Yet with the success in meeting targets, preferred cotton will be the new norm.
- **It is time to take the learning from cotton to other fibers.** Leading companies have built up expertise in cotton and are switching to preferred. The next frontier is for those with high percentages of synthetics and other non-cotton fibers in their portfolio to take that knowledge and drive it towards cleaning up the rest.

The PFM Benchmark and the Sustainable Development Goals

The long-term success of the cotton sector is dependent on healthy environments, and healthy, profitable producer communities. Keeping cotton in circulation longer through durability (longer life) and closed-loop (end-of-life) solutions will also be strategic. Achieving these goals will also be critical to the textile industry’s role in delivering on the United Nation’s Sustainable Development Goals (SDGs)¹².

In 2016, the PFM Benchmark introduced linkages to **SDG 12: Ensuring sustainable consumption and production**¹³ using the following targets and indicators to steer the development of impact metrics.

- Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources. INDICATOR 12.2.1: Material footprint (savings based on LCA data).
- Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. Indicator 12.5.1: Metric Tons of material recycled.

As we head towards 2030 Textile Exchange will monitor sector progress towards SDG 12 through the **PFM Benchmark Barometer of Progress** (Figure 7).

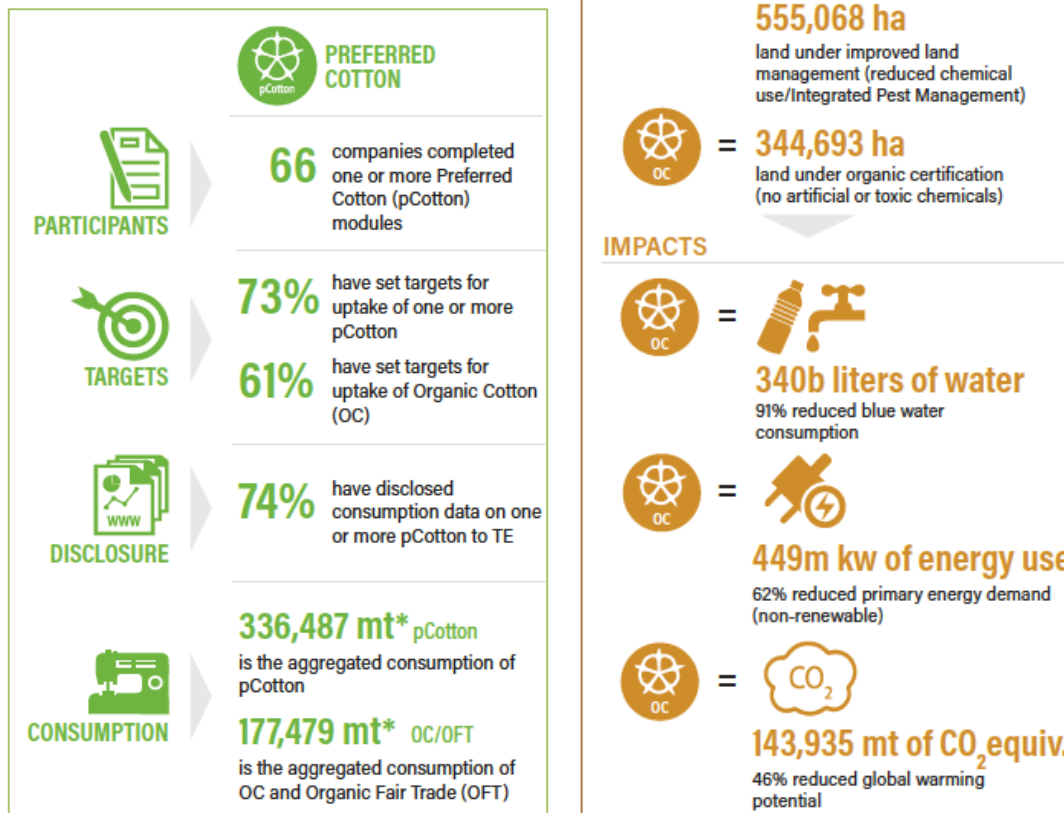


Figure 7: PFM Benchmark Barometer of Progress: Preferred cotton uptake targets, consumption based on disclosure, sustainability outcomes, and impacts (based on LCA data for organic cotton only).

The Textile Exchange PFM Benchmark offers the industry a robust framework to measure, manage and integrate a preferred cotton strategy into the business operations, to communicate performance and progress, and to celebrate success. Textile Exchange is committed to bringing the many stakeholders together to contribute to this success.

2017 BENCHMARK OPEN NOW

Why not take your PFM journey with us? The new survey for 2017 is open for six weeks from the 16th May-26th June. Take a look at the PFM Benchmark website¹⁴ or contact the Fiber & Materials Strategy team to find out how to get involved: Support@TextileExchange.org



TE INSIGHTS SERIES
 Liesl Truscott and Evonne Tan
 Materials Strategy
 Textile Exchange

¹ **Preferred Fiber/Material:** Textile Exchange describes “preferred” as a fiber, material or product that is ecologically and socially progressive: One that has been selected because it has more sustainable properties in comparison to other options.

² **PFM Benchmark Program:** For more information and to download the report visit

<http://textileexchange.org/preferred-fiber-materials-benchmark/>.

³ **Preferred Cotton:** The PFM Benchmark included five modules for cotton in 2016: Better Cotton Initiative (BCI), Cotton made in Africa (CmiA), Fair Trade, Organic, and Organic Fair Trade. Each preferred cotton presents a variety of worthwhile sustainability attributes. This is not an exhaustive list of preferred cottons.

⁴ **Textile sub-sectors:** All attempts were made to categorize brand/retailer sub-sectors according to recognized naming systems. However, in order to create like-for-like comparisons, Apparel is divided into three subsectors: Small/Medium, Large, and Extra-Large Enterprises, dependent on turnover. For the Outdoor/Sports sub-sector, there is large variation.

⁵ **Portfolio Approach:** The process of building a suite of preferred fibers and materials, from a choice of preferred options, through the consideration of impacts and organizational priorities.

⁶ **Global Cotton Consumption for 2016:** International Cotton Advisory Committee <https://www.icac.org/Press-Release/2016/PR-12-World-Cotton-Consumption-Drops>

⁷ More insights on the non-cotton categories will come in later TE Insights.

⁸ 100 million cotton farming families <http://www.fairtrade.org.uk/en/farmers-and-workers/cotton>.

⁹ **Willingness To Pay (WTP):** <http://www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/how-much-will-consumers-pay-to-go-green>.

¹⁰ **Life Cycle Assessment of Organic Cotton:** <http://textileexchange.org/downloads/life-cycle-assessment-of-organic-cotton/>.

¹¹ **BCI Benchmarked Initiatives:** <http://bettercotton.org/about-better-cotton/where-is-better-cotton-grown/>.

¹² **Sustainable Development Goals:** <https://sustainabledevelopment.un.org/sdgs>.

¹³ **SDG 12:** <http://www.un.org/sustainabledevelopment/sustainable-consumption-production/>.

¹⁴ PFM Benchmark Program website <http://textileexchange.org/preferred-fiber-materials-benchmark/>

PFM Benchmarking Program

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<http://textileexchange.org/preferred-fiber-materials-benchmark/>

Textile Exchange

Textile Exchange (TE), founded in 2002, is a global nonprofit organization that works closely with our members to drive industry transformation in preferred fibers, integrity and standards and responsible supply networks. TE identifies and shares best practices regarding farming, materials, processing, traceability and product end-of-life in order to reduce the textile industry’s impact on the world’s water, soil and air, and the human population. A truly global organization, TE is headquartered in the United States with staff and ambassadors located in 11 countries. To learn more about Textile Exchange, visit:

TextileExchange.org and follow TE on Twitter at [@TextileExchange](https://twitter.com/TextileExchange).

Textile Sustainability Conference and PFM Round Tables - Washington DC – October 10-13

Textile Exchange will be celebrating our 15th anniversary and our evolution from a small nonprofit focused exclusively on the expansion of organic cotton supply and demand to a respected global presence that inspires and equips people to accelerate sustainable business practices in the textile value network. In addition to our reports and insights, our annual Sustainability Conference convenes all participants in the apparel and textile industry in order to discuss leading challenges and opportunities for the industry to adopt more sustainable business practices.

Conference <http://textileexchange.org/2017-textile-sustainability-conference/>

PFM Round Tables <http://textileexchange.org/materials/pfm-round-tables/>