



**BAPTIST  
WORLD  
AID**

A woman with a bindi on her forehead is smiling and working with a large piece of pink fabric featuring a vibrant floral pattern. She is wearing a black short-sleeved top and a colorful shawl with yellow, blue, and red floral designs. She has several gold and silver bangles on her wrists and a necklace with a square pendant. In the background, other pieces of fabric, including a pink one with white embroidery and a red one with gold patterns, are hanging. The background is composed of large, colorful geometric shapes in shades of blue, green, and red.

**2022  
ETHICAL  
FASHION  
REPORT**

**We acknowledge  
the traditional  
custodians of the  
land on which we are  
privileged to work and  
live. We give thanks  
to our Creator God for  
their stewardship, and  
we pay our respects  
to Elders past,  
present and future.**

OCTOBER 2022

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The Ethical Fashion Report  
is a project of Baptist World  
Aid Australia, in partnership  
with Tearfund New Zealand.

**BAPTISTWORLD AID . ORG . AU**



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# Introduction

**In 2022, the disruption of recent years not only continued but increased. The impacts of COVID-19 and climate change continue to be felt. Conflict and economic instability have driven inflation and supply chain disruptions, raising new questions about the resilience and desirability of 'just in time' global production and logistics models.**

Transparency gaps and widespread corporate greenwashing have further diminished public trust in brands—with the fashion industry often in the spotlight. All this while over 60 million people employ their time and creative capacities working in the fashion industry—often without the reward of fair wages, safe working conditions, or workplaces free from abuse and exploitation.

**We all have the responsibility to step up and be part of making change happen.**

The fashion industry in Australia has been under the microscope for over a decade now. Its rapid speed in unveiling new trends and producing clothes stands in stark contrast to the slow progress the industry is making towards social justice and environmental sustainability. Throughout the 2022 Ethical Fashion Report (EFR) is a call for fashion

companies to escalate the pace of change towards a more ethical and sustainable industry. It aims to inspire action and change-making conversations with companies, governments, and citizens.

While this year's report continues to be founded on the robust research methodology that has been developed and refined over the last nine years, for the first time in 2022, the EFR publishes the score (out of a hundred) that each company received in the EFR survey. This builds on the publication of the average score last year and means there is now an even greater level of transparency about how each company is currently performing.

There has been a big increase in the number of companies included in the EFR. This year, 120 companies representing 581 brands have been assessed—27 more companies equating to 161 more brands than in 2021. The biggest increase has been the introduction of 15 new footwear companies, but a number of high-profile international brands and local favourites have also been added for the first time. These additions have seen the average score decline from 33.6 in 2021 to 29.25 in 2022. This decrease disguises the reality of continued incremental improvement among the companies that were assessed in both years, as many of the companies whose

performance has been considered for the first time are currently performing well below average.

Six spotlight issues are considered in depth in this year's EFR and in the accompanying brand finder tool on the [Baptist World Aid website](#). Each year, the EFR research process considers thousands of pages of evidence and generates 12,600 individual data points on the performance of companies. The report seeks to help both citizens and companies make sense of this by highlighting progress in these six areas, the obstacles to progress, and the opportunities for future improvement. The issues considered in depth are: tracing beyond final stage; remediation of labour exploitation when found; payment of living wages; support for worker voice and empowerment; use of sustainable fibres; and commitment to climate action.

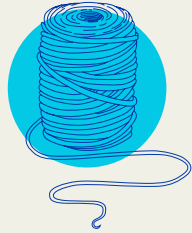
These changes help to keep sight of the end goal: an industry that respects the dignity and rights of every person touched by its supply chains and is working actively to reduce its planetary impact. Together—the industry, citizens, governments, and organisations like Baptist World Aid—can make change for people and the planet. This year's report is yet another reminder that we all have the responsibility to step up and be part of making that change happen.

120  
COMPANIES  
REPRESENTING  
**581**  
BRANDS  
HAVE BEEN  
ASSESSED  
IN 2022.





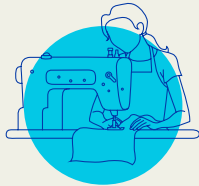
# The Impact Of Fashion



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**100** BILLION ITEMS ARE  
PRODUCED ANNUALLY<sup>1</sup>  
BY THE GLOBAL FASHION INDUSTRY.

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**60** MILLION PEOPLE<sup>2</sup>  
WORK IN THE INDUSTRY ACROSS  
TEXTILES, CLOTHING, LEATHER  
AND FOOTWEAR.

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THE FASHION INDUSTRY IS  
**THE SECOND HIGHEST  
USER OF GLOBAL  
FRESHWATER SUPPLIES.**<sup>3</sup>

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<sup>1</sup> <https://www.mckinsey.com/capabilities/sustainability/our-insights/style-thats-sustainable-a-new-fast-fashion-formula>

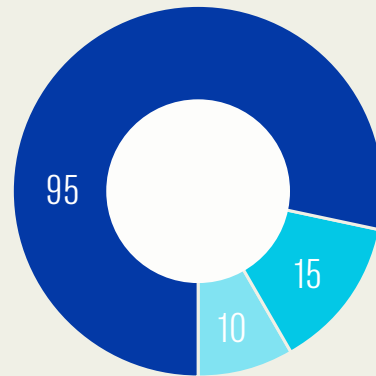
<sup>2</sup> [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_822368/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_822368/lang--en/index.htm)

<sup>3</sup> <https://www.weforum.org/agenda/2020/01/fashion-industry-carbon-unsustainable-environment-pollution/>

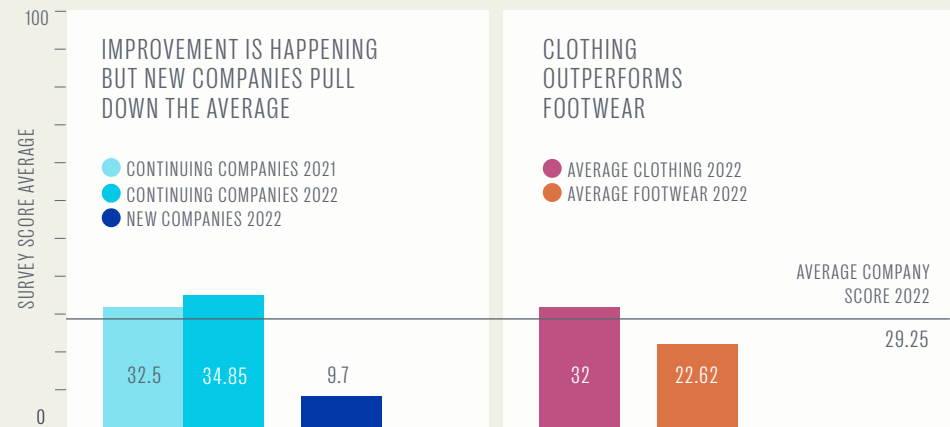
# The 2022 Results

**We Assessed  
120 Companies  
Representing  
581 Brands**

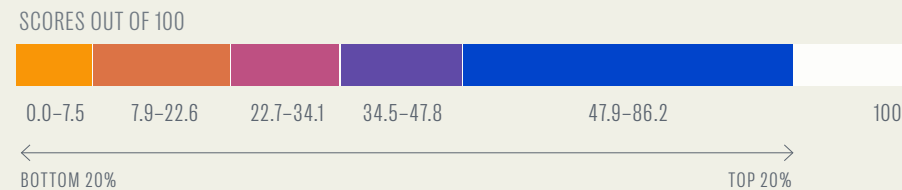
- CLOTHING
- FOOTWEAR SPECIFIC
- CLOTHING & FOOTWEAR



## Average Score = 29.25



## Spread of Company Scores



## Section Averages

INDICATOR	SCORE AVAILABLE	AVERAGE FOOTWEAR SCORE	AVERAGE CLOTHING SCORE
Policies & Governance	6	3.4	4.3
Tracing & Risk	15	5.3	7
Supplier Relationships & Human Rights	34	5.7	9.8
Worker Empowerment	25	1.6	3.4
Environmental Sustainability	20	6.7	7.5

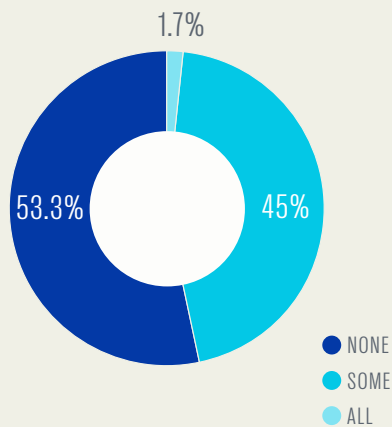


# Key Company Insights

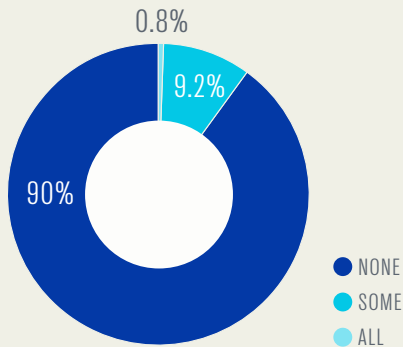
**41.7%**  
know or are actively tracing inputs

**52.2%**  
know or are actively tracing raw materials

UNIONS OR COLLECTIVE BARGAINING IN FINAL STAGE FACILITIES



PAY LIVING WAGE IN FINAL STAGE FACILITIES



COMPANY SUSTAINABLE FIBRE USE

**17.5%** used no sustainable fibres

**67.5%** used sustainable fibres in less than half their products

**14.9%** used sustainable fibres in more than half their products

**15%** have a climate target covering full supply chain

**23.3%** have a process for remediating forced and child labour at final stage

COMPANIES WITH THE GREATEST IMPROVEMENT IN SCORE BETWEEN 2021 AND 2022

Forever New	+20.76
R.M. Williams	+20.69
Nobody Denim	+13.83
Rip Curl	+13.76
Lorna Jane	+12.25
Universal Store	+10.76
Kmart and Target Australia	+9.48
Princess Polly	+8.04
Boohoo	+8.04
Ralph Lauren	+7.97





**MAKING  
CHANGE  
HAPPEN**



# Key Actions For Companies



## 1 Prioritise the wellbeing of people and the planet as core domains of accountability for the business.

The companies who achieve the greatest outcomes for workers and the environment are led by executives and boards that set human rights and sustainability as key performance indicators for the business. This must go beyond reputational risk management to a genuine acceptance of responsibility to ensure positive impact in both social and environmental domains.



## 2 Leverage relationships and collaborate with workers, local civil society and industry experts.

Individual companies can't shift the fashion system on their own. True systemic change requires involvement from actors at all levels, from companies and suppliers through to civil society and governments.

Companies don't need to be experts in every segment of ethical sourcing. Engage with local civil society, external area experts or multi-stakeholder initiatives (MSIs) who specialise in the issue being examined. When

expertise and knowledge is leveraged from existing sources, companies not only save time but achieve more effective outcomes.

### IN PRACTICE:

- Leverage partnerships with local on-the-ground civil society and experts who speak the language and understand local culture, for remediation of worker issues and development of worker voice channels like grievance mechanisms.
- Elevate worker voice into decision-making arenas and as a key pillar of comprehensive supply chain monitoring through fostering the development of strong unions and other forms of worker representation groups.
- Complement strong adoption of responsible purchasing practices and long-term supplier commitments, with collaboration with other companies, local civil society, and MSIs to close the gap between legislated minimum working conditions and genuine living wage payments in major sourcing regions.
- Adopt a shared approach to climate action by partnering with suppliers to implement emissions reduction strategies.



## 3 Implement a holistic whole-of-value-chain approach to improvement.

The fashion value chain is global, complex and multifaceted, but must be considered holistically to drive impact in areas with greatest risk or detrimental impact, not just those which are easiest to address or with greatest visibility. This means assessing life cycle phases from raw materials through to consumer use and disposal for human rights and environmental risks.

### IN PRACTICE:

- Ensure supply chain due diligence measures reach beyond final stage facilities by working with existing suppliers and certifiers to invest in tracing, supplier and worker education, and robust monitoring of human rights and environmental risks.
- Choose fibres which have net-lowest impact across all phases of the garment life cycle and enable a circular economy. Sustainable fibres must be implemented substantially across product ranges, not just token quantities.
- Adopt life cycle thinking through a circular lens for development of climate strategies which prioritise net-positive impact throughout the entire supply chain and product life rather than emphasising improvements that have high visibility but limited scope.



# Key Actions For Global Citizens

## CONSUMER OR GLOBAL CITIZEN?

We all own and buy clothes. This makes us part of the broader fashion system—the ‘demand’ part of supply and demand. For many years, we’ve been referring to people who buy clothes as ‘consumers.’ But we want to recognise the power you hold, beyond your ability to make individual purchasing choices. It’s the power you hold as a **global citizen**. This kind of power doesn’t require a credit card—all you need is a voice and a willingness to act on your convictions to see a better world for all.

## How Can Global Citizens Help Drive Change?

While primary responsibility for ethical production sits with companies, citizens can play a role in helping shift industry practice—and broader systems impacting workers and the environment—by engaging in the ethical fashion movement. To catalyse this shift, citizens must let companies and governments know we value the way workers and the environment are treated.

You can partake in this movement in a variety of ways, and beyond this, assess your own consumption habits to reduce your impact.



### 1 Speak out to brands.

Use our simple [online tool](#) to send a pre-written email to brands. For brands tracking well, thank them for their commitment and ask them to continue the good work. For brands lagging behind, let them know their performance matters and ask them to do better. Check how your favourite brands are progressing on the six spotlight issues examined in this report by using the tool linked above.



### 2 Speak out to your social circles.

There’s power in numbers. Have a conversation with family and friends about why ethical fashion is important or share our Ethical Fashion Scorecard on social media to spread the word. Take things even further by hosting a [clothes swap](#) to turn these conversations into action—it’s the perfect format for encouraging and inspiring friends who are new to the ethical fashion movement.



### 3 Speak out to government.

Individuals and companies can make voluntary changes, but governments can introduce laws that

mandate change for workers and the environment. Your local MP works for you. Set up a meeting and let them know you want to see Australia be a global leader on modern slavery, human rights, and environmental protection laws. Use [Justice 2021](#) as your guide (chapters six and eight).



### 4 Make informed purchases.

You’ve taken the first step in reading this report to educate yourself on the complexity of ethical fashion issues. Before tapping your credit card, research the brand you’re buying from. Use our [Brand Finder](#) to see scores for almost 600 brands

assessed on their efforts to mitigate worker exploitation and environmental degradation. If the brand you’re looking for isn’t included, here is how you can [do some research of your own](#).



### 5 Assess your shopping habits.

Think more deeply about why you’re making a purchase. Do you really need more ‘stuff’, or is there a more sustainable way to find the items you’re after? The most sustainable wardrobe is the one you already have. Reduce what you’re buying, reuse what you already have, repair when damaged, and [recirculate when an item is no longer needed](#).

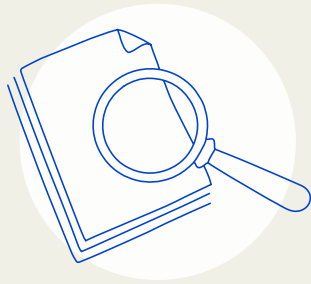






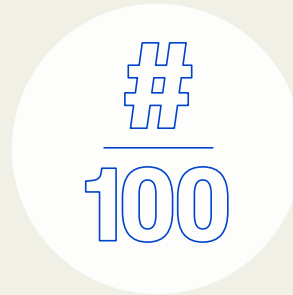
**COMPANY  
SCORES**

# Understanding Company Scores



## We Conducted Research

Our methodology is outlined in detail from page 44.



## We Gave Brands A Score Out Of 100

To provide transparency, companies are scored out of 100, based on how they're going at protecting workers and the environment.



## We Ranked Them Among Their Peers

Companies are ranked into five colours, ranging from the bottom scoring companies to the top scoring ones.



# Company Scores

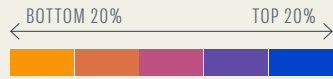
COMPANY	FINAL SCORE	POLICIES & GOVERNANCE	TRACING & RISK	SUPPLIER RELATIONSHIPS & HUMAN RIGHTS MONITORING	WORKER EMPOWERMENT	ENVIRONMENTAL SUSTAINABILITY	SCORE CHANGE FROM 2021
TOTAL SCORE AVAILABLE		6	15	34	25	20	
2XU	0*	0	0	0	0	0	New
Abercrombie & Fitch	23*	3	4	6	2	8	↓
Accent Group	16	4	5	4	1	3	New
Adidas	58	6	12	16	7	17	↑
ALDI Stores	43	4	11	15	4	9	↑
Allbirds	27*	5	7	3	0	13	New
Ally Fashion	7	3	3	1	0	1	↑
Amazon	11*	3	1	2	<1	5	New
APG & Co	46	6	11	17	5	8	↑
AS COLOUR	66	6	9	25	11	15	↑
ASICS	31	6	7	6	2	10	↓
ASOS	41	5	9	10	4	12	↑
Bardot Pty Ltd	1*	0	1	0	0	<1	—
Barkers Clothing	34*	6	7	10	4	8	—
Best & Less Australia	33	4	8	11	3	8	↑
Big W	34	6	8	9	4	6	↑
Birkenstock	7*	3	3	1	0	1	New
Bisley	8*	1	2	3	0	2	New
Blue Illusion	8*	3	2	1	<1	2	—
Blundstone	18*	3	5	4	0	6	New
Boardriders	5*	2	1	2	0	<1	—
Boden	38	6	9	13	4	6	↑
Boohoo	24	5	6	4	1	8	↑
Brand Collective (Apparel)	12	4	3	4	1	<1	—

COMPANY	FINAL SCORE	POLICIES & GOVERNANCE	TRACING & RISK	SUPPLIER RELATIONSHIPS & HUMAN RIGHTS MONITORING	WORKER EMPOWERMENT	ENVIRONMENTAL SUSTAINABILITY	SCORE CHANGE FROM 2021
TOTAL SCORE AVAILABLE		6	15	34	25	20	
Brand Collective (Footwear)	22	6	6	4	2	4	New
Brandbank	21	4	5	8	<1	4	—
City Beach	3*	1	1	1	0	0	New
City Chic Collective	34	4	11	13	4	3	↑
Cotton On Group	42	4	9	15	4	10	—
Country Road Group	53	5	12	17	8	11	—
Cue Clothing Co.	29	3	5	9	5	7	—
Culture Kings	5*	2	2	1	0	0	New
David Jones	42	6	8	12	6	10	—
Decathlon	32*	4	5	6	2	14	New
Decjuba	16*	3	6	5	1	2	—
Ezibuy	24	5	5	10	1	4	—
F21 OpCo LLC	3*	2	<1	1	0	<1	—
Factory X	36	6	9	10	3	8	↑
Farmers	2*	2	<1	<1	0	<1	—
Fast Future Brands	2*	2	<1	0	0	0	—
Forever New	52	6	10	19	6	11	↑
Fruit of the Loom	34	5	7	10	3	9	↓
Gap INC	46*	5	10	12	4	15	↓
General Pants Group	31	6	6	11	2	7	—

\* Depicts companies assessed on public information only.

FINAL SCORE TOTALS OUT OF 100  
SCORES HAVE BEEN ROUNDED





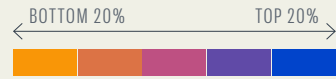
FINAL SCORE TOTALS OUT OF 100  
SCORES HAVE BEEN ROUNDED

COMPANY	FINAL SCORE	POLICIES & GOVERNANCE	TRACING & RISK	SUPPLIER RELATIONSHIPS & HUMAN RIGHTS MONITORING	WORKER EMPOWERMENT	ENVIRONMENTAL SUSTAINABILITY	SCORE CHANGE FROM 2021
TOTAL SCORE AVAILABLE		6	15	34	25	20	
Gildan Activewear	54	6	11	18	8	11	↑
Globe International Limited	10	4	3	2	0	1	New
H&M	56	6	11	14	6	19	↑
Hallenstein Glasson Holdings	56	6	9	19	9	14	↓
Hanesbrands	58	6	11	17	10	13	↑
Hotsprings	32	4	6	12	4	6	↑
Hugo Boss Group	51	6	12	14	6	13	↑
Inditex	60	6	9	20	9	16	—
Industrie	7*	4	2	1	0	0	—
JD Sports	40	6	13	10	2	9	↑
Jeanswest	5*	2	2	<1	1	0	—
Just Group	27	6	6	12	2	1	↑
Kathmandu	55	6	11	19	6	12	—
Kmart and Target Australia	56	6	13	18	7	12	↑
Kookai	27	6	5	8	2	6	↑
Lacoste	44	6	13	12	1	13	↓
Levi Strauss and Co	39*	6	8	7	2	16	↓
Lorna Jane	20	3	6	7	3	1	↑
Lowes	9	1	3	4	1	1	—
Lululemon Athletica	56	6	10	18	7	15	↑
Macpac	52	6	11	15	5	16	—
Marks & Spencer	46*	6	9	13	4	14	—
Max Fashions	23*	5	6	8	2	3	—
Mighty Good Basics	86	6	14	26	22	18	↑
Mosaic Group	30	5	7	10	3	4	↑
Munro Footwear Group	18	4	4	5	1	4	New

COMPANY	FINAL SCORE	POLICIES & GOVERNANCE	TRACING & RISK	SUPPLIER RELATIONSHIPS & HUMAN RIGHTS MONITORING	WORKER EMPOWERMENT	ENVIRONMENTAL SUSTAINABILITY	SCORE CHANGE FROM 2021
TOTAL SCORE AVAILABLE		6	15	34	25	20	
Myer	24	5	7	8	3	2	↑
New Balance	52	6	12	19	6	10	↑
Next	43	5	11	14	4	10	↓
Ngahua Group	0*	0	0	0	0	0	New
Nike	50	6	9	14	5	16	↓
Nine West	0*	0	0	0	0	0	New
Nobody Denim	48	6	10	14	7	11	↑
Novo Shoes Pty Ltd	0*	0	0	0	0	0	New
Nudie Jeans Co	57	5	14	16	10	13	↓
Oroton Group	27	4	5	10	2	6	—
Overland	13	4	1	1	0	6	New
Oxford	22	6	6	3	1	6	↑
Patagonia	68	6	12	21	11	19	↑
Pentland Brands	41	6	10	12	4	10	↑
Postie	40	6	8	11	5	10	↑
Princess Polly	48	6	7	17	8	10	↑
Puma	58	6	12	18	7	16	↑
PVH Corp	43	5	9	11	4	15	—
R.M. Williams	33	4	10	7	1	11	↑
Ralph Lauren	40	4	8	11	3	14	↑
Rebel Sport	13*	4	3	4	1	2	New
Retail Apparel Group	35	6	8	14	5	3	↑
Rip Curl	52	6	11	18	7	10	↑
Rodd & Gunn	58	6	13	20	7	11	↑
Seafolly	28	5	6	9	3	4	—

\* Depicts companies assessed on public information only.



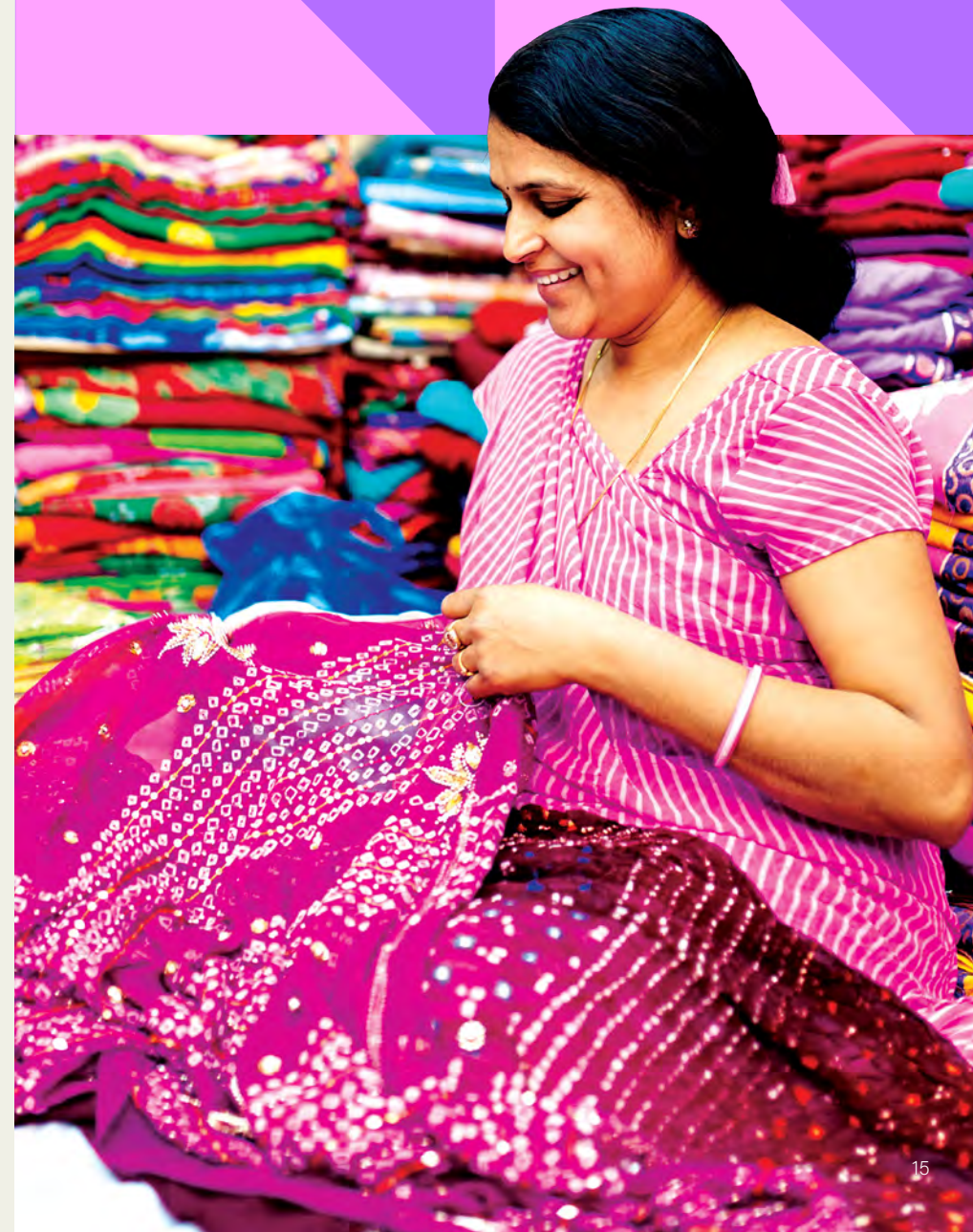


FINAL SCORE TOTALS OUT OF 100  
SCORES HAVE BEEN ROUNDED

COMPANY	FINAL SCORE	POLICIES & GOVERNANCE	TRACING & RISK	SUPPLIER RELATIONSHIPS & HUMAN RIGHTS MONITORING	WORKER EMPOWERMENT	ENVIRONMENTAL SUSTAINABILITY	SCORE CHANGE FROM 2021
TOTAL SCORE AVAILABLE		6	15	34	25	20	
Sheike	0*	0	0	0	0	0	—
Shein	4*	2	<1	<1	0	1	New
Showpo	22	5	6	7	2	3	—
Spotlight Group	1*	0	<1	1	0	0	New
Sussan Group	23	6	6	9	2	1	—
The Iconic	29*	5	6	8	2	8	—
The PAS Group Limited	20	4	5	7	1	3	↑
The Warehouse Group	20*	3	7	5	2	4	—
ThreeByOne	34	6	6	11	4	8	—
TJX Australia	8*	3	1	1	<1	3	—
Toms	15*	4	3	5	1	2	New
Under Armour	23*	5	3	6	1	8	↑
UNIQLO	43	6	11	12	3	11	↑
Universal Store	21	5	5	5	<1	6	↑
Vestito (TS14+)	5*	2	1	1	0	<1	New
VF Corp	54	6	13	13	5	17	—
Victoria's Secret & Co	38	5	9	13	3	8	↑
Voyager Distributing Co	4*	1	1	1	1	0	↑
Weyco Group	7*	2	2	<1	0	3	New
Windsor Smith	0*	0	0	0	0	0	New
Wittner	18	3	4	2	0	10	New
WM Ritchie	2*	2	<1	<1	0	0	New
Wolverine Worldwide	14*	2	3	2	0	6	New
Workwear Group	39	6	7	16	3	7	—
Zimmermann	38	4	9	14	<1	10	↑

\* Depicts companies assessed on public information only.

REFER TO PAGE 6 FOR AN EXPLANATION OF THE SECTION SCORES.







IN THE SPOTLIGHT

# INDUSTRY CHALLENGES



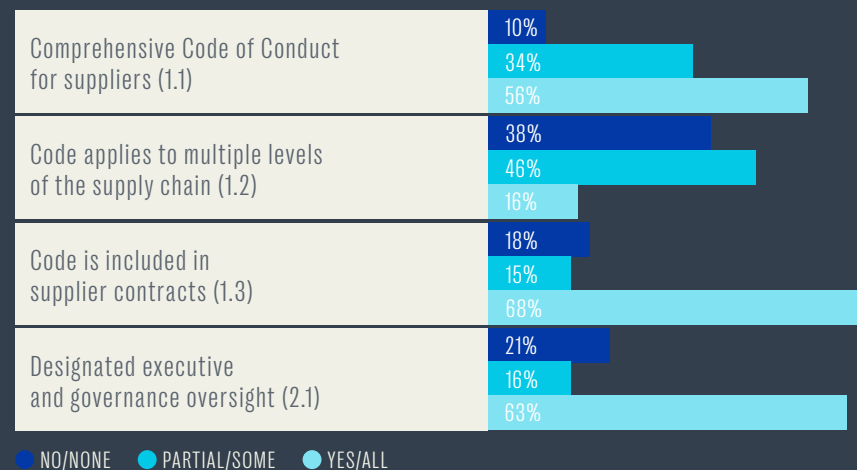
## POLICIES & GOVERNANCE

Policies clarify and reinforce the standards that companies want their supply chain to adhere to. They are the baseline by which a company can measure the effectiveness of its overall efforts to uphold worker rights. This section assesses whether companies have robust codes of conduct in place that cover core elements of working

conditions and safety that apply to the entire supply chain; and whether there is clear executive and governance accountability for ethical performance.

SECTION  
AVERAGE: 4.04/6 - 80.8%

### DATA AT A GLANCE

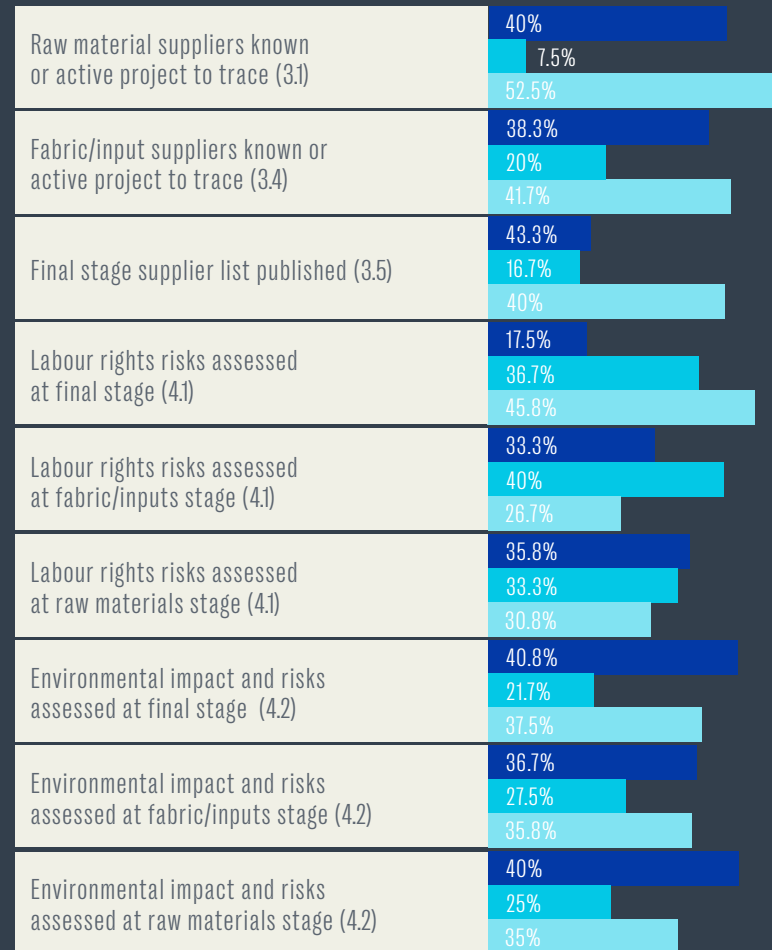


## TRACING & RISK

A company's investment in traceability and its knowledge of suppliers is a key pillar of a strong labour rights management system and critical to understanding environmental impacts. This section assesses how much of the supply chain a company has traced; what efforts it is undertaking to trace the remainder of its supply chain; a brand's transparency and how willing they are to be held accountable through the information it shares; and how rigorous they are in identifying and addressing human rights and environmental risks in their supply chain. As many companies continue to make significant progress towards tracing and transparently reporting on their final stage facilities, increasingly the key differentiator is their progress further down the supply chain —including those working in fabric mills and farms—and the challenges and opportunities to improve the visibility of their working conditions.

SECTION  
AVERAGE: **6.41/15 - 42.75%**

### DATA AT A GLANCE



● NO/NONE ● PARTIAL/SOME ● YES/ALL



# Do Companies Know Where Their Materials Come From?

**Supply chain tracing is the cornerstone from which all ethical sourcing practice flows. If a company lacks visibility over where their garments, fabrics, and raw materials are produced, they cannot embed measures to prevent worker exploitation or environmental degradation.**

With 80% of companies having attained visibility over more than three quarters of their final stage factories, the onus has now shifted to tracing inputs such as fabric mills and tanneries, and raw materials such as cotton and animal agriculture.

Whilst raw materials have historically been the worst performing area of traceability, the increased uptake of certification schemes such as Better Cotton has significantly closed the gap, with more than triple the proportion of companies having traced some suppliers compared to 2013. This progress is significant as agriculture is one of the highest risk industries globally for modern slavery.

Despite progress, inputs tracing has failed to mirror this pace of improvement, likely due to the more labour-intensive process required for manual tracing in comparison to using certifiers, which are more

prevalent at the raw materials stage. By working with trusted certifiers that closely engage with individual suppliers, companies reduce the complexity and time spent holding these relationships directly.

**56%**  
**OF FOOTWEAR COMPANIES LACK KNOWLEDGE OF NAMES AND ADDRESSES FOR ANY OF THEIR RAW MATERIALS SUPPLIERS**

With the introduction of footwear-specific companies in 2022, a stark difference is apparent between the performance of clothing and footwear companies. No footwear companies could evidence tracing all inputs suppliers, in contrast to 12 (11.4%) clothing companies. Regarding raw materials, 56% of footwear companies lack knowledge of names and addresses for any of their raw materials suppliers, compared to just 37.1% of clothing companies. This deficit in footwear supply chains results in a vast amount of unmapped human rights and environmental risk. The experience of workers in tanneries,

leather processing facilities, cattle farms, and other footwear facilities must be brought into the light.

## The End Goal

The end goal for the fashion industry is clear: 100% traceability through all tiers of the supply chain, for all products. Increasingly, it is not just citizens and NGOs demanding companies step up their game. Legislation around the globe requires companies to report on modern slavery risks, like Australia's Modern Slavery Act, or the European Union's proposed Corporate Sustainability Due Diligence Directive. As these laws are reviewed and strengthened, companies doing the bare minimum to trace their supply chain will be held to account, because an effective, comprehensive risk assessment cannot be conducted without knowing where materials come from.

Transparency goes hand in hand with traceability. Best practice companies publish the names and addresses of their suppliers alongside demographics such as worker numbers, gender split, and unionisation. Moving forwards, these transparency lists must move to centralised, open-source platforms

SUPPLY CHAIN TRACING IS THE CORNERSTONE FROM WHICH ETHICAL SOURCING PRACTICE FLOWS.



such as Open Apparel Registry. This enables workers, global citizens, and companies to access details in one place, streamlining grievance and remediation processes.

## What's Getting In The Way?

Fashion supply chains involve manifold steps between the production of raw materials and a finished product. The industry has developed in such a way that companies have little to no relationship or dealings with the complex network of suppliers downstream from final stage, where the products are constructed. The majority of companies utilise a Free on Board (FOB) production model, and so rely solely on their final stage suppliers to source all fabrics and trims. Companies sourcing through a buying agent—a third party managing factory relationships for them—are removed another step further.

This situation, coupled with an industry history built on secrecy for 'competitive edge', has been the largest barrier to achieving traceability beyond final stage. Despite a willingness from most companies to publish some

level of supplier lists (56.7%), many suppliers themselves remain hesitant to share names of their input suppliers and beyond, fearful they may lose their commercial advantage.

Footwear has added complexity due to the large number of components and processes involved in the production of each shoe—up to 65 separate parts requiring close to 360 assembly steps.<sup>4</sup> This means tracing supplier origins is not as simple as it may be for a t-shirt, which at a high level, would involve tracing a single mill where the t-shirt jersey was knitted, a spinner for the yarn, and the co-op where the cotton bales were sold.

## Erasing The Blind Spots

To achieve full traceability, companies could consider adopting a Cut Make Trim (CMT) production model. This involves developing relationships with and buying inputs directly from fabric and trim suppliers, before having them shipped to final stage factories. While this requires some additional labour on the company's behalf, it benefits them by providing greater agility in the face

of supply chain disruption, which is integral considering ongoing COVID-19 issues. For companies maintaining FOB or FIS (Free into Store) production, contract renewals should stipulate a requirement for factories to disclose details of their own suppliers. If they are unwilling to do so, even after efforts to understand and address concerns, companies should seek relationships elsewhere.

Beyond manual tracing for inputs, innovative technologies and certification schemes are proving successful at a raw material level—and their combined use strengthens success rates. Many certification schemes, while well intentioned, rely on physical certificates of origin being assigned at each production site. These certificates are easily plagiarised and the process is not always airtight, opening the door to fraudulence and human error. Technologies such as blockchain and isotope tracing eliminate this fallible aspect. This is essential for companies that wish to label their products with sustainability attributes or stamps of certification and avoid revealing costly tracing and marketing mistakes.

<sup>4</sup> <https://dspace.mit.edu/handle/17211/102070>

### CASE STUDY

## Leather Working Group

For companies producing leather goods, traceability is integral to ensure they are not contributing to longstanding environmental woes associated with the leather industry, such as deforestation and chemical pollution. Leather Working Group (LWG) is one of the most prominent certifiers in this space and has championed traceability since its inception in 2005. The Group certifies leather manufacturers and traders dealing in rawhide to finished leather through an auditing process that assesses each entity against environmental (and more recently, social) criteria.

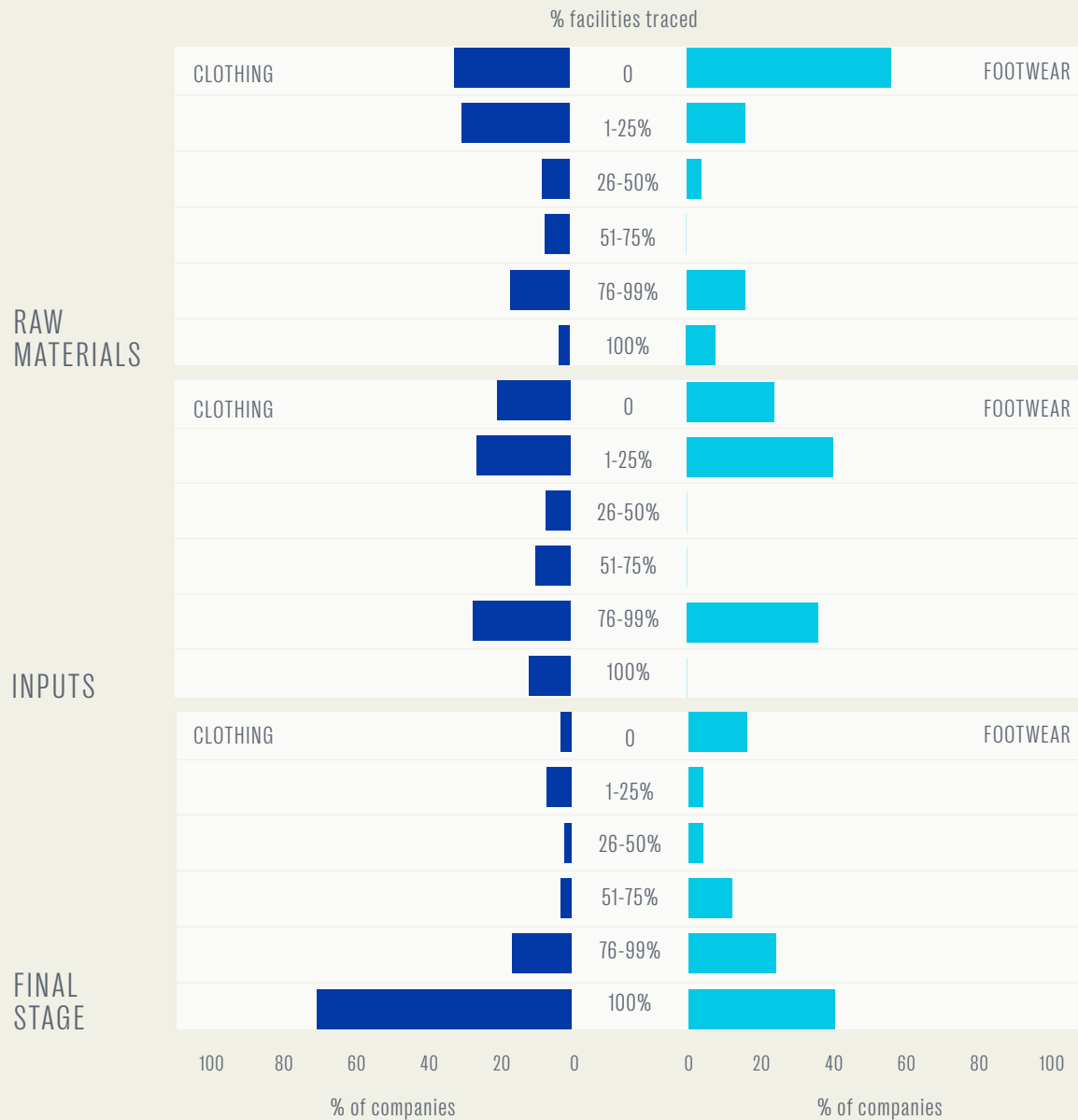
Twenty-five companies assessed in this report are LWG members, and several others source materials through LWG certified manufacturers. LWG provide full transparency of approved facilities on their website, along with addresses and a traceability score. The score measures the

percentage of raw material the manufacturer has traced through its supply chain to the slaughterhouse, either through physical markings or robust paperwork. In Brazil, the process goes even further to address the region's poor record on Amazonian deforestation. Leather manufacturers must identify their hides with the name and location of the slaughterhouse, and the date of slaughter. Through this process, direct-supply cattle farms can be identified, and standards verified.

To direct future strategy and help address some of the most difficult issues facing the industry, LWG have a Traceability Working Group and Traceability Steering Committees dealing with deforestation, chain of custody development, and regional traceability. Through these initiatives, they aim to achieve 100% deforestation and conversion-free leather (non-cleared land) by 2030.



## Approximately what percentage of facilities has the company traced?



## FOOTWEAR HAS ADDED COMPLEXITY

DUE TO THE LARGE NUMBER OF COMPONENTS AND PROCESSES, REQUIRING UP TO

**65** SEPARATE PARTS AND CLOSE TO

**360** ASSEMBLY STEPS.



## TRACING ON THE BRAND FINDER

The **Brand Finder tool** on the Baptist World Aid website uses data from two questions in the Ethical Fashion Report survey to give an indication of progress on tracing beyond the final stage.

3.1.a: "Approximately what percentage of raw material facilities has the company traced?"

3.1.b: "Approximately what percentage of input facilities has the company traced?"

### BRAND FINDER SPOTLIGHT ISSUE RATING

### RANGE OF RESPONSES COVERED

Excellent Progress	100% for both supply chain stages
Good Progress	>51% for both supply chain stages but not 100% for both
Some Progress	At least one supply chain stage >25% and at least one supply chain stage <50%
Limited Progress	<25% for both supply chain stages but >0% for at least one
No Evidence	0% for both supply chain stages



THE END GOAL FOR THE FASHION INDUSTRY IS CLEAR: 100% TRACEABILITY THROUGH ALL TIERS OF THE SUPPLY CHAIN, FOR ALL PRODUCTS.

## SUPPLIER RELATIONSHIPS & HUMAN RIGHTS MONITORING

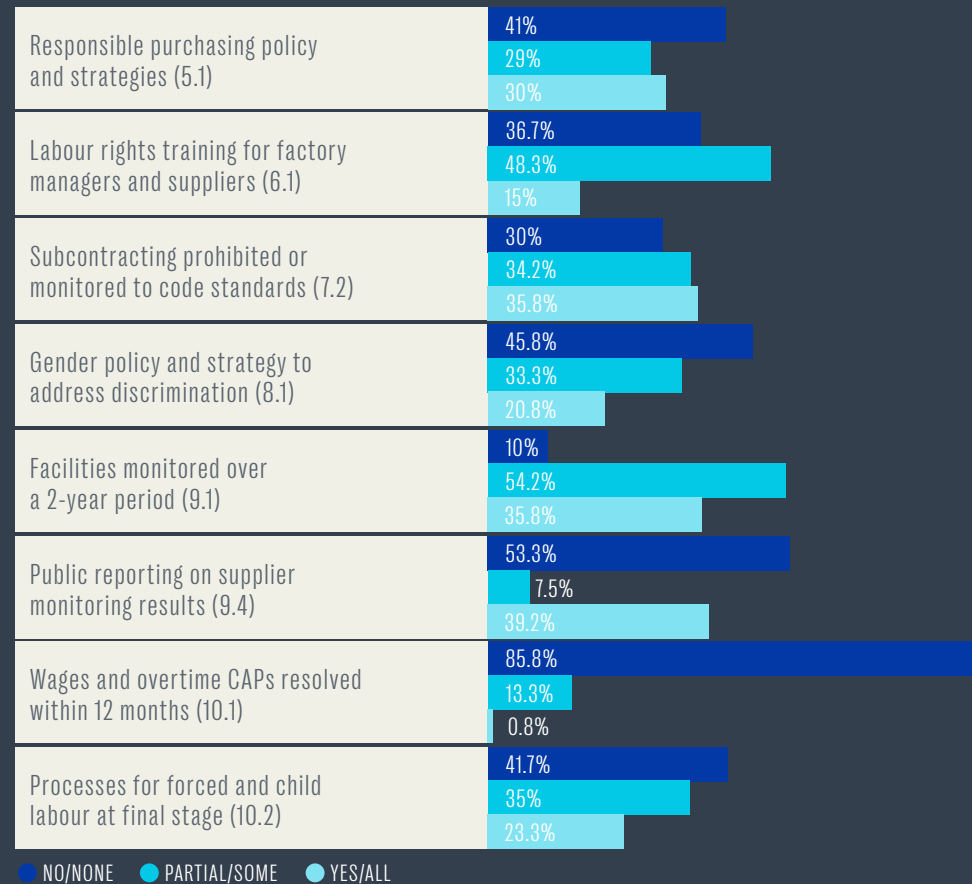
Monitoring facilities and building relationships with suppliers and factory managers are critical to ensuring policies are adhered to and improvements in working conditions are being delivered. While no monitoring process is perfect, high-quality monitoring helps to provide a better understanding of the conditions of workers, identify issues, and track the effectiveness of actions to directly improve their conditions. A focus on strengthening relationships allows trust building and increases a brand's capacity to drive change.

This section assesses the percentage of production facilities audited; whether unannounced and offsite worker interviews and anonymous worker surveys are used; whether checks are done on high risk activities like labour brokers and recruitment fees; whether the brand is willing to be transparent about its results and remedial actions; and whether brands are actively involved in building supplier relationships through consolidation, collaboration, supplier training and long term relationship building. The end goal of these processes is to ensure that incidences of exploitation and non-compliance are identified, and corrective action

plans and remediation processes put in place. The following pages take a closer look at the obstacles and opportunities to achieving this.

SECTION AVERAGE: **8.76/34 - 25.8%**

### DATA AT A GLANCE





# How Do Companies Respond To Labour Exploitation?

**Labour exploitation is woven into the fabric of the fashion industry and happens on a scale that means no company can assume their supply chain is exempt. While exploitative practices have been decried, evidence shows that actions taken by the industry have failed to generate sustained momentum for change. Instead, progress has taken a significant setback during the pandemic.**

Given the extremely high prevalence of labour violations within the fashion industry, the Ethical Fashion Report Survey assesses companies' actions to address known cases of wage and overtime violations, and the robustness of their process for remediating child and forced labour.

Corrective Action Plans (CAPs) are the primary tool companies use to rectify non-compliance with social audit standards. But complete and

timely resolution of CAPs remains elusive, particularly for issues of wage and overtime violations. Only 14.2% of companies assessed had resolved some CAPs (one or more) at final stage facilities over a 12-month period, and only one had resolved all outstanding CAPs. This is significantly lower than 33% in 2019, prior to the pandemic.

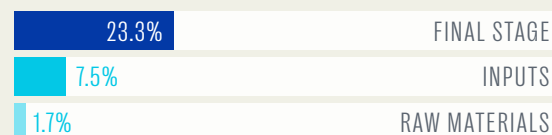
The CAP process has been hampered by the pandemic's negative impact on auditing and direct supplier relationships. This is also a time when workers' rights have gone backwards and should be monitored more closely than ever. When looking specifically at footwear companies, the risks to workers are even more dire with only 12.5% of companies resolving some CAPs at some final stage facilities, and none at the raw materials stage.

Instances of child and forced labour are significant and sensitive human

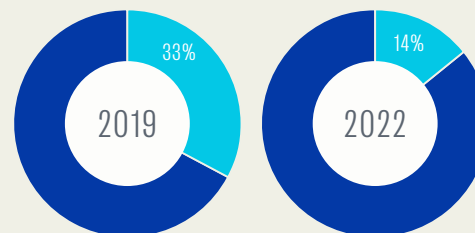
rights violations. It is essential that known cases are treated in ways that place the dignity and best interests of workers and their families at the heart of remediation.

The Ethical Fashion Report research assesses companies' processes for remediating forced and child labour, including whether they are based on meaningful dialogue, ensure remedies are satisfactory to those impacted, and include means to verify remediation has occurred. Just 26.7% of clothing companies had documented an effective process for responding to child and forced labour at final stage facilities, but only 8.6% at inputs stage and 1.9% at raw materials. In the footwear industry, only 8% of companies had a comparable process at final stage factories, resulting in an inability to effectively respond to these human rights violations when uncovered.

## COMPANIES WITH CHILD AND FORCED LABOUR REMEDIATION PROCESS



## CORRECTIVE ACTION PLANS RESOLVED AT FINAL STAGE FACILITIES OVER 12-MONTH PERIOD



## ENSLAVED BY COTTON

China is one of the largest cotton producing countries in the world, and roughly 20% of the world's cotton comes from the Xinjiang province. Evidence uncovered in 2020 found at least 570,000 Uyghur people, and other minority populations, have been forced to pick cotton and work in garment factories through a government-mandated 'transfer of persons' scheme—although the real number is likely much higher. Their labour takes place under constant, intrusive surveillance, and under the threat of imprisonment for failure to comply.<sup>5</sup>

<sup>5</sup> <https://www.theguardian.com/world/2020/dec/15/xinjiang-china-more-than-half-a-million-forced-to-pick-cotton-report-finds>

## Poverty And The Pandemic Preventing Progress

Labour exploitation doesn't just emerge from a small number of unscrupulous operators. It is the result of the interplay of systemic challenges that make some groups, particularly children, more vulnerable. These include:

- limited legal protections for vulnerable populations;
- poverty and social vulnerability driving desperate measures to earn an income;
- exposure to individual and collective shocks including pandemics and natural disasters;
- poor quality and/or limited access to schooling for children;
- limited decent work opportunities and difficult transitions to work;
- absent or weak realisation of freedom of association, the right to collective bargaining, and other forms of worker empowerment.<sup>6</sup>

As monitoring regimes have improved, the greatest incidence of labour exploitation has receded to parts of supply chains that are hardest to reach, including raw materials and inputs stages, sub-contracted and 'shadow' factories, and home-based workers. The numbers remain high, but it is increasingly hidden, and difficult to monitor and remediate.

This means companies must redouble efforts to prevent and identify exploitation, acknowledging the high likelihood that it exists in the shadows of their supply chain.

They also need to focus on ensuring their remediation and corrective practices drive change. Historically, many companies' 'zero tolerance' approach to labour violations, coupled with a culture of ruthless competition and secrecy, has resulted in companies quietly withdrawing orders from facilities rather than communicating with other brands that source from the same supplier, and working alongside them to remedy issues. The narrative around these violations needs to shift from calling out companies when they are open about problems, to calling out secrecy and failure to take responsibility for remedy.

COVID lockdowns and travel restrictions across the globe have impacted supply chain tracing and monitoring. This has delayed timely closures of CAPs and detracted from meaningful engagement with victims of forced and child labour. The pandemic threatens to further erode global progress against child and forced labour. It's estimated that close to 9 million more children will be in child labour by the end of this year because of rising poverty.<sup>7</sup>

## Collaborating For Change

The fashion industry has a long road ahead to eliminate labour exploitation from supply chains. But there are positive actions they can take to effectively remediate known forms of exploitation and modern slavery.

Companies must take a holistic approach to remediation that considers how their supplier policies and procedures impact workers' rights. Companies should ensure that their Code of Conduct and Responsible Purchasing Practices are modelled on best practice guidelines from the ILO and the Ethical Trade Initiative.



## A COMMON FRAMEWORK FOR FAIRER WORK

Corrective Action Plans (CAPs) that address low wages and long working hours often put the onus of corrective action on suppliers. But there is a growing body of evidence that shows fashion companies' poor purchasing practices can drive exploitative practices, even those that are prohibited in their Code of Conduct. A study conducted by the ILO in 2017<sup>2</sup> found that only 17% of suppliers felt their orders had long enough lead times—an issue that often results in excessive overtime or undisclosed sub-contracting to other factories. Over half also said they accepted prices lower than their production costs, making it hard for them to pay workers' wages.

Through the establishment of a Learning and Implementation Community of key stakeholders,

Fair Wear has responded to this challenge by developing a Common Framework for Responsible Purchasing Practices. This framework acts as a collaboratively formed, aligned reference document for the fashion industry. It recognises and emphasises that the responsibility to respect human rights and remedy violations cannot be solely placed on suppliers but must sit with companies. Implementation effectiveness will be monitored and evaluated by the Learning and Implementation Community from September 2022 and includes the valuable input of suppliers.<sup>8</sup>

Fair Wear is a multi-stakeholder initiative founded in 1999 with a mission to improve labour conditions in the fashion industry. Fair Wear works with 148 member companies, including Nudie Jeans.

<sup>6</sup> [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_845351/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_845351/lang--en/index.htm)

<sup>7</sup> [https://www.ilo.org/travail/info/fs/WCMS\\_556336/lang--en/index.htm](https://www.ilo.org/travail/info/fs/WCMS_556336/lang--en/index.htm)

<sup>8</sup> <https://www.fairwear.org/stories/the-common-framework-for-responsible-purchasing-practices-out-now/>



These guidelines put workers' rights at the centre and help empower workers to speak up about the injustices they face without fear of reprimand. Following this, companies must use effective monitoring and evaluation tools, such as reputable social auditors, to ensure that their policies are being followed by suppliers and facility management.

But companies do not need to act alone. Multi-stakeholder initiatives such as **Fair Wear** and the **Fair Labour Association** provide a

channel for companies to further leverage their influence with their suppliers. Through the strength of pre-competitive collaboration, members gain access to shared information and resources. They also have opportunities to partake in group initiatives that capitalise on the collective wisdom of members to rigorously design, test and implement changes to company approaches on worker exploitation—with the input of suppliers, factory managers, and workers to ensure effectiveness.

## REMEDIATION OF EXPLOITATION ON THE BRAND FINDER

The **Brand Finder tool** on the Baptist World Aid website uses data from two questions in the Ethical Fashion Report survey to give an indication of progress on remediating exploitative practices where found.

10.1: "What percentage of corrective action plans pertaining to wages and/or

overtime are resolved within 12 months?"

10.2: "Where child and/or forced labour is found to exist, does the company have a process for responding to violations through dialogue with and primary consideration for the best interests of the affected stakeholders?"

BRAND FINDER SPOTLIGHT ISSUE RATING	RANGE OF RESPONSES COVERED
Excellent Progress	100% of corrective action plans resolved (10.1) and full credit for remediation process (10.2)
Good Progress	51-99% of corrective action plans resolved (10.1) and full credit for remediation process (10.2) OR 100% of corrective action plans resolved (10.1) and partial credit for remediation process (10.2)
Some Progress	1-50% of corrective action plans resolved (10.1) and full or partial credit for remediation process (10.2)
Limited Progress	No evidence for one of the two questions (10.1 and 10.2).
No Evidence	No evidence for both questions (10.1 and 10.2)

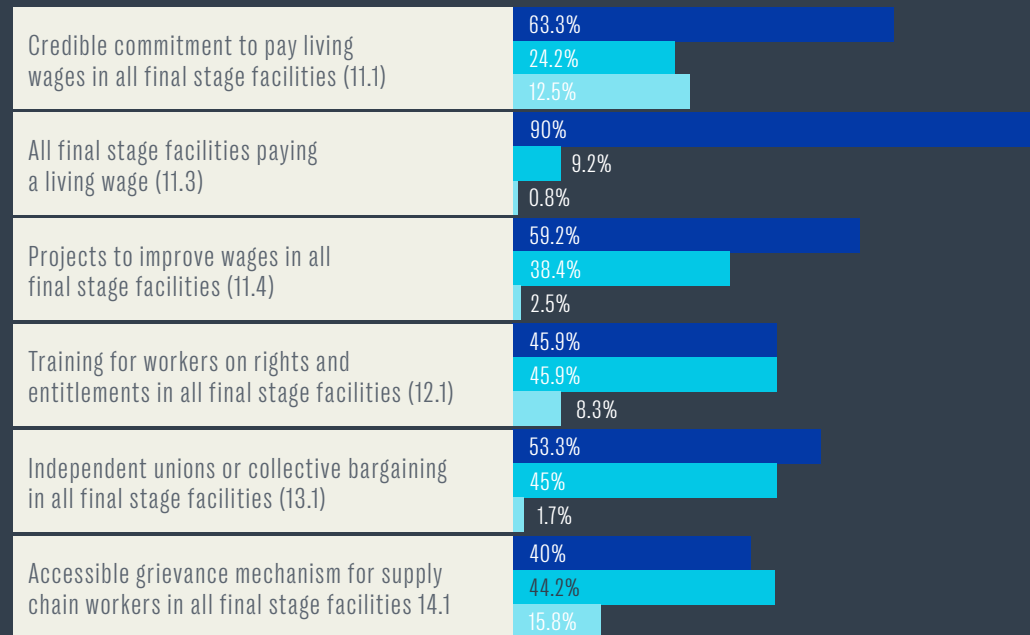


## WORKER EMPOWERMENT

The empowerment of the people who work in fashion supply chains is both the goal of efforts to improve labour rights in the industry—and importantly, the most crucial pathway to bring about this change. When workers understand their rights and entitlements and can act collectively to secure them, the voluntary efforts of companies and the market pressure from shoppers and shareholders, are accompanied by the real demands of the fashion labour force to drive change.

This section assesses the commitments and actions that brands are taking to ensure the payment of living wages and training for workers throughout their supply chain, as well as their support for independent unions and collective bargaining, and their efforts to ensure the availability of accessible grievance mechanisms. In the following spotlight sections, two of these areas—living wage and worker voice—are examined more closely along with the steps needed to accelerate change.

### DATA AT A GLANCE



● NO/NONE ● PARTIAL/SOME ● YES/ALL





# Do Companies Pay Workers A Living Wage?

**It's perhaps fashion's worst-kept secret that workers are grossly underpaid. But what's not as clear is why this issue persists with little progress, and how real change can be expedited. Like all industries, fashion is part of a broader economic system predicated on growth. The pursuit of continuous profit growth by fashion companies drives them to look for cheaper, more efficient production methods. But as costs shrink, production expands, and profits soar, low wages in cotton farms through to garment factories keeps workers and their families in a cycle of poverty.**

The historically low cost of labour throughout the fashion industry has made enticingly low prices for shoppers

possible. Despite the current rising cost of living in Australia, year-on-year retail and online sales growth continues, with apparel sales up 31.3% in July 2022.<sup>9</sup> While we keep calm and shop on, workers struggle to make ends meet.

## Living Wage In An Age Of Transparency

Calls for greater supply chain transparency are increasing, as pressure and persistence from NGOs and global citizens escalates. But living wage payments remain low amongst clothing companies and aren't even on the agenda for most footwear companies, which means we're simply not progressing fast enough for workers and their families.

In 2022, only 12 companies surveyed (10%) evidenced payment of living wages at some final stage factories. Further down the supply chain, 3.3% of fashion companies demonstrated living wage payments at some inputs facilities such as fabric mills and tanneries, and only one company at raw materials, including cotton farms. None of the footwear companies surveyed paid a living wage at any stage of their supply chain. While 12% of footwear companies made a public commitment to work towards living wages at final stage, none were able to provide living wage calculations for their producing countries and regions.

**Workers are forced to continue in low-paid, sometimes dangerous jobs for a wage that is approximately 45% lower than a living wage.**

## Why Is Progress Towards Living Wages So Poor?

While citizens are becoming more aware of living wage issues, the fashion industry remains highly competitive with complex supply chains and low acceptance of responsibility for living



**NO FOOTWEAR COMPANIES PAY LIVING WAGES**

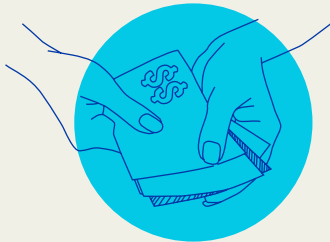
wage payment. Barriers to progress can be seen at both the individual company level and at an industry-wide—even economy-wide—level.

Companies cite knowledge gaps and limited leverage to influence suppliers as key factors. While these are real barriers, companies that have failed to progress paying a living wage beyond an aspiration often don't have accountability for living wages at senior leadership level; a time-bound, specific public commitment; worker-centric, responsible purchasing practices across their buying, planning and procurement teams; or an implementation plan with practical steps such as calculating living wages for the regions they source from, and ringfencing labour costs in price negotiations. They may not have proactively looked for ways to tackle leverage challenges by joining industry alliances such as Asia Floor Wage or

### WHAT IS A LIVING WAGE?

A living wage is what a worker needs to earn in a standard work week to meet their basic needs, with some discretionary income for financial resilience in emergencies or unexpected circumstances. This amount provides for necessities like food, housing, healthcare, clothing, education, energy, and clean water for them and their family. A living wage is often higher than a country's legal minimum wage.

<sup>9</sup> <https://www.ragtrader.com.au/news/fashion-sales-increase-despite-rising-cost-of-living>



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## 10% PAY LIVING WAGES AT SOME FINAL STAGE FACTORIES

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multi-stakeholder initiatives like ACT (Action, Collaboration, Transformation) and the FLA (Fair Labour Association). The barriers are also systemic. Most major clothing and footwear-producing countries have a legal minimum wage. But as labour costs are a significant portion of total manufacturing costs, many countries set their minimum wage at an extremely low level, fearing

### **It's time for companies to pay living wages across their supply chains, and to turn commitments into actions that deliver benefits to workers and their families.**

an increase in wages will drive higher production prices. This may threaten their economy, as the outsourced nature of most fashion supply chains enables companies to rapidly shift contracts and investment to suppliers in lower-wage jurisdictions.

Even where companies may be complying with local laws, the collective influence of the industry—both real and perceived by national political actors—ensures that workers are denied the basic worker rights we take for granted in Australia. They are forced to continue in low-paid, sometimes dangerous jobs for a wage that is approximately 45% lower than a living

wage, according to the WageIndicator Foundation.<sup>10</sup> Workers throughout the supply chain are vital to the success of fashion companies. Yet this success is founded partly on the chronic undervaluation of workers' labour.

## Changing The System

While everyone has a role to play, fashion companies collectively have the greatest power and therefore responsibility to act on living wage payments. This means that companies must commit to using all tools at their disposal to normalise the payment of living wages across all regions and stages of their supply chain. This includes the measures described previously, such as ensuring executive-level responsibility, committing to timebound plans for improvement, and embedding worker-centric responsible purchasing practices throughout the business.

It also means going beyond measures that rely on the voluntary actions of companies and can lack accountability. This starts by investing in initiatives

<sup>10</sup> <https://www.theindustrywewant.com/wages>

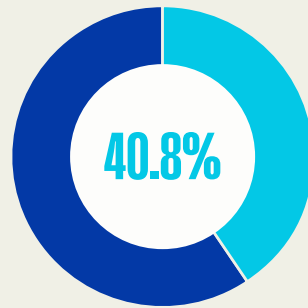




that empower workers—so they better understand their rights and can collectively take action when these are not being upheld. Over time it may go further to support the formation of legally binding worker-driven social responsibility agreements. These agreements are defined by three features: being worker driven, enforcement focused, and placing responsibility for action at the top of the supply chain, that is with the fashion brand itself.

Ultimately, lifting workers' wages also requires large-scale, systemic change that empowers workers to command fair pay and safe working conditions, and pushes national governments to act in the interests of their citizens.

For companies, this means supporting government and supplier-driven efforts to drive change—including committing to retaining suppliers in regions where minimum wages and conditions are strengthened, and where possible, joining industry initiatives that push for these improvements. For national governments, it means legislating increases to minimum wages to bring them in line with living wage levels, protecting workers' ability to organise collective action and ensuring large-scale compliance through transparent and regular reporting. Pursuit of these systemic changes is important but should not delay companies from taking immediate actions required in their own supply chain.



OF COMPANIES HAVE WAGE IMPROVEMENT PROJECTS AT SOME FINAL STAGE FACILITIES

Now is not the time to lose hope but be inspired to act. Since Baptist World Aid's first Ethical Fashion Report was published nine years ago, some evidence of meaningful action has been observed. In 2022, 40.8% of companies have projects in place to improve worker wages at some final stage factories. While this drops to 11.7% at the inputs stage, through an investment in certifiers, 38.3% are improving wages at the raw materials stage. It's now time for footwear companies to join the global effort to pay living wages across their supply chains, and for clothing companies to turn commitments and plans into actions that deliver substantial benefits to workers and their families.

## LIVING WAGES ON THE BRAND FINDER

The **Brand Finder tool** on the Baptist World Aid website uses data from four questions in the Ethical Fashion Report survey to give an indication of progress on payment of living wages.

11.2c: "Has the company adopted a living wage methodology and calculated a living wage for each region that it operates in?"

11.1c: "Has the company published a credible commitment to pay living wages based on a clear methodology with timeline and key milestones?"

11.3.c: "What percentage of final stage facilities pay a living wage?"

11.4.c: "What percentage of final stage facilities have projects to improve wages?"

BRAND FINDER SPOTLIGHT ISSUE RATING	RANGE OF RESPONSES COVERED
Excellent Progress	100% of final stage facilities pay a living wage (11.3.c)
Good Progress	51-99 of final stage facilities pay a living wage (11.3.c) OR Full credit for commitment (11.1) and 26-50% of final stage facilities pay a living wage (11.3.c)
Some Progress	26-50% of final stage facilities pay a living wage (11.3.c) but partial/no credit for commitment (11.1) OR Full credit for commitment (11.1) or for methodology and living wage calculation (11.2) and 1-25% of final stage facilities pay a living wage (11.3.c) OR Full or partial credit for commitment (11.1) and at least 26% final stage facilities with projects to improve wages (11.4.c)
Limited Progress	At least partial credit for at least one living wage question but not sufficient to meet criteria for Excellent, Good or Some Progress
No Evidence	No living wage evidence for any of these four questions

# Mom's Story

Mom has been a garment worker for 15 years. Throughout her career, she has witnessed countless instances of exploitation in Cambodia's garment factories. That's why Mom became a member of the Cambodian Alliance of Trade Unions (CATU). Ever since the COVID pandemic hit, Mom and her colleagues have faced growing challenges. Production targets have risen from 350 items per hour to 400 items per hour. Despite larger workloads, workers' salaries have not increased and people like Mom are struggling to afford rising living costs.

*'Sometimes, when workers could not meet the target which keeps increasing, supervisors called them to the admin office and warned them. I experienced this myself —I met the target, but my sewing machine was broken, and they*



*warned me about breaking the machine. I challenged them. I asked, why is the employer only looking for opportunities to fire workers and not protecting the interests of workers? Then, they stopped.'*

## Despite larger workloads, workers' salaries have not increased and people are struggling.

In April 2021, COVID-19 cases surged in Cambodia and the country was forced into lockdown. Mom's factory temporarily closed, and she lost her wage. While Mom could access a payment of USD 40 from the government, her employer refused to pay her. It wasn't until Mom and the CATU began advocating that the factory agreed to pay workers 20% of their salary plus some additional benefits, reaching a total of USD 60.

These payments combined were still well below what Mom needed to cover basic living costs. During her factory's closure, Mom was forced to take out a USD 200 loan to cover her rent.

This was on top of an USD 8,000 loan that her family had taken out before the pandemic hit.

*'After paying all these loans, the rent, and utility bills, I don't have much money for eating. So, I just eat a little. I spend \$0.40 for each meal which include a pack of rice and a small bag of soup. I spend around \$1.25 per day for eating.'*

While the fashion industry in Australia and other wealthy countries are starting to recover from the pandemic, Mom remains worried about her future: *'I have a dream to finish with the repayment for the loans and do the work that I wish to do...working with a union or owning a small business. I want to have time to think and plan for my future. I don't have secured finances for my future yet and I need money for my girl's education too.'*

When asked what international brands should be doing to ensure a better life for garment workers, Mom's answer is clear: *'you [the brands] say that you respect workers' rights, please do what you have claimed.'*

Mom's story from October 2021 has been shared with permission from ActionAid.





# Are Companies Listening To Their Workers?

**When workers have the opportunity to advocate for their rights, they can exercise agency to change their lives and those of their colleagues. There are 60 million garment workers in the world. Change will only happen when each of these women and men are genuinely heard, and have their concerns acted upon.**

'Worker voice' is integral to achieving systemic change in the fashion industry, from the identification of exploitation and modern slavery through to payment of living wages and better working conditions. Yet a large segment of companies

assessed in 2022 lack worker voice channels to make this happen, such as strong unions and grievance mechanisms in their supply chain. 79.2% of footwear companies assessed failed to provide evidence demonstrating union presence or collective bargaining agreements in any of their final stage factories. Similarly, 64% lacked evidence of functioning grievance mechanisms.

This is in stark contrast to apparel companies where more than half evidenced unions or collective bargaining agreements, and more than two thirds have some form of

grievance mechanism. Whilst the industry as a collective still has progress to make, this deficit in the footwear segment gravely affects the ability of workers to break the modern slavery cycle and improve workplace conditions.

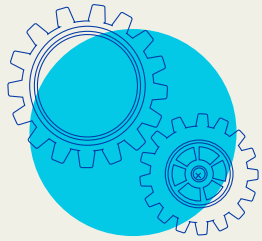
While there has been slow improvement in this area since the first Ethical Fashion Report was published in 2013, action at the inputs and raw materials tiers of company supply chains continues to lag significantly. At the raw materials phase, almost 90% of all companies lack grievance mechanisms, and only 35% could evidence any union or collective bargaining presence.

**Change will only happen when these garment workers are genuinely heard, and have their concerns acted upon.**

## WHAT IS A COLLECTIVE BARGAINING AGREEMENT?

A Collective Bargaining Agreement (CBA) is a legally binding contract that stipulates better working conditions for employees on issues such as wages, working hours, and conditions of employment—generally beyond national legal minimums. A CBA is formed between an employer (such as a garment factory) and a union that represents employees (garment workers), and often arises from extensive negotiations.





## COMPANIES WITH A **GRIEVANCE MECHANISM**

CLOTHING

**67.6%**

FOOTWEAR

**36%**

### **Beyond Issue Reporting**

To fully identify and address the core drivers of systemic issues like living wages and modern slavery, engaging the worker voice is integral.

This must evolve beyond simple grievance reporting at the end of the issue chain. Worker voice must be fully embedded in all decision-making processes and affect worker outcomes from the start. At a base level, worker unions and grievance mechanisms should be present in all factories. The broader the presence of well-functioning unions, the greater chance of shifting industry practice and worker conditions at scale.

When unions become standard for production countries, like they are for Australian industries such as transport or teaching, workers are given greater leverage in demanding change. Union membership also gives workers agency to demand their rights without fear of repercussion, such as losing their job.

At a higher level, workers must be given space to participate in discussions and influence decisions which affect

them. This could be through a variety of channels, including unions, worker representatives, or nascent digital technologies like worker surveys. Best-practice grievance mechanisms are developed with worker input—when workers are engaged on the use of existing mechanisms, barriers they face, and user experience. Bringing worker voice to the fore in the design and development of mechanisms leads to stronger engagement and outcomes for all parties involved, compared to mechanisms designed by fashion companies in western countries who are unlikely to understand the cultural, language, and other barriers facing workers.

### **What's Keeping Workers' Voices Muted?**

Many companies rely on pre-existing factory grievance mechanisms that lack anonymity, fail to garner worker trust, or are simply inappropriate mechanisms for serious issues, like 'suggestion boxes.'

To address these failings, brands and NGOs often develop their own

bespoke grievance processes, resulting in workers in a single factory experiencing multiple different mechanisms at the same time. This lack of a unified approach adversely affects mechanism success, as workers can be confused by the choice available. Additionally, the parties running the different channels rarely share findings with each other, meaning each of the mechanisms are only capturing a partial picture at any point in time.

'Union busting' is also a common practice, where union members are targeted or harassed by factory managers to prevent union activity. Recent reports of union busting in Bangladesh have revealed thousands of workers unfairly dismissed. This is often driven by a factory management perspective that unionised workers will result in loss of autonomy, lower productivity, and higher labour costs. Even though the right to organise is protected under Article 23 of the Universal Declaration of Human Rights, independent unions are illegal in some countries, including China—the world's largest garment-producing nation.

### **WHAT MAKES A SUCCESSFUL GRIEVANCE MECHANISM?**

Grievance mechanisms are a means by which workers may report issues to an external party. They are particularly useful for protracted problems that factory managers have not remediated, or in situations where workers don't feel comfortable speaking to management for fear of retribution. The most common types of grievance mechanisms are hotlines, and increasingly, mobile apps. Although companies take a myriad of approaches with grievance mechanisms, the strongest examples are aligned with Principle 31 of The United Nations Guiding Principles of Business and Human Rights. This states mechanisms must:

- be available in workers' native language;
- ensure anonymity;
- enable trust from workers and provide assistance for those who face barriers to access;
- have clear and known procedures and timeframes;
- include thorough investigation and remediation of grievances;
- include an avenue to escalate concerns to external parties if the worker feels their concern has not been sufficiently addressed.



## How Do We Turn The Volume Up?

A unified multi-stakeholder grievance approach is urgently required. Companies must collaborate with other buyers working in similar regions and factories, NGOs, and specialist organisations with existing mechanisms built to address local contexts. This will not only reduce duplication but provide greater leverage and resources for shared remediation.

The mechanisms themselves need to be co-designed with worker input and be adapted regionally to address specific contexts. A 'one size fits all' approach will fail to provide successful grievance mechanisms. For example, regions with high numbers of migrant workers will require a different approach to address migrant-specific barriers such as language. Regular training is also essential, as even the best grievance mechanism will fail if workers are unaware of its existence or use process.

To increase union prevalence, companies must use their collective leverage and supplier relationships to encourage worker organisation and CBAs. Suppliers should receive clear communication and training to ensure they understand the value of independent workers' associations and unions, and the company's requirement that

they be allowed and supported. Adherence to this requirement should form part of supplier monitoring considerations, and be reflected in corrective action plans and preferred supplier programs as appropriate.

Beyond this, companies should actively engage national, regional, and global union bodies in dialogue to inform their policies and procedures involving worker rights.

### COMPANIES WITH UNIONS OR CBAs IN OVER HALF OF THEIR FINAL STAGE FACTORIES

CLOTHING 4.7%      FOOTWEAR 4%

## PVH CORP'S WORKPLACE COOPERATION PROGRAM

*'People who work in factories are closest to any problems there may be and, often, they're the best people to suggest solutions.'*

This concept forms the basis for PVH Corp's Workplace Cooperation Program, run in partnership with Better Work. The program aims to amplify workers' voices by increasing cooperation and communication between managers and workers. PVH recognises the limits of traditional monitoring such as audits, which seek to uncover existing problems, but often fail to address core drivers or facilitate lasting improvements. The program first focuses on improving

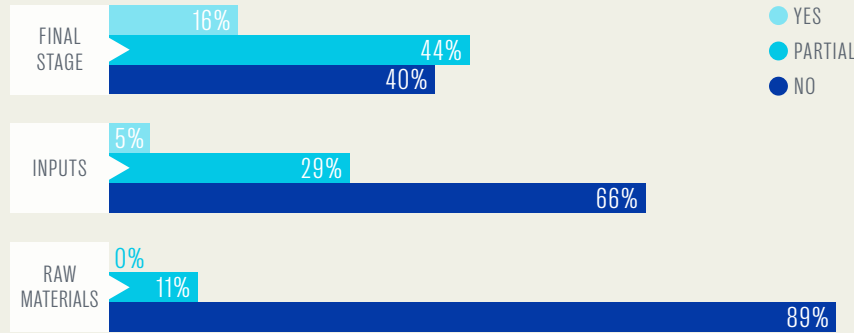
dialogue within factories through workplace communication training. Democratically elected worker committees are then implemented to identify and develop solutions that address the root causes of problems. The program follows a 'train the trainer' approach to ensure scalability. PVH hope to achieve lasting change by bringing workers to the forefront of solution development. In 2021, participation in the program grew to 120 factories, representing 57% of total facilities. This places PVH well on their way to reach their 2025 target: '100% of workers employed by key suppliers will have their voices heard through representative workplace committee.'



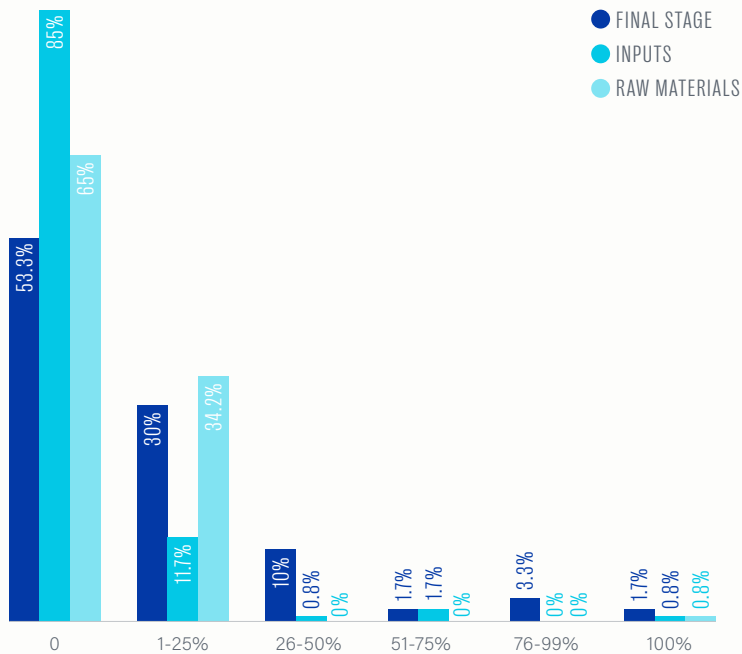
## DID COMPANIES REALLY 'BUILD BACK BETTER'?

The 2020 COVID Fashion Report revealed that 22% of companies identified strengthening worker voice mechanisms as a key priority moving forwards. So, did they follow through? Between 2019 and 2022, we've seen a six-percentage point increase in the uptake of grievance mechanisms at final stage facilities for clothing companies, from 62% in 2019 to 68% in 2022. When it comes to unions and CBAs, 47% of clothing companies could evidence some activity in 2019, compared to 52% in 2022.

## ACCESSIBLE GRIEVANCE MECHANISMS FOR WORKERS



## FACILITIES WITH INDEPENDENT UNIONS AND/OR COLLECTIVE BARGAINING AGREEMENTS



## WORKER VOICE ON THE BRAND FINDER

The **Brand Finder tool** on the Baptist World Aid website uses data from two questions in the Ethical Fashion Report survey to give an indication of progress on listening to workers' voices.

13.1: "What percentage of facilities are known to have independent

democratically elected trade unions and/or collective bargaining agreements in place?"

14.1: "Does the company have a functioning grievance mechanism which workers can access anonymously and in their native language?"

### BRAND FINDER SPOTLIGHT ISSUE RATING

### RANGE OF RESPONSES COVERED

Excellent Progress	100% of facilities have independent unions/CBAs (13.1) and full credit for grievance mechanism (14.1)
Good Progress	> 51% of facilities have independent unions/CBA (13.1) and full or partial credit for grievance mechanism (14.1)
Some Progress	1-50% of facilities have independent unions/CBA (13.1) and full or partial credit for grievance mechanism (14.1)
Limited Progress	No evidence for one of the two questions (13.1 and 14.1)
No Evidence	No evidence for both questions (13.1 and 14.1)



## ENVIRONMENTAL SUSTAINABILITY

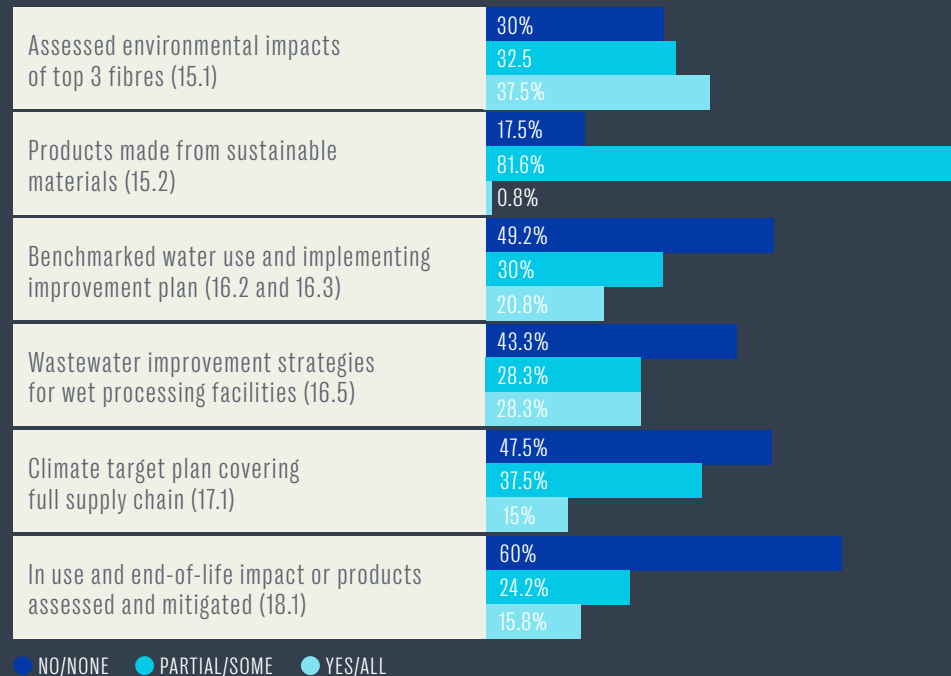
Fashion has a significant planetary footprint both in what it takes from the natural world in terms of land, water, and biodiversity resources and in what it leaves behind in the form of wastewater, chemical pollution, and greenhouse gas emissions. This impact can be seen at every stage of the fashion lifecycle from the production of raw materials to the processes used to make fabrics and

final products and continues while fashion items are used and discarded.

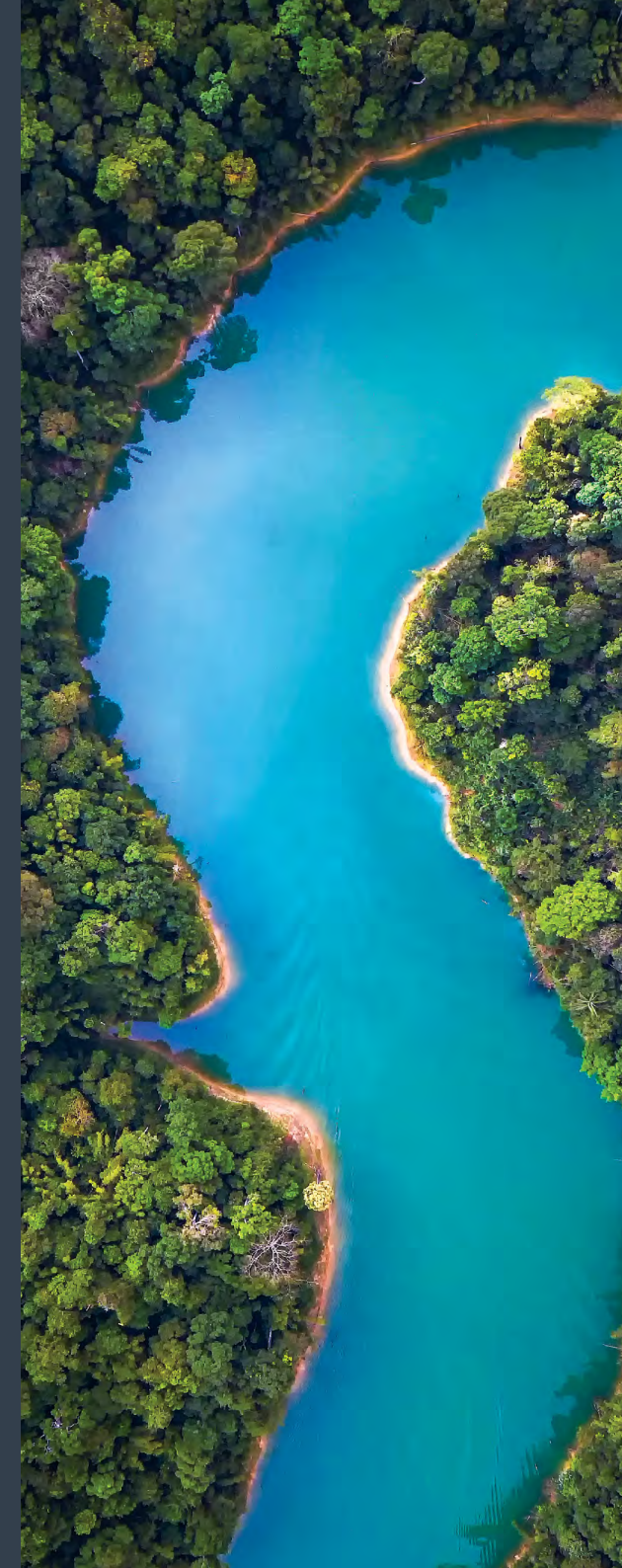
This section assesses some of the key points in this lifecycle where the decisions made by fashion companies can have a more positive impact. It covers environmental impact assessments, material choices, the ways water and chemicals are used and disposed of, climate action, and the design and education measures

put in place to mitigate issues that arise at the in-use and end-of-life stages. Two of these are the focus of the spotlight sections on the following pages: sustainable fibre use and commitments to climate action. Both provide a picture of the interconnected nature of the environmental sustainability dimensions analysed by the EFR, and the crucial importance of increasing the industry's ambition to minimise its planetary impact.

### DATA AT A GLANCE



**Fashion has a significant planetary footprint. This impact can be seen at every stage of the fashion lifecycle.**

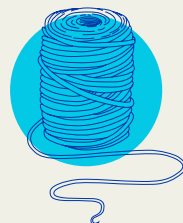


# Are Companies Choosing Sustainable Fibres?

As one of the largest industries in the world, fashion is also one of the most environmentally damaging. Much of this harm sits in the production of raw materials or fibres but also occurs in the way they are used and eventually disposed of, driving the need for companies to invest in sustainable fibres.

The Ethical Fashion Report Survey uses Textile Exchange's preferred fibres guide<sup>11</sup> to define sustainable fibres as those which result in improved environmental and/or social outcomes compared to conventional production. This includes natural plant-based and animal fibres and manufactured cellulosic and synthetic fibres—which all come with a variety of sustainability credentials such as 'organically grown', 'recycled' and 'responsibly sourced'.

All fibres have an environmental impact—even those defined as 'sustainable'. But when assessed across their lifetime, some will have lower impacts than others. Synthetic fibres are reliant on the extraction and chemical processing of non-renewable fossil fuels like petroleum, which pollutes the air and water quality for local communities and releases greenhouse gases. Natural



**21 COMPANIES ASSESSED DO NOT USE ANY SUSTAINABLE FIBRES**

fibres are not inherently sustainable either. Conventional cotton farming requires toxic pesticides that pollute neighbouring land and waterways, harming human health and the environment. It is also a water-intensive crop that puts water supply stress on local communities—particularly as climate change creates more serious and longer-lasting droughts. Large-scale industrial farming for animal fibres like leather has also been linked to land clearing, loss of biodiversity, and disruption to local ecosystems like the Amazon.

## Moving Towards Sustainable Fibres

Adding footwear to this year's research has highlighted a gap in the uptake of sustainable fibres. Out of all the footwear companies assessed, 70.8% use some preferred fibres in their range, lagging behind clothing companies at 85.7%. It is a positive sign that most

companies assessed are starting to use some preferred materials, but it's too early to celebrate. For more than half of companies (54.2%), 'some' sustainable fibre use represents 25% or less. This could be as low as 1% which is little more than a token amount—the transition of a single component to preferred fibres rather than the whole garment or shoe, despite what marketing may claim.

For a company to truly invest in a sustainable fibre strategy, an environmental impact assessment of commonly used fibres is needed. This not only helps identify the most ecologically harmful materials in their range, but also informs future fibre choices and product design for lower impact. Despite the relatively high percentage of companies including preferred fibres in their ranges, less than half (41%) of clothing companies have undertaken an assessment of their top three fibres and materials



<sup>11</sup> <https://textileexchange.org>



and implemented learnings. In the footwear industry, this drops down to 32% of companies. The lack of data and investment in research into the environmental impacts of fibres—both in production and in use—means that efforts to transition to more sustainable fibres are uninformed and ineffective.

**To combat fashion's dirty reputation, brands are claiming a marked increase in the use of sustainable fibres like organic cotton.**

### Faster And cheaper

According to McKinsey's *Fashion on Climate* report, the fashion industry's biggest emissions are in the raw materials production stage of the supply chain.<sup>12</sup> To combat fashion's dirty reputation, brands are claiming a marked increase in the use of sustainable fibres like organic cotton and promoting innovations ranging from recycled PET bottle-filled puffer jackets to sugarcane midsoles in sneakers. Where these changes are real, they are a positive step.

However globally, the increased use of sustainable fibres sits alongside and is insufficient to counter an upward trend in the production of faster, cheaper plastic-based fibres made from virgin materials. Conventional polyester is the most widely used fibre

in the world<sup>13</sup> and one of the most polluting. Sustainability considerations cannot be limited to a niche range of 'conscious' products; they must shape business strategy across all ranges when it comes to what, how, and how much is produced.

### From Promises To Practical Solutions

A more sustainable industry largely depends on fashion's ability to reduce the use of finite resources like oil and water, to support regenerative agriculture, and to eliminate waste both in production and at end-of-life. A multifaceted approach is needed to make good on promises to use sustainable fibres through the following key pathways:

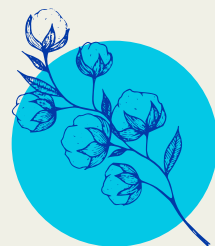
#### RESEARCH AND DESIGN

Sound environmental impact data at all phases of the product life cycle is the foundation for driving sustainability in product design. This must start with a comprehensive risk assessment of potential environmental impacts in a product's life cycle, with an analysis of

the specific impacts of major fibres and production processes employed. This data and analysis should inform the company's procurement, production, and design decisions. It should enable a move away from a linear 'take-make-use-waste' model in favour of a more sustainable, circular model that reduces demand for resources and leverages a product's value as much as possible by prolonging its life and implementing thoughtful reuse and disposal methods. The UN's Fashion Industry Charter for Climate Action determined the need for circular or 'cradle to cradle' models, yet 60% of assessed companies had made no effort to implement such design features in 2022.

#### FIBRE CHOICE

Sourcing more sustainable fibres over conventional equivalents can reduce negative environmental impacts, and in some cases, lead to positive outcomes. Organic cotton has gained popularity in recent years and the benefits are clear: fertile soil that sequesters carbon; greater biodiversity through sustainable agricultural practices like crop rotation; less water use; and no toxic chemicals or synthetic fertilisers.



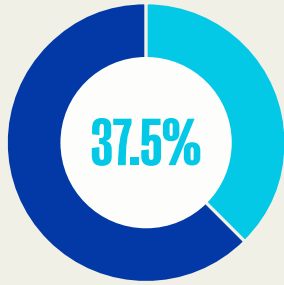
**CLOTHING** **FOOTWEAR**  
**85.7%** **70.8%**  
COMPANIES USING SOME SUSTAINABLE FIBRES



### TANNERIES ARE TAKING THEIR TOLL IN BANGLADESH

Turning cow hides into leather comes at a huge cost to tannery workers, local communities, and local environments. In Hazaribagh, Bangladesh, where 150 tanneries once operated, the air became so polluted (by chemicals and the smell of rotting hides), and the local Buriganga river was so poisoned, that it was named one of the most polluted places on earth. In 2017, the government ordered tanneries to move to a new complex in Savar. But tanneries are now reportedly draining chemicals into the Daleshwari river and dumping toxic waste into open fields. Moving the tanneries has not solved the problem but extended the environmental disaster into a new region. According to Human Rights Watch,<sup>14</sup> tannery workers in Bangladesh—some of whom are children as young as seven—experience health problems including acid burns, lung cancer and soft tissue sarcoma resulting from repeated exposure to hazardous chemicals.<sup>15</sup>

<sup>12</sup> [https://www.mckinsey.com/~/\\_/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf](https://www.mckinsey.com/~/_/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf) <sup>13</sup> <https://mci-textileexchange.org/discover/polyester/> <sup>14</sup> <https://www.hrw.org/report/2012/10/08/toxic-tanneries/health-repercussions-bangladeshs-hazaribagh-leather> <sup>15</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3168109/>



COMPANIES WITH ENVIRONMENTAL IMPACT ASSESSMENT OF TOP 3 FIBRES

Although companies have been deterred by cases of organic certification fraud; a flawed process should not override the pursuit of increased organic cotton use. Block chain and forensic science-based tracing are providing greater assurances, but this comes at an additional investment for companies and certifiers. There is another way, and it comes back to better tracing. Companies who know their supply chains and have direct relationships with raw materials suppliers can ensure there are no hidden risks from land conversion or agricultural practices impacting biodiversity and the health of ecosystems.

Recycled materials also provide a preferable solution, particularly in the synthetic and cotton fibre space. Progress is slow due to lagging infrastructure, with virgin

cotton making up 99% of global cotton (26 million tonnes) and pre and post-consumer recycled textiles making up just 0.5% of the global fibre market in 2020.<sup>16</sup> Whilst preferable to conventional fibres, recycled fibres present a unique set of challenges, as they cannot be recycled infinitely and degrade in quality overtime. Recycled synthetics still shed volumes of microplastics in their production and use phases.

INNOVATION

'Next generation' material alternatives are rapidly emerging but have yet to

reach scale due to high development costs, resistance to change by companies and shoppers, and their relative inaccessibility. Nevertheless, the prospect of shoes made from mushrooms (Muskin) and leather jackets made from pineapples (Pinatex) is providing hope that the sustainable fibre market can expand dramatically to remove the need for conventional options. Prudence is required though—as it is with conventional and preferred fibre use—to ensure there is sufficient evidence of the sustainability credentials to warrant further investment and scale.

SUSTAINABLE FIBRE USE ON THE BRAND FINDER

The **Brand Finder tool** on the Baptist World Aid website uses data from one question in the Ethical Fashion Report survey to give an indication of progress on use of sustainable fibres.

15.2: "What percentage of the company's final product is made from sustainable fibres?"

BRAND FINDER SPOTLIGHT ISSUE RATING	RANGE OF RESPONSES COVERED
Excellent Progress	100% of final product made with sustainable fibres
Good Progress	51-99% of final product made with sustainable fibres
Some Progress	26-50% of final product made with sustainable fibres
Limited Progress	1-25% of final product made with sustainable fibres
No Evidence	0% of final product made with sustainable fibres



MYLOS MADE WITH MUSHROOMS

In 2021, Adidas launched their first, proof-of-concept range of Stan Smith Mylo, made with mycelium or mushroom roots. The process of turning mycelium into a plant-based, low-impact leather was developed in partnership with biotech company Bolt Threads.

In practice, Mylo has been tested and is comfortable, durable, and high performing as with any other leather sneaker. According to Dan Widmaier, Bolt Threads CEO, *'when we started down this path, the goal was not just to make the world's most sustainable material, but to make the world's most widely used sustainable material.'*

So, will Mylo shoes become widely used? Only time will tell, but shoppers shouldn't underestimate their influence. By supporting innovative materials, they can help ensure innovations don't become token sustainability efforts of the past.

<sup>16</sup> [https://textileexchange.org/wp-content/uploads/2021/08/Textile-Exchange\\_Preferred-Fiber-and-Materials-Market-Report\\_2021.pdf](https://textileexchange.org/wp-content/uploads/2021/08/Textile-Exchange_Preferred-Fiber-and-Materials-Market-Report_2021.pdf)

# Are Companies Taking Climate Action Seriously?

**Another year has passed in the countdown to fashion's 2030 emissions reduction goal, yet Australia's major fashion actors are progressing at a glacial pace towards reaching the 50% target set by the United Nations Fashion Industry Charter for Climate Action (UNFICCA).**

At Glasgow's UN Climate Change Conference (COP26) in November 2021, the UNFICCA was strengthened from a target of 30% to 50% by 2030 (in addition to maintaining the net-zero 2050 goal), to align with the Paris Agreement's 1.5-degree trajectory. This shift speaks to the urgency facing the industry and the wider global community in the race to avert the most catastrophic effects of climate change.

The inclusion of footwear companies in our research, in addition to the strengthened UNFICCA target with which our assessment aligns, has significantly lowered the industry average reported on last year. 63% of companies credited with some action in 2021 dropped to 52.5% in 2022. Footwear players are lagging significantly behind their apparel counterparts. Less than half of the

footwear companies assessed are taking climate action seriously, with the majority lacking any form of public climate commitment or decarbonisation strategy. When the data is disaggregated, 64% of footwear-specific companies fail to provide a climate commitment or strategy, compared to 41% of clothing companies. At the other end of the spectrum, of the 18 companies awarded full credit for their climate commitment and strategy, 13 are clothing, and the remaining five produce both clothing and footwear.

**18** COMPANIES  
AWARDED FULL  
CREDIT FOR THEIR  
**CLIMATE  
COMMITMENT  
AND STRATEGY**

## Towards Climate Positive

Companies are ramping up their use of climate buzzwords, from 'climate neutral' to 'carbon negative'

to 'net-zero.' But without a consistent approach, most of these terms are little more than greenwashing.

A 'climate neutral' business has balanced the emissions it produced with its emissions offset. But if society is to remain below the 1.5 degree warming limit, companies must go beyond the use of offsets as an 'easy out,' and actively decarbonise their products and business activities. To achieve this, it is integral that climate targets and action plans cover all three scopes of business activities, going beyond just head office and retail emissions to incorporate freight, supply chain, and production of raw materials. The strategy must adopt a circular life cycle approach to reduce emissions at each phase of the value chain, through to consumer use and end-of-life and support the move to a circular economy.

Ultimately, companies should seek to become 'climate positive.' This means the production of their goods and broader business activities results in less greenhouse gases (GHGs) in the atmosphere.



## CONSIDERING A COMPANY'S COMPLETE CLIMATE IMPACT

A company's climate impact is the aggregate impact of activities at each stage of its operations and supply chain. The term 'scope' is used to refer to the different sources of emissions in a company's business and supply chain, and the level of direct control the company has over them.

**SCOPE 1:** emissions generated from sources directly owned and operated by a company, e.g. a company-owned factory with an internal coal-fired power supply, or company cars.

**SCOPE 2:** emissions generated through the purchase of electricity, heat or steam from a third party, e.g. a company-owned factory or office that purchases power.

**SCOPE 3:** emissions generated through indirect supply chain activities, e.g. emissions produced by factories the company does not own, but engages for their clothing production.



## Why Aren't We There Yet?

Climate action requires financial investment from companies, whether in the form of a specialist consultant, internal staff allocation, offset schemes, or product research and development. For consecutive years, the Ethical Fashion Report has found that larger international companies, often publicly listed, consistently perform stronger in the climate question than smaller local companies.

Only two of the top 18 scorers in the climate question are based in Australia or New Zealand, perhaps speaking to the deeper revenue pockets of international companies with greater shareholder sway.

But beyond financial constraints, what's stopping companies taking serious action?

For most companies, their greatest leverage for change sits at scopes 1 and 2 (things like company cars and retail emissions), where the lowest emissions intensity occurs. The majority of emissions in a fashion value chain come from scope 3 (supply chain focused), which represents over 70% of emissions for fashion businesses. As with most issues examined throughout this report, the ability to initiate change comes down to traceability and supplier relationships. Without knowledge of where fibres, fabrics and final garments are being made, companies cannot make decisions to minimise emissions contributions.

For footwear companies, there is an added level of complexity in carbon footprint assessments and material tracing due to the sheer number of parts and assembly steps in the production process.

To achieve genuine reductions in scope 3, companies must adopt a partnership approach with suppliers to ensure the areas of greatest emissions intensity are captured, and responsibility is shared.

**70%**  
**OF FASHION EMISSIONS**  
COME FROM THE  
SUPPLY CHAIN

The European Geosciences Union estimated that 22% of global carbon emissions come from products produced in one country and consumed in another.<sup>17</sup> Nascent policy initiatives aim to capture this, and Sweden's national approach of taking responsibility for the carbon footprint of imported goods provides an example of what Australian businesses should strive for. Given that 70% of fashion's footprint sits in the production supply chain,<sup>18</sup> Australian companies making goods for retail need to take responsibility and factor in their offshore production. This may mean companies co-investing in new production machinery/technologies with their suppliers or giving assurance of future orders to provide confidence that the required changes will also be a good business decision.

To reach the deeper corners of scope 3, companies must first benchmark



### WHAT IS A CARBON OFFSET?

'Carbon offset' refers to commercial schemes which trade in the removal of carbon and other GHGs from the atmosphere. This can be through storing existing emissions through projects like reforestation, or reducing future emissions, such as investment in renewable energy infrastructure. Companies pay third parties a monetary amount according to the scale of emissions they wish to offset. It doesn't technically reduce emissions from the company's business activities but funds the removal or storage of GHGs in other regions, including developing nations.

<sup>17</sup> <https://bg.copernicus.org/articles/9/3247/2012/bg-9-3247-2012.html> <sup>18</sup> McKinsey 2020 [https://www.mckinsey.com/~/\\_/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf](https://www.mckinsey.com/~/_/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf)





**158** MILLION TONNES  
OF EMISSIONS COULD BE  
REDUCED IF EXCESS INVENTORY  
WAS MINIMISED BY 10%.

their GHG footprint before they can implement a decarbonisation strategy. To address the 38% of emissions that come from raw material production,<sup>19</sup> the strategy must be guided by circular economy principles and invest heavily in opposite ends of the value chain: fibre agriculture, production, and apparel end-of-life.

The Intergovernmental Panel on Climate Change has noted that agriculture is *'extremely important in meeting emission reduction targets.'*<sup>20</sup> Regenerative agriculture will play a key role in encouraging biodiversity and sequestering atmospheric carbon. Apparel collection and recycling, although in its early stages, aims to reduce the volume of agriculture required in the first place by replacing virgin fibres with recycled ones. The two phases also go hand in hand, as a study by Cotton

Australia explored by returning shredded cotton garments to the earth as a soil additive for cotton fields, with promising results.<sup>21</sup>

Fashion's reliance on sales growth in a system that encourages overproduction and overconsumption is at odds with broader goals to reduce industry emissions. If the industry focused its efforts on minimising excess inventory by just 10%, emissions could be reduced by 158 million tonnes by 2030.<sup>22</sup>

In the immediate to near future, companies should seek to offset whatever emissions cannot be reduced while further action is underway. In the medium to long term, companies must reduce their overall footprint, and cannot simply rely on offsets to do so.



## SETTING THE STANDARD: ALLBIRDS

Setting and achieving climate goals can seem complex and unattainable, but major footwear brands are already proving that it's possible.

Allbirds believe in taking accountability for their GHG contributions, beyond simply changing a few lightbulbs or offsetting their head office emissions. Since 2020, the brand has been publishing the carbon footprint for every product in their permanent collection.

In collaboration with third-party experts and in alignment with international ISO standards, they developed a Life Cycle Analysis tool which calculates the amount of greenhouse gases emitted to produce each product, from cradle to grave. This includes emissions generated through the production of raw materials, manufacturing, transportation, consumer use, and end-of-life. The aim for the project isn't just transparency. It's about reducing the emissions intensity of their products, which can only be achieved by first

benchmarking the product's baseline.

By measuring the impact at different phases of the product life cycle, Allbirds can make science-based decisions to reduce their overall greenhouse gas emissions, such as swapping higher carbon intensive materials for lower ones or choosing ocean shipping over air freight. The emissions which the company cannot reduce any further are offset as part of the company's internal carbon tax and offset scheme, making the entire business 100% carbon neutral.

Ultimately, Allbirds want to eliminate their need for offsets altogether. They have set targets to halve their footprint by 2025 and reduce to almost zero by 2030. They state, *"The reality is being a carbon neutral business shouldn't take 30 years, because it's possible today. But we don't think just offsetting our emissions and calling it a day should earn us a gold star. It should be the admissions fee—chapter one in our mission to ultimately have zero emissions to begin with."*

<sup>19</sup> McKinsey 2020 <https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf> <sup>20</sup> IPCC 2018, [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter11.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf) <sup>21</sup> Cotton Australia 2022, <https://cottonaustralia.com.au/news/ground-breaking-trial-returning-cotton-textile-waste-to-cotton-fields-launched-in-goondiwindi> <sup>22</sup> McKinsey 2020 <https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf>

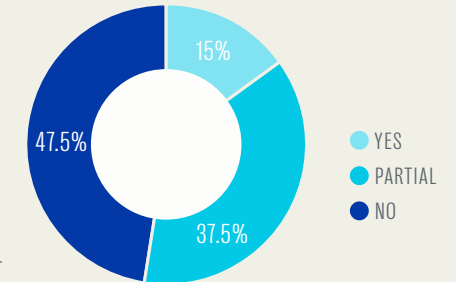




**38%**

GHG EMISSIONS  
THAT STEM FROM  
RAW MATERIALS  
PRODUCTION  
IN THE FASHION  
VALUE CHAIN

## EMISSIONS REDUCTION TARGET AND DECARBONISATION STRATEGY IN LINE WITH UNFICCA



### CLIMATE COMMITMENT ON THE BRAND FINDER

The **Brand Finder tool** on the Baptist World Aid website uses data from one question in the Ethical Fashion Report survey to give an indication of progress on commitments to climate action.

171: "Has the company published an emissions reduction target and decarbonisation strategy in line with the current UN Fashion Industry Charter for Climate Action (UNFICCA)?" (50% reduction in greenhouse gas emissions by 2030, and net zero by 2050).

#### BRAND FINDER SPOTLIGHT ISSUE RATING

#### RANGE OF RESPONSES COVERED

Good Progress	Full credit for published target and strategy in line with UNFICCA
Some Progress	Partial credit for provision of target without strategy or vice versa, OR target and strategy provided that are only partially aligned with UNFICCA
No Evidence	No evidence of target or strategy





**METHODOLOGY**

# Methodology

The 2022 Ethical Fashion Report (EFR) looks very different to reports from previous years. A numeric score and colour have replaced the old A to F grading system. While the appearance has changed, the underlying research approach behind the report and accompanying online Brand Finder tool continues to be built on the strength of the EFR methodology, developed and refined over the last nine years.

## What We Focus On: The EFR Survey

The Ethical Fashion Report Survey sets the agenda for what is assessed through the research. It was developed in 2013 with input from industry and academic experts. Each year, the survey questions and associated validation criteria are refined based on lessons learnt and ongoing industry developments. A more comprehensive review occurs every three to four years, drawing on external expertise.

The 2022 EFR is based on a survey that is substantially unchanged from 2021. The next major review is planned for 2023. The survey covers five major sections and comprises of 46 questions covering 18 different indicators of supply chain practice.

Only one question (171) has had substantive change to its validation criteria, reflecting updates to the United

POLICIES & GOVERNANCE	1	CODE OF CONDUCT
	2	ACCOUNTABILITY
TRACING & RISK	3	TRACING AND TRANSPARENCY
	4	RISK
SUPPLIER RELATIONSHIPS AND HUMAN RIGHTS MONITORING	5	RESPONSIBLE PURCHASING PRACTICES
	6	SUPPLIER RELATIONSHIPS
	7	FORCED AND CHILD LABOUR
	8	GENDER INEQUALITY
	9	MONITORING
	10	REMEDY AND CORRECTIVE ACTION
WORKER EMPOWERMENT	11	LIVING WAGES
	12	WORKER ENGAGEMENT
	13	FREEDOM OF ASSOCIATION
	14	GRIEVANCE MECHANISM
ENVIRONMENTAL SUSTAINABILITY	15	FIBRE AND MATERIAL USE
	16	WATER AND CHEMICAL USE
	17	CLIMATE IMPACT
	18	IN-USE AND END-OF-LIFE IMPACT

Nations Fashion Industry Charter for Climate Action following COP26 in November 2021. These updates saw the threshold for climate action in the fashion industry increase to 50% by 2030, up from the previous agreement of 30%. All other changes were minor adjustments for clarity.

While the EFR Survey covers most key ethical issues that can emerge in fashion supply chains, some areas remain partially out of scope.

The focus is on the human rights of workers and their communities. Animal rights are intrinsically important. However, they are not addressed

discretely in this research and are covered in sections where they have important crossovers with labour rights or broader environmental sustainability concerns, such as sustainable fibre use.

Some areas of the fashion industry's ethical impact are a result of the way the entire system functions. Cultures of



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**120 COMPANIES COVERING 581 BRANDS WERE INCLUDED IN THE EFR RESEARCH IN 2022.**  
THIS CONSISTS OF 93 COMPANIES THAT WERE INCLUDED IN THE 2021 EDITION AND 27 NEW COMPANIES.

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overproduction and consumption, and the ways these feed into and are fed by fast fashion business models, are a key example. The survey does seek to cover specific actions that individual companies may take to mitigate these issues, such as considering circular design considerations (Question 18.1), consumer education initiatives (Question 18.2), and strategies to reduce over-production and its impacts (Question 18.3). However, the focus on specific evidenced actions of companies that is central to the EFR methodology does not fully capture the cultural impact of fast fashion business models. The EFR is an element of our wider work, which includes community education and awareness-raising to address the impact of and alternatives to overconsumption.

### **Who We include: Company Selection**

In 2022, 120 companies covering 581 brands were included in the scope of the EFR research. This consists of 93 companies that were included in the 2021 edition and 27 new companies.

Following selection criteria first introduced in 2020, the research seeks to include all companies that (1) own clothing or footwear brands operating in Australia or New Zealand; that (2) remain solvent; and (3) are estimated to have annual revenue in excess of AUD 50 million per annum (NZD 30 million for New Zealand companies).

As there is no publicly available list of companies that meet these criteria, they are identified based on prior inclusion in the EFR, information available from the Commonwealth Modern Slavery Register, desk-based research, and industry recommendations. As more companies meeting the criteria are identified, they are included in future research rounds.

### **FOOTWEAR**

The 2022 report broadens the scope of companies to include any footwear brands that meet the overall criteria. This accounts for 15 of the new companies. While two of these companies had been included in reports prior to 2019, the remaining 13 are included for the first time this year.

### **SMALLER COMPANIES**

Some smaller companies—especially those that have been founded with an intentional ethical focus—provide strong examples of what good practice can look like and are great incubators of innovative approaches to ensuring worker rights and environmental sustainability. They can play a crucial role in driving change—both as an alternative and an example to larger fashion brands.

Their difference both in size and purpose means that their business models and ethical performance are not always directly comparable or translatable to larger mainstream companies. Along with the need to ensure a manageable cohort of companies for research, this informed the decision in 2020 to focus the EFR on companies that exceed a revenue threshold of AUD 50 million (NZD 30 million for New Zealand companies). Smaller companies included in previous EFR editions have the option to continue participation in the research. However, the differences identified above mean this cohort continues to become smaller.





## How We Collect And Assess Data: Research And Company Engagement Process

EFR research data was collected through an engaged research process between February and July 2022.

Companies were initially provided with the survey along with a comprehensive Survey Support Document (included

in the appendices to this report) that outlines expected standards for each question. EFR researchers met with companies, as requested, to ensure the expectations and rationale of the Survey were clear. This process both enables the research and contributes to the overall goal of this initiative: to set an agenda for tangible improvement in how the fashion industry operates.

Companies are required to submit their responses to each question, along with accompanying evidence, through an online research portal.

The data for companies newly included in 2022 received at least two comprehensive preliminary reviews by a dedicated researcher, based on an initial search of publicly available information in February/ March and on any draft submissions made by the company in April (or a second scan of public information where no direct submission has been made). These preliminary reviews and accompanying outstanding questions from researchers are provided to companies, to ensure they have opportunity to respond and/or provide additional information.

A third full review then takes place based on the company's final submission by the end of May. At that point, companies may be contacted for clarifying

information if their responses remain unclear/inconclusive. A second researcher then conducts a full independent review of each company's evidence to ensure accuracy and consistency, before their evidence is finalised and scored.

As the 2022 Survey is substantially unchanged from the previous year, companies assessed in 2021 were given the option of continuing to be assessed on the evidence provided last year or providing updated evidence for some or all survey questions. Where companies did make new or additional submissions, the questions for which new information was available were assessed following the same process described for new companies in the previous paragraphs. Where companies did not submit new or additional information for all or any individual question, the underlying score for those questions was carried over from the previous year—except for Question 171 which was reassessed as outlined earlier.

In 2022, 27 companies were assessed for the first time using the full survey; 61 companies provided updated or additional evidence to address some or all questions; and 32 companies' scores were calculated based on data from the previous year.

### CERTIFICATIONS

Many of the companies included in the EFR use certification schemes to cover some parts of their supply chain for selected materials and/or processes. The EFR research process includes direct engagement with the most widely used of these certification schemes, namely Better Cotton, Fair Trade Australia & New Zealand, Global Organic Textile Standard (GOTS), Ethical Clothing Australia (ECA), Cotton Australia, and Leather Working Group (LWG). In each case, the certifiers are invited to complete a survey response and submit evidence. Where a company can demonstrate that they are using one of these certifiers, credit for relevant questions is awarded based on the certifier survey evidence.



## How Scores Are Calculated: Assessment And Weighting

A Yes/Partial/No grading system is employed for most questions and applied with reference to evidence thresholds set out in a detailed Survey Support Document provided to all companies at the start of the research period. A small number of questions use a percentage figure to award credit (e.g. percentage of supply traced).

Each section is given an overall weighting, as outlined below.

POLICIES & GOVERNANCE	6%
TRACING & RISK	15%
SUPPLIER RELATIONSHIPS & HUMAN RIGHTS MONITORING	34%
WORKER EMPOWERMENT	25%
ENVIRONMENTAL SUSTAINABILITY	20%

Wherever relevant, the weightings for sections are further disaggregated to reflect measures taken at each supply chain stage.

Final stage production has the greatest weighting of any single stage of the supply chain, reflecting the reality that this is the stage where most fashion brands have direct relationships and the greatest leverage for change. However, given the increasing concentration of

risk associated with raw materials and input production—both to human/labour rights and to environmental sustainability—more than half of the overall weighting is assigned to these earlier stages of the supply chain. To retain simplicity and as a proxy for the wider supply chain, at input and raw material stages companies are only required to report on the fibre or process that has the greatest labour rights materiality (either because of the inherent risk associated with that fibre/process, or due to the volume of total supply chain it represents).

FINAL STAGE	45%
INPUTS	35%
RAW MATERIALS	20%

## Translating Research Into Brand Scores

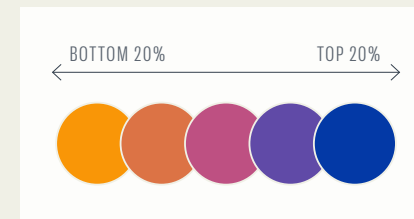
The most significant change in the 2022 EFR is the way the underlying research is translated into public information about the performance of individual companies and their brands.

The underlying score for each company and their associated brands is now the central piece of information provided. The number represents a score out of 100 and reflects companies' performance against the standard outlined in the EFR Survey. It provides greater transparency about the degree of progress a company has made, and

the extent to which it needs to work to improve its supply chain ethics. In doing so, it's clear that all companies—including those who perform relatively well—have some distance still to go.

## Final stage production is where most brands have direct relationships and the greatest leverage for change.

Alongside the numeric score, company information is now presented inside a coloured circle. The colour of the circle represents the company's *relative* performance when considered against its peers. Companies are divided into quintiles with a royal blue circle representing a company that is in the top 20% of all companies, a light orange circle representing a company that is in the bottom 20%, and three shades showing those at steps in between, as shown below. The coloured shading reflects the approach of the previous A to F grading approach as it emphasises relative performance, but it is not directly comparable as it employs equal quintiles rather than the previous bell curve distribution of grades.



## Why The Change?

Since the EFR was first published in 2013, awareness and understanding of issues in fashion supply chains has increased significantly—both among fashion companies and in the wider community. The simple A to F grade used in previous reports reduced complex information to a form that could be easily accessed and has contributed to improved understanding. As engagement has grown, so too has the demand for more detailed information about how companies are performing, and what improvements they are making. This information has always been available in the data that underpins the EFR, but it hasn't been readily accessible in what was published.

By publishing the actual score that each company (and its associated brands) receives in the EFR survey, it is possible for both companies and individuals to get a clearer picture of how they are currently performing against the standard of the EFR survey. It also means it is easier to track improvements, as incremental positive changes that a company makes will be directly reflected in their score rather than only seeing change when the improvements are significant enough to jump a whole grade level, as was previously the case.

Importantly, this change is also about ensuring a clear message for individuals that is less susceptible to being misinterpreted. Relative grading information is useful as it



helps companies and global citizens alike quickly see how brands compare with each other. The colours in the new scoring system still make this comparison readily apparent. However, relative information alone can mean that a company with a 'good grade' might be perceived to have already arrived at a place of great ethical practice. By pairing the colour with each company's underlying score the reality is more clearly demonstrated: every company has a long way to go, but some are making faster progress than others.

A 'good score' is not permission to stop thinking ethically and just go buy. It shows a company that is investing in making improvements and developing safeguards for the labour rights and environmental sustainability issues it faces in its supply chain—and being transparent about them. In this sense, it is a *better* option than a company with a lower score, but not necessarily a fully ethical purchase.

Through providing this greater level of transparency and showing performance against a standard, EFR 2022 provides both *information* as well as *provocation* to consider what needs to change to make the fashion industry work for its workers and for the planet.

## Providing Information On Companies' Performance On Key Questions And Sections

As well as an overall result for companies, the EFR has historically

published a breakdown of companies' performance in each of the five key sections of the survey. This information can still be found in this report, and like the overall result these are now numeric scores rather than grades. They continue to represent the aggregated score that the company received for the various questions that sit within that section.

On the Brand Finder website, a different approach has been taken. When considered outside the context of the full report, the aggregated section information was not always easy to understand. What does a company's 'Worker Empowerment' result mean for example? Without context, it was difficult to understand that this covered whether companies are paying living wages; whether they are supporting worker-led initiatives to ensure workers understand their rights; whether they are supporting freedom of association in their supply chain; and whether they have mechanisms in place to ensure that grievances and concerns experienced by workers can be identified and addressed.

While the aggregate section results are here in this report, the web-based Brand Finder now highlights six Spotlight Issues. While not necessarily more important than other questions, they represent key areas of

concern for the general community. The ratings provided for each are derived from the assessments that have been made of each company's response to the relevant question/s. Each of the six indicators have been explored in more detail in the earlier sections of this report, along with their inter-dependency with other areas of the survey. The questions drawn on, and the calculations behind these ratings, are detailed in the relevant sections throughout this report.

## Public Information Or Direct Disclosure?

Some companies' scores are followed by an asterisk (\*). This means they have been assessed based on 'Public Information Only'. This simply denotes the source of evidence for the company

and does not in itself reflect their level of engagement. Some companies have highly developed ethical sourcing programs and maintain high levels of interaction with the research team but have chosen to only provide evidence through their public transparency initiatives. All evidence—whether disclosed publicly or provided directly to the EFR research team—is assessed using the same validation criteria.

Public transparency is important and the standard toward which we encourage all companies to work. Some companies assessed based on public information only may have additional measures in place, however their score remains an accurate reflection of their current transparency. The transparency is critical as the basis for informed citizen decisions and to enable accountability.



**35%**  
COMPANIES  
ASSESSED  
ON PUBLIC  
INFORMATION  
ONLY

**65%**  
COMPANIES  
ASSESSED ON  
EVIDENCE SUBMITTED  
DIRECTLY IN  
ADDITION TO PUBLIC  
INFORMATION

# About Baptist World Aid

Baptist World Aid Australia is an international aid and development organisation, with a vision to see a world where poverty has ended, where all people enjoy the fullness of life God intends. In order to achieve this vision, Baptist World Aid Australia works through two equally important partnerships:

- We partner with like-minded agencies overseas to empower communities to lift themselves out of poverty, challenge injustice and build resilience;
- We partner with Christians and churches in Australia, particularly those from the Baptist movement, in generous giving, ethical consumption, courageous advocacy, and faithful prayer in order to achieve justice for people living in poverty.

Established in 1959, Baptist World Aid Australia works with local partners in 20 countries in the Pacific, Middle East, Southeast Asia, South Asia and Africa. Our activities cover four key areas:

- Community Development projects build lasting solutions to poverty for entire communities;
- Child Sponsorship programs assist children to break down the barriers of poverty—for themselves and their whole community;
- Disaster work saves lives before, during and after a disaster strikes; and
- Through advocacy research and education we stand with the oppressed and marginalised, advocating for a more just world.

Baptist World Aid Australia has been campaigning for various industries to end worker exploitation for over nine years, beginning its research into the fashion and electronics industries in 2010. Click [here](#) to donate to Baptist World Aid.

We are learning and improving each year with our ethical fashion research. Your feedback is always greatly appreciated, and can be sent to [hello@baptistworldaid.org.au](mailto:hello@baptistworldaid.org.au)

[CLICK HERE TO DONATE TO BAPTIST WORLD AID.](#)





## ACKNOWLEDGEMENTS

We would like to thank all contributors to the 2022 Ethical Fashion Report. We are grateful to all company and certifier representatives that engaged with the research this year. Thank you for the time and extraordinary effort that went into collating and sharing data with us.

We also acknowledge the support of the Baptist World Aid team whose hard work, expertise and passion for this project make the Report, Ethical Fashion Guide and accompanying features possible.

Thank you to our Church Partners who have financially supported the work of our Behind the Barcode project, enabling us to grow the breadth of our research. We are grateful for this support and the support of the wider Baptist World Aid organisation.

We would also like to thank supporters of the research, the Ethical Fashion Report and of Baptist World Aid. Your continued support and engagement contributes to making changes to create a better world for all.

**THANK YOU**



**BAPTIST  
WORLD  
AID**