Crafting Fashion's Future with Sustainable Brands

Part III: Measuring the Effectiveness of ESG Initiatives: Branded Communications for A New Metrics:

"What Get's Branded & Measured, Gets Managed"

A 3 part series prepared exclusively for
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March/April 2022
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"Building Unbeatable Brands" SM

Challenges in Need of Clarity:
Metrics & Measurement/Planning & Predictions

Challenges!

- The Tyranny of Language: The Persuasive Power of Words & The Need for a New Lexicon: (Whose?)
- The Leadership of the Private Sector: Adam Smith and the Inversion of the Profit Motive…Or is it?
- Why Carbon Footprints Can't catch Carbon "Criminals"(How to Become the Sherlock Holmes of ESG!")
- Greenwashing: Why it's Such a Dirty Business

The Tyranny of Language: A Sustainability Challenge

Some Phrases and Words Needing our Acute Attention

•***Compostable v. Recyclable (e.g.*** Not every part of a package may be compostable or recyclable)

•***Natural v. Organic*** (All Organic Cotton is "Natural" but not all "Natural" Cotton is Organic)

•What% of a garment must be made of Organic Cotton to be classified as **"Organic"?** What if a Cotton garment is ***blended with a Synthetic fiber?...***What Is It?

What does ***"non-Toxic"*** mean? Measured by What Authority...What Method?

•***"Non-Toxic PPE"...*** (Personal Protective Equipment Can Be Toxic!)

•***"Good for the Environment" ...What*** does "***Good"*** mean?

•***"Essentially" or "Practically"*** Biodegradable ..."Is this a true Standard?

•***"Biodegradable"...Within*** What Time Frame? When & With what Impact?

•Misleading Symbolic language...(***"Simple Green Cookware" or "Green All Purpose Cleaner"}***
(currently in use in marketing !)

People, Planet & Prosperity (aka “Profit”)

- **Towards a Common Language for Sustainable Investing**
- *Posted by Barbara Novick, BlackRock, Inc., on Wednesday, January 22, 2020*
- Towards a Common Language for Sustainable Investing -
- **Introduction: The need for a common language**
- Interest in "sustainable Investing"-incorporating various environmental, social, and governance ("ESG") related concerns or objectives into investment decisions-has soared in the past several years. By one measure, assets under management (AUM) in ESG mutual funds and exchange-traded funds (ETFs) globally has grown from $4538 in 2013 to $7608 in 2018, with estimates of continued significant growth in the coming decade.
- These figures do not even include the growing private funds investing
- directly in sustainable infrastructure and other assets.
- As investor interest in sustainable investment products has increased, the area has rightly taken on greater focus for policy makers and a broad set of stakeholders as well. Two policy considerations quickly come to the f re. First, a well-regulated sustainable finance ecosystem is needed to support broader sustainability-related policy initiatives at the global level, most pointedly to mobilize the massive amount of capital needed to address climate change.
- **Second, and by no means unrelated, is the concern that robust standards exist to mitigate the risk of "greenwashing"-the risk that either through confusing or outright misleading investment approaches, asset owners cannot make informed choices about the actual sustainability characteristics of their investments.**

The Call for a Webster's Sustainability Dictionary

- A key ingredient in this effort will be achieving a common understanding-across asset owners, asset managers, other market participants and regulators-of what is expected from financial products that offer exposure to sustainable investment themes. This requires a strong system of classification-in regulatory parlance a "taxonomy"-that enables asset owners to differentiate products and provides clear, transparent data regarding product attributes

- Achieving this goal will require overcoming the challenge that "sustainable investing" means many different things to different stakeholders. There is no consensus across asset owners, asset managers, industry experts, policy makers, media, academics, and NGOs around definitions for similar concepts.
- Summary of recommendations

- **Bring clarity to the sustainable investing product landscape**

Promote converged standards on portfolio level disclosure of ESG characteristics

- Agree on naming conventions for high-level categories of investment funds. BlackRock utilizes a three-part framework to categorize sustainable products, which is consistent with the overall recommendations of the International Institute of Finance categorizations (IIF):
  - Screened investments
  - ESG investments
  - Impact investments
- Agree on product naming conventions that balance the need for rigor in evidencing specific claims (e.g., carbon neutral) while allowing innovation of new products

- **“We believe that sustainability should be our new standard for investing.”**

The Concept of a ESG P& L

Kering's Sustainability Methodology

The EP&L is an open source approach. We share our methodology so that all companies can use it as a model. Follow the step-by-step guide.

Innovation, improved efficiency, and, of course, reduced environmental impact – the EP&L offers many benefits,

and we encourage all companies in our industry and in others to use this methodology, which is continually evolving to take into account the lessons learned year after year.

Here are the basic steps. A complete, detailed presentation of the methodology is found here.

Kering: Steps to generate an Eco P & L

- 1 Decide what to measure   2 + Map the supply chain 3 Identify priority data +4vCollect primary data   5. Collect secondary data +6 Determine the monetary value of the data
- 6.1 Identify changes in the environment and the costs incurred by the public due to their impact.
  6.2 Calculate the coefficients to convert the data into impacts on human wellbeing.
- The coefficients will consider where the impact occurs to account for differences between urban and rural populations, dry and wet countries, and so on.
- 6.3 Assess the environmental impact and its consequences for human wellbeing
- 6.4 Analyze costs and environmental benefits.
- *What we have learned*
  Calculating the monetary value of the environmental impact, which is more meaningful data for companies, helps to broaden the discussion within an organization.

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7. Calculate and analyze the results

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DISCOVER MORE!

The Quest For Carbon Neutrality

- Why Fashion Brands Are Favoring "Offsets"
- What are they and can they contribute to :
    - Circularity
    - CO_2 Reduction
    - Controlling Climate Change

What Are Carbon Offsets**?**

- Brands that support reductions in CO_2 emissions by providing weighed monetary contributions as a proxy for their own emissions programs which are then calculated as their contribution toward Carbon Neutrality.
- **Can include:**
- Plant & protect trees… * Methane gas capture…Support to NGO's
- **Critique:**
- (Offsets are not Eliminators)
- Pay off to continue polluting
- Reduction may be only relative to rise in pollution
- Carbon Neutral presupposes Nature's implosion can be predicted & managed
- Should first be able and willing to manage their own emissions
- In need of 3rd party verification

Carbon Credits & Offsets

- Carbon Credit and Carbon Offset: What Makes Them Different?
- Carbon credit refers to a tradable permit that allows the company to emit a certain amount of carbon dioxide or an equivalent greenhouse gases. This permit allows them to emit one ton of carbon dioxide or the equivalent amount of a different greenhouse gas.
- If a company uses fewer credits than it has bought (read: produces less emission), it can trade and sell its credits to other parties who need it.
- **The Difference Between Carbon Credit and Carbon Offset**
- Then, what makes the carbon credit different from carbon offset? According to harmonyfuels.com, carbon credits stands for the right to emit that carbon, while the carbon offsets represent the production of a certain amount of sustainable energy to counterbalance the use of fossil fuels.
- As stated in onetreeplanted.org, carbon offsets are also measured by ton of CO2-equivalent, but different from the condition where a company emits less carbon than their limit, the carbon offsets are created when a business or a company decides to invest in something aims to reduce greenhouse gas emissions excluding their everyday operations.
- In a nutshell, carbon offsetting is the act of cancelling out the CO2 emission produced in one place with the act of reducing emission in another place.
- Since the world's carbon emissions are increasing at an alarming rate, carbon offset is rapidly increasing in importance as a mechanism to battle against climate change and global warming.

How do Carbon Offsets Work?

- **How Does Carbon Offset Work?**
- While it may sound complex and overwhelming, carbon offsetting is actually a quite simple concept.
- Basically, a company as a carbon emitter is able to invest in offsets rather than actively reducing their own emissions. Carbonfund.org said that carbon offset derived from a third-party certified project that usually may generate a carbon credit.
- Carbon offset allows companies to balance out the climate impact and compensate for the emissions they produce. It’s achieved by reducing the CO_2 and other greenhouse gas emissions in other parts of the world.
- The carbon offset are typically taking place in developed countries and usually represent in common types as follows:

Reforestation, Clean Water, Wind Turbines

- 1. **Reforestation**
- This way aims to counteract the deforestation and help to absorb incredible amounts of CO_2 from the atmosphere. The forestation often takes place in developing countries and sometimes includes planting thousands or even millions of trees at a time.
- 2. **Reducing Emissions from Deforestation and Forest Degradation (REDD)**
- Simply stated, REDD is the framework that aims to create financial incentives to reduce deforestation, reduce degradation, and promote sustainable management. Through this, companies or private sectors pay countries to not cut their forest as an exchange for their carbon credits.
- 3**. Clean Water Access**
- As a project example, only 5% of the population in rural Madagascar have access to drinking water. Sometimes, boiling water may help against this but it requires wood stoves which not only causes air pollution but also releases CO_2 to the atmosphere. The wood burned in stoves is often unsustainably harvested. Thus, by providing clean water access the cost for fuel is reduced and there will be more families spending less time collecting firewood for the stove.
- 4. **Wind Turbines**
- Wind turbines can displace fossil-fueled generation and will avoid huge amounts of carbon dioxide. The use of wind turbines can also earn carbon credits for the emission reduction it produces. Once these carbon credits are certified, it can be used as an offset to your emissions.

Investing in Renewable Energy

5**. Investing in renewable energy**

- According to theecobahn.com, directly financing renewables energy in order to reduce fossil-fuel demand is considered as the most effective way of carbon offsetting.
- Renewable energy plants are also guaranteed to have long lifetime and make a measurable difference to emission reductions.

The Leading Carbon Offset Program

- If you are looking for an example of what carbon offset program that has been done before, these are several popular carbon offset companies around the world:

Some Ecosystem Partners

- **1. 3Degrees**
- 3Degrees claims to be the largest supplier of voluntary carbon offsets in the US, working with several companies. On a broader scale, 3Degrees is involved in renewable energy projects and its carbon offset programs focus primarily on methane capture or combustion and industrial energy-efficiency.
- **2. ClimatePartner**
- ClimatePartner offers carbon offset specifically to eCommerce companies as well as reforestation projects and hydropower investment in Africa, Asia, and South America. Since its emergence in 2006, ClimatePartner provides a trackable ID number on packaging that allows customers to track specific carbon offset related to their purchase.
- **3. Climatefriendly**
- Climatefriendly is an Australian carbon offset provider focusing on farming, soil management, and land regeneration. As part of Australian Carbon Industry's Code Of Conduct, Climatefriendly is collaborating with farmers and local communities in order to offer offsets programs for business owners and investors.
- Since carbon dioxide is a global impact gas, both carbon credits and carbon offsets have the same reduction in the emissions of this gas and the exact benefit to the planet in terms of climate change.
- As a responsible waste management service in Indonesia who also supports the goals of carbon offset, Waste4Change proudly introduces the newest service, **Waste Credit**.
- Through this service, clients are able to help producers collect more waste to be recycled and to reduce the waste that ends up in the landfill. Get the proposal now.

What is Greenwashing?

- **Key takeaway: Greenwashing is when a company or organization spends more time and money on marketing themselves as environmentally friendly than on minimizing their environmental impact.**
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- How greenwashing harms a brand's reputation
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- Greenwashing has changed over the last 20 years, but it's certainly still around. As the world increasingly embraces the pursuit of greener practices, corporate actors face an influx of litigation for misleading environmental claims.
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- In February 2017, Walmart paid $1 million to settle greenwashing claims that alleged the nation's largest retailer sold plastics misleadingly touted as environmentally responsible. *r<* • , • bans the sale of plastics labeled as "compostable" or "biodegradable," as environmental officials have determined such claims are misleading without disclaimers about how quickly the product will biodegrade in landfill.
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- Even the water industry tries to ___________.. s... _1., 0• _••:. - - How many plastic bottles have you seen with colorful images of rugged mountains, pristine lakes and flourishing wildlife printed on their labels?
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- "The core theme has stayed the same," said Philip Beere, vice president of marketing at Sightline Payments. "The No. 1 violation is embellishing the benefit of the product or service.

Greenwashing…& Not!

- https://youtu.be/oo2BJB_-AfA
- https://www.debeersgroup.com/sustainability-and-ethics
- https://vimeo.com/414630518