

Zero Toxics Discharge Initiative

Key Themes from Stakeholder Consultation

January 27, 2012

Background

On November 18, 2011, adidas Group, C&A, H&M, Li Ning, NIKE, Inc. and PUMA published a draft roadmap to eliminate the discharge of toxic chemicals from their supply chains by 2020. With the publication, the brands announced a period of stakeholder consultation to gather feedback on the roadmap that they believe will result in a stronger roadmap and help the industry realize this ambitious goal. The brands asked SustainAbility, Inc. to conduct this consultation on their behalf.

To start, SustainAbility worked with the brands to develop lists of stakeholders to interview and solicit feedback from via email. In doing so, we strived to capture perspectives from a variety of stakeholder groups including academics, chemical companies, environmental non-governmental organizations (NGOs), apparel brands and regulatory agencies. We also made available an email address (ztdi@sustainability.com) for any individual or group to send feedback.

Between November 18, 2011 and January 11, 2012, SustainAbility conducted phone interviews with 22 individuals and received email feedback from nine individuals. We conducted this consultation anonymously, agreeing to synthesize feedback into key themes and to identify the individuals and organizations with whom we consulted (which we include in the Appendix). We agreed with the brands to make public these themes.

This consultation was intended to solicit initial feedback on the draft roadmap, and was by no means exhaustive in terms of the types and number of stakeholders consulted. In parallel to this effort, the six brands have gathered feedback on their own initiative and will continue to do so.

The brands have also received feedback on the roadmap from Greenpeace both directly and via their [website](#).

Key Themes

We present below the key themes that emerged across the phone interviews and email feedback. This is not an exhaustive list of every point of feedback raised, nor do they represent consensus. Rather, these are the topics that most frequently and prominently came up in our conversations and email feedback. For each, we define the theme and provide several bullets to provide further explanation and context.

1. Praise for an ambitious commitment

- There is near unanimous praise for the brands in committing to zero discharge in their supply chains by 2020. This is a great challenge, and stakeholders commend the brands for tackling this.
- While there is much work to be done, the brands' commitment has sent a strong signal to the apparel and footwear industry and its stakeholders. With the roadmap's publication, other organizations (e.g. industry associations, consultancies) have started to bring forward ideas and solutions, which is a welcome sign.

2. Good to see stakeholder consultation, but the brands should go further, particularly with suppliers

- Stakeholders very much appreciate the brands reaching out for stakeholder feedback. They believe this will result in a stronger roadmap and will better position the initiative for success.
- Several expressed their views that the brands should expand the engagement to include suppliers, which are essential to realizing this goal. The engagement should delve deep into the implications and costs / benefits for the suppliers, also ascertaining the knowledge and capacity that is needed across the supply chain.
- The stakeholders welcome and expect further transparency and engagement as the work in the roadmap progresses.

3. An enormously complex undertaking, and 2020 is a challenging deadline

- While the stakeholders praise the brands for making this commitment, nearly all stress the complexity and challenge of achieving zero discharge by 2020.
- Many opine that the timeline is unrealistic – that eight years is not enough to change buyer and supplier practices, develop suitable chemical alternatives, impose and/or change regulatory structures, etc.
- Others cite the complexity of the industry value chain, and state that reaching this goal will require the brands to gain alignment with multiple tiers and thousands of suppliers.
- Several cite the nature of the chemistry involved. For example, many processes in apparel and footwear manufacturing use chemicals that are reactive, and a chemical that is non-hazardous going into a process may react with another and become hazardous.
- Lastly, a few stakeholders believe that the goal of zero by 2020 could be a galvanizing force for the industry, pulling other brands and players along on this journey.
- However they raise the risk that missing the 2020 target could be deflating for the industry, and thus suggest that the brands carefully consider the timing.

4. Challenges rooted in the industry's business model

- A number of stakeholders remark that the brands will have a difficult time achieving zero discharge without fundamental shifts in their business models. Some compare this challenge with

those on the labor side (e.g. excessive overtime, child labor), which have persisted despite good intentions, strategies and initiatives.

- To paraphrase, the brands have made strategic decisions over time to opt for a value chain in which it outsources manufacturing to a large, fragmented and distant supplier base, much of which lies in countries with lower environmental standards. As one stakeholder put it, the brands are effectively now realizing the cost of these decisions.
- As part of this, some stakeholders question how the roadmap will evolve when the sector moves to its next lower-cost region (which has been the sector's pattern for some time).
- Lastly, several stakeholders want to see a robust overview of the apparel and footwear value chain, as this would help them better understand the challenges of getting to zero and better judge the tactics presented in the roadmap.

5. Robust regulatory frameworks and enforcement are critical to this effort

- As alluded to above, a number of stakeholders remark that the success of this effort is very much dependent on robust regulatory frameworks and proper enforcement of them, which are currently lacking in certain countries.
- Several mention that the textile industry has shifted from regions with strict regulation (e.g. Europe) to those with less regulation (e.g. Asia). One stakeholder calls the absence of any mention of this shift and looser regulatory environment as the "big elephant in the room."
- While acknowledging the challenges of engaging with policy makers in other countries, a number of stakeholders believe that such engagement would be beneficial to this effort and could help improve policy makers' understanding of the industry and its impacts.

6. Questions on the economics (costs) implied in the roadmap

- Stakeholders make a number of points on the costs implied in the roadmap's commitment and activities, most importantly that the costs are not explicitly addressed in the document.
- Many believe that the roadmap will result in additional costs throughout the value chain – for control technology, auditing, greener chemicals, etc. – but who will pay for these items? Will the brands sacrifice margin by assuming some portion of the costs? If suppliers make investments, will brands reward them with preferred status or longer-term relationships? Etc.
- One stakeholder expresses concern that suppliers might redirect investment in wages or working conditions to new wastewater control technology (a poor outcome).
- A number of stakeholders stress that greener chemicals and processes need not be more costly, particularly when taking a life-cycle perspective (e.g. greener chemicals need less control technology, cause fewer accidents). But, they add that such life-cycle costs don't currently factor into the transactions between brands and their suppliers.

7. A number of questions were raised on principles and definitions

- Stakeholders raise a number of important points on the principles and definitions that warrant clarification:
 - o Zero discharge: A number question the meaning of "not above background concentration" ("what will the brands do if the water influent is more polluted than the effluent?") and believe this will be analytically challenging to measure across the thousands of facilities in the brands' supply chains. They also question what the baseline will be for this background concentration.
 - o Precautionary principle: Broadly stakeholders appreciate seeing this, but question how certain decisions mesh with the principle (e.g. moving from C8 to C6).

- Right to know: Several stakeholders remark that while it is good to see this addressed in the roadmap, it implies more open societies than currently exist in some countries.
- Also, despite the roadmap calling for the “elimination of all releases, via all pathways...from our supply chains and our products”, a number of stakeholders recommend that the brands also consider discharge other than to water (air, land, etc.). This misperception suggests that the brands should further elaborate on their definition of pathways and articulate how they intend to address all pathways of discharge in the roadmap activities (e.g. pilots).

8. The 11 priority chemicals are a good start, but what comes next?

- Most stakeholders commend the brands for identifying the 11 priority chemicals as a starting point, as these are the most problematic chemicals for the sector.
- One stakeholder opines that it is good for the brands to focus on the 11 because, despite them being on restricted substances lists, as several are still found in concentrations above zero (e.g., organotin, chlorobenzenes).
- While praising the brands for focusing on the 11, many stakeholders ask that the brands explicitly identify the priority chemicals beyond this group.
- Some stakeholders offered methods and tools to help identify this next wave of chemicals (e.g., SIN 2.0, IARC groupings). One stakeholder put it simply: “The brands should speak with the chemical suppliers and ask about the major products everyone buys and the ingredients in them.” This sort of inquiry could help the brands define the next set of priority chemicals.

9. A call for action and caution on green chemistry and substitution

- Several stakeholders express their desire to see the brands place green chemistry and substitution in more central roles in the roadmap.
- They acknowledge that the brands have committed to support a transition to the use of preferred (greener) chemicals, but they want to see a firmer commitment and timelines for this transition.
- A number speak about the need for the brands to ultimately drive towards zero use of certain chemicals (and not just discharge), as this is the only guaranteed way to reach zero discharge.
- A few stakeholders cite the importance of thoroughly considering the implications of switching chemicals, as changes might lessen one burden (e.g., toxics) but increase others (e.g., GHG emissions).

10. Conducting pilot projects is a good approach, but the brands should include “challenging” supplier scenarios

- Stakeholders generally agree that conducting pilot projects is a good approach – they will help the brands better understand the scope of challenge and collect key data, both of which will allow them to further refine the roadmap.
- This said, a number of stakeholders ask that the brands consider expanding the scope of the pilots to include “more challenging” scenarios, for example, suppliers that do not have wet processes in house but rather contract out those processes.
- While this would require additional resources from the brands and introduce complexity, stakeholders believe this will allow them to better grasp the challenges that exist across other models of supply (i.e., non-vertically integrated). It would demonstrate that the brands are not choosing the easy or “shining star” suppliers to pilot.

11. While the brands should be commended for their leadership, the success of this effort is dependent on them getting a variety of other actors involved

- As mentioned above, stakeholders are nearly unanimous in their praise for the brands for this commitment, yet believe that the six brands alone won't be sufficient to achieve zero discharge.
- The brands need to bring along other companies in the apparel and footwear industry for greater leverage and capacity, many of which lag the six brands in terms of performance and resources. Several stakeholders hope that this zero discharge group will link with existing efforts (such as the Outdoor Industry Association's Chemicals Management Working Group and the Sustainable Apparel Coalition). At the same time, some share a concern that broadening the coalition could weaken the commitment.
- Relatedly, the six signatory brands need to get other brands on board as supplier facilities typically produce for multiple brands (and they can't have a zero discharge portion and a non-zero discharge portion).
- The brands should also articulate how they will further engage other actors in the industry value chain – cut and sew suppliers, dye houses, chemical suppliers, etc.
- Several stakeholders suggest that the brands look to other industries (e.g. automotive, electronics), both as sources for ideas / solutions and for leverage in shifting policy frameworks in manufacturing countries.

12. Describe the incentives for suppliers to collaborate and how the roadmap will be enforced

- A number of stakeholders remark that the roadmap does not include any mention of incentives for suppliers to collaborate (and comply with the stipulations in the roadmap) nor how the brands will enforce the roadmap.
- In terms of incentives, the roadmap should provide a clear signal to suppliers that they will be rewarded for supporting the brands in the drive to zero discharge (with rewards possibly coming in the form of higher prices, preferred supplier status, longer-term relationships, etc.).
- Likewise, the roadmap should describe how non-complying brands would be penalized for not supporting the brands in this effort. As one stakeholder put it, "it would be nice if market forces could bring us to zero discharge, but they won't. We need to see teeth in this document."
- This said, there is an underlying preference for incentives over punishment.

13. Supplier disclosure is a vexing issue for the brands

- In the roadmap, the brands state: "disclosure, in line with right to know principles, will be among the most challenging of issues..." This came across quite powerfully in our consultation.
- Many stakeholders express significant doubt about the prospects of facility-by-facility disclosure (p4), a comprehensive list of chemicals used in textile manufacturing (p8) and convincing chemical companies to disclose their formulations (p11). In raising these doubts, stakeholders cite concerns about intellectual property, inconsistent quality and completeness of material safety data sheets (MSDS) and varying levels of supplier knowledge and capacity (particularly in dye houses).
- Some stakeholders opine that the brands have leverage and they should use it to demand better disclosure.
- Others suggest that the brands work with suppliers and chemical companies to develop a solution for disclosure (which is currently planned for in the roadmap), and cited examples from other sectors (e.g. Texas Instruments/HP/Staples/Seagate [pilot](#) or the [International Material Data System](#) platform for the auto industry)

- Still others suggest that rather than try to inventory every chemical used, the brands might instead develop and employ a positive list of chemicals. Some shared a few resources that could be useful starting points.

14. Internal engagement and behavior change is key

- While this consultation focused on external stakeholders, several interviewees stress the importance of educating and changing the behavior of key brand staff – product designers, buyers, etc. – to the success of this initiative. Internal engagement is not referenced in the roadmap.
- Decisions made by these colleagues in terms of materials, styles, color palettes, timing, etc. have considerable ripple effects throughout the value chain. To illustrate, one stakeholder shared an anecdote of a brand insisting on a color palette with 25 shades of black; reducing this number would make it easier for suppliers to manage chemicals.
- Educating brand staff on the implications of their choices is important, but providing positive incentives is even more so. Thus, designers and buyers should be rewarded for selecting environmentally-preferable materials, which stakeholders believe is not happening in any significant way currently (cost is the primary determinant).

15. Investment needed in “infrastructure” on the ground in manufacturing countries

- Stakeholders raise a number of areas in which further investment is needed to support the success of this effort, and asked that the brands consider how to facilitate this
 - Pollution control technology: Many manufacturing countries have inadequate / inconsistent control technology.
 - Testing labs: There are an insufficient number of qualified testing labs to conduct the sort of analysis implied in this roadmap.
 - NGO capacity: The role of local NGOs in monitoring the progress of the roadmap is key, and thus they need further capacity and resources.
 - Supplier knowledge and capacity: As mentioned elsewhere in this document, knowledge and capacity in the supply chain, particularly in tiers two and beyond, is both vital and insufficient.

16. Articulate a positive vision for the apparel and footwear industry

- While stakeholders appreciate the roadmap, several want to see the brands’ vision for what the apparel and footwear manufacturing industry will look like in 2020 as a result of this effort. Will the supply chain be shorter and less fragmented? Will full life cycle costs be considered? Etc. This sort of positive vision will help other brands and actors throughout the value chain get on board.
- As part of this, the brands should describe the sustainability benefits of getting to zero, particularly for suppliers and communities.
- A few suggested that the brands take a bigger picture view of the challenge of water pollution, in China for example, and explore how this initiative can contribute to improved water conditions overall. In suggesting this, the individuals reasoned that the brands’ effort in itself would have limited impact given the many other sources of water pollution, but that they could work to catalyze other actors to address the larger problem.
- Some stakeholders remark that the document comes off as defeatist in places – that it sets the group up to fail. They recognize the challenges, but want to see more of a positive view on why this can goal can be achieved and what the sustainability outcomes will be.

Appendix: Stakeholders Consulted via Phone and Email

1. Christopher Blum, German Federal Environment Agency
2. Bob Buck, DuPont
3. David Cook, The Natural Step
4. Jill Dumain, Patagonia
5. John Easton, DyStar Textile Services
6. Frank Fecher, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
7. Alex Foeller, Verband TEGEWA e. V.
8. Kay Groenhardt, Intertek Consumer Goods Germany
9. Nadia Haiama, The International Chemical Secretariat (ChemSec)
10. Charles Iceland, World Resources Institute
11. Beth Jensen, Outdoor Industry Association
12. Ma Jun, Institute of Public and Environmental Affairs (IPE)
13. Susan Keane, National Resources Defense Council
14. Tony Kingsbury, Dow and UC Berkeley, Haas School of Business
15. Drummond Lawson, Method Home Products
16. Richard Liroff, Investor Environmental Health Network
17. Sylvia Maurer, The European Consumers' Organization (BEAU)
18. Andrea Moffat, CERES
19. Sam Moore, Hohenstein Institute
20. Cherry Moyer, Intel Corporation
21. Eric Olson, Business for Social Responsibility
22. Stuart Orr, WWF International
23. Phil Patterson, Color Connections
24. Mark Rossi, Clean Production Action
25. Christian Schumacher, StepChange Innovations GmbH
26. Dieter Sedlak, Modern Testing Services Germany
27. Joel Tickner, University of Massachusetts, Lowell
28. Elizabeth Treanor, AFIRM Group
29. Peter Waeber, Bluesign Technologies AG
30. Tracy Williamson, US Environmental Protection Agency
31. Yan Yan, China National Textile and Apparel Council