What we need from policy: Supply chain reform

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Curbing coal emissions, reducing pollution and working environmental standards into sweeping global trade regulations is critical to the success of sustainable fashion.

This is part two in a three-part series exploring the ways policy change could facilitate progress for sustainability in fashion. We’re exploring the ways legislation could reform the management of raw materials, supply chain and end-of-life.

Despite pushes for transparency in fashion and a proliferation of voluntary industry initiatives, the supply chain’s full impact on the environment is still unknown and total impacts only appear to be going up. This trend underscores the urgent need for better manufacturing regulations and stronger environmental standards for trade regulations, according to analysts.

Fashion needs policy that controls coal emissions, water pollution and hazardous chemicals, all of which make the supply chain a key contributor to climate change, plastic pollution and low-quality water and air in manufacturing regions. Environmental researchers, advocates, policymakers and industry executives argue that these problems will persist unless sweeping government legislation is put in place to establish industry-wide standards. Piecemeal regulation in certain regions only serves to push production to places with weak environmental standards, according to Abhishek Bansal, head of sustainability for Arvind.
Limited, a textile manufacturer in India, or disincentivise enforcement of standards where they do exist. "The cost of cheap goods is subsidised by the local environmental pollution in supply chain geographies," says Bansal.

**Moving the supply chain off coal**

The fashion industry is *still heavily reliant on coal*, with several manufacturing countries poised to increase use even as the fuel is on the decline in the US and Europe and linked closely to climate change. Upcoming climate policies could pose problems for the industry unless it works with its suppliers and governments in manufacturing countries to pull back on coal.

Chinese street vendors outside a coal plant in China. Fashion's supply chain remains heavily dependent on coal, which is a source of air pollution in manufacturing countries. © Kevin Frayer/Getty Images

Analysts expect companies to be held more accountable for their full emissions than they have been in the past thanks to expected actions by the Biden administration and the EU. Fashion brands have the leverage — and the incentive — to alter the current upward trajectory of coal in the supply chain, says Gary Cook, global climate campaigns director for the nonprofit Stand.earth. “They are simply not going to hit their climate commitments or break their coal habit without significant shifts governing energy investment and access to renewable energy.”

He says companies would be smart to engage now, proactively, to encourage investment in renewable energy and to influence more sustainable policy development in their supply chains. “Preventing long-term lock-in to fossil fuels is critical now,” he says.

**Supply chain policy beyond coal**

In Europe, officials’ growing focus on climate is likely to have ripple effects on supply chains beyond the use of coal. The UK is considering "consumption-based targets" for climate goals rather than only measuring direct emissions, and the EU’s sustainable product policy and its legislation for “ecodesign” and energy labelling are meant to improve the energy efficiency and overall sustainability of the full lifecycle of products made or sold in the EU. These could further incentivise brands to partner with suppliers to increase investment in renewable energy to lower footprint or accelerate new business models. The US could be on track to encourage supply chain emissions reductions as well, if President Biden follows through on potential climate actions such as requiring public companies to disclose climate risks and greenhouse gas emissions in their full supply chains.

Bansal, however, cautions that these initiatives will only improve supply chain sustainability if suppliers are involved in planning and implementing them. “These plans need to be grounded in practicality,” he says.
Government officials from around the world will convene next month for a United Nations discussion of a global plastic treaty, which could have significant implications for fashion given its dependence on plastics and role in microplastic pollution. The United Nations Conference on Trade and Development earlier this month launched its updated BioTrade Principles and Criteria, a set of guidelines for governments and companies to conduct biodiversity-friendly trade.

Some hope that stricter chemical policies and improved overall sustainability in consumer products through frameworks like the European Green Deal will ultimately help to improve fashion’s massive and dirty water footprint. But fashion has a longstanding chemicals problem that compounds the issue, and while independent organisations and voluntary initiatives have helped brands to eliminate the worst of the worst, the industry is still a toxic one, and overall, little attention has been paid to regulating industrial impacts on water.

REACH in Europe has helped to reduce the use of many hazardous chemicals in consumer products, including textiles, since its implementation in 2007. Officials are planning to expand and strengthen the regulation, says Mark Blainey, head of the European Chemicals Agency’s risk management unit, and in Sweden, a planned tax will take effect in April on clothing and footwear that contain chemicals designated “Substances of Very High Concern” under REACH. It could also levy additional taxes for specific chemicals, such as polyvinyl chloride and polyurethane, both of which are common in fashion.

But the only way to fully address the problem of hazardous chemicals, say experts, would be for universally stricter standards — though there’s no indication that will happen anytime soon — otherwise discrepancies will continue throughout the supply chain. “There has to be universal regulation for these chemicals. They have to be outlawed. Otherwise there will be no change,” says Reiner Hengstmann, vice president for additional materials at ISA TinTec, a leather manufacturer in Vietnam, China and the US.

Incorporating sustainability, slowly, into trade rules

Through mechanisms like standards on imported products and international
trade deals, countries have enormous potential to influence how products are made, says Kate Larsen, founder of social enterprise advisory SupplyExChange and a former Burberry executive. Environmental and labour standards, however, have not historically featured high on the list of priorities discussed when those mechanisms are established. And unless trade agreements explicitly prioritise these issues, they are treated as an afterthought or not at all — critics point to current Brexit negotiations as just the latest example, as UK retailers warn they may abandon or even burn large shipments of garments rather than pay for their return from the continent.

That could be changing, albeit slowly.

Just before taking office, US President Biden said that labour advocates and environmentalists would be "at the table in any trade deals we make". The EU is pushing for environmental standards in its trade deal with China, for example — although critics are worried it’s not pushing hard enough — and the US may be doing the same for Vietnam, but there’s little indication of what that will look like.

The EU is exploring a Trade & Climate Initiative with the World Trade Organization, says Virginijus Sinkevičius, commissioner for environment, oceans and fisheries at the European Commission. "Our view is that trade could have a positive effect on the environment, as it might allow better, more efficient use of the available resources worldwide," he says. The European Commission is expected to propose environmental and human rights due diligence requirements in the first quarter of this year; France passed such a law in 2017, calling on large companies to develop, implement and publish plans for identifying risks in their supply chains and prevent violations, including of environmental laws within the countries they operate in.

Though imperfect, due diligence laws are a positive start, and also the best way, says Sarah Ditty, Fashion Revolution’s global policy director, to avoid an industry "race to the bottom" — moving manufacturing to wherever standards are easiest or cheapest to meet. "It forces brands to not have to turn a blind eye, no matter where in the world their business activities are happening," she says.

At large, the policy initiatives also don’t acknowledge the issue of overproduction, which critics say is at the core of fashion’s environmental crisis. The Union of Concerned Scientists expresses concern about policy frameworks that, like fashion brands themselves, remain focused on the lifecycles of individual products — rather than on the industry’s impact as a whole. "The root problems of unsustainability in the fashion sector lie beyond specific product impacts and are directly related to the sector’s dependence on exponential growth in business volume and in profit," the nonprofit’s board wrote in a statement to Vogue Business.

Larsen says the patchwork of regulations globally is an indication of an industry — and of policymakers — focused more on appearances of sustainability than on ensuring it. It’s been a matter of passing blame, she says, and it’s time for policymakers to start looking for real accountability.

“We’re all guilty. We criticise Asia for polluting, but we demand their..."
production and push prices down,” she says. “We” – referring to governments, companies and consumers in wealthy countries – “are the polluters.”

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