THE BUSINESS CASE FOR SUSTAINABLE COTTON

Business Benefits

www.cottonupguide.org
How can my organisation benefit from sourcing (more) sustainable cotton?

In addition to the environmental and social benefits of sourcing sustainably grown cotton, there are strong business benefits for companies that either shift entirely to sustainable cotton or significantly increase the amount they buy.

These are summarised in the following slides.
BUILD BRAND POSITIONING FOR RESPONSIBILITY

- Sourcing sustainable cotton will help you position your company as a brand with purpose. Brands with purpose have stronger customer loyalty, and attract, and retain high-quality employees.

- Over a third of consumers choose to buy from a company they perceive as environmentally or socially responsible, and the global demand for responsible products is big and growing fast. About 70% of sales growth in retail chains in the U.S. comes from ‘responsible consumption’ products, which are worth around $400 billion USD.

- Brands with a recognisable and meaningful purpose are more successful in business terms, in cases outperforming competitors by 206% over a ten-year period. Research has shown that brands recognised as “meaningful” can increase their share-of-wallet by up to nine times, and deliver up to 137% greater returns on KPIs.

- A clear, well-communicated approach to sustainable procurement will add credibility to your business for consumers, employees and other stakeholders such as investors.

- There is a growing perception that businesses have a responsibility to both reduce impacts and contribute to positive environmental and social impacts. Sourcing sustainable cotton is an impactful way to demonstrate your commitment to sustainability, and to work towards the fulfilment of the UN’s 2030 SDGs.
WINS

- Build customer loyalty
- Differentiate your brand
- Gain Investor Approval
- Attract and retail talent
Customers (and other stakeholders, including investors) expect businesses to take responsibility for addressing the negative environmental, social and economic impacts in their operations and wider value chain. You are at greater risk if your business cannot identify and document its current supply chains, right back to raw materials.

Sourcing more sustainable cotton can reduce your organisation’s reputational risk, such as damage through association with exploitative working conditions, including forced labour, and environmental damage.

As a minimum, sourcing more sustainable cotton demonstrates that your business is taking action to avoid sourcing from areas that treat people and environments badly. But by doing more, you can associate your product with positive supply chain impacts.
WINS

- Avoid cost of supply chain scandals
- Answer your critics
- Score well in sustainability ranks of raw materials
Sourcing sustainable cotton with a due diligence approach can contribute to delivering organisational KPIs on sustainable procurement (including human rights), supply chain impacts and other measures to demonstrate progress against sustainability goals. It can also help meet legal requirements and voluntary expectations for reporting non-financial data.

By demanding more sustainable cotton, your business will be able to show you’re creating greater market pull. Depending on the standard or type, this can have a range of positive impacts – from improving livelihoods for farmers, to reducing excess use of water or chemicals. In turn, this could improve your corporate reputation with a range of stakeholders, and help you meet certain strategic sustainability goals. It can also be a significant way to demonstrate commitment to the UN Sustainable Development Goals.
WINS

- Share tangible results with customers and other stakeholders
- Meet and go beyond legal requirements and voluntary commitments
More and more companies have made commitments to more sustainable cotton sourcing and are reporting progress in actual uptake. In 2017, 38 major clothing and textile companies committed to ensuring 100% sustainable cotton sourcing by 2025 through the Sustainable Cotton Communiqué.

Today, the 2025 Sustainable Cotton Challenge runs the pledge programme. It challenges retailers and brands to champion the greater use of sustainable cotton by aiming that 100% of the cotton from their supply chains comes from the most sustainable sources. Each company will report annually on their use of more sustainable cotton, starting in 2018, through the Textile Exchange.

Companies are also ranked on their use of sustainable cotton in the Sustainable Cotton Ranking, a publicly available report published by WWF, Solidaridad and the Pesticide Action Network, based on research by Rankabrand.
WINS

- Build/ maintain trust with customers
- Be part of a wider movement
- Avoid negative comparisons with more sustainable brands
How companies integrate sustainability increasingly influences investment choices. Sourcing sustainable cotton will help companies attract and retain investors.

Investors are paying increasingly close attention to environmental, social and governance (ESG) performance. Higher ESG performance has been shown to lower the cost of capital, improve operational performance, and increase stock prices equating to higher return on investment.

ESG investments now represent a $23 trillion-dollar market, and the UN’s Principles for Responsible Investing (PRI) has over 1,800 signatories representing over $68 trillion in assets under management.

The investment community has developed standards for ESG reporting to communicate sustainability practices. The Sustainable Accounting Standards Board, (SASB) and the Task Force for Climate Disclosure (TFCD) help retail companies disclose financially material information to investors and show how material sustainability issues impact a company’s financial performance. Sourcing sustainable cotton will help your company outperform peers with these disclosures, thereby boosting your attractiveness to investors.
WINS

- Increase Investment
- Reduce Costs
- Mitigate Risk
INCREASE TRANSPARENCY

Transparency about traceability underpins the accountability of your business and is key to improving environmental and workplace conditions in fashion supply chains.

Stakeholders increasingly expect business to be more transparent. This makes it more important for you to be able to trace products and materials across your supply chain.

Traceability is the ability to gather information about where your cotton comes from; transparency is making that information available. Together, these practices underpin the accountability of your business, and are key to improving environmental and workplace conditions in fashion supply chains.

Different standards offer different approaches to supply chain traceability, all are working to give more assurance to customers and other stakeholders that a product meets certain requirements. These typically specify that neither the environment nor the lives of farmers and workers have been negatively affected while producing the cotton in your product.

With increasing potential environmental and supply disruption risks in corporate supply chains, and greater investor scrutiny on supply chains, business is recognizing the benefits of increased supply chain traceability.
WINS

- Building trust in your product
- Enable accountability to stakeholders
The textile and apparel industries rely on the continued supply of cotton. Investing in sustainability and supply chain transparency is essential to ensuring a stable future market supply. The goal of most sourcing schemes is to reduce impacts within cotton production, which can also lead to better yields, fewer risks of supply disruption, and so improve the availability of cotton now and in the long term.

Sustainability standards and programmes provide guidance for farmers on more sustainable farming practices. This supports farmers, particularly smallholders who are most vulnerable, to continue farming in the face of increasing disruptions in a climate changing world. This is not a silver bullet: farmers around the globe will continue to deal with the effects of a changing and unpredictable climate.

Increasing pressures from NGOs, governments and other stakeholders are beginning to influence consumer behaviour towards ethical and more sustainable consumption. New innovations and the introduction of ethical products into the mainstream retail market are expected to drive market growth. Those organisations who invest in developing supply chains from sustainable sources build greater resilience and customer confidence, which underpins a sustainable business in the long term.
WINS

Build resilience and reduce risk
DEMONSTRATE COMMITMENT TO SYSTEMIC SUSTAINABILITY

Companies that rely largely on cotton as a raw material play a crucial role in securing the future of the sustainable cotton market. Today, 85% of cotton is grown within a conventional farming system. If brands and retailers demand and source more sustainable cotton, it will make it more mainstream.

Companies are also committing to work together to shift the apparel industry towards sustainability, through initiatives such as the 2025 Sustainable Cotton Challenge, Cotton 2040, the Organic Cotton Accelerator, and others. Companies involved in such initiatives are working not only to ensure their own products meet high sustainability standards, but to change the industry for good.

If your company wants to help lead this transformation, it needs – as a foundation – to demonstrate sustainable and responsible sourcing practices.
WINS

- Lay the foundation for more ambitious systems change
- Play a proactive role in a wider movement
SOURCES AND FURTHER READING:

• Brands with purpose have stronger Customer loyalty, and attract and retail high-quality employees: LinkedIn: Purpose at Work, 2016 Global report

• Consumer preference for brands with Purpose: Unilever, 2017

• Sales growth from responsible consumption: Boston Consulting Group, 2014

• 2025 Sustainable Cotton Challenge: Textile Exchange, 2018

• Sustainable Accounting Standards Board (SASB) standard SASB: Apparel, Accessories & Footwear Sustainability Accounting Standard, 2015, section on Raw Material Sourcing & Innovation

• Companies that rely largely on cotton as a raw material play a crucial role in securing the future of sustainable cotton market: Sustainable Cotton Ranking 2017

• Take a look at these ten brands doing sustainable cotton right.