Good or Good Enough?

Why Transparency and Accountability are replacing Sustainability in Sourcing

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Introduction

I have been fortunate enough over the last few years to talk to some people who truly want to make the world a better place. However, the language has always been a bit of a challenge for all of us. You ask someone what sustainable means – well, ask ten people – and you will get ten different answers. When there is no consistent definition or goal post, it becomes meaningless.

Anyone can claim they are sustainable, and often everyone does, and therein lies the problem. It's becoming harder and harder to separate leaders who are truly doing things differently and moving in a better direction, where their core values as a business are ones that are going to make a difference in their ecosystem.

From conversations around us, it seems there is a moment in time where people recognise, we need to move forward now. To do that we need to be doing something differently. Let's assume we all want to reduce our environmental impact. In order to do that we need to have transparency over what our actual impact is, and then we need to be accountable for changing that.

Sounds easy right? It's not.

But once we know where we are, let's talk about where we have collective challenges. True transparency means for the first time we can all see where problems lie, and we can also see where people are finding new ways of working that we can all learn from.

When we sat down with Insider Trends to commission this report, we wanted to start a conversation around how we need to move away from sustainability as a term. We use this very sparingly as a term at Source Fashion, and Source Home & Gift. We will never have a sustainable section, not because we don't believe in it, but because we believe it should be business as usual for everyone. And that everyone in our show should be a good, responsible business who is working on their transparency, accountability and is fundamentally doing good with their business practices.

We, like you, are trying to do better, to do good. But as a founder of this platform, I regularly ask myself are we really doing good, or just good enough? If we are honest, we all know which camp we sit in.

Enjoy the read, I hope you find at least one interesting takeaway or idea!

Suze

Why Transparency and Accountability are replacing Sustainability in Sourcing

Retail and sustainability are uncomfortable bedfellows.

It is fundamentally impossible for an industry centred around the sale of new products to not have an environmental impact. Every product, every store, every delivery truck, every manufacturing plant comes at a cost.

As more and more businesses share sustainability efforts and targets for improvement, this fact becomes harder to ignore. Not because companies shouldn't be trying to be better regardless but because too often these sustainability activities are treated as an add-on rather than a reinvention.

In this report, we unpack the problem with 'sustainability' in sourcing, offer practical insights into 'good' transparency and accountability, and look at who is leading the way in making a difference.

The problem with ‘Sustainability’ in Sourcing

Sustainability – as a concept – is a good thing.

The improvement of the way we make, sell, and dispose of products should be a top priority for every part of the retail industry. And for the majority of businesses, a genuine desire to do better is behind their sustainable initiatives.

We also know that a lot of activity around sustainability has been driven by end consumers. A survey commissioned by the World Wildlife Fund (WWF) revealed a massive 71% rise in search popularity for sustainable goods between 2016 and 2020.[1] In 2020, 52% of fashion and textile industry leaders reported that they believe consumers are driving the increased focus on sustainability.[2]

Clearly, there is money to be made from products that appear to be sustainable, which makes them attractive to brands and retailers when selecting new stock. In the US, sustainability-marketed products achieved a five-year compound annual growth rate of 9.48%, compared to 4.98% for conventionally marketed goods, according to a 2022 report by Circana and the New York University Stern Center for Sustainable Business.[3]

Analysis by NielsenIQ and McKinsey in 2022 found that CPG products making ESG-related claims averaged a 28% cumulative growth over the previous five-year period. Products without any claims averaged 20% growth in the same timeframe.[4]

They also found that the number of different ESG claims had a benefit with products that made multiple types of claims growing twice as fast as products that made only one claim.

The problem is that these sustainable credentials are often misleading, unverifiable, or a way to deflect attention from everything a brand isn’t doing. The terms used across the industry suggest a greater positive impact than what is happening in reality.

A European Commission study from 2020 looked at the environmental claims on over 340 different company websites and found that 42% were exaggerated, false, or deceptive. 37% used vague and general statements like ‘conscious’, ‘eco-friendly’, and ‘sustainable’.[5]

'Greenwashing' has become rife in a world where businesses know they need to be publicly seen to be trying to be more sustainable but can avoid having to prove specific results because consumers don't know what to look for.

It's easy for customers to take terms like 'eco-friendly', 'green', and 'sustainable' at face value and assume they are making a better choice, but who decides what makes something more 'sustainable' and by what measure? Brands, retailers, and manufacturers also face the exact same issue when sourcing new suppliers.

What's more, Gartner Inc reports that approximately 90% of public sustainability claims will not be met by 2025.[6] But the companies that made those claims have already benefited from any positive perception with consumers, who may not even remember the original claim to hold them accountable. Brands and retailers may have also made sourcing decisions based on sustainability promises.

Part of the problem is that the retail industry has taken an individual – and fragmented – approach to sustainability. This has meant that there is often no universally agreed definition for what terms like 'green' and 'eco-friendly' mean. Brands and retailers decide internally what they mean by sustainability, making it hard for consumers to compare options.

There is a lack of oversight that is slowly beginning to be addressed by the introduction of new legislation and recommendations from regulators. Certifications like B Corp also give customers an easy way to recognise businesses that are meeting high – and verified – standards.

Right now though, 'sustainability' isn't good enough.

It is not enough to claim that your business is sustainable or that you only work with sustainable partners because most of the time these claims fall short on closer inspection. Sustainability becomes a sales tool rather than meaningful action because companies know the goal is unachievable.

But if you accept that there is no way to make your business 100% sustainable without not being in business, then there is nowhere to hide. Your only option is to adopt a policy of transparency and accountability, which is much more powerful.

By being open and honest about what you are doing, how your business operates, who you work with, and the environmental and social impact, you can make meaningful change – even if you aren't getting everything right.

What does ‘Good’ Transparency and Accountability look like?

Transparency may sound like a simple enough concept but putting it into practice is still a novel concept in the retail industry.

The 2023 Fashion Transparency Index, created by Fashion Revolution, reported an average transparency score of 26% across 250 of the world’s largest fashion brands.

Now in its eighth year, the Fashion Transparency Index highlights the huge gaps in the information that brands provide about their environmental and social practices.[7]

Take supply chain traceability, as a single metric. The average score for brands was a disappointing 23%. A shocking 45% of brands scored just 0-1% for traceability.

Likewise, 51% of fashion brands indexed have published targets on sustainable materials but only 44% define what they mean by ‘sustainable’ in this context.

As already noted, this wishy-washy approach to sustainability doesn’t cut it with today’s end consumer. In a survey by Avery Dennison and GWI, 71% of respondents globally said that fashion brands being transparent about their manufacturing practices is important to them.[8]

Just like with the use of the word ‘sustainable’, there are a lot of different levels of transparency and accountability. So how can you identify the good from the not good enough when evaluating suppliers?

1. Dig deep into Sustainability Claims

Until there is an agreed legal definition for terms like ‘sustainable’ and ‘eco-friendly’, it is up to individual companies to decide whether it is fair to apply those terms to their business. This means not taking any claims of sustainability at face value when sourcing new products or finding new suppliers. Don’t assume that because something sounds good or because they use materials that you associate with sustainability – like ocean plastic – that it’s the most sustainable option.

Likewise, don’t assume that because a company doesn’t use sustainable buzzwords that its business isn’t working to lessen its impact. For example, US outdoor wear retailer Patagonia – one of the most responsible companies in the industry – has rejected the use of the word sustainable at all in its business.

This is why it's important to gather as much information as you can about any potential partners' environmental and social practices – what they say they do and what they actually do. For example, if they use the term 'eco-friendly', can they tell you how they are measuring that? Do they have proof that you can share with the end consumer?

Look at whether their visible sustainable activities are representative of their entire business. Do they have a single sustainable product line within a business that largely operates in an environmentally damaging or unethical way? Or does sustainability run through their entire business? Do they have oversight of any of their supplier's supply chains?

The deeper you dig, the better able you will be to assess the true sustainability impact your suppliers have.

2. Ask for an Action Plan

A lot of businesses can be vague about their sustainability plans. They may publicly announce a target – such as reaching net zero for carbon emissions by 2030 – but they don't share details on how they plan to get there.

Always ask potential – or existing – suppliers, brands and manufacturers for details on the sustainability actions they are taking. Find out what the milestones are along the way so you can make sure they are meeting them. Ask them how they will keep you updated with their progress and what plans they have in place in case they run into an issue.

By doing this, you'll quickly be able to understand whether their sustainability plans are realistic and achievable, or whether they are just good marketing.

Transparency Case Study

Nisolo Sustainability Facts Label

US ethical shoe manufacturer Nisolo wanted to achieve the same standard of transparency seen on food labels in the fashion industry. It spent several years analysing over 30 leading assessments, certifications, organisations, and labels for evaluating sustainability in the fashion industry to create its own methodology.

As a result, Nisolo created the Sustainability Facts Label which scores a product for how sustainable it is across 10 categories, split between impact on people and impact on the planet. The scores are based on 200 different public-facing data points. Every one of its products comes with its own printed Sustainability Facts Label and a QR code to dig into the numbers.

Nisolo isn't only being transparent on the label itself though. Its in-depth methodology clearly acknowledges that the Sustainability Facts Label isn't perfect. In fact, the brand actively encourages feedback on ways to improve the label or anything that is missing from it.

Nisolo has also deliberately chosen not to brand the label and make its methodology open source with the hope that other brands will take it up as well. Rather than putting time into developing their own sustainability labels from scratch – and potentially confuse consumers with an array of different methodologies – Nisolo wants others to build on what it has done to the benefit of everyone.

3. Collaborate to drive better Sourcing

Another issue with a lack of centralised activity is that many brands and retailers are launching their own sustainability initiatives to shout about. Yet, they often end up looking and functioning in much the same way. That might not seem like an issue at a brand level, but for the supply chain it can be a different story.

Take for example, fashion company GAP Inc. In 2007, it launched its Personal Advancement & Career Enhancement (P.A.C.E.) programme to support the women in its supply chain with practical life skills and training. But over time, GAP discovered that multiple similar initiatives were taking place in the same factories because other brands were running their own schemes.

This didn't just risk unnecessary duplication of content, but also the possibility of contradictory information or incompatible schemes that would make things difficult for workers.

To address this issue, in 2019 GAP combined its P.A.C.E. programme with CARE, Better Work, and BSR's HER project to create a new initiative – RISE (Reimagining Industry to Support Equality). RISE is a collaborative approach to women's empowerment programmes that reduces duplication and helps reach more women.

It shows why collaboration needs to be a key part of a sustainable future for retail sourcing. Brands and retailers can achieve more by putting in place frameworks and benchmarks that can be replicated and that consumers can recognise.

Working with others can also help brands and retailers to become more accountable. UK-based plastic recycling studio Are You Mad and US fashion brand Zero Waste Daniel both use waste from local companies to create their products.

Are You Mad collects plastic waste from businesses, shops, and restaurants within a 250m radius of its Central London space. It turns this waste into a range of recycled homewares. Meanwhile in New York, Zero Waste Daniel creates unique patchwork clothing from the pre-consumer waste of the local garment industry.

Both companies help to show the brands they work with the extent of their problem – the amount of waste they generate within just a small area – and creative ways to solve it.

4. Look beyond the Environment

Environmental impact is, of course, an incredibly important factor when sourcing new products or materials. But in the past, this aspect of sustainability has dominated the conversation due to growing concerns about climate change.

However, sustainable sourcing also needs to take into account the social and ethical impact of doing business. Human rights, child labour, modern slavery, living wages and safe working environments are just a few elements that you need to be asking partners about.

It is this human factor where companies can often become uncomfortable and unwilling to look too closely at their supply chain out of fear of what they will find and how it will affect their reputation. This is where transparency and accountability really come into play.

Only by shining a spotlight onto the dark parts of your supply chain can you find ways to improve things permanently. This means maintaining oversight of your first-tier suppliers and the way they do business but also helping drive improvements right the way through to lower-tier suppliers.

One way to achieve this may be through funding for internal training. Another could be collaborating with other customers of the suppliers to give them an incentive to make improvements.

You also need to be aware of how your own business practices could be having a negative social and ethical impact. If you increase an order at short notice or ask for a faster turnaround, you are putting pressure on your suppliers that could lead them to cut corners or overwork staff to meet your demands.

Transparency Case Study

Asket Impact Receipt

In 2020, Swedish clothing company Asket launched its Impact Receipt.

Designed to look like a standard paper receipt, it lists the water use, energy consumption and carbon emissions from each stage of the manufacturing process to reveal the 'true cost' of its products. The Impact Receipt also breaks down the 'cost per wear' based on its expected lifespan for each item.

The calculations are based on a two-year Life Cycle Assessment project with the Research Institute of Sweden (RISE).

In a bid for even greater transparency, Asket clearly shows the impact breakdown on the e-commerce page for each item, alongside a cost breakdown and supply chain traceability. Customers can also see details of all the factories that Asket works with on the brand's website, including average salary and when Asket last visited it in person.

The aim is to get consumers to think carefully about what they are buying and to make better choices. While – yes – this ideally means buying from Asket instead of competitor brands, the level of transparency far exceeds most fashion retailers, empowering consumers.

It also shows where Asket still has work to do, such as in reaching 100% supply chain traceability for all its products.

The 'Good' Checklist for Transparent Sourcing

Whether you're a manufacturer, retailer or brand, here are some of the things that you should be looking out for when choosing suppliers.

It's also helpful to consider these questions from the perspective of your own business to understand where you could be more transparent.

- **Do they have a traceable supply chain? Do they know if there are instances of modern slavery or child labour in their supply chain?**
- **Where do they manufacture products? Do they know what factories they use? Are the working conditions safe?**
- **How much waste do they generate? Do they recycle or reuse waste?**
- **Where do they source their materials from? What is their purchasing policy?**
- **What raw materials do they use? Can they explain why? Are there hazardous materials?**
- **What are their carbon emissions? Do they offset them?**
- **How do they produce products? Are the methods safe?**
- **Does their business cause deforestation?**
- **What is their water footprint? Do they have a wastewater strategy?**
- **What is their energy usage? Do they use any renewable energy?**
- **What charitable partners do they support?**
- **How do they transport goods and materials?**
- **Does the business meet all regulatory requirements?**
- **Do they pay their staff and supply chain living wages?**
- **Do they use local labour and materials where possible and/or practical?**
- **Do they pay their taxes?**
- **Who is the owner of the company?**

Accountability means learning more from Sustainability failings

True radical transparency often means having to share more failures than successes, especially when it comes to sustainability. Many businesses are still figuring out how to move towards responsible production and this means they won't always get things right. It's taking responsibility for these setbacks and finding another way forward that's important.

In 2021, eyewear brand Ace + Tate became a B Corp business. But rather than just announcing the news as a big sustainability win for the company, Ace + Tate chose to share examples of the things they got wrong along the way to becoming a more sustainable business.

One example was the move to a glasses case made from Polyphenylene Ether (PPE) and bamboo fibre. Ace + Tate chose bamboo because it's a well-known sustainable alternative and it wanted customers to see the material choice in the design. But the addition of bamboo fibre ultimately made the case less recyclable, so Ace + Tate switched to 100% Recycled Polypropylene (RPP) instead.

It was a similar story from toy giant LEGO this year when it announced that the 100%

Accountability Case Study

Lush Green Hub

Fresh handmade cosmetics company Lush opened a new £2.3 million Green Hub last year. An upscaled version of the brand's existing Green Hub which opened in 2015, this site allows Lush to take in-house responsibility for its waste management as much as possible.

This includes treating wastewater, repairing machinery, granulating plastic as part of its closed loop black pot recycling scheme, recycling and repurposing store furnishings, and donating surplus products to charities. The idea is to keep what would be considered as 'waste' in the business for as long as possible through reuse, recycling and donating.

The Green Hub also helps Lush to improve the traceability of its supply chain, which makes it easier to identify opportunities for improvement. In 2022, the new Green Hub site helped Lush recycle 81% of its UK manufacturing waste.

Crucially, Lush wants to use the space to help others find solutions to their waste problems. This includes on-site events, workshops, and engagement projects to educate and collaborate with local and national businesses, councils, schools, and community groups.

recycled PET plastic bricks it had been trialling actually had higher carbon emissions than the traditional ABS plastic ones. The company is now going back to ABS but looking at ways to make that material more sustainable over time.

If we take Gartner's prediction that 90% of public sustainability claims will not be met by 2025, it would obviously be disappointing if that ends up being the case. What will be crucial is for brands to own up to falling short and communicate the reasons why, so that they can learn from them.

Gartner also reports that by 2026, 20% of organisations are going to shift their attention from eliminating plastics and enabling recycling to reducing the carbon footprint of their packaging. This could be seen as brands taking the easy way out, especially if they simply turn their focus away from another sustainability goal that they failed to achieve.

Sometimes accountability looks like following things through, even when they are more difficult or take longer than expected. At a bare minimum, businesses should be honest if they drop or delay a sustainability goal and explain to end consumers the reasoning.

For example, it is projected that demand for some sustainable raw materials will push prices

Accountability Case Study

Tony's Chocolonely Child Labour

Netherlands-based chocolate company Tony's Chocolonely is frequently held up as an example for its sustainable practices and how it communicates them.

But the most powerful part of its push for transparency and accountability isn't as well-known.

In the brand's annual report for 2020-21, Tony's revealed that it had found 1,701 cases of child labour in its supply chain. From an ethical standpoint, that doesn't reflect well on the brand. But Tony's points out that it found those cases because it was looking for them, so that it could address the problem.

Likewise, in 2021 Tony's was removed from the Slave Free Chocolate list because it works with Barry Callebaut, one of the world's biggest cocoa processors. Interestingly, Tony's says it chose this unlikely partner to prove to big name chocolate brands – who also use Barry Callebaut – that it is possible to create a better supply chain.

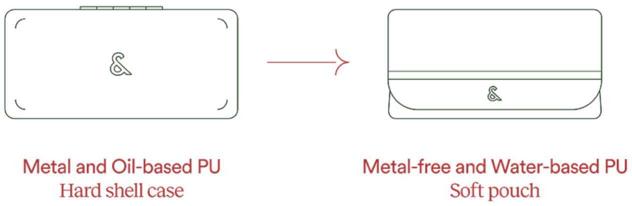
Tony's pays Barry Callebaut more money to have its own separate storage vessels and production lines within the facility, so that its supply chain remains 100% traceable.

In both instances, Tony's is holding its hands up to what is happening in its business. It's clearly communicating to customers about where improvements need to keep being made, and why it has made choices that seem to go against its brand ethos.

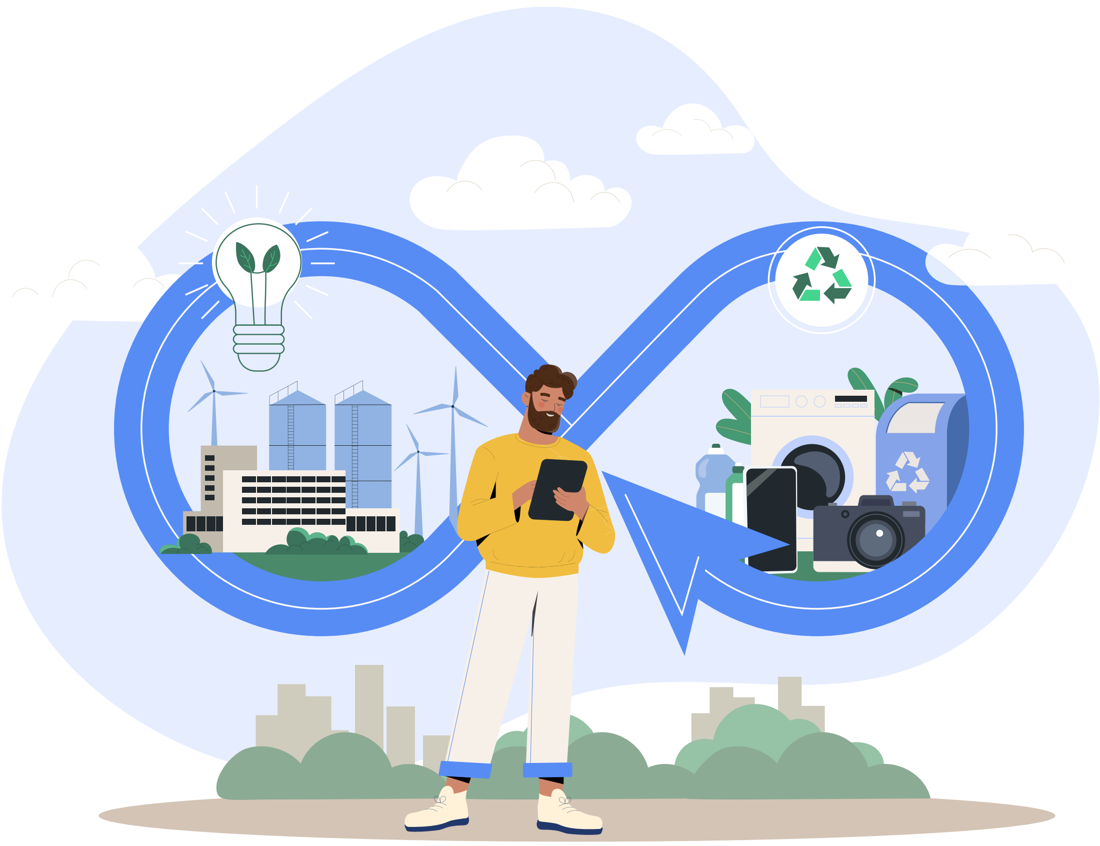
How many other brands can say that they know how many cases of child labour or modern slavery are present in their supply chains? How many others are investing in changing the way their partners do business?

above their less environmentally friendly alternatives. This could leave businesses facing some difficult decisions and potentially miss sustainability targets.

Aggressively focusing on a single sustainability target, such as the reduction of carbon emissions, also means businesses risk increasing their environmental impact in other areas. For example, Ace & Tate created water-based PU glasses cases, which reduced its CO_2 emissions, but had the knock-on effect of having a more negative environmental impact due to the increased use of water.



Taking a more holistic view of the impact that changing any one part of the business might have is vital. There will always be trade-offs that have to be made but thinking beyond one area of sustainability will help companies to move in the best possible direction.



Take-aways

It doesn't matter whether you are a manufacturer, a retailer, or a brand – every business has a supply chain and every business has to source goods, materials or services.

The products that brands choose to put their names to or that retailers choose to put on the shelves are what the end consumer has to choose from. If that customer wants more sustainable options and to have a clear picture of the impact of an individual product, then it is up to those sourcing those products to make good buying decisions.

There's also a cascading effect where if brands and retailers are sourcing more sustainable products from manufacturers then those manufacturers need to find more sustainable partners. And if retailers are selling more sustainable products then they can improve their own impact.

For real change to be made, companies must shift away from top-level and broad sustainability activities. They need to become transparent about the way they do business and take responsibility for the impact this has.

This starts by being honest with themselves and conducting a full and deep audit of their business. Only by being able to see it all – even the things that reflect badly on them – can they identify where environmental, social and ethical improvements can be made.

Data is the key to this – not only real data from inside the business, but also information from suppliers on how they operate. Any sustainability claims that a company makes must be evidenced and verifiable, preferably according to a recognised external standard.

Companies should also make sure they involve the end consumer in the process. Being transparent means publicly communicating what you are and are not doing, and responding to requests for more information from shoppers and stakeholders. The case studies highlighted in this report show the need for ongoing re-evaluation and collaboration with partners, end consumers, and even competitors to create better ways of working.

It's not about perfection or doing everything right. Transparency and accountability are all about honest communication and taking responsibility. If companies can apply this thinking to their sourcing, they'll find that positive impact follows.

Footnotes

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2. *Is sustainability in fashion? Industry leaders share their views*, Economist Intelligence Unit, October 2020
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