

# Rewarding Excellence

Creating the environment which recognizes, incentivizes, and rewards *real* sustainable excellence in the fashion/outdoor/sport industry

20-May-24





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Sisters, Oregon, USA

*Mt Washington from Hoodoo Butte, Sisters, OR*

*Central Oregon = Traditional territory of the Wasco, Warm Springs and Northern Paiute peoples*



# Agenda

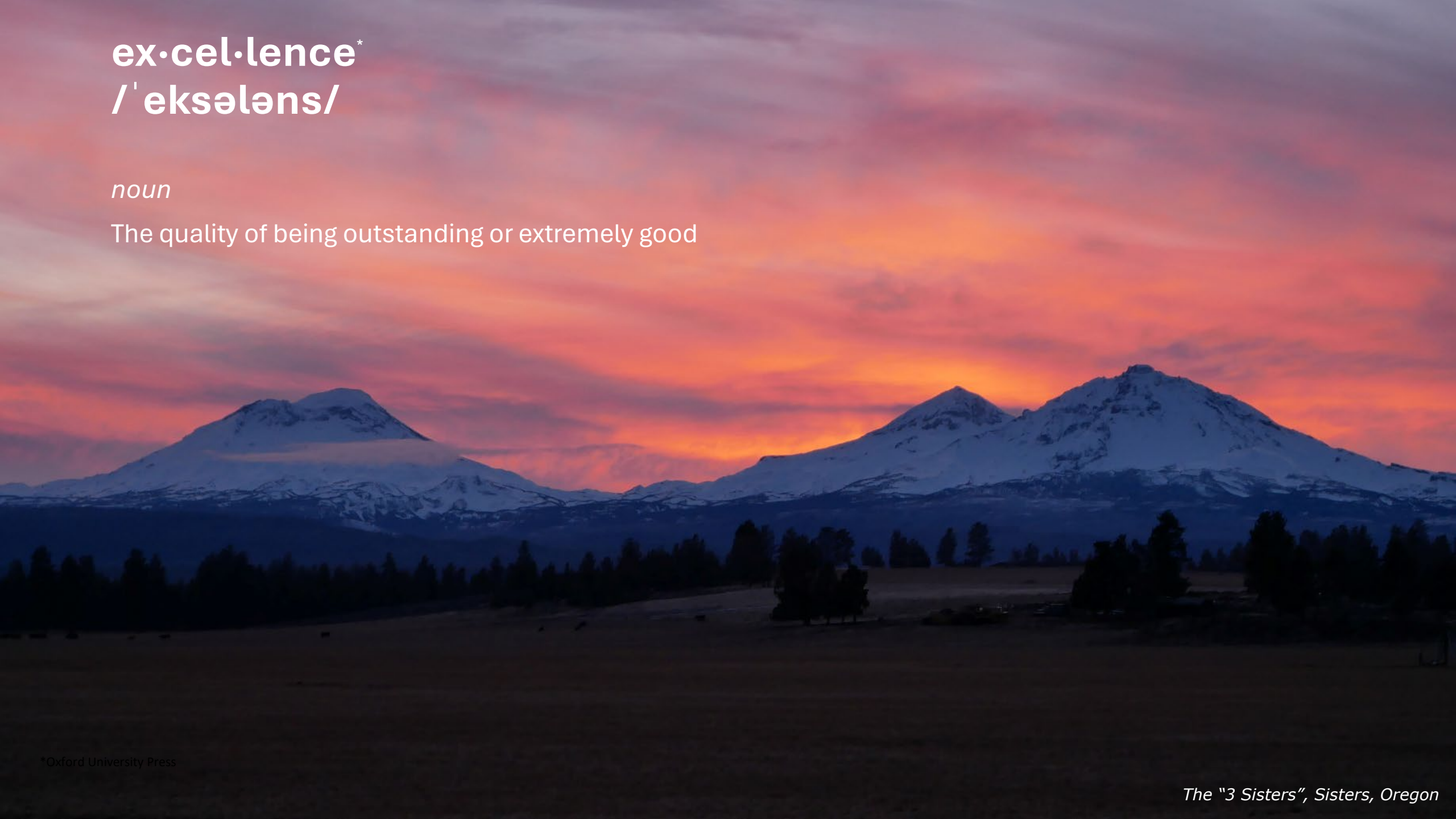
- What is Excellence?
- The task at hand
- Can an industry **really** change for the better?
- Noble Beginnings
- Manufacturing Excellence
- Brand Excellence
- Recognizing & Rewarding Excellence

*Three Finger Jack, Sisters, Oregon*

ex·cel·lence<sup>\*</sup>  
/'eksələns/

*noun*

The quality of being outstanding or extremely good





*“ We have a finite environment—the planet. Anyone who thinks that you can have infinite growth in a finite environment is either a madman, or an economist”*

–Kenneth Boulding



Back in 1960... 'Excellence' for Humble Oil was boasting they produced enough energy to “*melt 80 tons of glacier each second*”



THIS GLACIER, ALASKA, IS A RIVER OF ICE SPREADING 270 SQUARE MILES. YET THE PETROLEUM ENERGY HUMBLE SUPPLIES AMERICA COULD MELT IT AT THE RATE OF 7 MILLION TONS A DAY!

## EACH DAY HUMBLE SUPPLIES ENOUGH **ENERGY** TO MELT 7 MILLION TONS OF GLACIER!

This giant glacier has remained unmelted for centuries. Yet, the petroleum energy Humble supplies—it converted into heat—could melt it at the rate of 80 tons each second! To meet the nation's growing needs for energy, Humble has applied science to nature's resources to become America's Leading Energy Company. Working wonders with oil through research, Humble provides energy in many forms—to help heat our homes, power our transportation, and to furnish industry with a great variety of versatile chemicals. Stop at a Humble station for new Enco Extra gasoline, and see why the "Happy Motoring" Sign is the World's First Choice!

**HUMBLE**  
OIL & REFINING COMPANY  
America's Leading **Energy** company



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We need excellence ***now***, more than ever...

May 10, 2024

The Washington Post  
*Democracy Dies in Darkness*

## Hawaii's Mauna Loa Observatory just captured ominous signals about the planet's health

Carbon dioxide is accumulating in the atmosphere faster than ever.

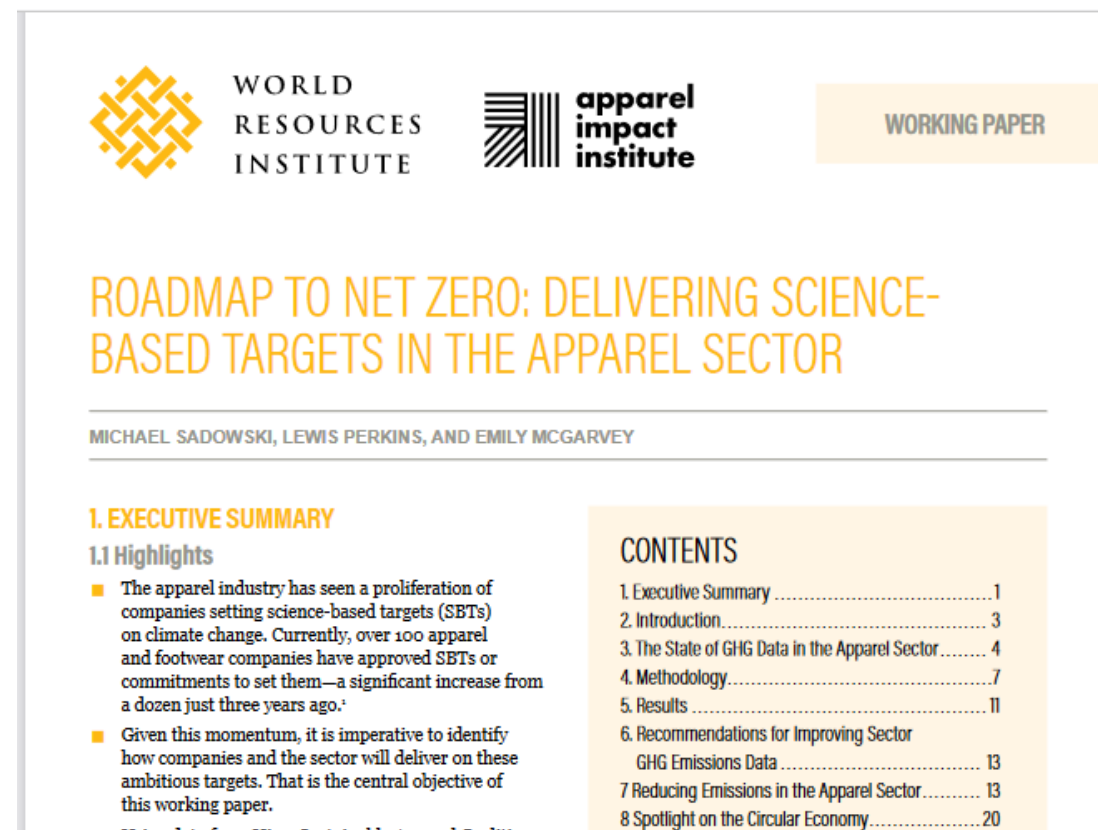
*"...Carbon dioxide levels were 4.7 parts per million higher in March than they were a year earlier, **the largest annual leap ever measured**..."*



# Roadmap to Net Zero

Delivering Science Based Targets in the Apparel Sector

*"Using data from Higg, Sustainable Apparel Coalition, and Textile Exchange, we estimate apparel sector emissions at [.897]\* gigatonnes (Gt) of carbon dioxide equivalent (CO<sub>2</sub>e) in 2021\*, or roughly 2 percent of annual global greenhouse gas (GHG) emissions. **Unchecked, emissions will grow to [1.266]\* Gt by 2030, well off pace to deliver the 45 percent absolute reduction needed to limit warming to 1.5°C.**"*



Original Report

<https://files.wri.org/d8/s3fs-public/2021-11/roadmap-net-zero-delivering-science-based-targets-apparel-sector.pdf>

Updated Roadmap Report (2023)

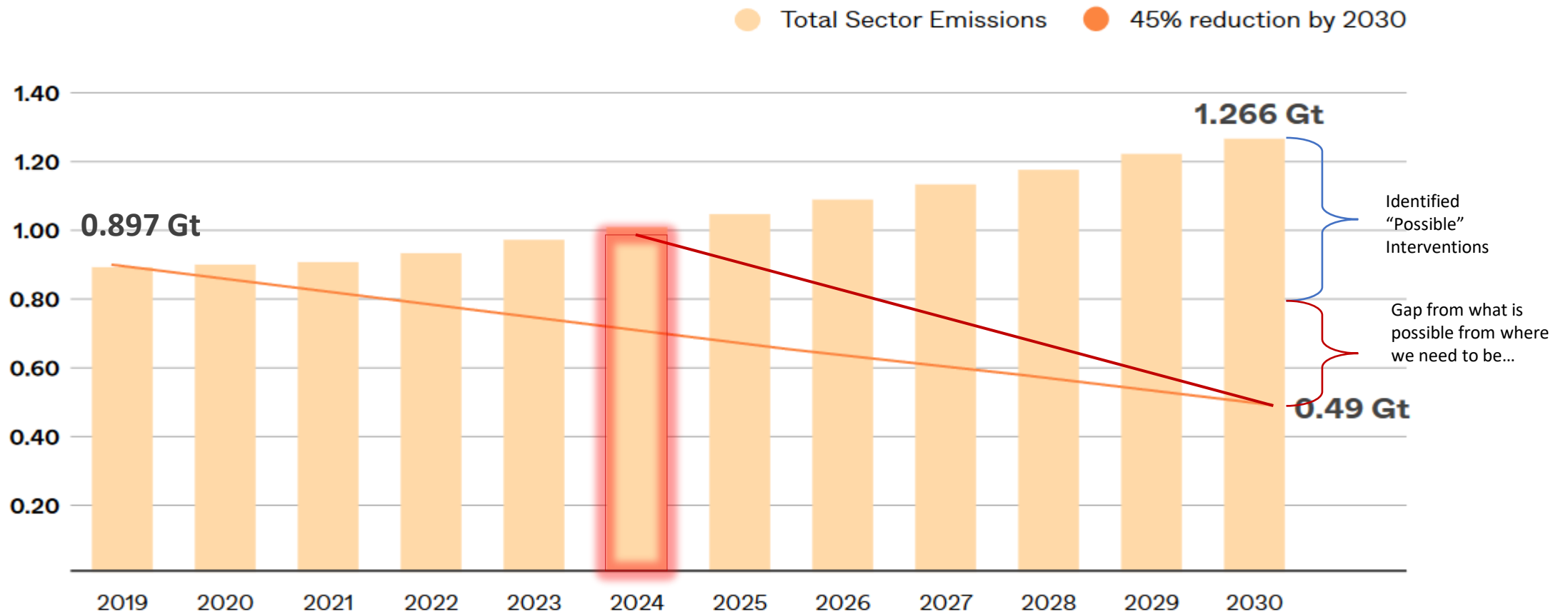
[https://apparelimpact.org/wp-content/uploads/2023/06/Aii\\_RoadmapReport-615-1.pdf](https://apparelimpact.org/wp-content/uploads/2023/06/Aii_RoadmapReport-615-1.pdf)

Updated Roadmap Report (2024)

<https://apparelimpact.org/wp-content/uploads/2024/05/Taking-Stock-of-Progress-Against-the-Roadmap-to-Net-Zero-2024-5.15.pdf>

# Business as usual vs. where we need to be

## Projected Apparel Sector Emissions (Gigatonnes) \*A gigatonne is a BILLION metric tons





# Science Based Targets initiative (SBTi)

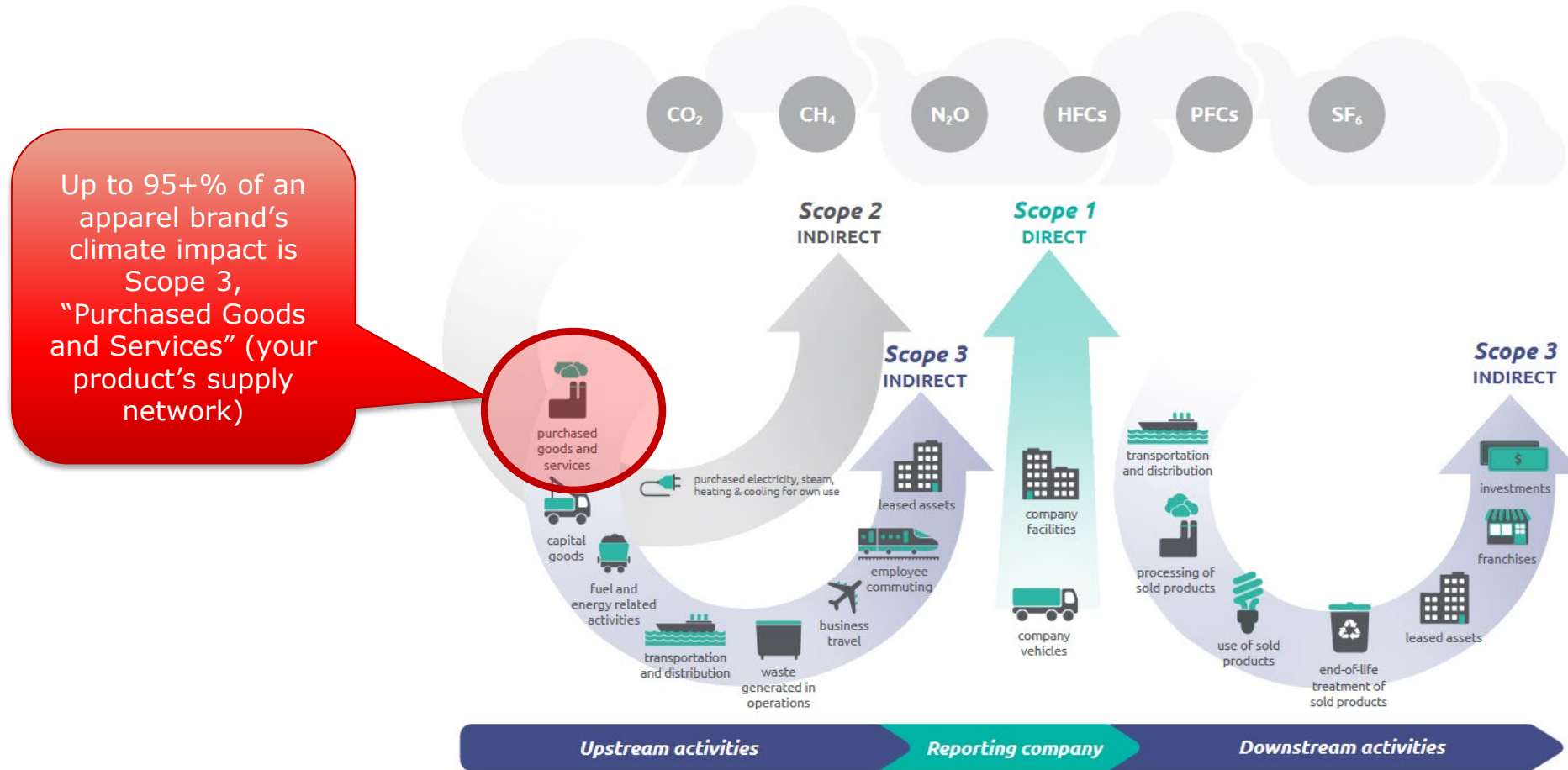
- Companies **Commit, Calculate, Submit...** then once approved, **Measure** and **Report** their climate goals publicly
- With over **5000** companies, across all industries, establishing and achieving approved SBTs, about 10% or **500+** are from the Apparel and Footwear sector...

...a selection...



# Company Climate Impact – Scopes 1, 2, & 3

Figure [1.1] Overview of GHG Protocol scopes and emissions across the value chain





# Calculating an (accurate) footprint is NOT easy



- ❖ Essentially all current Scope 3 calculations use an economic/intensity (i.e., *calculated*) model...
  - $(\text{industry/global impact averages}) \times (\text{brand/product scale}) = \text{CO}_2\text{e Footprint}$
- ❖ Calculations can fluctuate +/- 30% based upon **who** does the math, what **methodology**, what **assumptions** are made, level of **accuracy** (A McKinsey & Co CO<sub>2</sub>e accounting expert)
- ❖ One does not impact “theoretical”, you must improve on the **actual** impact within your own supply network.
- ❖ The industry is *desperate* for more, and better, **primary data** based upon actual production impacts

# Not all is “rosy” at the SBTi

- Too many commitments, established by brands, and then ‘imposed’ on suppliers
- Increasing numbers of companies (e.g., brands) have stalled, or falling far short of goals
- Latest SBT controversy allows the use of carbon credits to bridge the gap between established commitments and reality

**THE SBTI BOARD'S  
STATEMENT ON  
CARBON CREDITS IS  
NOT GROUNDED IN  
SCIENCE OR DUE  
PROCESS**

--New Climate Institute

**Reports: SBTi faces internal  
revolt over plans to relax rules  
on use of carbon offsets**

Staff at the influential nonprofit are calling for the CEO's resignation after a controversial move to consult on changes to the net-zero standard, according to a Reuters report.

--Greenbiz

Article • Sustainability

**Why is the SBTi advocating the  
Carbon Offsets Market?**

--Sustainability Magazine

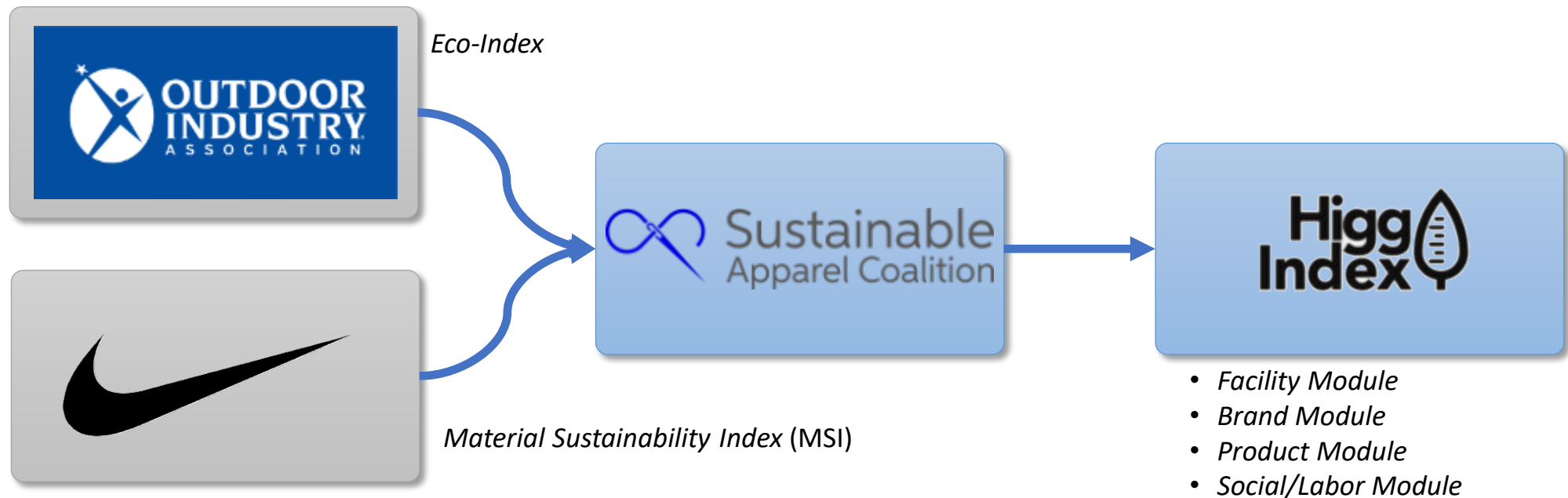


# Can the apparel industry be entrusted to change for the better?

Or must change be ***driven*** by regulatory pressure?

# From Humble, yet earnest beginnings...

There was a time when the original work of the outdoor industry, combined with tools from Nike held promise to help us all change for the better...

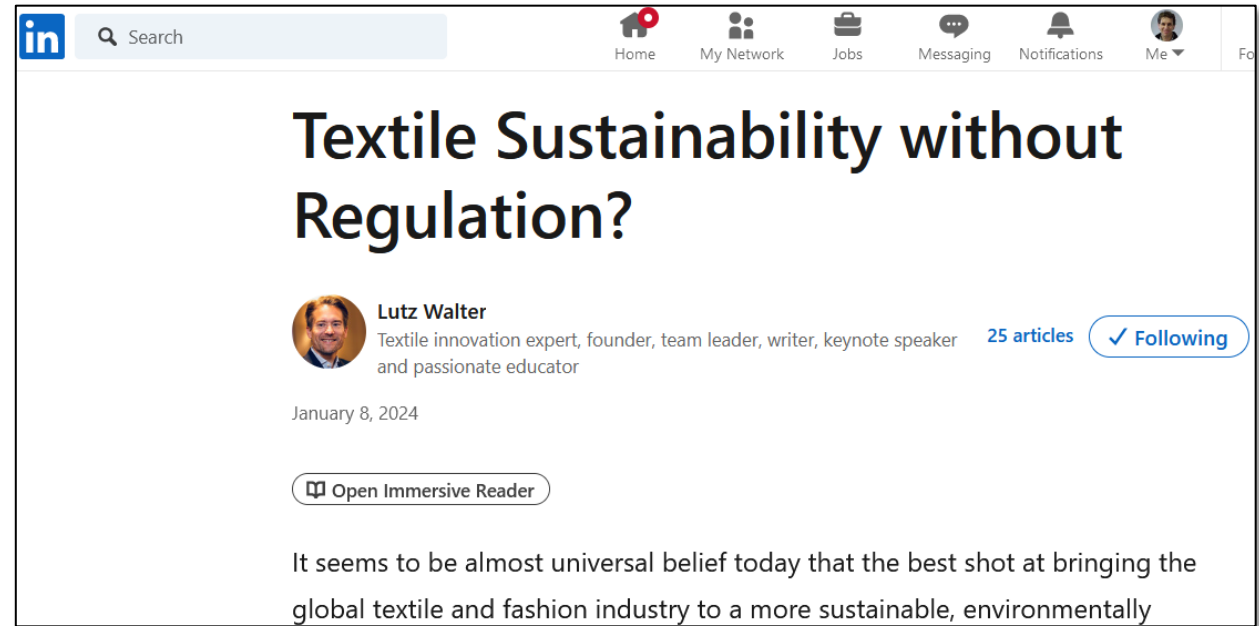
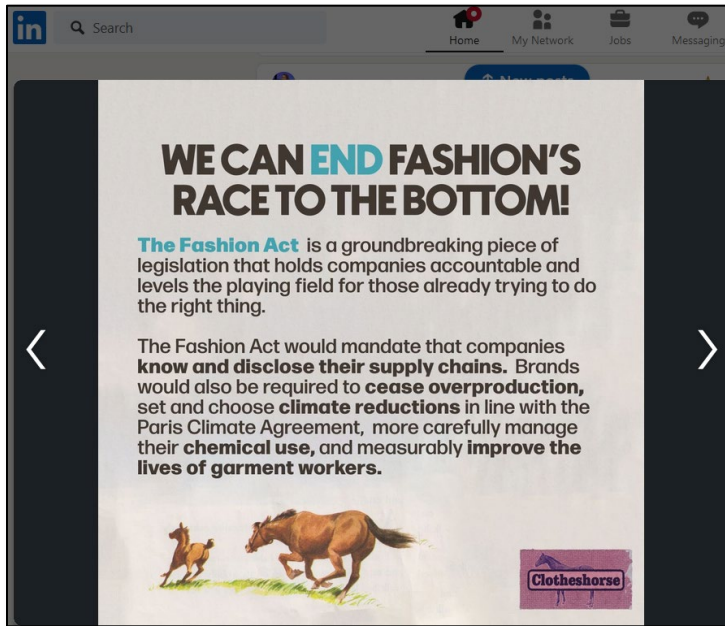


As a result, the SAC was developing tools that were truly ‘aspirational’ and beyond anything done up to this time... The media (*and general sentiment*) was almost universally positive and optimistic.



## ...to legions of criticism

*“The apparel & fashion industry should not be left to self-police itself on being responsible and sustainable” –Many a LinkedIn ‘Thought Leader’*



The call for extensive, immediate, strict regulatory oversight has become regular and outspoken

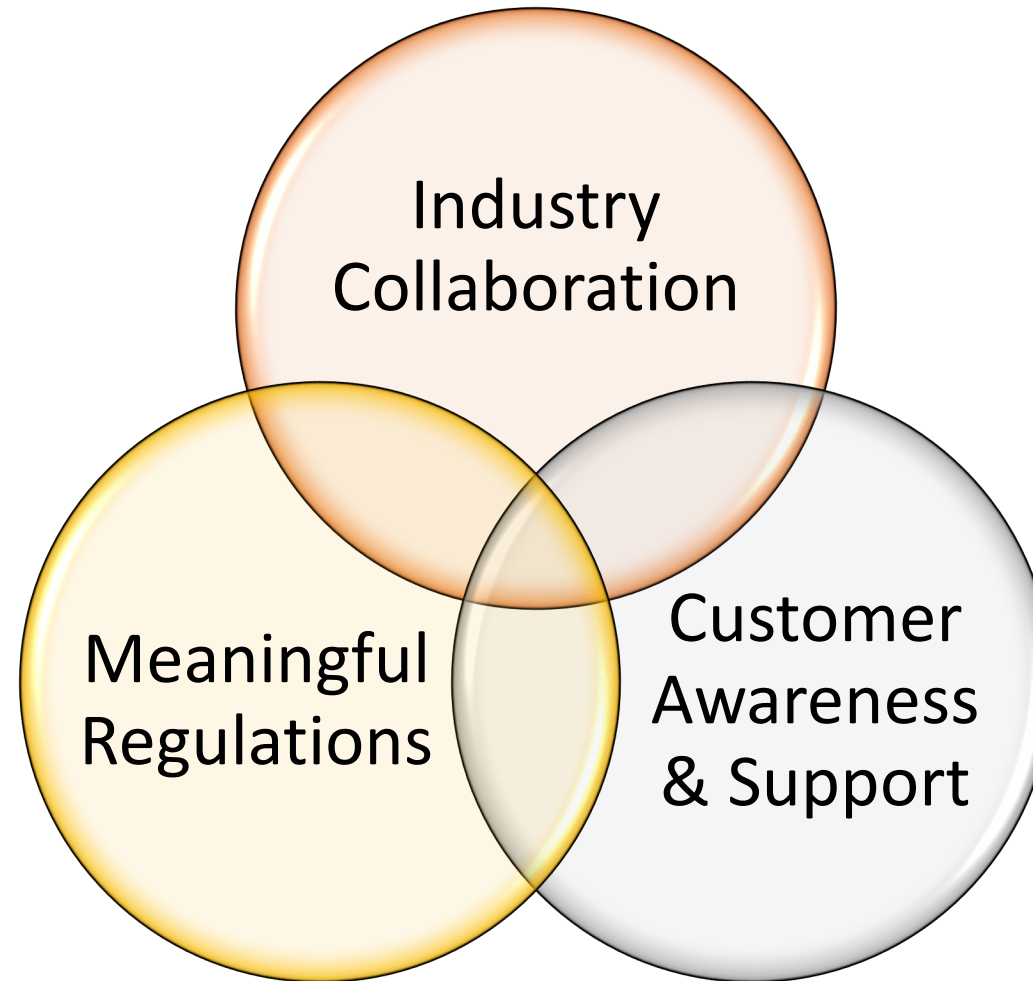
# Yet, many regulations are gutted... or at least watered down



- The SEC climate disclosure rules now no longer includes **mandatory Scope 3** reporting
- Corporate Sustainability Due Diligence Directive (CSDDD) was *significantly* scaled back in order to earn adequate support (*primarily German and Italian*) to pass
- The EU Product Environmental Footprinting (PEF) for apparel is currently in its second review... it is questionable if it will drive change
- The New York Fashion Act... still hope, but still trying to get sufficient support... needs to pass both chambers then get signed by NY State Governor. Fate is still unclear.
- Exception to this rule has been the PFAS regulations starting with California



**It shouldn't be either or... it must be all drivers**







# Manufacturing Excellence

*Smith Rocks, Terrebonne, Oregon*



*“ I would not give a fig for the simplicity this side of complexity, but I would give my life for the simplicity on the other side of complexity”*

–Oliver Wendell Holmes

# RM-2-NetZero Report lists 6 interventions

## 1. Maximizing material efficiency.

- Through design, material selection, and methods of manufacturing, reduce the amount of fiber and materials that go to waste in each stage of production.

## 2. Scaling sustainable materials and practices.

- Increase the use of more sustainable materials (such as recycled polyester) and practices (for instance, conservation tillage for cotton).

## 3. Accelerating the development of innovative materials.

- Ramp up investment in next generation materials, including textile recycling, bio-based materials, and plant-based leather.

## 4. Maximizing energy efficiency

- Expand energy efficiency efforts across manufacturing facilities.

## 5. Eliminating coal in manufacturing

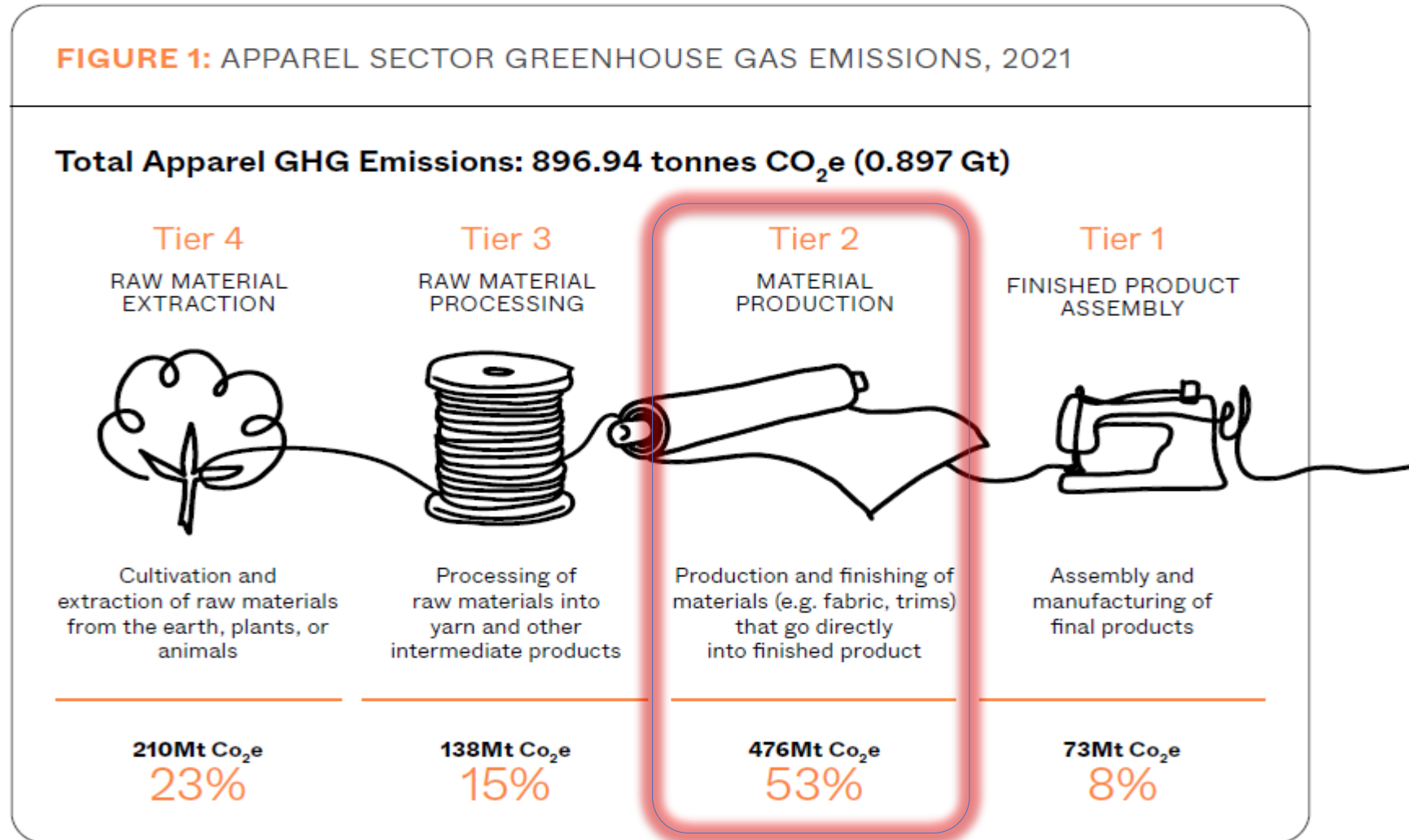
- Replace coal as a thermal energy source for materials and product manufacturing.

## 6. Shifting to 100 percent renewable electricity.

- Deploy renewable electricity across the supply chain.



# We know where most of the impact lies



# RM-2-NetZero Report lists 6 interventions

## 1. **Maximizing material efficiency.**

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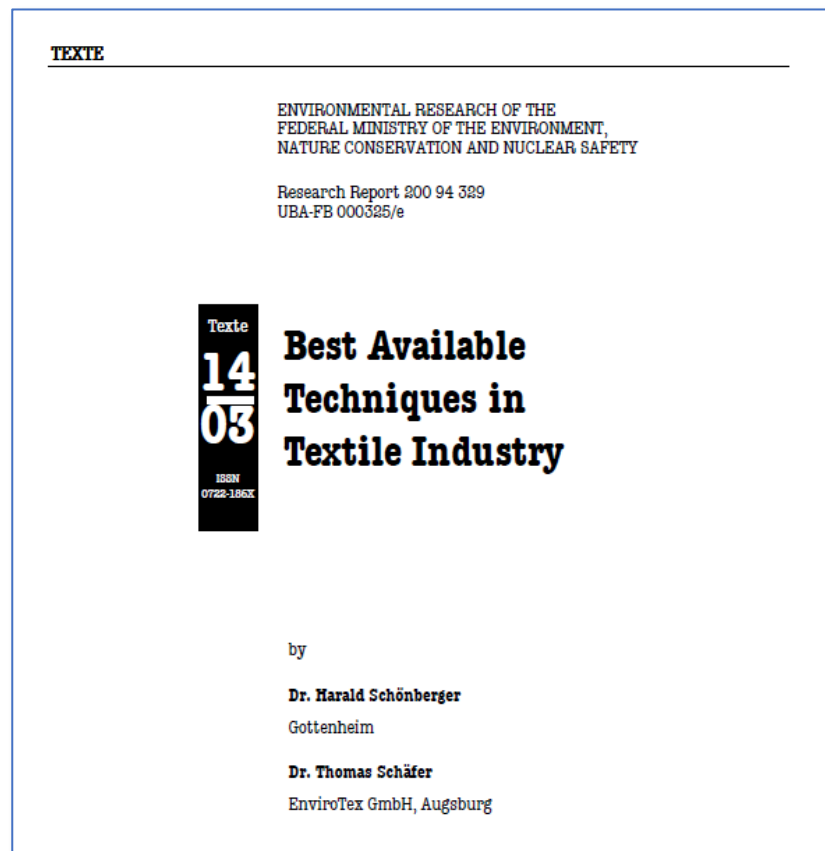
## 6. **Shifting to 100 percent renewable electricity.**

- Deploy renewable electricity across the supply chain.



# The most immediate opportunities lie in Tier 2

Written in 2003!!!



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# What stands in the way of excellence?

- Besides the potential value of reduced cost through resource efficiency, and upholding my corporate ethos of a responsible company, are there any reasons this doesn't make perfect sense?
- How am I adequately and appropriately recognized by customers (i.e., brands) for my progress? Especially when competitors are not penalized for their lack of comparable sustainability performance?
- Beyond the potential to keep their business, why should I share detailed sustainability performance data with brands?





Excellence in Brand Sustainability



*“ We live on an island surrounded by a sea of ignorance. As our island of knowledge grows, so does the shore of our ignorance”*

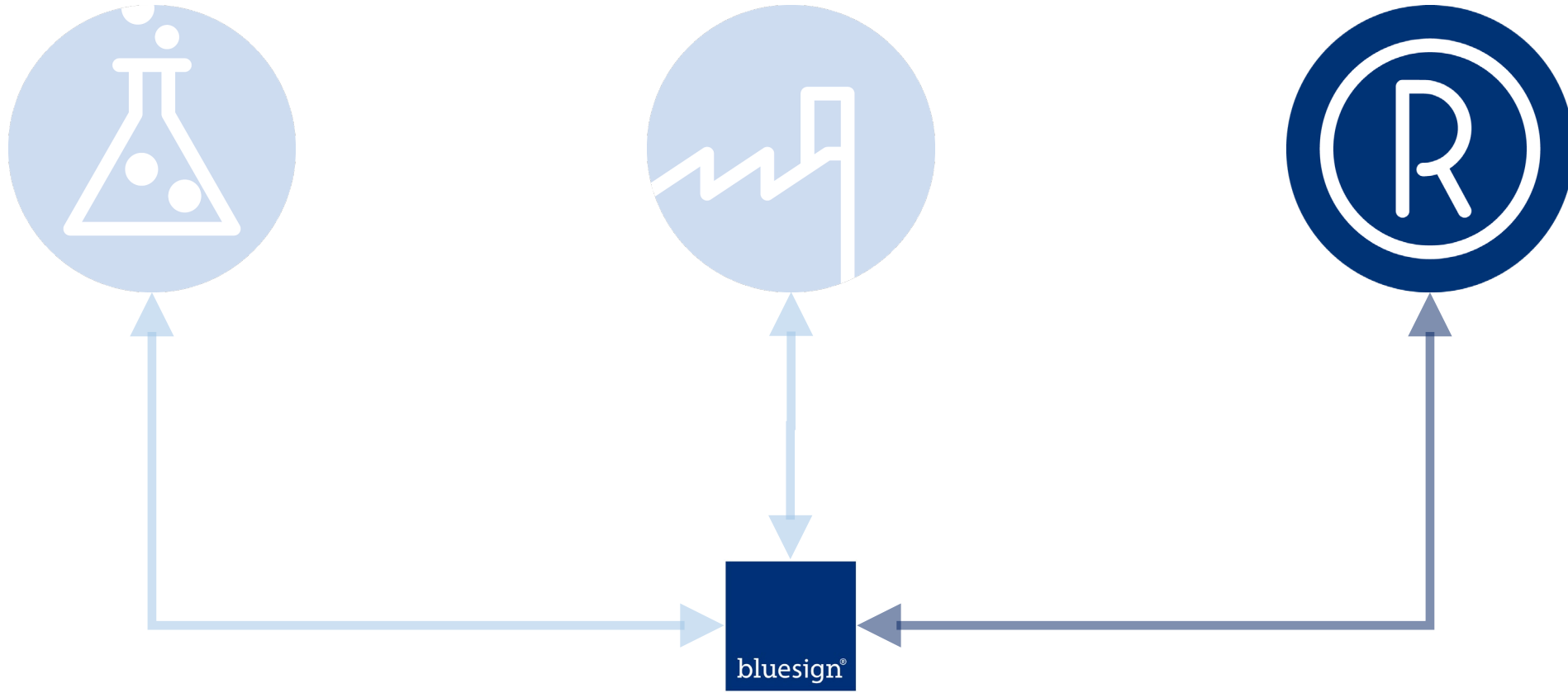
–John Archibald Wheeler

# Brand is Assessed at an organization level

Chemical Suppliers

Materials/Product Manufacturing

Brands







We have the *unique* privilege to observe best practices amongst a selection of some of the most respected global brands

80+ brands assessed globally



# Brand is Assessed in Key Areas



- ☐ **From Vision to Policy**

How the organization clearly *articulates*, *charts* and *executes* on its sustainability (and chemical integrity) objectives and rules.
- ☐ **Supply Network Management**

One of the hardest, yet most fundamental aspects of sustainability is the degree to which a brand knows, and manages, its *supply network*. These are the most important elements of doing this work.
- ☐ **Material Intelligence & Product Design**

There is much more to managing materials than meets the eye. Knowing exact *substrates*, *suppliers*, *volumes*, *processes* is challenging work—but essential.
- ☐ **Chemical Management**

From knowing what and where of the most significant *chemical issues* your specific brand faces, to how you ensure that people and environment are protected all the way through the supply network.
- ☐ **Supply Network Engagement**

Beyond knowing who and where they are located; *how* brands engage with their suppliers to knowing their capabilities, strengths and challenges on environmental and social justice issues.
- ☐ **Goals, Progress and Communications**

How sustainability progress is *prioritized*, *measured*, *incentivized* and *achieved*. Further, how the information is disseminated to a range of stakeholders.

# Brand Assessment – Gap Analysis

**Brand Assessment - GAP ANALYSIS - Detail Report**
open for standard CMP benchmark

Brand: XYZ

Status: GA - Final

revision 3.0

Date of Assessment: 0-Jan-1900

Date of Gap Analysis: 0-Jan-1900

Date of GA Sign-off: 0-Jan-1900

Key #	Assessment Key (or Sub Key) Text	Key Status	Assessment Key Comment	Brand Performance... Δ CMP	Brand Performance... Δ BP	Brand Rating... Current Status	Relative Degree of... Importance	Relative Degree of... Difficulty	Relative Degree of... Urgency
<b>From Vision to Policy</b>				bluesign perspective		Foundational			
<b>2.1 Having a Vision for the Future</b>				rubric key		rubric key			
2.1-1	Brand has a clear stated & documented Corporate Vision that is well socialized within and throughout the organization	Yes	The vision is clear, documented and well socialized throughout the organization. In fact, it is published on their website	Insignificant	Insignificant	Foundational	High	Moderate	0.0
				It is very clear at brand XYZ that their vision "Lorem Ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt" is communicated, understood, and practiced throughout their organization.					
2.1-2	Brand has a clearly stated & documented Sustainability Vision that is well socialized within and throughout the organization	No	The overall company vision is clear, however how it relates to the sustainability work is not yet articulated	Moderate	Significant	Underperforming	High	Easy	6.3
				Although the overall vision is clear, it would serve XYZ well to either extend or include sustainability aspects into their corporate vision, or develop a very clear view of the aspirational intent of the organization regarding sustainability, document it and then					
<b>2.2 Developing and Following a Strategy</b>									
2.2-1	Brand has a clearly stated & documented Sustainability Strategy that is socialized within and throughout the organization	Partial Yes	There are many actions which have been indicated in goals, however how all the goals merge to describe the key strategies are not yet defined.	Minor	Significant	Foundational	High	Moderate	3.1
				There are numerous (likely too many) goals although seemingly well intended, don't clearly fit together into a few (hopefully not more than 5) clear strategic priorities. It is important for the organization to be aligned and in sync with one another to have a clear,					
<b>2.3 Deploying and Maintaining a Management System</b>									
<b>2.4 Enacting and Enforcing Policy</b>									
<b>2.5 Establishing a Code of Conduct in Alignment with UN Global Compact</b>									

109 scored "keys", (121 w/footwear included)



# Brand Assessment – Performance Summary

bluesign® CI Brand Assessment - GAP ANALYSIS - Summary Report

Brand: Brand XYZ

GA - Final

revision

Date of Assessment: Pending

Date of Gap Analysis: Pending

Date of GA Sign-off: Pending

4.2

bluesign®

Brand Performance Ratings *(beta)*

Overall Brand Performance

Foundational

Category bluesign® Brand Performance

Category	Performance Level
From Vision to Policy	Foundational
Supplier Network Management	Developing
Material Intelligence & Product Design	Underperforming
Chemical Management	Foundational
Supply Network Engagement	Foundational
Goals, Progress and Communications	Aspirational
Footwear (if applicable)	Incomplete

bluesign® SYSTEM PARTNER and PRODUCT Trademark Status

bluesign Status

bluesign PRODUCT Trademark NOT YET Achieved

# of missed keys for each bluesign Status Level

	From Vision to Policy	Supplier Network Management	Material Intelligence & Product Design	Chemical Management	Supply Network Engagement	Goals, Progress and Communications	Footwear (if applicable)
no cost - bluesign® PRODUCT	6	15	6	17	5	1	0
bluesign® PRODUCT	8	10	3	13	8	6	0
System Partner Mandatory	2	3	2	1	3	0	0
<b>Total Missed Keys</b>	<b>16</b>	<b>28</b>	<b>11</b>	<b>31</b>	<b>16</b>	<b>7</b>	<b>0</b>

Refer to each category's tab to investigate flagged missed keys

←

Summary of Findings

For specifics go to Gap Detail tab

For explanations, go to Key tab

Brand Strengths:

➤ First thing done well - Always start with a positive!

➤ Second thing done well

➤ Third thing done well

3 Biggest Opportunities: (to make meaningful progress)

1. First, and biggest opportunity that should be addressed

2. Second, and next biggest opportunity that should be addressed

3. Third, and the next biggest opportunity that should be addressed

High level, clearly directed roadmap towards excellence

# Brand Performance

(since 2019)

Most brands are still in the foundational level of performance

All Assessed Brands		Overall	Distribution %	Policy	Suppliers	Materials	Chemistry	Engagement	Goals
Distribution	Underperforming	8	13%	4	13	13	13	17	11
	Foundational	33	54%	18	36	32	37	25	20
	Developing	19	31%	23	10	15	9	14	16
	Progressive	1	2%	15	2	1	2	5	13
	Aspirational	0	0%	1	0	0	0	0	1

This reflects reality...

# Brand Assessment Take-Aways

- The most important to-dos for a brand are the least sexy (and marketable), therefore they are the most often overlooked
- Having the proper balance of Vision, Strategy, Management Systems and Policy is an aspiration for most
- You don't know your supply network well enough, nor as good as you may think that you do
- You are not as engaged with the supply network as closely as you should... should be using balanced scorecards, but in a constructive and positive way
- You don't know your materials and the processes that made them as well as you may think
- Many of your goals are probably not well considered, or attainable
- Many of your actions are likely not in line with your vision/strategy
- If you allocated an equal amount of \$\$ on supporting partner excellence as you do with sustainability initiatives you would probably see much better results
- The non-sexy items are actually the ones with the biggest return on investment
- You don't know your supply network well enough, nor as good as you may think that you do



# Supply Network Intermediaries

- Agents/Trading Companies (TC) use varies greatly amongst brands
- Good agents/TCs are transparent about where products and materials are produced,
- Secretive ones create huge barriers to transparency
- Some brands relationship with TCs even prevents their access to their **own** product BOMs

**~14% converter use  
across all supply chains  
with some approaching  
25%\***

- Converters are likely present in **MOST** brand's supply chain
- Frequently brands are unaware that a particular supplier is actually a converter
- Converters are likely / often very hesitant to reveal their material sources

## Takeaways:

- ✓ Using Supply Network Intermediaries is NOT a bad strategy... however opaque ones create huge challenges for transparency.
- ✓ There is likely much more material '*conversion*' happening in a brand's supply network than they are aware of.
- ✓ A best practice, for those who use such partners is to develop a relationship/trust where disclosure is mandatory for the partnership. However, remember... '*trust*' is a two-way thing.

Version 6.1

Fossil Fuel and Bio-based Feedstocks

*As a brand organization gets closer to excellence, they begin to more accurately realize how far they are from achieving it.*





# A New Platform for Excellence



# What if... *(we had a sustainable marketplace, that...)*



- ... is a trade fair first and foremost, where solid reliable business meetings/interactions are conducted
- ... (however), provides a curated and fostered a collaborative learning environment for all. Brands, manufacturers, service organizations and other value chain entities, where the objective is to raise the collective intelligence of the community
- ... provides sustainability education based on integrity, accomplishment and credibility instead of which presenter paid the most to share their story.
- ... supports excellence in sustainability as a measured, recognized and rewarded attribute
- ... exhibitor participation is guaranteed through demonstrated organizational excellence over glitz and marketing?

# Functional Fabric Fair



- Spring 2024 – April 17-18 – Portland, Oregon
- Summer 2024 – July 16-17 – NYC
- Fall 2024 – November 20-21 – Portland, Oregon

- In this era of dying trade fairs... FFF has a waiting list of exhibitors... over **DOUBLE** of who are allowed exhibit
  - 260 exhibitors in Spring 2024
  - Growing carefully and intentionally
- No frills, all business (*turn-key booths*)
- Sustainable production is a *necessary* attribute of all exhibitors
- Introduced in Spring 2024 was a “Day Zero” event
  - Highly curated, entry level sustainability education... designed for ‘the material developer’
  - Will be repeated in Fall, and expanded in Spring 2025
  - Expansion from entry level to advanced topics
- **Expansion into highly curated case studies from carefully chosen manufacturers who are excelling in reducing impact**

# Functional Fabric Fair – Where do we take this?

- A vetted, credible, directly quantifiable means to showcase what EXCELLENCE looks like in sustainable materials development and production?
- A platform for collaborative, cross –industry innovation projects?
- Always have an entry point for the materials developer who is just starting out and needs that basic level education
  - A ‘points’ or accreditation for sourcing/developing staff who have achieved mastery of sustainability topics
- Highly curated and credible awards for suppliers who have demonstrated sustainable excellence?
- ??? What would YOU like to see?



*"Hope is not a strategy"*

-Vince Lombardi





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