



**SASB
STANDARDS**

Now part of IFRS Foundation

Apparel, Accessories & Footwear

Sustainability Accounting Standard

CONSUMER GOODS SECTOR

Sustainable Industry Classification System® (SICS®) CG-AA

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12



 **IFRS**
Sustainability

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About the SASB Standards

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

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INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards (“SASB Standards” or “Industry Standards”), categorised pursuant to the [Sustainable Industry Classification System® \(SICS®\)](#).

SASB Standards include:

- 1. Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.
- 2. Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.
- 3. Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity’s performance for a specific disclosure topic.
- 4. Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.
- 5. Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, the [SASB Standards Application Guidance](#) establishes guidance applicable to the use of all Industry Standards and is considered part of the Standards. Unless otherwise specified in the technical protocols contained in the Industry Standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation and presentation of the metrics in the Industry Standards.

Historically, the [SASB Conceptual Framework](#) set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in **SICS[®]**. However, companies with substantial business in multiple SICS[®] industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

The Apparel, Accessories & Footwear industry includes entities involved in the design, manufacturing, wholesaling and retailing of various products, including adult and children's clothing, handbags, jewellery, watches and footwear. Products are manufactured primarily by vendors in emerging markets, thereby allowing entities in the industry to focus on design, wholesaling, marketing, supply chain management and retail activities.

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	n/a	CG-AA-250a.1
	Discussion of processes to assess and manage risks or hazards associated with chemicals in products	Discussion and Analysis	n/a	CG-AA-250a.2
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements ¹	Quantitative	Percentage (%)	CG-AA-430a.1
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	Quantitative	Percentage (%)	CG-AA-430a.2
Labour Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor	Quantitative	Percentage (%)	CG-AA-430b.1
	(1) Priority non-conformance rate and (2) associated corrective action rate for suppliers' labour code of conduct audits ²	Quantitative	Rate	CG-AA-430b.2
	Description of the greatest (1) labour and (2) environmental, health and safety risks in the supply chain	Discussion and Analysis	n/a	CG-AA-430b.3
Raw Materials Sourcing	(1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors and (4) management strategy for addressing business risks and opportunities	Discussion and Analysis	n/a	CG-AA-440a.3
	(1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental or social standard, by standard	Quantitative	Metric tonnes (t)	CG-AA-440a.4

¹ Note to **CG-AA-430a.1** – The entity shall discuss its supply chain risks associated with discharge of water from supplier facilities and describe how it manages these risks.

² Note to **CG-AA-430b.2** – The disclosure shall include a discussion of additional context around supply chain auditing, such as audit methodologies and supply chain transparency.

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1 ³	Quantitative	Number	CG-AA-000.A

³ Note to **CG-AA-000.A** – Tier 1 suppliers are defined as suppliers that transact directly with the entity, such as finished goods manufacturers (for example, cut and sew facilities). Suppliers beyond Tier 1 are the key suppliers to the entity's Tier 1 suppliers and can include manufacturers, processing plants and providers of raw materials extraction (for example, mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms, or slaughterhouses) The entity shall disclose whether any supplier data beyond Tier 1 is based on assumptions, estimates or otherwise includes any uncertainty.

Management of Chemicals in Products

Topic Summary

Chemical safety regulations demonstrate regulatory and stakeholder concern surrounding the use of harmful or potentially harmful substances in consumer products, including apparel, accessories and footwear. Finished apparel and footwear products have been found to contain traces of chemicals that have been banned or regulated. Depending on the chemical, the amount present in a product and the type of exposure, specific substances can be carcinogenic and can disrupt hormone activity in humans and other organisms. Failure to manage this issue may generate increased regulatory oversight and affect an entity's social licence to operate. The presence of harmful chemicals in products can result in recalls, litigation and reputational damage. Entities in this industry can examine the design, manufacturing and end-of-life phases to manage the creation, use and disposal of products containing chemicals of concern, develop safe alternatives and eliminate banned chemicals. Given the industry's reliance on outsourced manufacturing, this involves proactive partnerships with suppliers. In managing this issue, entities must balance the hazards posed by some chemicals against the quality of a product and its costs of production.

Metrics

CG-AA-250a.1. Discussion of processes to maintain compliance with restricted substances regulations

- 1 The entity shall discuss the processes used to verify that its products comply with the restricted substances regulations to which the entity is subject.
 - 1.1 Restricted substances regulations are defined as laws, rules and regulations that restrict or ban the use of some materials, chemicals and substances in finished home textile, apparel and footwear products.
- 2 The entity shall discuss its use of finished product and product input laboratory testing and verification, restricted substance lists (RSLs), material supplier (vendor) agreements or input stream management.
 - 2.1 An RSL is defined as a list of chemicals that the entity restricts from inclusion in materials, components and products that it produces. This list typically includes the common names of the chemicals, the restriction levels in the final product or tested component, and the test method.
 - 2.2 Material supplier agreements are defined as contracts between the entity and its manufacturing suppliers that limit regulated substances to their restricted levels in the products that the supplier manufactures.
 - 2.3 Input stream management is defined as a preventive process for monitoring and optimising chemical recipes, proactive reactants and reagents, or material inputs.
- 3 The entity shall discuss the verification and testing processes employed to confirm its materials maintain compliance with restricted substances regulations, including:
 - 3.1 whether the entity tests finished product or each product input, defined as the components of the finished product;

- 3.2 whether the entity conducts its own lab testing or if a third party conducts the testing;
- 3.3 the frequency of testing, including whether random sampling is conducted; and
- 3.4 whether the entity has a standard operating procedure (SOP) for verifying compliance with restricted substances regulations as a part of its material selection and approval process.

4 The entity shall describe the scope of the RSLs used including whether the entity:

- 4.1 uses separate RSLs to manage legal compliance within each market in which it operates or applies a single RSL to products in all markets in which it operates, regardless of whether the RSL contains chemicals not regulated in some markets;
- 4.2 uses one or more RSL that it has independently developed or if it uses an industry-accepted RSL, defined as an RSL that is promoted by an industry or trade organisation;
- 4.3 uses an RSL that reflects the strictest regulation in all the countries or markets in which the brand operates and sells products (for example, regulations that apply to manufacturing, marketing and sales locations);
- 4.4 uses an RSL that reflects the most restrictive allowable limits in all locations worldwide where the chemicals that may be used in the entity's products are regulated; or
- 4.5 uses one or more RSL that includes voluntary limits or bans of chemicals beyond the most restrictive global regulations, or if it includes chemicals that may not be subject to regulation but which the entity has voluntarily chosen to limit or ban from its products.

5 The strictest regulation is defined as the lowest allowable concentration of the regulated chemical found in any regulation in all locations worldwide where the chemical is regulated.

6 The entity shall disclose whether the RSL used is publicly available and shall disclose its location.

- 6.1 Public disclosure is defined as online disclosure of the full list of chemicals on the RSL, their restriction limits and the regulations to which the chemicals are subject.

7 The entity shall disclose how it enforces compliance with restricted substances regulations within its supply chain, including:

- 7.1 how it requires suppliers to demonstrate adherence (through self-declaration or if the entity includes RSL compliance requirements in supplier contracts or agreements);
- 7.2 which tiers (Tier 1 or beyond Tier 1) of suppliers the entity directly verifies comply with restricted substance regulations; and
- 7.3 how the entity enforces corrective actions when it identifies non-compliance with its RSLs.

8 Tier 1 suppliers are defined as suppliers that transact directly with the entity, such as finished goods manufacturers (for example, cut and sew facilities).

- 9 Beyond Tier 1 suppliers are defined as the essential suppliers to the entity's Tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (for example, mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms or slaughterhouses).
- 10 Disclosures generally correspond to the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module.

CG-AA-250a.2. Discussion of processes to assess and manage risks or hazards associated with chemicals in products

- 1 The entity shall discuss the business and operational processes employed to assess and manage potential risks and hazards associated with the use of materials, chemicals and substances (hereafter 'chemicals') in its products.
 - 1.1 The scope of the disclosure excludes chemicals management processes for chemicals used during manufacturing and production processes or that are associated with the production of raw materials or components of its products, but which are not present in finished products, which are addressed through CG-AA-430a.2.
- 2 Where chemicals management policies and practices differ significantly by business unit, product category or geography, the entity shall describe those differences.
- 3 The entity shall describe whether its approach to chemicals management is characterised by a hazard-based, risk-based or other approach.
 - 3.1 A hazard-based approach to chemicals management is defined as the process of identifying and managing the use of chemicals based on the toxicological characteristics of chemical ingredients as they relate to human health and the environment, including specific exposure routes (for example, oral, dermal or inhalation) and dosages (quantities) of a substance required to cause an adverse effect.
 - 3.2 A risk-based approach to chemicals management is defined as the process of managing the use of chemicals by integrating chemical hazard information with an assessment of chemical exposure (route, frequency, duration and magnitude) to assess the probability and magnitude of harm to a given population.
 - 3.3 Other approaches may include the mixed use of hazard- and risk-based approaches depending on the particular chemical, product category, business segment, operating region or intended product user.
- 4 The entity shall discuss the operational processes employed for chemicals management, such that:
 - 4.1 relevant operational processes that characterise hazard-based approaches include limiting or restricting specific chemicals in a finished product because the chemicals may be prohibited by a regulation, or because they have known toxicity at levels at or below amounts detectable in finished products (for example, the use of a comprehensive restricted substances list (RSL) for banned chemicals where the entity operates or for chemicals the entity has chosen to limit or eliminate);

4.2 relevant operational processes that characterise risk-based management include evaluating chemical hazard data, conducting assessments of exposure pathways and identifying potential corresponding health risks using screening methods and chemical risk framework tools, such as the World Health Organization's (WHO) *Human Health Risk Assessment Toolkit: Chemical Hazards*, the International Council of Chemical Association's (ICCA) *Guidance on Chemical Risk Assessment*, and the Outdoor Industry Association's (OIA) *ChemUnity Guide of Chemicals Management Solutions*; and

4.3 additional frameworks for hazard- and risk-based chemical assessments include those compiled by the Organisation for Economic Co-operation and Development (OECD).

5 The entity shall describe its approach to chemicals management in each stage of its products lifecycles, such as product design and planning, materials and chemicals procurement, manufacturing, finished-goods testing, product labelling and marketing, and end of life.

6 The entity shall describe how it prioritises chemicals for reduction or elimination from its products, and how it integrates alternative chemicals into product formulation and design, including through materials substitution assessments such as GreenScreen® For Safer Chemicals.

7 The entity shall describe whether it designs products according to one or more green chemistry principles, including how it prioritises a set of chemicals from its full product portfolio and evaluates sourcing options and potential material innovation.

7.1 Green chemistry principles are defined by the *12 Principles of Green Chemistry*⁴.

7.2 A product shall be considered to have been designed with green chemistry principles if tools, frameworks, standards or certifications were used to integrate one or more green chemistry principles into the design, materials selection, manufacturing processes, use-phase or end-of-life disposal of the product.

8 The entity shall disclose whether it conducts testing or pursues third-party certifications to verify the chemical content of its finished products, including which certifications apply to which products.

8.1 Examples of third-party certifications that verify chemical content in products may include OEKO-TEX Standard 100 Certification, Eco-Passport, Bluesign and Intertek Eco-Certification.

9 The entity shall describe how it coordinates with its suppliers to manage risks or hazards associated with chemicals in products, including:

9.1 whether and how it coordinates with its suppliers to implement its green chemistry programme, if extant, and if it rewards suppliers for participating.

10 The entity may identify chemicals in its finished products that it has selected for reduction, elimination or assessment, for reasons such as:

10.1 incomplete or insufficient toxicity information such that the entity cannot determine if the chemical is safe for use;

⁴ Anastas, P. T.; Warner, J. C. *Green Chemistry: Theory and Practice*, Oxford University Press: New York, 1998.

- 10.2 pending or anticipated regulations that may limit or restrict the use of the chemical in the future;
- 10.3 potential for environmental harm, but not harm to human health, the entity wishes to limit; and
- 10.4 being 'of concern' to consumers, customers, regulators or others (for example, non-governmental organisations or scientific researchers) even if the specific chemical or class of chemicals is unregulated.

10.4.1 Specific chemicals to discuss may include those found on the Chemical Footprint Project's Chemicals of High Concern List.

- 11 If the entity has identified specific chemicals for elimination or substitution, it may discuss the time line to achieve those goals, identify which products or product lines will be affected by the elimination or substitution, and provide an analysis of progress towards achieving its goals.
- 12 Disclosures generally correspond to the Sustainable Apparel Coalition's Higg Brand & Retail Module.

Environmental Impacts in the Supply Chain

Topic Summary

The Apparel, Accessories & Footwear industry's global supply chain contributes significantly to adverse environmental externalities through water consumption and various forms of pollution. Water pollution results from the discharge of chemicals during water-intensive dyeing and tanning processes. Air pollution stems from the industry's energy use and some manufacturing processes. These impacts have the potential to damage an entity's reputation and to affect cost structures over time. The scale of this issue has been intensified historically by the industry relying on manufacturing partners in emerging markets with limited environmental regulations and oversight. However, enhanced stakeholder and consumer scrutiny, coupled with increasingly stringent regulation in some regions, has encouraged entities throughout the industry to work with suppliers to reduce their environmental impact. Apparel, Accessories & Footwear entities that leverage their market power to influence suppliers to improve operational efficiencies and resource consumption and limit pollution can mitigate the costs associated with increased resource scarcity and regulation. Further, those that engage with suppliers through monitoring, auditing and strict standards may better preserve shareholder value over the long term.

Metrics

CG-AA-430a.1. Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements

- 1 The entity shall disclose the percentage of (1) its Tier 1 supplier facilities and (2) its supplier facilities beyond Tier 1 that comply with wastewater discharge permits or contractual agreements.
 - 1.1 Tier 1 suppliers are defined as suppliers that transact directly with the entity, such as finished goods manufacturers (for example, cut and sew facilities).
 - 1.2 Suppliers beyond Tier 1 are the essential suppliers to the entity's Tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (for example, mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms or slaughterhouses).
 - 1.3 A supplier facility shall be considered to be in compliance with applicable permits or contractual agreements if it meets the limits established by applicable jurisdictional legal or regulatory requirements for each chemical during testing conducted by local officials and by the entity, and if the facility has received no wastewater discharge violation notices during the reporting period.
 - 1.3.1 The determination of facility compliance with permits or contractual agreements is aligned with the Sustainable Apparel Coalition's (SAC) Higg Facility Environment Module (FEM), Section 4—Wastewater/Effluent, Level 1, Question 2.
 - 1.4 The entity shall calculate the percentages by dividing the number of supplier facilities (in each respective category) in compliance with wastewater discharge permits or contractual agreements by the total number of supplier facilities (in each respective category).

- 1.4.1 The entity may disclose the degree of estimation used in the calculation if the entity does not know its complete list of suppliers beyond Tier 1.
- 2 The scope of the disclosure includes supplier facilities that discharge industrial wastewater from any building, activity, piece of equipment or process that uses water and conduct: dying, tanning, lamination, laundry/washing, wet finishing, boiler blow-down, steam generation, cooling waters, cleaning, printing, screen printing and degreasing.
 - 2.1 Wastewater treatment may occur on-site at the supplier facility and off-site (for example, sent to a wastewater treatment facility).
- 3 If the entity reports to a wastewater standard in addition to—or in lieu of—reporting to a permit or contractual agreement, the entity may disclose the percentage of its Tier 1 supplier facilities and supplier facilities beyond Tier 1 that meet all parameters specified in the applicable wastewater standards.
 - 3.1 Wastewater standards are wastewater guidelines other than permits or contractual agreements.
 - 3.1.1 The determination of a facility meeting all parameters specified in the applicable wastewater standards is aligned with the SAC's Higg FEM, Section 4—Wastewater/Effluent, Level 1, Question 2.
 - 3.2 The entity shall calculate the percentages by dividing the number of supplier facilities (in each respective category) that meet all parameters specified in the applicable wastewater standards by the total number of supplier facilities (in each respective category).

Note to **CG-AA-430a.1**

- 1 The entity shall discuss, if applicable, its supply chain risks associated with discharge of water from supplier facilities and describe how it manages these risks.
 - 1.1 The scope of the disclosure may include:
 - 1.1.1 environmental constraints, such as the ability to maintain compliance with regulations focused on the quality of effluent discharged to the environment, the ability to eliminate existing and emerging pollutants of concern and the ability to maintain control over storm water discharges;
 - 1.1.2 operational or financial constraints, such as increased liability or reputational risks, restrictions to discharges or increased operating costs because of regulation, stakeholder perceptions and concerns related to water discharges (for example, those from local communities, non-governmental organisations and regulatory agencies) and the ability to obtain discharge rights or permits; and
 - 1.1.3 how risks may vary by discharge destinations, including surface water, groundwater, or wastewater utilities.

- 2 The entity shall briefly characterise the treatment methods used for wastewater discharge at supplier facilities. The entity may disclose the percentage (by volume) of water treated and returned to the environment by each treatment method. Treatment methods include:
 - 2.1 primary treatment, defined as screening and settling—clarification in which solids settle and oil and grease float;
 - 2.2 secondary treatment, defined as biological decomposition—degradation of organic content with aerobic or anaerobic biological treatment; and
 - 2.3 tertiary treatment, defined as any additional method to improve water quality further, such as disinfection, nutrient removal or reverse osmosis/ultrafiltration.
- 3 The entity shall describe the reasons for choosing wastewater discharge requirements for supplier facilities, which may include:
 - 3.1 the type of effluents being discharged from supplier facilities;
 - 3.2 the regulatory or voluntary standards to which the entity or its suppliers are subject;
 - 3.3 the environmental setting of supplier facilities; and
 - 3.4 the financial implications of choosing such wastewater standards.
- 4 The entity shall discuss how its wastewater discharge requirements address:
 - 4.1 illegal substances;
 - 4.2 legally regulated substances; and
 - 4.3 substances or discharge parameters not regulated or prohibited by law but that may be a specific pollutant or risk to textile manufacturing, such as use of pesticides, allergenic dyes, or tin-organic compounds and pH value.
- 5 The entity may describe its procedure for testing wastewater quality at supplier facilities, including the frequency of testing, whether testing is done internally or externally, and the testing parameters used.
- 6 The entity may describe any practices, programmes, technology or methods used to manage and improve wastewater quality and chemical formulations used at its supplier facilities.
 - 6.1 Relevant programmes to discuss include adherence to certification schemes with wastewater discharge standards.
 - 6.2 Disclosure is aligned with the SAC's Higg FEM, Section 4—Wastewater/Effluent, Level 1, Question 2.

CG-AA-430a.2. Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment

- 1 The entity shall disclose the percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's (SAC) Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment.
 - 1.1 Tier 1 suppliers are defined as suppliers that transact directly with the entity, such as finished goods manufacturers (for example, cut and sew facilities).
 - 1.2 Suppliers beyond Tier 1 are the essential suppliers to the entity's Tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (for example, mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms or slaughterhouses).
 - 1.3 The entity shall calculate the percentages by dividing the number of supplier facilities (in each respective category) that have completed the Higg FEM assessment or an equivalent environmental data assessment by the total number of supplier facilities (in each respective category).
 - 1.3.1 The entity may disclose the degree of estimation used in the calculation if the entity does not know its complete list of suppliers beyond Tier 1.
 - 1.4 Supplier facilities shall be considered to have completed the assessment if the entity fully completes the applicable Higg FEM assessment questions.
- 2 If the entity collects environmental inventory data from its suppliers without using the Higg FEM, the environmental data assessment shall be considered equivalent to the Higg FEM if the entity gathers inventory data and reduction targets for all applicable categories and criteria covered in the Higg FEM, including data on:
 - 2.1 environmental management system;
 - 2.2 energy & GHG;
 - 2.3 water;
 - 2.4 wastewater;
 - 2.5 waste;
 - 2.6 air emissions; and
 - 2.7 chemicals management.

Labour Conditions in the Supply Chain

Topic Summary

The treatment of workers and the protection of worker rights in the Apparel, Accessories & Footwear industry's supply chain is of growing concern among consumers, regulators and leading entities. Critical aspects of this issue include employee health and safety, fair pay, child labour and forced labour. Although many entities strive to improve supply chain labour conditions, the industry's reliance on a multitiered system of suppliers, subcontractors, labour recruitment firms and part-time workers makes these issues difficult to manage. Because entities in the industry typically contract with suppliers in countries with the lowest direct costs, the industry's products often are manufactured in countries with limited regulations or enforcement protecting workers. This dynamic can increase an entity's exposure to reputational risks. Effects on short- and long-term costs and sales can arise from increasing regulation and enforcement in response to high-profile safety or labour incidents, production disruptions because of strikes and other labour-related work stoppages, or through a shift in demand away from entities associated with such incidents. Entities with strong supply chain standards, monitoring and engagement with suppliers to address labour concerns may better preserve shareholder value over the long term.

Metrics

CG-AA-430b.1. Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor

- 1 The entity shall disclose the percentage of its (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct during the reporting period.
 - 1.1 Tier 1 suppliers are defined as suppliers that transact directly with the entity, such as finished goods manufacturers (cut and sew facilities).
 - 1.2 Suppliers beyond Tier 1 are the essential suppliers to the entity's Tier 1 suppliers and can include manufacturers, processing plants and providers of raw materials extraction (for example, mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms or slaughterhouses).
 - 1.3 Audits are defined as visits to a supplier's facility and review of records to ensure compliance with the code of conduct.
 - 1.4 A labour code of conduct is a corporate policy, standard or contract that outlines a set of working conditions, labour practices, and environmental health and safety requirements for suppliers and contractors. At a minimum, a code of conduct ensures that suppliers comply with regulations.
 - 1.4.1 Labour criteria in the code of conduct shall include, at a minimum, an assessment of worker hours, excessive overtime, non-discrimination, minimum age requirements, compensation practices, freedom of association (worker involvement and communication), worker treatment and development (anti-harassment and anti-abuse policies), and termination and retrenchment policies.

1.4.2 Environmental health and safety criteria in the code of conduct shall include, at a minimum, an assessment of building and occupational safety hazards and environmental provisions relating to human health and safety, including criteria focused on compliance with environmental laws, environmental permits, pollution prevention and source reduction, hazardous materials management, wastewater and solid waste management, and air emissions levels.

1.4.3 Examples of apparel industry codes of conduct include the Fair Labour Association (FLA) *Workplace Code of Conduct and Compliance Benchmarks*, and the Outdoor Industry Association (OIA) Code of Conduct in the Fair Labour Toolkit.

1.5 The entity shall calculate the percentages as the number of the entity's supplier facilities (in each respective category) that have been audited during the reporting period divided by the total number of the entity's supplier facilities (in each respective category).

1.5.1 The entity may disclose the degree of estimation it uses in the calculation if the entity does not know its complete list of suppliers beyond Tier 1.

1.6 The scope of audits includes those conducted by:

1.6.1 an internal corporate representative;

1.6.2 a third-party auditor; and

1.6.3 other brands or external third parties not commissioned by the entity in lieu of having an audit conducted solely for the entity's purpose.

2 The entity may disclose the extent to which it has reduced audit redundancy by accepting audits conducted by other brands or external third parties.

3 The entity shall disclose the standards it uses to measure labour code of conduct compliance.

3.1 For internally developed supplier codes of conduct, the entity shall disclose the public location where such codes can be viewed.

4 The entity shall disclose the percentage of supplier facility audits (regardless of tier) performed by an independent third-party auditor.

4.1 An independent third-party audit is defined as an audit conducted by an independent external organisation to determine that the supplier facility complies with specific standards.

4.2 The entity shall calculate the percentage as the number of audits performed by an independent third-party auditor divided by the total number of audits conducted.

4.3 The scope includes audits conducted at Tier 1 supplier facilities as well as those beyond Tier 1.

5 The entity may describe its approach to auditing supplier facilities, including how the entity adjusts the scope and frequency of monitoring for supplier facilities based on potential risk factors and continuous facility performance.

- 6 The entity may describe how it assesses and prioritises its supply chain partners (including subcontractors) to determine the level of labour conditions risk associated with each, including:
 - 6.1 if the entity maintains a list of the Tier 1 suppliers and suppliers beyond Tier 1 involved with the production of its goods; and
 - 6.2 if the entity records information about risk factors that affect performance on labour standards for manufacturers that have been mapped to determine proper levels of oversight and monitoring.
- 7 Disclosures generally correspond to the Sustainable Apparel Coalition's Higg Brand & Retail Module.

CG-AA-430b.2. (1) Priority non-conformance rate and (2) associated corrective action rate for suppliers' labour code of conduct audits

- 1 The entity shall disclose (1) the rate of its suppliers' non-conformance with external labour code of conduct audit standards or internally developed supplier codes of conduct and the rate at which those instances of non-conformance have been subject to corrective action.
 - 1.1 A non-conformance is defined as a violation of an applicable jurisdictional law or regulation or one or more aspects of a code of conduct corroborated by more than one source (for example, management interview, worker interview, payroll review or on-site observation) unless that single source is incriminating.
 - 1.2 Priority non-conformances are defined as the highest severity of non-conformance and require escalation by auditors or the entity. Priority non-conformances may arise from: a significant risk to labour conditions, safety or the environment; non-compliance with relevant regulatory requirements; or failure to adequately correct prior minor non-conformances. These also may be referenced as 'high-risk violations', 'severe violations', or 'major deficiencies'.
 - 1.3 The entity shall calculate the priority non-conformance rate as the number of priority non-conformances identified in the supply chain divided by the total number of facilities audited.
 - 1.4 The scope of the disclosure includes facilities audited by the entity, by other brands or by external third parties commissioned by the entity in lieu of having an audit conducted solely for the entity's purpose.
- 2 The entity shall disclose (2) its corrective action rate for priority non-conformances with external labour code of conduct audit standards or internally developed supplier codes of conduct.
 - 2.1 A corrective action is defined as the timely completion of a corrective action plan designed to eliminate the cause of a detected non-conformance, including the implementation of practices or systems to eliminate any non-conformance and prevent non-conformance reoccurrence, as well as verification the supplier has taken corrective action.
 - 2.2 The entity shall calculate the corrective action rate as the number of corrective actions that address non-conformances divided by the total number of non-conformances identified.
- 3 If relevant, the entity may disclose the number of contracts with suppliers terminated because of non-conformances.

4 The entity may provide a disaggregation of the levels in the supply chain where the non-conformances occurred (Tier 1, Tier 2 or other) or by region.

Note to CG-AA-430b.2

- 1 The entity shall discuss additional context around supply chain auditing, such as:
 - 1.1 audit methodologies and criteria (for example, management system investigation, worker interviews, management interviews, document review, visual observations);
 - 1.2 relationship with suppliers (for example, length and nature);
 - 1.3 time line to resolve priority non-conformances (for example, immediate for locked or no fire exits, 30 days for involuntary labour, 60 days for delays in payments to workers, 90 days for expired health and safety certificates);
 - 1.4 efforts to increase supply chain transparency (for example, supplier demonstration of compliance, supplier ability to provide timely robust data and supporting evidence); and
 - 1.5 efforts to build supplier capacity to improve labour conditions in the supply chain (for example, development of supplier workplace code of conduct, worker benefit programmes at supplier factories).

CG-AA-430b.3. Description of the greatest (1) labour and (2) environmental, health and safety risks in the supply chain

- 1 The entity shall list (1) the three labour conditions issues and (2) the three environmental health and safety issues that pose the greatest potential risk in the entity's supply chain.
 - 1.1 A risk may be identified as one that poses the greatest potential risk because: (a) the entity has determined the potential threat for the risk to cause accidents or incidents at supplier facilities, (b) the risk was identified as a most frequent non-conformance in labour code of conduct audits, or (c) the entity has determined the risk poses the greatest potential threat to cause financial or reputational harm to the entity or its suppliers if left uncorrected.
- 2 Labour conditions risks include those related to the criteria outlined in the entity's labour code of conduct or audit criteria, such as: excessive worker hours, violations in minimum age requirements, unfair compensation practices, lack of freedom of association rights, unfair worker treatment (harassment or abuse), or other labour conditions risks identified by the entity.
- 3 Environmental health and safety risks include those related to the criteria outlined in the entity's environmental, health and safety code of conduct or audit criteria: unsafe building and occupational safety hazards, non-compliance with environmental permits, unsafe levels of air and water pollution, improper management of hazardous substances, wastewater and solid waste disposal violations, or other risks identified by the entity.
- 4 The entity may discuss any trends within the labour and environmental, health and safety risks in its supply chain, such as how frequently it identified the greatest risks through monitoring, differences between regions, or the level in the supply chain at which these risks occur (Tier 1 level or beyond Tier 1).

- 5 The entity may include a discussion of strategies and efforts to reduce the greatest labour, environmental, health and safety risks in its supply chain, which may include:
 - 5.1 tracking closure of corrective actions;
 - 5.2 capacity building efforts, such as analysis of root causes and management systems and engagement with workers in the remediation process;
 - 5.3 supplier training;
 - 5.4 self-auditing and reporting support;
 - 5.5 participation in multi-stakeholder initiatives; and
 - 5.6 providing incentives or mandating sanctions for labour and environmental, health and safety performance.
- 6 Disclosures generally correspond to the Sustainable Apparel Coalition's Higg Brand & Retail Module.

Raw Materials Sourcing

Topic Summary

The Apparel, Accessories & Footwear industry relies on many raw materials including cotton, leather, wool, rubber, and precious minerals and metals, as inputs for finished products. Sustainability impacts related to climate change, land use, resource scarcity and conflict in regions where the industry's supply chain operates affect the industry's ability to reliably source materials. The ability of entities to manage potential material shortages, supply disruptions, price volatility and reputational risks can be more difficult when supply chains lack transparency. Failure to effectively manage this issue can delay shipments and depress earnings, reduce margins, constrain revenue growth or increase costs of capital. The types of risk associated with sourcing different materials can require different solutions, including engaging with suppliers, enhancing transparency by using certification standards, using innovative alternative materials, or introducing circular economy practices. Entities that are proactive may reduce their exposure to price volatility and potential supply disruptions, while improving their brand reputation and developing new market opportunities.

Metrics

CG-AA-440a.3. (1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors and (4) management strategy for addressing business risks and opportunities

- 1 The entity shall disclose its priority raw materials purchased for finished goods.
 - 1.1 The entity shall identify priority raw materials using the definition of 'priority materials' outlined in the Priority Material section of the *Textile Exchange's Materials Terminology Guide*.
 - 1.2 Priority raw materials may include synthetic fibres, natural fibres, manufactured cellulosic materials, materials derived from animals and any other materials used directly to make apparel, accessories or footwear products, which may include cotton, rayon, viscose, polyester, acrylic, spandex, nylon, rubber, foam, leather, wool, cashmere, mohair, flax, silk, hemp and down.
 - 1.3 The entity shall identify priority raw materials using the categorisation scheme presented in the Materials Portfolio section of the Textile Exchange's *Materials Terminology Guide*.
 - 1.4 The scope of disclosure shall include priority raw materials present in finished goods and shall exclude raw materials used in packaging and manufacturing.
 - 1.5 Priority raw materials include materials purchased by the entity or its suppliers for the purposes of producing the entity's finished goods.
 - 1.6 If the entity is vertically integrated across the value chain and does not purchase its priority raw materials from a third-party supplier, it shall identify the priority raw materials sourced from its owned operations and used in the production of its finished goods.

2 For each priority raw material, the entity shall identify the important environmental or social factors most likely to threaten its ability to source or purchase each material.

2.1 Environmental factors may include:

2.1.1 Climate change impacts (for example, extreme weather events or water stress)

2.1.2 Regulation on greenhouse gases (GHG)

2.1.3 Environmental regulations for suppliers

2.1.4 Land use practices

2.1.5 Production methods that result in water pollution, soil degradation, deforestation or loss of biodiversity

2.2 Social factors may include:

2.2.1 Suppliers' animal welfare, labour and human rights practices

2.2.2 Materials sourcing from regions of conflict

2.2.3 Regulations on labour practices or human rights

3 For each priority raw material, the entity shall discuss the business risks and opportunities associated with environmental or social factors.

3.1 Business risks and opportunities may include:

3.1.1 Access to, and availability of, the priority raw material

3.1.2 Ability to trace the priority raw material

3.1.3 Price volatility of the priority raw material

3.1.4 Regulatory compliance issues associated with the priority raw material

3.1.5 Customer demand for products containing the priority raw material

3.1.6 The entity's brand value and reputation

4 For each priority raw material, the entity shall discuss its management strategy for addressing business risks and opportunities associated with environmental or social factors most likely to threaten its ability to source priority raw materials.

4.1 Relevant strategies may include:

- 4.1.1 Enhancing supply chain monitoring and traceability of raw materials suppliers through due diligence practices, research into traceability or the use of traceability systems, technology, supplier screening, supplier audits or certifications, or a list of countries from which the entity sources each priority raw material
- 4.1.2 Supporting raw material suppliers through supplier training or engagement programmes or introducing regenerative agricultural practices
- 4.1.3 Partnering with industry groups or non-governmental organisations to address environmental or social factors in supplier regions
- 4.1.4 Investing in the design phase or in research and development to identify substitutable or alternative materials less impacted by environmental and social factors
- 4.2 If the entity identifies cotton as one of its priority raw materials, it shall discuss its vulnerability to cotton-growing regions with water stress and how it manages the risk of price variability because of sourcing cotton from these regions.
 - 4.2.1 The entity may identify its known sources of cotton for High (40%–80%) or Extremely High (>80%) Baseline Water Stress using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
- 4.3 The entity shall disclose any relevant performance measures or targets used to assess the effectiveness of its management approach, as well as its progress against such targets.
- 4.4 Disclosure corresponds to the Sustainable Apparel Coalition's Higg Brand & Retail Module.

5 The entity may use the following table format to organise disclosure.

Priority Raw Material (Name)	Environmental or Social Factors	Discussion of Business Risks or Opportunities	Management Strategy

CG-AA-440a.4. (1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental or social standard, by standard

- 1 For each priority raw material, the entity shall disclose the amount of materials purchased, in metric tonnes, during the reporting period.
 - 1.1 The entity shall identify priority raw materials using the definition of 'priority materials' outlined in the Priority Material section of the Textile Exchange's *Materials Terminology Guide*.

- 1.2 Priority raw materials may include synthetic fibres, natural fibres, manufactured cellulosic materials, materials derived from animals, and any other materials used directly to make apparel, accessories, or footwear products, which may include cotton, rayon, viscose, polyester, acrylic, spandex, nylon, rubber, foam, leather, wool, cashmere, mohair, flax, silk, hemp and down.
- 1.3 The entity shall identify priority raw materials using the categorisation scheme presented in the 'Materials Portfolio' section of the Textile Exchange's *Materials Terminology Guide*.
- 1.4 If the entity purchases finished goods rather than unprocessed raw materials, it shall calculate the initial amount, in metric tonnes, of priority raw materials required for production.
 - 1.4.1 The entity shall account for material loss and wastage throughout production and should reference the Textile Exchange's *Fibre Uptake Calculations & Reporting Best Practices Guide and Fibre Conversion Methodology*.
- 1.5 If the entity does not measure the weight of a material, it shall provide an alternative measurement, such as surface area.
- 1.6 The purchased amount of each priority raw material shall reflect the material in its original state and should not be presented with further data manipulation, such as reporting it as 'dry weight' consistent with guidance for Global Reporting Initiative (GRI) *Disclosure 301-1 Materials used by weight or volume*.
- 1.7 If estimation is required, the entity shall disclose the methods used.
- 1.8 The scope of disclosure shall include priority raw materials present in finished goods and exclude raw materials used in packaging and manufacturing.
- 1.9 Priority raw materials include materials purchased by the entity or its suppliers for the purposes of producing the entity's finished goods.
- 1.10 If the entity is vertically integrated across the value chain and does not purchase its priority raw materials from a third-party supplier, it shall identify the priority raw materials sourced from its owned operations and used in the production of its finished goods.

- 2 For each priority raw material, the entity shall disclose the amount, in metric tonnes, purchased that is certified to a third-party environmental or social standard, by standard.
 - 2.1 Third-party environmental or social standards are defined as standards developed by a third party and address environmental or social factors likely to threaten an entity's ability to reliably source its priority raw materials.
 - 2.2 Third-party environmental and social standards may include:
 - 2.2.1 Textile Exchange's Recycled Claim Standard (RCS), Global Recycled Standard (GRS), Organic Content Standard (OCS), Responsible Down Standard (RDS), Responsible Wool Standard (RWS) and Responsible Mohair Standard (RMS)
 - 2.2.2 Global Organic Textile Standard (GOTS)

- 2.2.3 Cotton Made in Africa (CmiA)
- 2.2.4 Fair Trade Certified
- 2.2.5 Organic Fair Trade
- 2.2.6 Leather Working Group (LWG)
- 2.2.7 Forest Stewardship Council (FSC) Certification
- 2.2.8 Programme for the Endorsement of Forest Certification (PEFC)
- 2.2.9 Better Cotton Initiative (BCI)

2.3 The scope of certified priority raw materials includes materials derived from a process certified to a third-party environmental or social standard.

2.4 The entity may disclose priority raw materials not certified to a third-party environmental or social standard, but that contribute to the entity's strategy to secure reliable sourcing.

- 2.4.1 Materials may include reclaimed cotton and wool, mechanically or chemically recycled natural, synthetic or semi-synthetic fibres.
- 2.4.2 Materials may include those certified to a standard/certification developed by the entity.

3 For each priority raw material, the entity shall discuss:

- 3.1 Why it has chosen the specified third-party certification(s)/standard(s)
- 3.2 How the certified materials contribute to managing the entity's business risks and opportunities
- 3.3 Any quantitative targets it has set for certified priority raw materials

4 The entity may use the following table format to organise disclosure.

Priority Raw Material (Name)	Amount Purchased (Metric Tonnes)	Amount Certified, By Standard	
		Certification/Standard & Associated Discussion (Technical Protocol #3 - 3.3)	Amount Certified



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