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Organization Name: Textile Exchange

Public Comment period for Raw Materials Sourcing in Apparel project

Thank you SASB team for the opportunity to submit feedback. We look forward to hearing next steps and very happy to answer any further questions.

Warm regards

Liesl Truscott
Textile Exchange

Question 1: Does the proposed change to the “priority raw materials” definition in the qualitative metric (CG-AA-440a.1) improve: (1) alignment with common industry practices and guidance, (2) cost of implementation for companies, and (3) usefulness of disclosures?

Textile Exchange response:

Definition and guidance alignment between SASB and Textile Exchange would offer great service to the industry.

By way of background, Textile Exchange’s decision to apply a weight-based scale to define and determine a “priority material” came from stakeholder consultation and agreement that volumetric scale was a key factor (but not the only factor) for arriving at a raw materials strategy focus, company prioritization, and assessing risk and opportunity. We developed the three-pronged approach as evidenced in the Textile Exchange’s terminology (see pages 7-8).

It is worth noting that Textile Exchange went first to SASB’s definition as a starting point and authority in this space. We have simply taken their baton and run to the next base. All the while keeping in discussion with SASB – so this opportunity feels very collaborative and the outcomes as significant for Textile Exchange, as it is for SASB since our community strongly overlaps.

Like SASB, Textile Exchange is committed to transparent industry and wider stakeholder consultation and engagement in the development of terminology and commits to regular reviews of definitions to ensure relevance and accuracy in this fast-moving area of textile fiber and materials sustainability. This is something we would like to think SASB can benefit from as well.

Apparel and textile companies committed to compiling disclosures using the SASB standards would benefit from the tools and expertise provided through Textile Exchanges Corporate Fiber & Materials Benchmark (CFMB) program to enable and equip them to calculate volumes of materials (including preferred materials), access industry-
standardized conversion rates, and a secure reporting platform (including use of a computed Materials Balance Sheet). The CFMB program, processes and systems are annually reviewed by Elevate each year.

Data, good practices and guidance are improving all the time. A big part of the improvement cycle is through the actual reporting of data. Corporate reporting allows for learning from leaders and an insight into where the gaps are so further support can be developed. For instance, Textile Exchange is currently preparing a guide on leather uptake and reporting to drive more standardized calculations for volumetric accounting of leather used and associated impact modeling. The Guide is due out in September 2021. Data improvement (accuracy, standardization), and efficiencies would be among the opportunity here for reporting companies and analysts within the investment community.

Question 2: Do you agree with the rationale to structure metrics by priority raw material (e.g., cotton, leather, etc.) versus by another component such as sourcing region or environmental/social factor (e.g., water scarcity, animal welfare, etc.)?

Textile Exchange response:

From our experience, companies tend to review raw materials risk through a fiber or materials lens and mitigate accordingly – often using fiber, farm, forestry standards and certifications and other sustainability initiatives or programs that meet their risk mitigation needs on the ground (note, programs are not always third-party certified and arguably we need a variety of approaches that address scope, ease of implementation, and a direction of travel towards increasingly robust approaches).

There is a strong logic to structure metrics “by priority raw material” since:

- Standards and other sustainability programs tend to be built around specific materials (but not always).
- Textile and apparel brands, retailers (and manufacturers) do not always know the country of origin of their raw materials – therefore, it would be difficult for many to structure and scope their materiality risks and metrics by sourcing location/geography. Note, locating raw materials back to sourcing region will be critical to mitigating and managing biodiversity, water, and other place-based risks. We are working with our members and other benchmarking companies on this next step. Expanding from a materials/supply chain silo to a landscape-based approach will be key to localizing action and working collaboratively across sectors and other stakeholders such as communities.
- Regarding environmental and social risk factors, these can be multi-layered (and tie in with the points above). For instance, there will be the more universal (generic) risk factors at the fiber or raw material level, often but definitely not always corresponding to the volumes of that material a company sources (e.g., cotton production will generally carry risk associated with soil health, water use, climate change, labor rights, pesticide use, etc.) and then there will be risk associated with the geography, socio-economic conditions, and regulatory framework status in the country. Universal risks will be exacerbated by local risk conditions and therefore the opportunities to effectively mitigate risk and act (both negatively and positively) are increased with this level of granular knowledge.
One idea would be to allow for a risk matrix approach and/or a phased approach – with the expectation that companies work towards greater transparency at the raw materials sourcing region level and a corresponding customization of risk and opportunity at that level.

Another opportunity here would be to “dashboard” and display at multiple levels (1) general raw material risk, (2) sourcing region/geographical risk and (3) assessed local ESG risk associated with sourcing a said fiber from a said region.

In summary, our advice would be to report risk on the raw material category level but recommend [and develop a framework for] more granular risk reporting as and when the company can dig deeper back to sourcing region. Textile Exchange has started building a simple risk reporting tool (with industry consultation) that would accommodate this approach. Currently, our risk listings can be found in the terminology Guide (from page 18).

**Question 3: Do the proposed changes to the quantitative metric (CG-AA-440a.2) improve the comparability, completeness, and usefulness of disclosures?**

**Textile Exchange response:**

Yes, we do think volumetric quantification of materials used improves the comparability, completeness and usefulness of disclosures. *Quantification also allows for preferred material target setting, progress tracking and for linking to associated impact assessment such as GHG emissions, water consumption and energy use. Since environmental impacts can most consistently be tracked by Life Cycle Assessment, volumes of materials used is a key factor.*

Note, volumetric quantification is a useful way to standardize reporting but may not always be associated with risk scale. For example, cashmere may be a smaller volume of a company’s fiber use but a “priority material” according to associated risk and/or opportunity to act and make improvements. Our definition (and the one proposed by SASB) would accommodate both the scale and other assessments to determine priority.

We would offer that, potentially, companies could report uptake volumes via the Textile Exchange benchmark survey and link to their scorecards as evidence of meeting the SASB requirements. Explanation below…

Through our secure benchmarking portal, Textile Exchange requires companies to annually quantify volumes of raw materials used (and we help them do this). Company-level data is kept confidential – although companies of course have the option to disclose their data to others.

We have developed a Materials Balance Sheet (MBS) calculator (page 8 of the Terminology Guide and please see the full MBS User Guide here) in our reporting portal which literally results in companies creating a working balance and account for all the materials they use, and a breakdown by sustainability program, standard/certification and/or initiative.

Not only does this annual quantification allow the company to store – in one place – the volumes they are sourcing each year but it also supports their tracking of progress towards sourcing targets and the modeling of outcomes and impacts (see the Impact Dashboard which displays aggregated results as an example of what we produce for individual companies via their confidential company scorecard (example scorecard here)).
Question 4: The Board considered two approaches to revise the list of certifications/standards included in metric CG-AA-440a.2. Do you have a preference between the two approaches, and if so, why? What principles would you consider when evaluating the credibility and/or selection of third-party certifications/standards?

Textile Exchange response:

We would advocate for a “principles” approach. There is not “one size fits all” when it comes to sustainability programs and, further, the landscape of options is constantly changing. It would be difficult for the SASB Standard to keep up with “what’s in and what’s out” if it went for a “listing” approach. For example, in the last few years, there has been both arrivals of new important standards such as the Regenerative Organic Certification (ROC) and the exiting of others such as the Traceable down Standard (TDS).

We would also recommend that companies take a “portfolio approach” (i.e., a mix of standards and other programs) to meet their sourcing of more sustainable materials, with the understanding that (a) sustainability is a journey not a destination, (b) that volumes of certified materials are not always readily available and may need investment to come online (e.g., investing in in-conversion to build organic cotton and regenerative organic cotton availability), (c) a performance improvement and stretch to great use of higher impact standards is part of the portfolio approach and (d) that the company’s sourcing of preferred materials also meet ethical business practices (for instance, payment terms and conditions benefit farmers) and (e) result in positive, sustained, outcomes and impacts.

Textile Exchange defines a preferred fiber or material (“PFM”) as one that results in improved environmental and/or social sustainability outcomes and impacts compared to conventional production. Please see our Terminology Guide for:

- A description of the way Textile Exchange describes a preferred material (page 6) and a portfolio approach (page 9).
- Since there is not “one size fits all”, we have come up with criteria for assessment (page 7). A PFM should meet at least one of these criteria. Note, this will be replaced by the PFM Matrix later this year.
- The current list of materials and sustainability programs we cover in the CFMB program (page 9).
- A tabular list of sustainability programs (from page 11).

Textile Exchange is committed to reviewing, assessing (see our PFM Matrix currently under development – version 1 due out in November 2021) and regularly evaluating the methodology for defining and categorizing preferred materials. Please also see our Market Reports that provide industry-critical information on the size and shape of the PFM “basket” each year.

Question 5: Do you agree with the Board’s conclusion to not expand the scope of the Raw Materials Sourcing disclosure topic to include materials used for packaging?

Textile Exchange response:

This is an interesting one. Textile Exchange appreciates that packaging will originate from similar sources as textiles, such as wood, cotton and other plant fibers, and non-renewables such as fossil-based plastics.
To date, the scope of our benchmark is “the fibers and raw materials grown, extracted, and reclaimed for textile and apparel production”.

Packaging materials and associated volumes and impacts are important considerations for our industry. We look to other initiatives to progress this agenda such as CanopyStyles Pack4Good and the Sustainable Apparel Coalitions’ Higg Brand & Retail Module (Higg BRM).

**Question 6: Do the proposed changes improve the usefulness of disclosures for companies identified in the industry scope (companies involved in design, manufacturing, wholesaling, and retailing)?**

**Textile Exchange response:**

Yes. And Textile Exchange would be very interested in ongoing collaboration and supporting the alignment between the SASB Standard and our Corporate Fiber & Materials Benchmark.