

HONEST FASHION

Beyond Transparency



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Our Report Goes Behind The Glamour



And Beyond Transparency to Leverage a Honest Fashion System

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PART 1

The Challenge of Transparency in the Global Fashion System

We need to be honest about fashion

Despite the alarmingly complex social, economic and environmental issues generated by the fashion industry, **transparency is in short supply**.

This is surprising. Today we live in an age where we are increasingly observed and observing. Some even say corporate transparency is “en vogue”.

The conventional wisdom is that without observing something – Resources, Roles, Relationships, Rules and Results – we cannot understand, interact with, or improve a system. As Louis Brandeis observed, “**sunlight is the best disinfectant**”. This transparency gap brings our report’s purpose into sharp focus: **To expose the perils, and potential, of transparency, to leverage an honest fashion system.**



We believe transparency is the first step to transform the industry
- Fashion Revolution

AT A GLANCE

Fashion Revolution’s Transparency Index 2018 indicates that full transparency, while on the increase, cannot be considered an industry norm. Much information remains concealed from view.

60%

No fashion brands or retailers scored more than 60%

12%

Some brands did not reveal any sensitive information

5%

On average, disclosers increased transparency by 5%

1

Only ONE company disclosed their full list of suppliers

IN BRIEF

X 2

In the last 15 years, clothing production has doubled

<1%

The amount of material recycled into new clothes

26%

If the industry continues on its current path, by 2050, it could use more than 26% of the carbon budget associated with a 2°C pathway

98M

The industry relies on 98 million tonnes of non-renewable resources per year

4%

The fashion industry withdraws 4% of the world’s available global freshwater supplies

1,132

The number of garment workers who tragically died in the Rana Plaza building collapse

Being Transparent on Transparency

Our research revealed **many transparency benefits** – increased performance, customer loyalty, employee engagement, increased sustainability.

Yet we uncovered a reluctance to be transparent: inaction, unreliable data, opaqueness, difficult to interpret data, shirking of transparency obligations, deliberate indifference, dishonesty, governance oversights, “gaming”, even fraud.

These findings generated our report’s over-arching research question:

How can transparency become an effective lever of systemic change in the fashion industry?

What is Transparency?

Transparency is an **amorphous** term and has been variously defined depending on the originator(s).

It can mean:

- ... as **Disclosure**
- ... as **Surveillance**
- ... as **Monitoring**
- ... as **Accuracy**

Transparency is frequently associated with **accountability, legitimacy, effectiveness and democratic governance.**

Transparency is exemplified by virtues of **fairness, integrity, respect and empathy.**

Organisational transparent reporting should involve **relevant, timely and reliable** information.



The fashion industry is built on secrecy, elitism, closed doors and unavailability

- Orsola de Castro, Fashion Industry Stakeholder

Secrecy and Silence

To answer our question, we first investigated **the flip side of transparency, SECRECY**. Our visual map uncovers secrecy and silence along several steps of the fashion supply chain. Our causal loop diagrams and evidence-based personas¹ reveal that transparency is held back by a **TRUST DEFICIT**. **FEAR** is often its immediate cause. The mapping process generated a number of relevant questions.



Aarav is a **Cotton Farmer** in India's Yavatmal District. He is too scared to report his pesticide poisoning and he cannot escape the pesticide treadmill.

Q. How can we create a culture of trust to enable Aarav to report his hardships?

#didthiscottonharmafarmer



Nazia is a **Garment Worker** in Bangladesh. As well as poverty wages and poor working conditions, she endures sexual harassment. She fears retaliation if she speaks up.

Q. How do we create a safe and dignified workplace for Nazia?

#whomademyclothes



Saba is a **Sub-Contracted Garment Worker** in Bangladesh. Her situation is even worse than Nazia's. Saba is hidden from view. She is too scared to protest.

Q. How can we make Saba visible in the global fashion supply chain?

#imadeyourclothes

¹ Personas are research-based archetypes that depict roles, resources and relationships. Our evidence-based personas are based on desktop research, fashion stakeholder interviews and student focus groups. Ethics approval was gained from DMU Business and Law's Research Ethics Committee. Please see bibliography for further research information.



Clara is a **Fashion Buyer** in London. While worried about supply chain issues, she feels unable to voice her concerns. Sustainability is not high on her brand's agenda.

Q. How can we help Clara speak up without fear to enable sustainable outcomes?

#howcaniraiseconcerns



Emily is a **Fast Fashion Consumer** from Birmingham. Addicted to fashion, she blindly trusts brand claims. Brands are silent where it counts, at point of purchase.

Q. Why are brands scared to be honest with Emily at point of purchase?

#haveyouearnedmytrust



Tara is a **Responsible Citizen** living in Leicester. She is angry her trust has been betrayed. She had no idea her donated clothes are sold for profit and end up in Africa.

Q How can we make the fate of our clothes donations transparent?

#wheredomyclothesendup



Amos is a **Market Trader** in Mozambique and dreams of his own fashion label. Yet he must eke out a living selling dirt-cheap second-hand clothing from the Global North.

Q. What is SHC's honest impact on emerging fashion industries in the Global South?

#fashionpovertytrap

Profit maximisation is an important root cause. While the global fashion system is highly complex, findings point to its underlying **ROOT CAUSE**: the system's perceived need to increasingly place **downward price pressures on system actors** that impact the whole system. Profit maximisation is the fuel that drives the system's **Engine of Growth**.

Why do these problems persist?

Aarav, Nazia, Saba, Clara, Emily, Tara and Amos are embedded in a highly complex, opaque global fashion system characterised by Asymmetric Relationships, Limited Resources, Restrained Roles, Profit Rules and Missing Results.

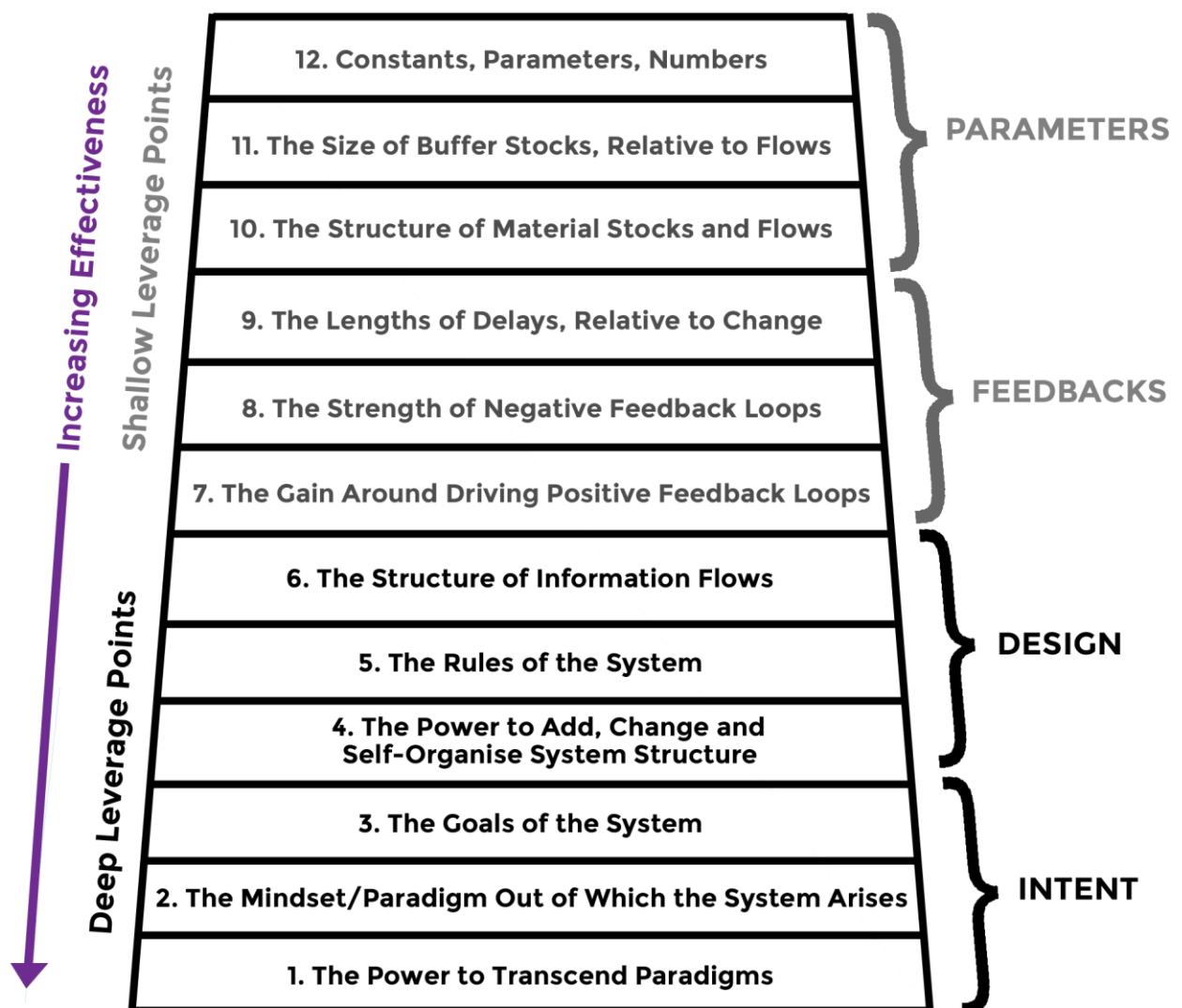
| | |
|---------------------------------|--|
| Relationship Asymmetries | Power inequalities exist between powerful fast fashion brands and retailers and their upstream fragmented, disjointed global supply chains. Downstream from point of purchase, the relationship breaks down. |
| Limited Resources | Apart from the wealth concentration amassed by large fast fashion brands, poverty is pervasive across the global fashion system. Financial poverty limits Aarav, Nazia, Saba and Amos to change their circumstances. A poverty of information and know-how plagues everyone. |
| Restrained Roles | Each role is restrained in a sustainability context. Aarav, Nazia and Saba are restrained by fear. Sustainability is not part of Clara's job description. Emily doesn't fully realise the impacts generated by her purchasing role. Tara feels restricted in her ability to act. Amos is held back by a vicious poverty trap. Sustainability is not embedded in roles. |
| Profit Rules | The rules of the system are governed by profits. Downward price pressures impact everyone. Aarav has to supply ever cheaper cotton. Nazia and Saba receive unfair wages. Clara must generate profit margins. Emily is addicted to low prices. Tara's clothes are exported to generate profit. Amos must eke out a profit too. |
| Missing Results | Systemic outcomes are hard to pin down as data are missing, misleading or inaccurate. Nobody knows the full toll of pesticide poisoning. Social auditors fail to gain access to all factory issues. Information is missing at point of purchase. Very little accurate data exists on the fate of SHC exports. |

PART II

Understanding Existing Transparency Levers of Change

Levers of Change

We unearthed an impressive array of transparency levers. Yet we faced a conundrum; **current levers are largely reductionist in nature – they address, or tinker, with isolated parts of the system.** As we need to understand the dynamics of the whole fashion system, our approach is inspired by the late visionary systems thinker, Donella Meadows. Namely, we apply the twelve system leverage points to help us better understand the perils and potential of existing transparency levers to bring about systemic change.



Parameters of Change

Constants, parameters and number levers have emerged in the shape of several **Industry Indexes**, e.g. Higg Index, Fashion Revolution Transparency Index, Nike's Considered Design Index, a wide range of **Certified Labels**, e.g. FAIRTRADE Mark, Oeko-Tex Standard 100, Global Organic Textile Standard, different **Codes of Practice**, e.g. Textile Recycling Association Code of Practice as well as **Efficiency Targets**, e.g. the Science Based Targets Initiative (SBTi).

| PROS | CONS |
|---|---|
| <ul style="list-style-type: none">• decrease impacts• relatively low cost• ease of entry• increase standards | <ul style="list-style-type: none">• voluntary• isolated mechanisms• doesn't challenge system• efficiency, not absolute focused |

HONEST VERDICT

A reluctance for mandatory parameters and limited scope severely restrain systemic improvements.

The **size of buffer stocks relative to flows** involve clothing inventories, product components, e.g. chemicals as well as alternative stocks, such as flax, organic cotton, bamboo, peace silk, hemp and recycled materials.

| PROS | CONS |
|---|---|
| <ul style="list-style-type: none">• decrease impacts• business opportunity | <ul style="list-style-type: none">• profit hit if inventories curtailed• cost factor |

HONEST VERDICT

As profit demands high product throughput, clothing inventories continue to increase. While alternative stocks grow, e.g. organic cotton grew by 10% between 2017-8, it only occupies less than 1% of total global cotton production. These parameters are severely limited without broader, deeper systemic changes.

The dominant **structure of material stocks and flows** are currently global in arrangement, and linear in flow, from cradle to grave. Alternative, more transparent structures are beginning to emerge, e.g. local production/consumption loops and take-back schemes. But as our visual map conveys, these can generate (un)intended consequences, e.g. consumption rebound effects.

| PROS | CONS |
|---|---|
| <ul style="list-style-type: none"> • local in focus • business opportunity • diverse options | <ul style="list-style-type: none"> • difficult to scale • less competitive • potential rebound effects |

HONEST VERDICT

With limited resources, power asymmetries and the current need for profit maximisation, emergent restructuring efforts will be hampered unless coordinated and significant investments are made on a global scale.

Fashion System Feedbacks

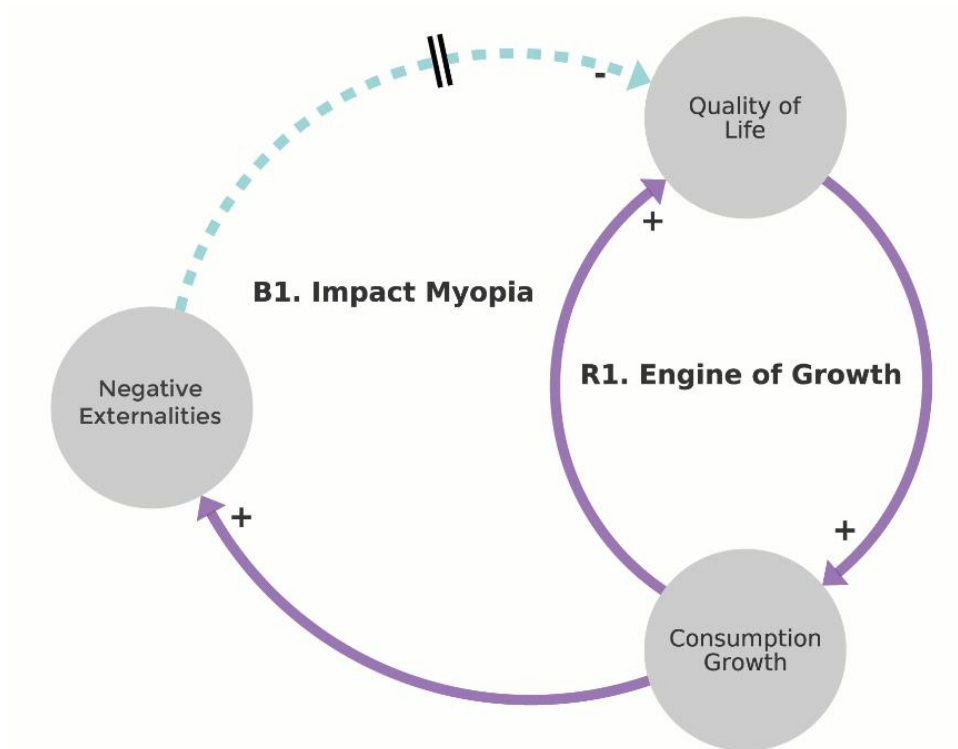
Natural time lags, system oscillations, slow system responses and lengthy information relays constitute **delays in system feedbacks**.

Q. Is there a relationship between time lags and disaster myopia?

The lagged response of the Earth System to human impacts often incur lengthy impact delays. For instance, the **current 1.2 billion tonnes of carbon annually emitted** by the global fashion system will not manifest in impacts, e.g. sea level rises, for some time (although earlier emissions are starting to impact now).

The **Disaster Myopia Hypothesis** theorises that people tend to underestimate the possibility of bad outcomes. Despite the clamouring calls of committed activist groups, such as Fashion Revolution, Pesticide Action Network and Greenpeace, their calls for immediate attention appear to fall on deaf ears². Important actors, e.g. policy makers, regulators, fashion brands and retailers, may be too focused on driving the engine of growth to notice impending and inevitable impacts.

² This assumption needs to be challenged with further research.



Effective inventory control has long been an important management focus. Yet its use of technologies are now being employed to aid transparency. **Blockchain technology**, Quick Response Codes and Near-field communication tags allow rapid transparent insights into a physical product's journey through a supply chain.

Q. Why don't more fashion brands employ these existing technologies to enable transparency?

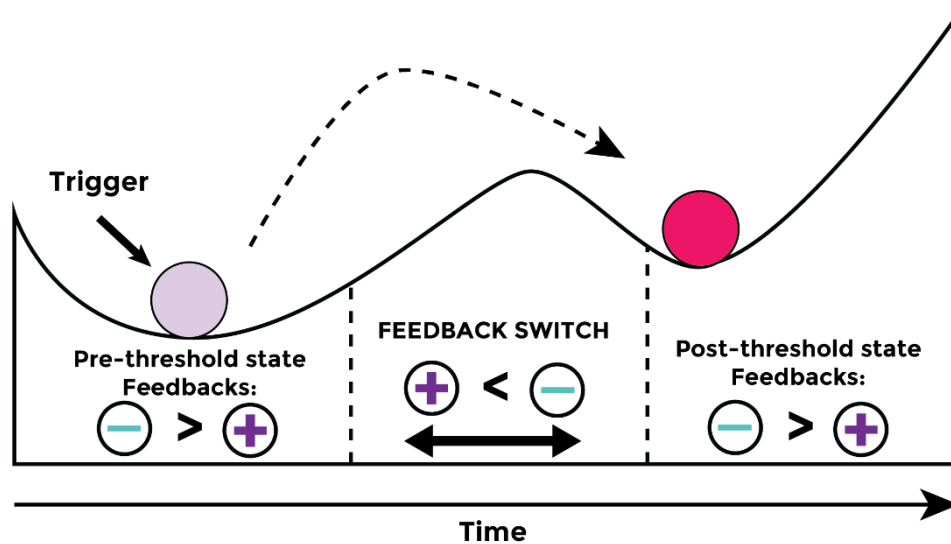
The global initiative, **Better Buying™** and its cloud-based platform provides retailers, brands, and suppliers with **data-driven insights** into purchasing activities. Importantly, suppliers can anonymously rate the purchasing practices of the companies that buy their products and inform them which practices can be improved.

Q. Could anonymous feedback enable greater systemic transparency?

The **Strength of Negative Feedback Loops**, such as Consumption Loops, are not losing their grip. Annual clothing consumption has increased 60% but use rates have halved. While

there are some important **Gains on Positive Feedback Loops**, these are likely to be offset by the strength of other loops.

According to McKinsey *'In apparel, the rising sustainability movement may be a slowing factor in some markets, but the impact will probably be offset by growth in emerging markets.'*

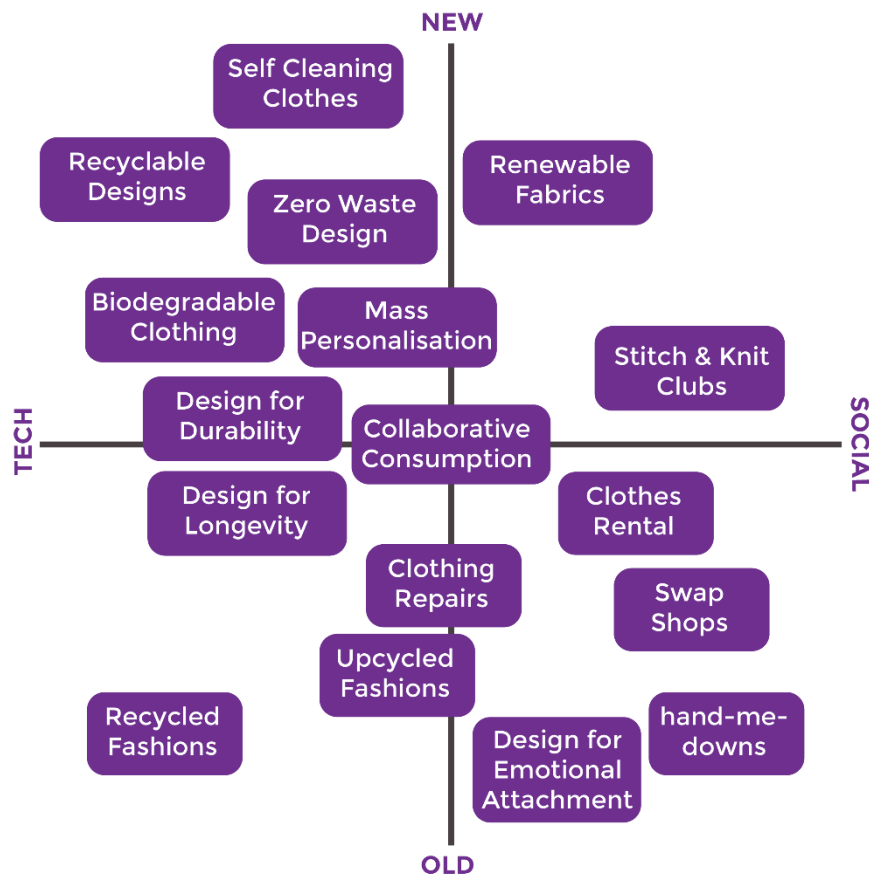


HONEST VERDICT

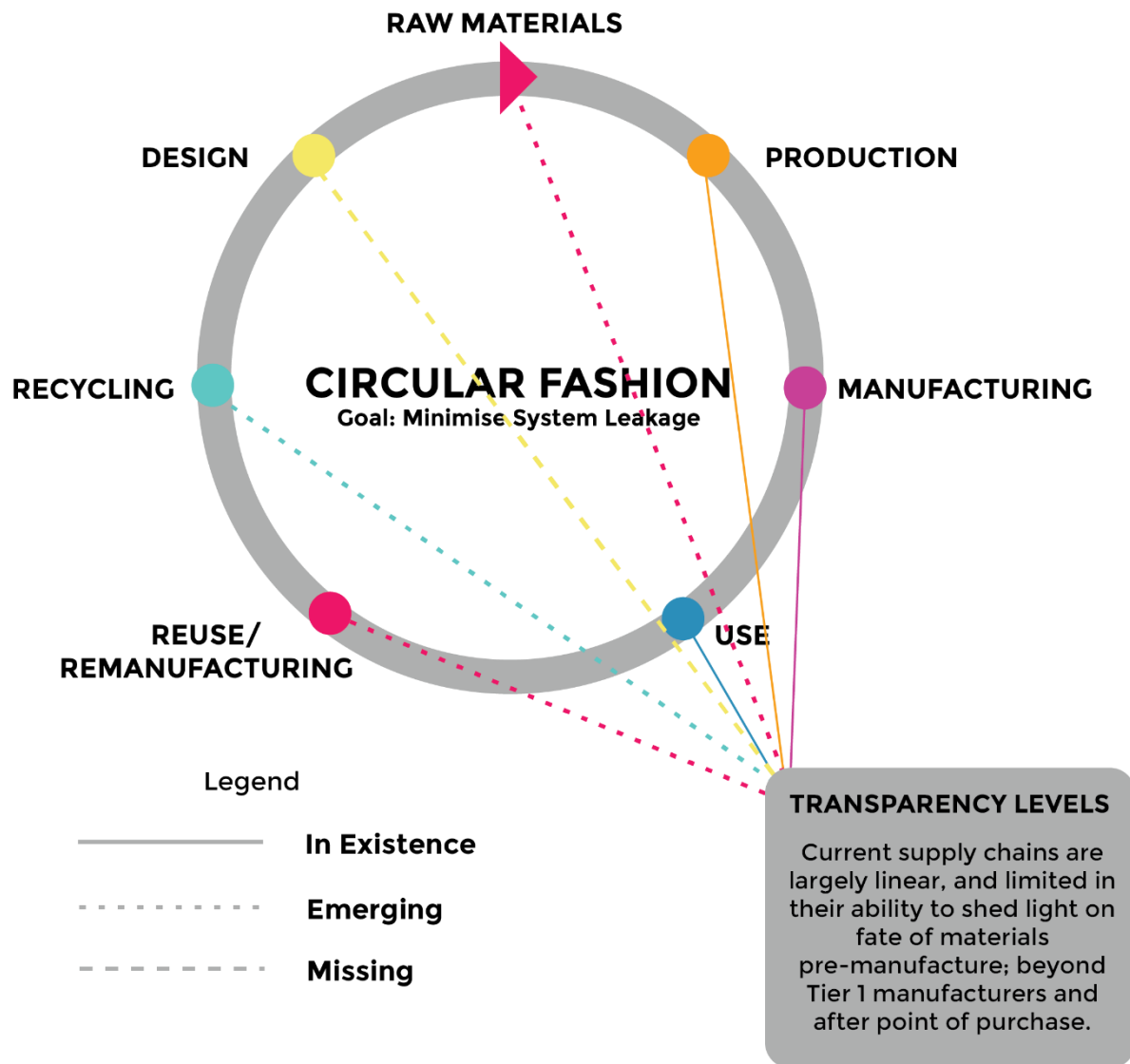
While society's response to fashion's unsustainable costs have triggered gains in sustainable fashion, our **verdict** is that the system is unlikely to transition onto a sustainable trajectory unless the system's design and intent are also aligned with sustainability.

Design for Change

Today's linear 'Take, Make, Dispose' model is increasingly being challenged by some innovative design approaches. For design to challenge the system though, we must also consider the design of information structures/flows, its design rules, and the power to restructure the system.



Circular fashion design, an emerging design philosophy, is an exciting development. While it draws on the above design approaches, it has the potential to transform the structure of flows (linear to circular), change the rules of the system (e.g. from waste to value, fast to slow) and could offer the powerful ability to add, change and self-organise the fashion industry's structure. By June 2018, the Global Fashion Agenda had gained 94 company pledges to their 2020 Circular Fashion System Commitment. This response represents **12.5% of the global fashion market**.



HONEST VERDICT

While current commitments are good, history tells us that some brands may not follow through. As eco fashion campaigner, Livia Firth, claims: *“If we had to go to yet another conference where we hear pledges, promises, targets to achieve, discussions on what it will look like, we will all become old before it actually happens.”* To ensure circular design works on a transparent, deep, broad and timely basis, we need to look at the system fashion is embedded within.

Intent to Transcend Current Paradigms

The **Goal of the System is clear: Profit Maximisation**. While challenger brands have sustainability at their core, the larger system's goals are diametrically opposed. Existing levers of change face an uphill battle to overcome the power of profit...



Simplistic assumptions about capitalism's propensity for efficiency are nothing short of delusional. A different kind of economics is needed. **Professor Tim Jackson, Ecological Economist**

Talk of alternatives to capitalism was, until recently, viewed as heresy. Yet in recent times, it is becoming acceptable to question capitalism. Our observations however suggest these conversations may not be taking place within the fashion industry.

Alternative models to “shopping more” include Natural Capitalism, Democratic Economies, Regenerative Capitalism and ‘Doughnut Economics’. Alternative measures of prosperity are also gaining momentum. These include ‘Genuine Progress Indicator’, ‘Gross National Happiness’ and ‘Happy Planet Index’. **BUT...**

Peter Bakker, president of the World Business Council for Sustainable Development, declared that if all the sustainability initiatives of every company in the world were combined, they would not stack up to a row of beans when compared to the scale of challenges we face – source: The Guardian



Our Honest Verdict? We can no longer afford to underestimate the scale of the challenge, nor overlook the likely disruption from transitioning to a better paradigm. Yet we must look for a realistic alternative. To do this, we need to initiate an **honest and frank conversation** and ensure the fashion industry is part of it.

PART III

Identification of Transparency Gaps and Levers of Change

Bridging the Transparency Gap

Our visual map research demonstrates the need to **make sustainability more REWARDING** to overcome hiding behaviour. Our report further evidenced the need to build symmetrical relationships, sustainability-oriented roles, better resource investments, different rules as well as deliver accurate complete results to bridge existing gaps.

RELATIONSHIP GAPS

Lever of Change

Build Rewarding Relationships

| | |
|--------------|---|
| Anonymity | Provide anonymous feedback mechanisms to enable suppliers to report without fear of reprisal. |
| Openness | Implement Open Management and Open Book Accounting to provide assurance into (sub)contracting practices, or the “arithmetic gap” as one stakeholder shared. |
| Authenticity | Build trusting relationships with authentic interactions. ‘Us’, not ‘You’, ‘We’, not ‘Them’. |
| Continuous | Engagement isn’t a one-off. Facilitate ongoing engagement and open dialogue. |
| Sharing | Share and inspire best practices across whole supply system. |

Overall

Build open and collaborative partnerships, rather than asymmetrical hierarchical relationships.

CASE STUDY

IKEA operate Open Book approach to ensure suppliers and sub-contractors adhere to their high ethical standards throughout supply chain.



RESOURCE GAPS

Lever of Change

Build Rewarding Resources

| | |
|-------------------|---|
| Know How | Empower all stakeholders with sustainability know-how, skills and information resources. |
| Investment | Allocate financial investments to ensure full transparency. |
| Natural Resources | Value the resilience and capabilities of ecosystem resources. Research indicates reporting should extend beyond resource use rates to its impact and restoration of natural resources. |
| People | Invest in people across the whole system. Empower stakeholders to reach shared sustainability goals. |

Overall

Invest in what is important: People, Planet and a Flourishing Fashion System.



ROLE GAPS

Lever of Change

Build Rewarding Roles

| | |
|----------------|--|
| Provide | Ensure all fashion stakeholders have sustainability embedded in their roles. |
| Help | Support and guide in partnership. Lead by example. |
| Profile | Raise sustainability's profile and embed across whole system. |
| Reward | Reward sustainability efforts and improvements throughout supply chain. |
| Normalise | Make sustainability 'normal', not just a nice add-on. |
| Overall | Everyone's role has sustainability embedded within. |

CASE STUDY

Campbell Soup Company, in collaboration with the Environmental Defense Fund, offers farmers technologies, guidelines, and products to help them optimise their fertilizer use and improve soil conservation



RULES GAPS

Lever of Change

Build Rewarding Rules

| | |
|-------------|--|
| Legislate | Voluntary measures are not getting enough buy-in. Legislate to protect people, planet and prosperity. |
| Beware | Legislation <i>can have</i> unintended consequences. Think through all scenarios – see case. |
| Simulate | Simulate the system, e.g. stocks, flows and outcomes, to understand and visualise how different rules affect the system. |
| Incentivise | Ensure all incentives are 100% aligned with sustainability before profits. |
| Discuss | Help the fashion industry join an honest discussion on alternative models to the ‘shopping more’ capitalist system. |

Overall

Change the rules to transform the fashion system.

CASE STUDY

Seat belt legislation can, and does, reduce road traffic deaths. Yet some say pedestrian injuries have risen. Why? The seat belt makes us less risk averse, and we speed up. Legislation, by itself, may not be enough.

RESULTS GAPS

Lever of Change

Build Rewarding Results

| | |
|----------------|---|
| Reveal | The Good, Bad and the Ugly. This scope of exposure could enable a Race to the Top. |
| Anticipate | Transparency systems are often tacked together in response to crises. Instead, anticipate and respond to avoid compromise, incomplete and flawed designs. |
| Verify | Use the power of people and technology to verify the level of scope, use, accuracy and quality of data. |
| Simplify | The simpler the better. Complex results obscure and confuse. |
| Embed | Place results where it counts, e.g. point of purchase, and where it is likely to change the behaviour of both disclosers and users. |
| Reward | Society should reward honesty, even if the results are poor. These rewards could overcome the need to hide. |
| Overall | Enable transparent outcomes to become the norm. Test all levers to understand which ones (in concert) deliver the best outcomes. |



PART IV

Key Lessons Learned

#1: We Are Part of the Problem

We epitomise the problem. At meetings we sometimes wore impulse buys grabbed at the supermarket. We hope our honesty inspires others to 'fess up.

#2: The Truth Will Set Us Free

It's a phrase worth remembering. Living in the Post Truth and Fake News age, Truth needs to be better rewarded.

#3: We Scratched at the Surface

Transparency systems, let alone the issues they seek to expose, are mind-boggling complex. This is just the start.

#4: There's No Silver Bullet

No one solution exists; legislation, empowering education, transparency, partnerships.... We need them all to solve this wicked problem.

#5: We Need a Culture of Trust

Honesty builds trust. The fashion industry can no longer hide. We need to build a culture of trust, together. We initially didn't realise how tough or large this challenge actually is.

#6: Beyond Transparency

Honest Fashion goes beyond transparency. We need to be honest about what is really happening and where we may end up.

#7: #BePartoftheConversation

We'd like to invite you to join us on Twitter. We shall start tweeting in June 2019.

[@honestfashion](https://twitter.com/honestfashion)