Mindful Fashion
New Zealand

CLIMATE
ACTION
PROGRAMME

PILOT PROGRAMME REPORT

Introduction

Mindful Fashion New Zealand unites the fashion and textile industry through its mission to create an innovative, full-circle and thriving future for the industry ecosystem in Aotearoa. As the only body for this sector in New Zealand we are uniquely positioned to drive the collaboration required to advance a sustainable and thriving future for fashion and textiles here.

In November 2021 we released our inaugural Sustainability Insights Report 2021 which showed that taking action to address climate change was the top priority for more than 90% of businesses, and a challenge they wanted support with.

We identified that an action-oriented approach was needed to kickstart climate action within the industry in NZ, with tools and education that built capability and capacity. Alongside this a roadmap to show the journey of what's possible over time, and ongoing guidance to support business to undertake the work.

About the Programme

Project Vision

Transforming the fashion system to one that is sustainable and regenerative represents a huge challenge and opportunity for New Zealand; for nature, climate and circular economy action. MFNZ can lead businesses in a collaborative way towards a low carbon, regenerative future where people and nature thrive.

Objective

Enable and inspire businesses in New Zealand's clothing and textiles industry to reduce their greenhouse gas emissions.

Summary

Mindful Fashion designed the programme and worked with Ekos to develop supporting resources. The programme comprised two elements. Firstly, a series of workshops and resources to guide businesses through the process of measuring their emissions, and developing reduction strategies. Secondly, development of a high level roadmap for fashion and textile industry businesses to address emission reductions over time.

Top of mind was creating a programme to build knowledge and capability, to identify what barriers SMEs face in reducing emissions, and to understand what support, advice and resources businesses need to take climate-positive action effectively.

The programme collateral is made up of industry-specific guidance documents to measure emissions, a tool to collate activity data and a reduction strategies template, all supported by three workshops and ongoing technical support.

The high level roadmap was developed by Mindful Fashion with input from participating businesses and stakeholders, and informed by international industry programs and the latest science.

We piloted the programme during 2022. An introductory workshop was held with initial interest from 22 businesses. From here we identified a pilot cohort of 10 businesses who had the internal capacity to participate. Between July and November 2022 Mindful Fashion supported these 10 clothing and textile businesses to pilot the Climate Action Programme.

Analysis & Insights

During the programme all businesses measured their organisational footprints, giving them a baseline year inventory of their emissions, and an understanding of what their most significant emissions-generating activities are. From here the businesses participated in a reduction strategies workshop. All businesses received tools, education resources and guidance to share with their teams and senior leadership.

The key learning from this stage of the programme was that SMEs have limited capacity to dedicate the time necessary to upskill and then gather data in order to measure their emissions, especially with limited support. We trialled group drop-in support sessions however quickly realised that this format did not encourage active participation or attendance. Once we switched to individual one-on-one support engagement levels went up and more progress was made within individual businesses.

As participants started to calculate their emissions, we observed many start to seek out more information to build on their knowledge, and many start to take action internally immediately where they could see quick wins.

Our programme utilised the freely available Ekos Business Lite tool to calculate emissions. This tool provides a summary overview by category, however we found that businesses were interested in gaining a deeper understanding of their GHG footprint beyond the scope provided by the Ekos Business Lite tool. This was particularly apparent with the freight category where the tool did not provide a breakdown of emissions by mode of transport, meaning businesses could not easily see the difference between sea and air freight for example. For future iterations we recommend a fit-for-purpose spreadsheet or calculator is developed, or a free to use version identified, that generates the required category breakdowns, as well as graphs and summaries that present the results in an easy to understand format. Freight can be one of the most significant activities for clothing and textile businesses so it is imperative to have a breakdown by mode of transport for meeting local, national and international climate goals.

The pilot also showed that data privacy was a concern, with reluctance from all participants to share any identifiable data relating to their organisations emissions. This led us to develop creative ways of benchmarking between businesses, and we did this based on percentages for each category.

The findings of this pilot suggested that:

- There is enormous interest and appetite within SMEs to measure their carbon footprint, in order to support emissions reductions activities.
- The upskilling and capacity building required is a barrier for many SMEs who have limited time and people resource available, especially at busy periods during the year.
- Some initial guidance is needed to build confidence and capability within teams, in order for staff to start the measurement and data collection process.
- Businesses benefit from access to additional guidance and on-demand support for some of the technical aspects of data gathering and calculations.
- Key drivers for climate action are its importance to both staff and to customers.
- Many SME business owners feel a sense of responsibility to address this impact, while larger businesses are driven by what's important to their stakeholders.

- Gaining an understanding of a businesses emissions profile can help to identify and embed company-wide environmental and sustainability activities. Participants are empowered to share their knowledge and take wider action.
- Businesses are taking action to reduce emissions, even when they don't have capacity to measure their footprints.

The results from this pilot show a marked improvement in knowledge with participants ranking their understanding at the start of the programme on average at 37 percent, and after the programme at 77 percent.

Some participants noted that the opportunity to take part in an industry specific programme with access to support was a key reason they participated, noting that the email follow ups, individual support and spreadsheet tools helped them complete the programme when finding the time was challenging.

Other businesses said they were using the data as a form of audit on operational practices, and would use their GHG inventory as a way to identify environmental hotspots for further attention and tracking progress over time.

Participants were eager to see the programme continue to evolve, and requested additional resources for emissions reduction activities specific to the industry, further support to address supply chain emissions and templates to both communicate emissions and develop action plans.

Outcomes and Impact

Programme outcomes have been quantified in a number of areas:

- Education and upskilling of individuals and teams - 28 individuals directly, 150+ indirectly.
- GHG footprint measurement for baseline year - 10 businesses.
- Reduction strategies identified, targets and/or action plans developed - 10 businesses.
- Agreement to share anonymised data in order to benchmark - 7 businesses.
- Commitment to participate in collective impact working group for freight - 5 businesses.
- Education and influence of the wider industry through communications.

Through the programme we have directly educated and upskilled 10 individuals from different organisations to measure and understand their emissions and develop reduction strategies. These individuals have gone on to share their learnings with colleagues within their business, including their leadership teams. Through our initial launch session we educated a further 18 individuals from businesses who learned about climate change, greenhouse gas emissions, where these occur in a clothing and textile supply chain and how to get started taking climate action in their business. While these businesses didn’t take part in the programme due to time constraints, they have now started on their journey and have signalled the intention to complete a baseline footprint over the next year.

We have seen immediate action with businesses once they started to collect activity data and understand which activities were contributing to their footprint. This happened in three ways. Firstly, most businesses immediately started to implement better data management systems to make collection of activity data easier for future measurements. Secondly, quick wins were identified during the data collection and measurement process and acted on

as soon as practicable, if not immediately. Thirdly, longer term strategies were identified, costed, planned and are now starting to inform decision making.

Case study highlights illustrate some of these outcomes:

- Company A analysed its freight footprint and was able to identify that inbound airfreight of raw materials was a significant contributor of emissions. As a result it has extended internal forecasting timelines to build in time for sea freight to occur on all international inwards goods. Due to volatility associated with supply chains Company A notes that airfreight may be necessary in some situations, however improvements to planning optimise for sea freight as much as possible. Results of this action will start to show up in the following year measurements.

- Company B analysed its footprint, and identified that when compared with benchmark footprints, waste was an area it could look to reduce emissions as a quick win. It also identified that this action would also get staff involved and motivated. The company has planned a waste audit to identify areas to minimise waste as a first step, and build on that by working with suppliers to reduce non recyclable plastic packaging over the long term.

- Company C is developing a Carbon Reduction Plan for its business and will use a company workshop to gather suggestions for carbon reduction initiatives that could be included. Company C will start this by communicating its footprint findings with staff by creating a visual of its emissions, and then break down the key insights in a way that everyone can understand. Benchmarking against international guidelines, it has identified that a 4.2% annual linear reduction is needed to do its fair share which will guide its long term plan.

Conclusions & Recommendations

The results from this pilot show that there is enormous demand from businesses for support to address their climate impact, with the need for guidance, education and capacity-building high amongst SMEs in particular. The results show the importance of a hands-on and guided approach with on-going support to enable SMEs to overcome the barrier created by lack of knowledge and accessible tools.

This guided model shows enormous potential to fast-track on-the-ground climate action from New Zealand's SMEs both in this industry and other sectors. SMEs account for 97% of all New Zealand businesses, and generate around 35% of New Zealand gross domestic product (GDP)[4]. While there are no figures on emissions from New Zealand's SMEs, emissions are closely tied to economic activity meaning this sector makes a significant contribution to our emissions overall. SMEs can also be a source of innovation and solutions to develop the technologies needed to address reduction challenges making it a powerful lever to unlock.

Participants in our programme felt empowered to share their learnings within their organisations which has resulted in the impact of this work extending beyond those that participated and is influencing teams. This shows the potential for wider change both within the business, and at an individual level as people go about their day to day lives.

Participants in our programme agreed that additional in-depth, industry and country-specific emissions-reduction resources would be a useful and time saving emissions reduction tool, and they showed interest in working collaboratively to contribute to this resource. It is recommended that developing this tool is a next step, and a working group initiated to contribute knowledge to this resource. This is a tool which would be invaluable in

creating climate-positive impact for all businesses in the sector. From one participant:

> *"Creating emissions-reduction resources would be very helpful, with suggested initiatives to reduce emissions for each category specific to our industry."*

Future work should build on the findings of this pilot to provide businesses with emission reduction resources and templates they can use to develop targets, action plans and presentation reports to communicate to their leadership and internal teams to get company wide buy-in. This should also include accountability tactics to motivate businesses to measure and review strategies in each subsequent year. One participant noted that the accountability given by working to the program and deadlines was a key motivator in them completing the work.

Participants also showed a strong appetite to continue to advance this work, both by extending the scope into supply chain emissions, and by collaborating to reduce emissions where there are common challenge areas such as freight (transportation and distribution). It is recommended that a working group of interested participants is initiated to collectively look at emissions reduction strategies especially in transportation and distribution.

Studies from WRI[1], McKinsey[2] and Quantis[3] show that there is general agreement that the majority (up to 85%) of the apparel industry's greenhouse gas emissions are generated in the value chain, especially during fibre and material production, yarn production, preparation of fabrics and dyeing, assembly and transportation within production.

To halve emissions by 2030 in-line with science, WRI states the industry will need to decarbonise material processing, production and garment manufacturing, and minimise waste. It is recognised that reducing emissions in the supply chain will not be sufficient, and that companies will also need to take action to reduce overstock, decarbonise organisational and retail operations, and improve their material mixes. Emissions created during consumer use can also be addressed by reducing washing and drying, increasing the use of circular business models and increasing collection and recycling.

Future work should seek to identify and then activate the most effective mechanisms for businesses in the clothing and textile industry in New Zealand to measure and reduce their scope 3 product/supply chain emissions, and early indications show this will likely be through improved material mixes, waste minimisation and transport and distribution.

Recommendations for next steps

Maximise Impact of Climate Action Programme

Stage 1: Business Level Action

1. Finalise programme resources and make available for wider use:
    a. Develop/identify a tool that provides a usable summary of emissions by category, and a presentation template to understand and communicate findings that are fit for purpose.
    b. Explore how to secure wider industry participation and activate launching this programme and resources, once a fit for purpose tool is developed/identified.
    c. Explore how this programme could be expanded or adapted to roll out across other industries and sectors.
2. Develop case studies from this pilot to communicate learnings, showcase what's possible and inspire further action.

3. Launch a working group to collectively address challenges around transport and distribution-based emissions.

4. Develop emissions reduction resources, including industry and country specific reduction recommendations, target-setting and action plan development, for each category.

Stage 2: Industry Level Action

5. Collaborate with key stakeholders to develop an Industry Climate Action plan with pathways and implementation steps to guide New Zealand's clothing and textile industry to reduce emissions in line with science; establish an accountability mechanism that motivates industry to commit.

6. Value chain emissions - the most significant contributor of emissions but often difficult to control or influence. Identify the most effective mechanisms for NZ businesses to address value chain emissions, develop tools to take action and enable better decision making.

The impacts of this pilot programme on a diverse range of businesses and individuals has been immense, and gratifying. We are already starting to see a change in decision making priorities within organisations, and are establishing systems for businesses to track progress over coming years.

However, further investment to extend this work is necessary if the momentum is to be maintained and maximised. This will ensure learnings are embedded both with participating businesses, and with new businesses by showing them that it is possible for SMEs to take action to address climate change in meaningful ways, and in fact it can be a source of innovation, staff engagement and cost savings.

With further investment and as the programme evolves we will be able to capture impact data showing targets and reductions over time. All these outcomes collectively support local, regional, and national climate action and sustainability goals. With this starting point to build on there is potential through smart storytelling and initiative development to grow the impact of this work and influence the entire clothing and textile industry as well as the wider SME sector in New Zealand to take climate action.

Acknowledgements

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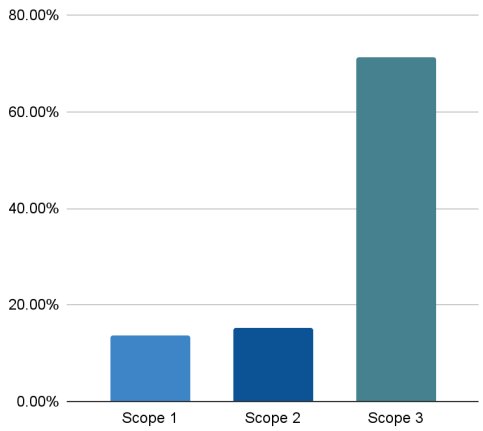
APPENDIX 1 - DATA ANALYSIS

When looking at global greenhouse gas inventories from the apparel and textiles industry, in general Scope 3 indirect emissions contribute most significantly to an organisation's footprints. These are emissions that are not produced by the organisation itself, but that occur in its value chain as a result of day to day operations.[5]

When analysing our participants' footprints by scope, we can see this is also the case in New Zealand, with the majority of emissions coming from Scope 3 indirect emissions.

Averaging the emissions from our participants shows that 71.5% of organisational emissions come from Scope 3, with 13.5% from Scope 1 and 15% Scope 2.

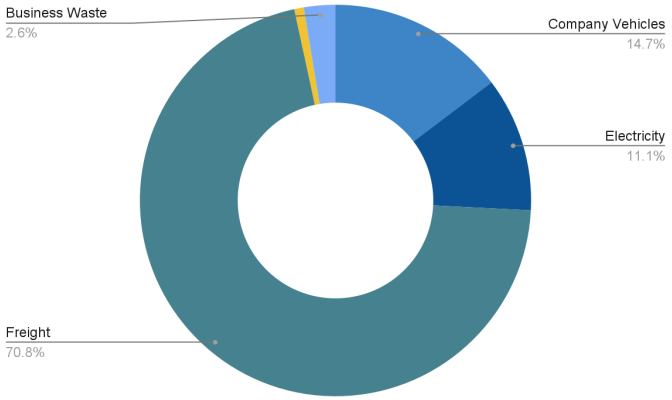
FIGURE 1: Average Emissions by Scope | 2021-22FY



By looking at the average emissions across each activity we can start to understand the most significant emissions generating activities for the period where measurement occurred.[6]

Figure 2 below shows the *average* emissions by activity for participating businesses in the Mindful Fashion Climate Action Programme. This chart shows that on average, freight emissions are most significant, representing 70.8%, Company vehicles 14.7%, Electricity 11.1%, Business waste 2.6% and Business Travel the remaining 1%.[7]

FIGURE 2: Average Emissions by Activity | 2021-22FY



5. Organisational footprints do not cover emissions generated during the production of purchased goods or services that occur in the supply chain of an organisation.

6. The measurement period represents an unusual 12 months for most businesses, due to pandemic related travel bans, shutdowns and logistics delays.

7. Fuel and energy related emissions are included in the measurement of each related activity.