Carbon Reduction Strategies at Herschel Supply Company Ltd.

Analyzing Herschel Supply's carbon footprint and developing holistic strategies to achieve 'Corporate Impact' goals.

EXECUTIVE SUMMARY

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August 2022

Disclaimer

This report was produced as part of the UBC Sustainability Scholars Program, a partnership between the University of British Columbia and various local governments and organizations in support of providing graduate students with opportunities to do applied research on projects that advance sustainability across the region.

This project was conducted under the mentorship of Herschel Supply Company's staff. The opinions and recommendations in this report and any errors are those of the author and do not reflect the views of Herschel Supply Company or the University of British Columbia.

Honourings

I would like to honour the Indigenous peoples of the Liĺwat7úl (Líĺwat), xʷməθkʷəy̓əm (Musqueam), sḵwx̱wú7mesh (Squamish) and səliĺwətaʔɬ/Selilwitulh (Tsleil-Waututh) nations, whose land the work for this project took place on.

I have chosen to use the word, "honour" rather than "acknowledge" as a term of respect for the people, their ancestors and the beautiful unceded lands we reside on. While adding honourings may seem like a small action, it is symbolic in taking a step further into my intention to honour the land we live and create on.

Acknowledgements

I would like to thank the following individuals for their contribution, feedback, and support throughout this project:

- Clement Yeung
- Jon Hoerauf
- Justin Yorke
- Kane Tan
- Karen Taylor
- Katie Jamieson
- Rob Gill
- Shavilya Mahadoo

Introduction & Background

Sustainability is increasingly becoming a key focus area for companies in every sector, but even more so in the fashion industry that is publicly criticized for environmental and social issues. Responsible for 10% of annual global carbon emissions, the current pace of the fashion industry may surge this figure to more than 50% by 2030 (World Bank Group, 2019). Other issues exacerbated by the global supply chains of fashion brands include depletion of resources, pollution, working conditions of garment workers, and landfills of waste textiles, to name a few.

Fashion brands across the globe are weaving in sustainability in their corporate strategies and reinventing business models to solve for many of the above stated problems. Growing pressure from policy makers, non-profits, investors, and shift in customer sentiment is making it increasingly difficult for companies to engage in greenwashing.

Based in Vancouver, Herschel Supply Company Ltd. (Herschel Supply) is a brand well known for their backpack designs. Now having a panoply of bags and accessories in their portfolio, while all products are designed in-house, manufacturing is outsourced to third parties through the global supply chain. With a vision to not only reduce their negative impact, but also create a positive impact, Herschel Supply has started investing in various initiatives throughout their value chain that will help them achieve their sustainability goals. As an intern in the Corporate Impact team (consisting of all the Senior Executives and the CEO), I assisted a few of these projects.

The first project running at Herschel Supply is assessing their greenhouse gas (GHG) emissions and creating Science Based Targets (SBTs) [1]. Working alongside an external consultant, I helped the team at Herschel Supply analyze their carbon footprint to create carbon reduction strategies.

The second project was to complete Herschel Supply's Higg-Index Brand & Retail Module (Higg-BRM) assessment for the financial year 2021. I used the Higg-BRM tool to gather information, assess departmental performance, and consolidate findings.

Lastly, keeping abreast with all the latest industry trends, particularly those that intersect with sustainable practices or innovations, was a key part of my day-to-day work. Not only did this guide my analysis and recommendations for Herschel Supply, but also helped meaningful interactions with the Corporate Impact team.

[1] Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions in line with the Net-Zero Standards, helping prevent the worst impacts of climate change and future-proof business growth. (Science Based Targets, 2022)

Approach

Methodology

The clearly outlined project scope and ongoing mentorship guided the presentations prepared for Herschel Supply as well as for this report. I used both primary and secondary data to constantly update information in each of my projects. For the analysis and recommendations, I referred to various frameworks from the MBA courses and for the presentations, I used MS Office tools and Canva.

Primary Data Sources

- Weekly guidance received from mentors/managers
- Bi-weekly meetings with office staff
- Weekly meetings with external consultants and partners
- Observation of the company culture

Secondary Data Sources[2]

- Herschel Supply's official documents (e.g., Purpose Vision Value)
- Third party reports (e.g., Consultant's deliverables, How to Higg, Oxfam's 'What She Makes' campaign brief, The Kearney CFX 2022)
- Third party webinars (e.g., Higg Onboarding, Supply Chain Transparency Legislation Bill)
- Daily news articles (e.g., Reuters, Interline Insiders, Retail Innovation Week)
- Podcasts and videos (e.g. Naturspired, Sustainable Fashion Forum)
- Published industry reports (e.g. Fashion Revolution Transparency Report 2022, The State of Fashion Report 2022)

[2] The secondary data consists of internal/confidential documents, sources or references of which cannot be shared publicly.

Project Summaries

Project 1- GHG Emissions Analysis

Commencing in 2021, Herschel Supply took the first step to understand their carbon footprint and how they can play a key role in combatting climate change. Herschel Supply brought on board a leading external consultant, specialising in climate solutions, who undertook a three-phase project:

1. Assessing Herschel Supply's Greenhouse Gas (GHG) Footprint
2. Setting Herschel Supply's Science-Based Targets
3. Developing Herschel Supply's Emission Reduction Roadmap

Given the timeframe of my project, I was able to assist the mid to end stages of phase 1 and the beginning stages of phase 2&3.

Phase 1: Assessing the Greenhouse Gas (GHG) Footprint

As extensive report was provided by the consultants detailing Herschel Supply's carbon footprint based on the GHG Protocol Corporate Accounting and Reporting Standard[3]. The emissions were broadly split into Scope 1, 2, and 3 (Appendix A). Each section further broke down to the details of the emissions based on various operations and activities of Herschel Supply.

I analysed the report to identify the areas in Herschel Supply's value chain where the highest opportunity for corrective change lies. I did a deep dive into the emissions at each stage of the supply chain, product and material level emissions, and emissions of the different modes of transportation used. I presented the findings to various teams including Product, Supply Chain, People & Talent, Legal, and Executive. I also designed and prepared a creative summary document that would circulate company wide.

Phase 2 & 3: Setting Science-Based Targets & Developing an Emission Reduction Roadmap

As a part of the emission reduction roadmap, an option for Herschel Supply was to purchase Energy Attribute Certificates (EACs) against their Scope 2 emissions. I prepared a summary outlining the process and reasoning behind this step. Assisting this decision also gave me the opportunity to dig deeper into carbon removal and offsetting options.

[3] The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations, such as NGOs, government agencies, and universities, that are preparing a corporate-level GHG emissions inventory (GHG Protocol, 2022).

To set concrete targets and develop carbon reduction strategies for Herschel Supply's supply chain, several further inputs were required from Herschel Supply on any actions being taken that would impact the company's emissions. I helped gather data from different departments (Product, Supply Chain, People & Talent, Operations, and Logistics) on all the initiatives that would either reduce negative impact or create positive impact.

Project 2 – Higg-BRM Assessment

The Higg Index is a suite of tools developed by the Sustainable Apparel Coalition (SAC) for the standardized measurement of value chain sustainability (Sustainable Apparel Coalition, 2022). Herschel Supply has started using one of the Higg tool's, the Brand and Retail Module (Higg-BRM) (Appendix B).

As a part of my project, I undertook the Higg-BRM assessment for Herschel Supply's operational activities in the calendar year of 2021. The first step was to learn all about the tool (using and reading results) through various onboarding sessions. Next was understanding all the nuances of the questions presented in the module, which I did by going through their guiding documents. I then collected information from all the applicable teams to complete the individual section assessments. Lastly, I analyzed the results that the tool produces once the module has been completed and submitted by the company.

As a key part of this project, I consolidated my findings from the Higg-BRM assessment, identified opportunities for improvement, and presented a roadmap to the executive team at Herschel Supply.

Project 3 – Retail Industry Developments

During my tenure, I read a plethora of resources pertaining to the retail and fashion industry, particularly those which intersect with sustainability. As a part of project, I was to prepare short presentations every couple of weeks for the Corporate Impact team, updating them about any key developments in the industry that might be applicable to Herschel Supply. Below is a summary of the presentations I made:

1. The Regulations 2022

Three policies were announced in 2022 that potentially impact brands in the retail sector. I was able to present the key features of these policies and how it might potentially impact Herschel Supply, if applicable, highlighting the importance of the steps towards a more sustainable supply chain. The three policies are:

a) *The Fashion Act*: Introduced in January in New York, requires retail sellers/manufacturers doing business in New York State with annual worldwide gross receipts over a certain threshold to map 50 percent of their supply chains by volume across all tiers of production (Gamble, 2022).
b) *The EU Strategy for Sustainable and Circular Textiles*: Introduced in March by the European Union, aims to reduce waste within the fashion industry by driving fast fashion out of fashion (European Commission, 2022).
c) *The Fabric Act*: Introduced in May in the United States, it proposes major new workplace protections and manufacturing incentives to cement the US as the global leader in responsible apparel production (Remake, 2022).

2. SAC Criticism

The Sustainable Apparel Coalition (SAC) has been receiving criticism from various policy makers and industry experts as an organisation that gives brands a "license to greenwash" (Glover, 2022). A recent ban imposed on the SAC's Higg tools by the Norwegian Consumer Authority in May 2022, further sparked these issues and brought the SAC under strict scrutiny in Europe.

As Herschel Supply uses the SAC's tools to assess their brand, it was key to understand the criticism and the SAC's response. Aside from my own research, I also attended a webinar by the SAC to learn their corrective actions planned after the recent ban in Norway.

3. Carbon Dioxide Removal

Analysing the GHG emissions report led me to research on carbon removal and all the innovations taking place in this space. I presented the concept of carbon insetting versus carbon offsetting as below (Retail Brew, 2022):

Insetting: Focuses on carbon-reduction initiatives within a company's own operations as they work to understand the environmental impact of their supply chains. Companies are looking at insetting as an investment into their business and their partners. The Science Based Target Initiative is a driver for the shift to insetting as it doesn't accept offsets. I studied insetting initiatives by brands like Ganni, Levis, Gucci, and Burberry.

Offsetting: Investing in an outsourced project that many enlist to reduce carbon footprints, like planting trees or a solar farm. Offsetting is now seen as the easy way to become carbon-neutral, but it's not a long-term solution. Greenpeace UK, has even called it a "get-out-of-jail-free card."

One option is to mix it up by picking "high quality" offsets as well as find opportunities within the value chain to achieve carbon reduction goals.

I also found a plethora of technology innovators in the *'carbon upcycling'* space, who use carbon dioxide from the atmosphere as one of the inputs to create various consumer goods like perfumes, alcohol, ink, diamonds, soap, food ware, protein, cement, plastic coating, and even textiles (Appendix C).

4. Supply Chain Transparency Legislation Bill S-211

Bill S-211 has been introduced in Parliament to fulfill Canada's commitment to fight against modern slavery in supply chains. It imposes reporting requirements on applicable entities for transparency in their supply chain practices, risks, and due diligence processes. Having attended a webinar on this legislation, I (along with co-presenter Grace Hardwicke-Brown, MBA/JD candidate at UBC and Finance/Legal team intern at Herschel Supply) summarised the developments.

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Appendices

Appendix A – Scope 1, 2, 3 Explained

Scope 1:

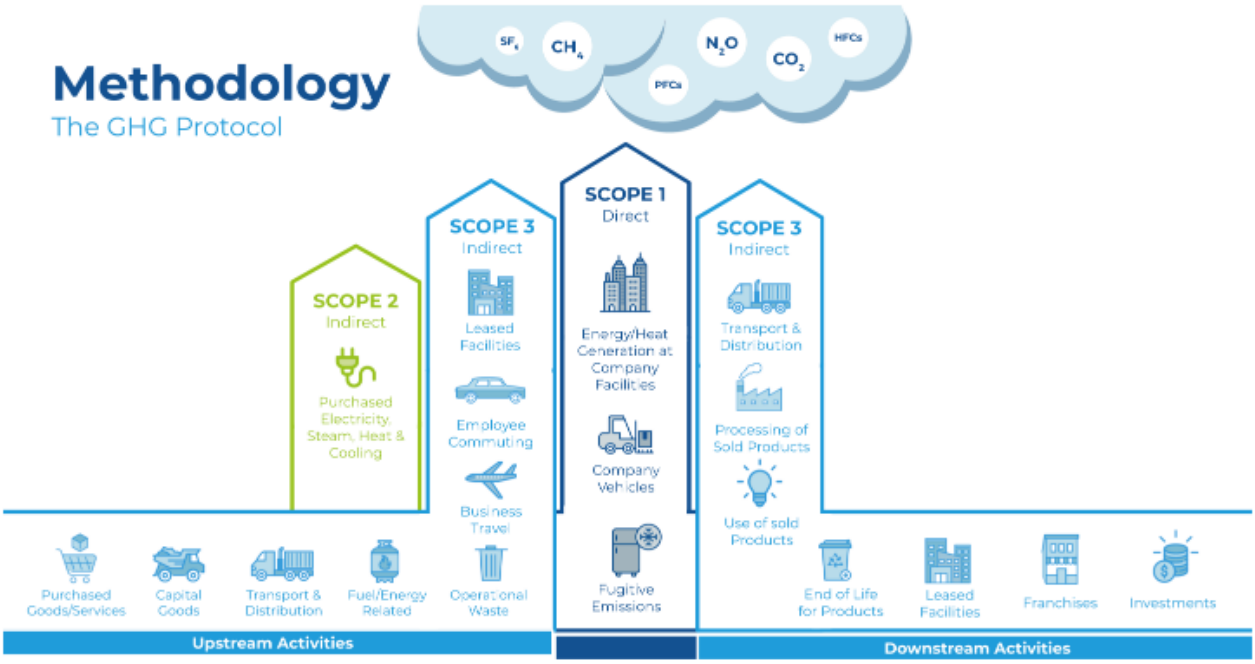
These emissions result from sources directly owned or operated by you. For example, do you have a fleet of vehicles? Do they burn fossil fuel? Maybe you have buildings with boilers. Something as seemingly benign as neon signs can be REC-worthy.

Scope 2:

These are emissions based on energy you purchase to directly operate your enterprise. The most common across-the-board example is - your electricity consumption.

Scope 3:

Emissions resulting from activities not directly owned by your business but are associated with its operation. Examples; business travel, waste management, commuting, third-party distribution, etc.



Source: SouthPole https://www.southpole.com/sustainability-solutions/ghg-accounting

Appendix B – Higg BRM Tool

From materials sourcing to a product's end of use, the Higg BRM assesses the following life cycle stages of a product as it goes through a company's operations, identifying sustainability risks and impacts:

- Management System
- Product
- Supply Chain
- Packaging
- Use & End of Use
- Retail Stores
- Offices
- Transportation
- Distribution Centers

The Higg BRM assesses 11 environmental impacts:

- Animal Welfare
- Biodiversity/Land Use/Habitat loss
- Deforestation
- Energy/Fuel Use (or Fossil Fuel Depletion)
- Greenhouse Gas (GHG) Emissions
- Air Emissions/Air Pollution (non GHG)
- Solid Waste
- Hazardous Waste
- Chemical Hazard/Mgmt
- Water Use/Water Scarcity
- Wastewater/Water Pollution/Eutrophication

The Higg BRM assesses 16 social impacts:

- Forced Labor or Human Trafficking
- Child Labor
- Wages and Benefits
- Working Hours
- Freedom of Association and Collective Bargaining
- Health and Safety
- Access to Water and Sanitation
- Decent Work
- Discrimination, Harassment, and Abuse
- Sexual Harassment & Gender-Based Violence
- Bribery and Corruption
- Right to Health
- Right to Privacy
- Right to Security of the Person
- Minorities' and Communities' Rights
- Land Rights

Source: Sustainable Apparel Coalition https://apparelcoalition.org/higg-brand-tool/

Appendix C – Carbon Upcycling Innovators

Source: Individual company websites