

# ANNUAL REPORT



Sustainable  
Apparel Coalition

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# TABLE OF CONTENTS



## Introduction

Message from the CEO 03

Letter from the Board Chair 04

## About The SAC

Who We Are 05

Our Team 06

Our Board 07

Finances 08

Strategic Plan Update 09

2022 Highlights 10

Membership Growth & Engagement 11

Decarbonization Program 13

Higg Index Updates 14

Transparency Program 15

Collaborative Partnerships 17

2023 SAC Annual Meeting 19

Conclusion 20

# A MESSAGE FROM OUR CEO

As we reflect on the past year, we are grateful for the unwavering commitment and support of our members, partners, and stakeholders. Amidst complex challenges, we approach the future with optimism, having made significant strides in transforming our industry over the past decade. Our collective dedication to collaboration and shared vision has propelled us forward, driving essential change across global supply chains toward a more responsible, equitable, and just industry.

The urgency of our mission is underscored as climate scientists warn that our planet's temperature is on the precipice of surpassing the critical threshold of 1.5°C for the first time this year. This imminent challenge amplifies the significance of our work in transforming business for exponential impact and driving sustainable improvements across global supply chains.

In reflecting on our journey, we acknowledge the hurdles we encountered as well as the progress we

experienced over the past year. These experiences and growth not only contribute to industry advancement but also to the well-being of millions of workers, communities, consumers, and the planet we are part of.

The SAC's inception was driven by an ambitious vision: to align the industry through common sustainability measurement. Today, we take pride in the co-creation, continuous evolution, and widespread adoption of the [Higg Index](#) suite of tools. Serving as the leading environmental and social assessment in the apparel and footwear industry, it measures the entirety of the value chain at scale and is used by over 21,000 organizations worldwide.

Through our Collective Action Programs, we have witnessed the power of collaboration, co-creating innovative solutions to address pressing industry challenges. With the launch of our [Decarbonization Program](#), we support our members in their efforts to reduce greenhouse gas emissions in line with the 1.5°C goal. Through guided steps and strategic partnerships, we are fostering cooperation and alignment in transitioning to renewable energy, implementing energy efficiency, and eliminating coal usage across the supply chain.

Yet, the need for transformative change goes beyond that of environmental action alone. We must not overlook the significance of social equity and a just transition. At the SAC, we firmly believe that true sustainability encompasses both environmental and social progress. Therefore, we actively support our members and their supply chains in implementing employment practices that uphold labor rights, fair wages, and safe working environments. In collaboration

with members and partners, we strive to shape a future that leaves no one behind and nurtures shared prosperity.

The impact of our work is further magnified by the influence of public policy. The systemic changes needed will only happen when every part of the system is engaged. While we recognize the role of regulations as catalysts for progress, we also emphasize the need for clear and consistent guidance. Ambitious legislation and regulations harmonized across jurisdictions will be instrumental in supporting our collective efforts and ensuring a unified approach to drive positive change.

Transparency is fundamental to building trust and driving responsible practices. Our commitment to transparency remains steadfast. The insights gained from our [Transparency Program](#)'s consumer-facing labeling pilot last year are important not only for us but for the entire industry. We are witnessing a shift toward greater accountability, traceability, and disclosure throughout the value chain that will collectively shape a more sustainable and equitable industry. By aligning on what and how the apparel and footwear sector communicates social and environmental information, we can empower consumers and contribute to a future where supply chain transparency becomes the norm rather than the exception. This work will involve robust systems for tracking, documenting, and measuring production, and collaboration across the industry will be essential towards achieving shared objectives.

Whether you are a manufacturer, brand, retailer, or other industry player, the time is now to align on the best path forward. As a global convener of the industry, our role is to establish common ground with all parties

and I warmly thank our members and partners for coming together in Singapore at the [2022 Annual Meeting](#) to engage on issues that impact us all, across the entire value chain. Co-creating solutions with all voices, especially those in the Global South, is essential for the future we seek to create.

As we publish this annual report, we find ourselves at a critical moment in time. With less than seven years until 2030, the actions we advocate for and the decisions we make have profound impacts, not only for our industry but for the world at large. There are no simple answers, but our industry possesses the reach, creativity, innovation, knowledge, and collaborative spirit to serve as leaders, setting an example for other sectors to follow.

As we look ahead, we are excited about the opportunity to collaborate with you in shaping an industry that is equitable and restorative. The world needs an industry that gives back—to the planet and its people. We extend our heartfelt appreciation for your commitment and dedication to our shared mission. Let us celebrate our achievements, gain insights from our experiences, and together, forge a path towards a better tomorrow.



**AMINA RAZVI**  
Chief Executive Officer,  
Sustainable Apparel Coalition

# LETTER FROM THE BOARD CHAIR

Dear Reader,

I am pleased to share the 2022 SAC Annual Report as it reflects on our progress, achievements, challenges, and our deep commitment to a shared vision of a global consumer goods industry that gives more than it takes — to the planet and its people.

Despite the challenges we faced last year, our global community never lost sight of our industry's long-term goals and continued to address the critical issues in our ever-changing world. During this time, we also reflected on the SAC's unique role within the industry and how we can best support our members.

This work is about more than reducing our impact; it is about building systems and processes that will sustain our environment and communities for generations to come. We know that in order to positively transform our

industry, we must continue to innovate, and try, and test, and learn, and hone, and try again.

There is the saying: "If you want to go fast, go alone; if you want to go far, go together." Our aims are high, our strategic plan is ambitious, and our timelines are urgent. We need a little bit of both: we need to act fast and go further.

The SAC consists of over 280 members representing all links of the supply chain, and the issues we are working to address are much larger than any individual organization. As an industry, we have made tremendous strides over the years, but we will not be able to move the needle by continuing to work on what we've already done. We must work together, from a pre-competitive stance, to co-create and scale solutions needed to secure a more sustainable, equitable, and resilient future.

The progress demonstrated in this report is a testament to the unwavering commitment of our members, partners, stakeholders, and SAC team. From the launch of the [Decarbonization Program](#) and the continued improvement and evolution of the [Higg Index](#) suite of tools to our [deepened partnerships](#) and continuing dialogue with policymakers, it is clear that collaboration is essential in every aspect of our work. We must also remain agile and adaptable to keep pace with the rapid speed at which our world is changing. As such, the Higg Index suite of tools continues to improve and evolve,

and we are focused on further developing programs that ensure we can support and accelerate the industry toward aligned goals. As we move forward, we continue to learn from our past and integrate those lessons into our future actions.

On behalf of the Board of Directors, I want to express my sincere gratitude to all our members, partners, stakeholders, and staff for their continued trust and dedication. Your passion and active engagement drive our mission forward. I invite you to read through our 2022 Annual Report in detail and continue engaging with us and with each other on how we can further enhance our programs and impact. Together, we have the power to make a lasting impact and create a better future for all.

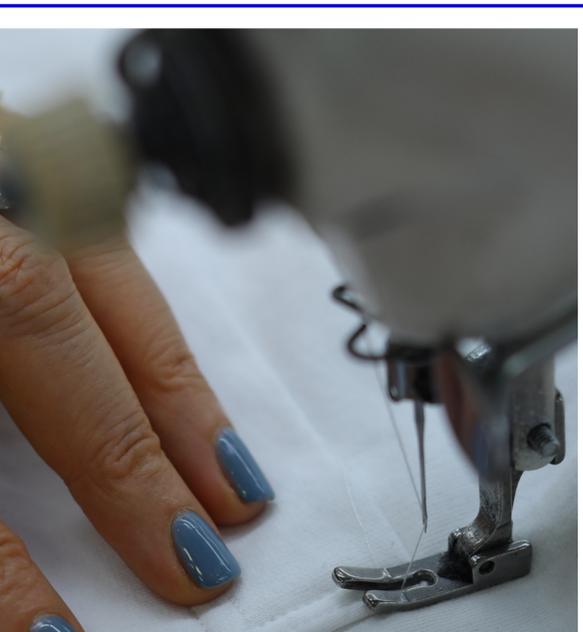
Thank you,



**DR. DELMAN LEE**

*Vice Chair, TAL Apparel  
Board Chair, Sustainable Apparel  
Coalition*





# ABOUT SAC

The **Sustainable Apparel Coalition (SAC)** is a global multi-stakeholder nonprofit alliance for the consumer goods industry.

We are an independent and impact-creating organization that aims to lead the industry toward a shared vision of sustainability based upon a joint approach for measuring, evaluating, and improving performance.

The SAC's collective action efforts bring more than 280 global brands, retailers, suppliers, service providers, trade associations, not-for-profit organizations, NGOs, and academic institutions together to reduce global environmental impact and promote social justice throughout the global value chain.

Before the SAC existed, companies worked in a siloed way, using their own programs and measurements that lacked standardization and an ability to drive collective action. In 2009, Walmart and Patagonia identified this as a serious problem.

Joining forces, they brought together peers, competitors, and relevant stakeholders from across the sector, on a pre-competitive basis, to develop a universal approach to measuring sustainability performance and founded the Sustainable Apparel Coalition.

## VISION

A global consumer goods industry that gives more than it takes — to the planet and its people.

## MISSION

To transform business for exponential impact through groundbreaking tools, collaborative partnerships, and trusted leadership for industry sustainability.

## PURPOSE

At the SAC, we are deeply committed to creating a more sustainable, equitable, and just world for all. We believe that together, we can solve the industry's most urgent and systemic challenges.



# OUR TEAM

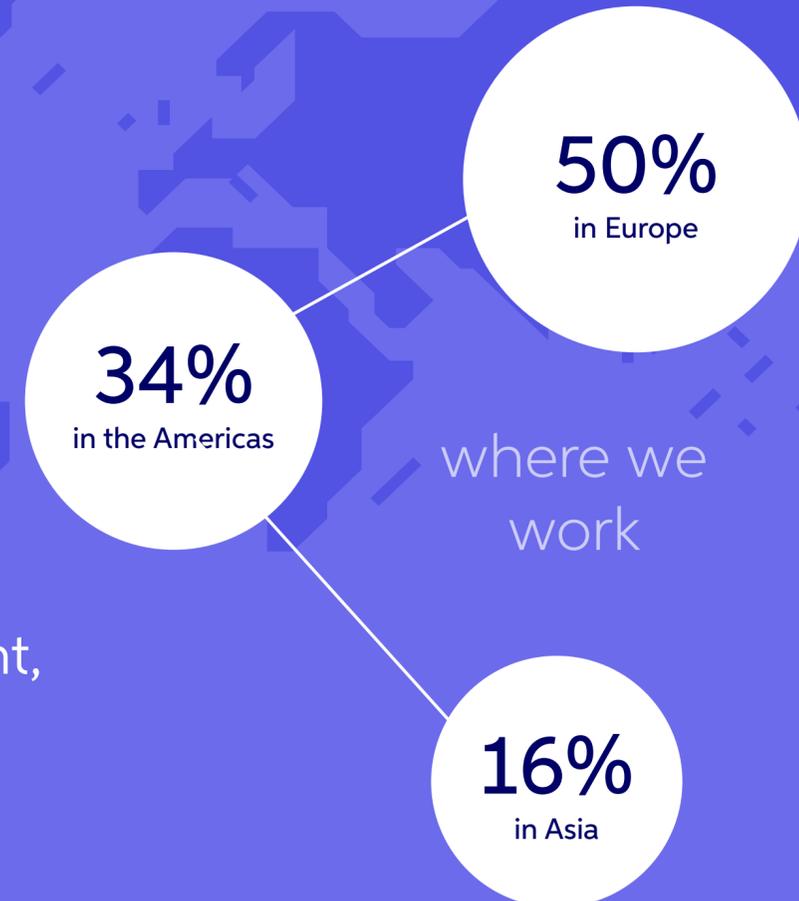
Last year, the SAC team saw tremendous growth, both from within and by welcoming talented, new staff members. The organization grew by 12 roles in 2022, strengthening our Membership & Stakeholder Engagement, Higg Index, Collective Action, Marketing & Communications, and Global Operations departments, and bringing our team to a total of 44 by year's end.

As our work becomes more urgent and ambitious, expanding our team and increasing its diversity and expertise allows us to deliver more quickly on the goals in our strategic plan. We have assembled a team that brings a wealth of experience and expertise in the textile and apparel sector, drawing from a diverse range of backgrounds, including notable brands and manufacturers, influential NGOs, and other key stakeholders.

Their collective knowledge and deep understanding of the industry enable us to navigate complex challenges and seize opportunities effectively. By developing and investing in our team, we are better equipped to accelerate collective action and foster meaningful stakeholder engagement while continuing to expand existing programs and broaden our global reach.

bringing a wealth of expertise in:

Environmental, Labor Rights, & Human Rights, Corporate Social Responsibility, Public Affairs, Supply Chain, Life Cycle Assessment, Manufacturing, Chemicals Management, Circularity, Socially Responsible Investing, Ethical Trade, Clean Water & Scarcity, Carbon Footprinting, Preferred Raw Materials, Sustainable Housing Development, Biodiversity, Human Resources, Communications, Gender Equality & Women's Empowerment



I have days when I have eco-anxiety and feel discouraged that my work is too *small* to solve the climate crisis we are in. But when I talk with our members and my colleagues, I am re-inspired by how passionate they are about changing this industry. It will be a long journey, but with collective action, I believe we can change the complex system we are in.”

MELISSA O DE LEON



Becoming a mother makes you think about the future of your children and the planet. Having the privilege of working to make a better world motivates me.”

SARY OSZEROWICZ



# OUR BOARD

Our Board is composed of nine directors, three expert advisors, and our sustainability mentor, whose diverse perspectives, experience, and commitment to our mission guide the SAC's efforts to accelerate collective action and leverage our strength in collaboration to move the industry forward.

In 2022, the Board welcomed three new board directors, one representing each member category—affiliates, brands & retailers, and manufacturers—as well as one new expert advisor.

The SAC Board of Directors serves the organization with three leading responsibilities:

- Strategic oversight
- Fiduciary oversight
- Guidance and oversight of the CEO

The board structure embodies our commitment to equal representation and inclusive governance. Each member category is represented equally, ensuring that no single entity has outsized influence. With parity of Board representation between member categories, the SAC is uniquely positioned to give a voice to all our members and reflect the industry's collective interests. Every member has one vote on the board, and decisions are made

through a majority vote ruling. This democratic approach fosters a level playing field for all, promoting collaboration and collective impact.

To support board diversity, only one representative of a member organization may run for an elected directorship or serve on the Board during a fiscal year. All directors must be employed by a member organization in good standing, which means the member organization is current on membership dues, has a Membership Agreement with the SAC in effect, and is committed to meeting membership requirements by submitting an annual plan and report. The SAC continues to work towards equal representation across the entire value chain, from a demographic, company, and geographical perspective, and is increasing visibility, communications, and outreach efforts of our election process and involvement in organizational governance.

To garner additional expertise from the industry and beyond, the Board has installed advisor roles for transparency, technology, and—as of 2022—expert communications. These non-voting advisors provide the SAC Board and management with advice and counsel based on their areas of expertise and in accordance with the strategic plan.

## BOARD OF DIRECTORS

### DR. DELMAN LEE

Vice Chair, TAL Apparel  
Board Chair, Manufacturer Category

### LENA STAAFÅRD

Chief Operating Officer, Better Cotton Initiative  
Treasurer, Affiliate Category

### DR. VIDHURA RALAPANAWE

Executive Vice President, Epic Group  
Director, Manufacturer Category

### PASCAL BRUN

Head of Sustainability, H&M  
Vice Chair, Brand/Retailer Category

### DR. RÜEDIGER FOX

CEO/Chief Environmental Activist, Sympatex  
Director, Brand/Retailer Category

### JONAS EDER-HANSEN

Chief Operating Officer, Global Fashion Agenda  
Director, Affiliate Category

### TAMAR HOEK

Senior Policy Advisor Sustainable Fashion, Solidaridad  
Secretary, Affiliate Category

### DR. KRISHNA MANDA

Vice President, Corporate Sustainability, Lenzing Group  
Director, Manufacturer Category

### SEAN CADY

Vice President, Global Sustainability, Responsibility and Trade, VF Corporation  
Immediate Past Chair, Brand/Retailer Category

## BOARD ADVISORS

### SANDRA CAPPONI

Co-founder, Good On You  
Expert Advisor, Transparency

### CINDY ELLIOTT

Director, Global Business Industry Sector and Corporate Responsibility Lead, Esri  
Expert Advisor, Technology (SaaS)

### GREG ROSSITER

Corporate Communications Consultant  
Expert Advisor, Communications

### RICK RIDGEWAY

Sustainability Mentor  
Co-founder of the SAC

# FINANCIAL UPDATE

## SCOPE

SAC finances include all projects, sponsored programs, and technical secretariats within our legal entity. The overall financial scope includes the [Social & Labor Convergence Program \(SLCP\)](#) and [Policy Hub - Circularity for Apparel & Footwear](#). It is also inclusive of work related to facilitation and management of the [Technical Secretariat for the Product Environmental Footprint \(PEF\)](#), including the funding on behalf of the EU. The SLCP, Policy Hub, and PEF budgets are overseen by the management of each specific program and represented separately within the overall budget.

## REVENUE

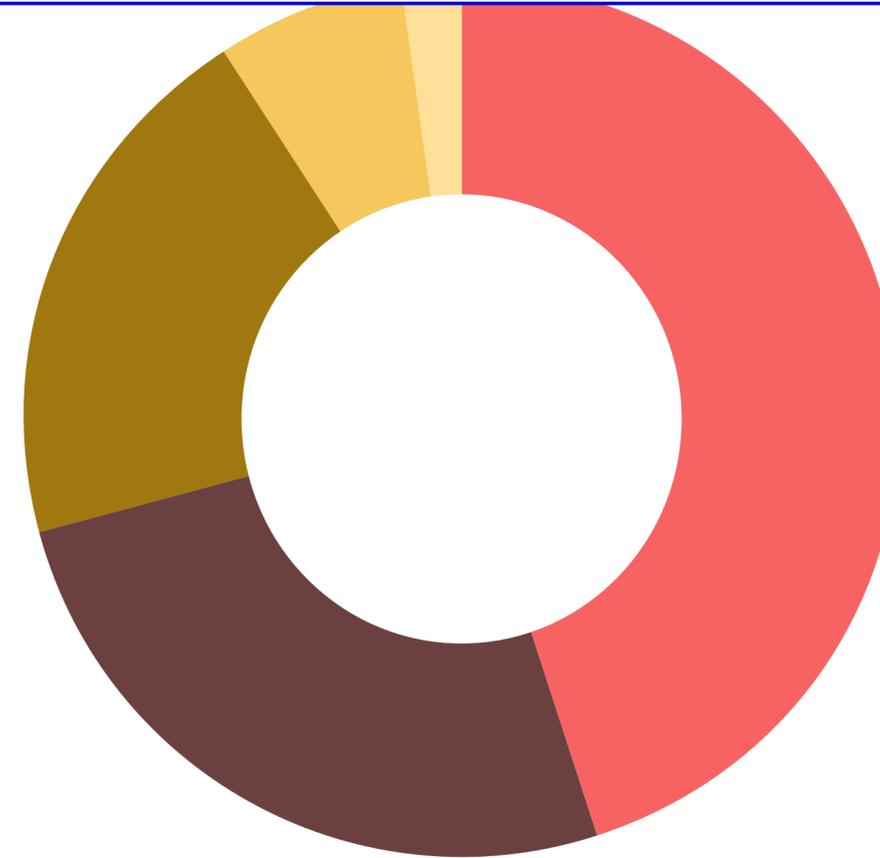
As a 501(c)(6) non-profit membership organization, the SAC’s largest sources of revenue are membership dues and verification module fees from the Higg Index suite of tools. Verification module fees support the ongoing content and methodology development of the Higg Index, associated programs, and verification protocols, which are essential to drive collective industry action. Occasionally, we receive revenue from grants, member donations, and other revenue streams including event ticket sales and training registration fees, which also support and accelerate ongoing priorities and operations, such as tool development, transparency, policy engagement, and communications, but they do not influence strategic priorities.

## EXPENSES

Our largest investments from the past year were in our people and in consulting, legal, and financial services across all projects, sponsored programs and secretariats within our legal entity. In 2022, the SAC team continued to expand, strengthening our diversity and expertise. Additionally, the organization saw an increase in its independent third-party consulting services—including legal, financial, communications, and other expert services—to support special projects, external communications, and further development of programs that drive impact. Revenue streams support our staff payroll, as well as administrative expenses, including HR, office, meetings and events, and tool support services. All of these expenses allow us to operate smoothly in order to deliver on our organizational mission.

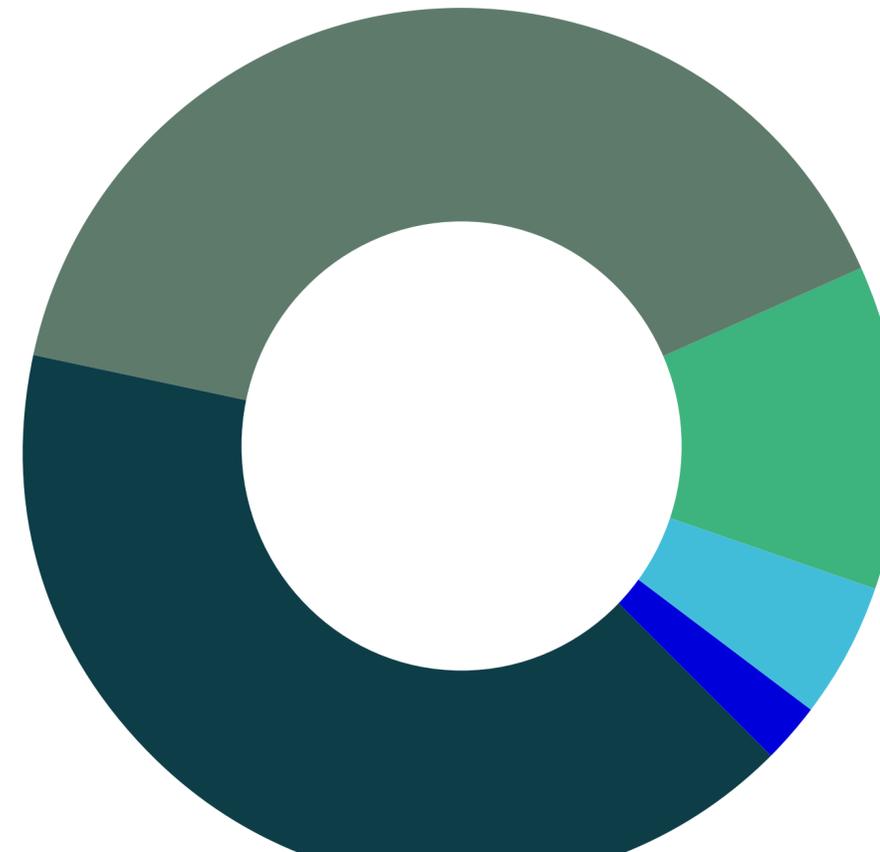
## AUDITS

The Board Finance Committee, chaired by our treasurer, reviews SAC finances each month with the SAC team to ensure proper budgeting and forecasting. The entire Board reviews finances on a quarterly basis. In addition, SAC finances are audited each year by an independent third-party audit firm. For 2022, this was conducted by BPM, LLP a global audit firm based out of San Francisco.



REVENUE BY CATEGORY

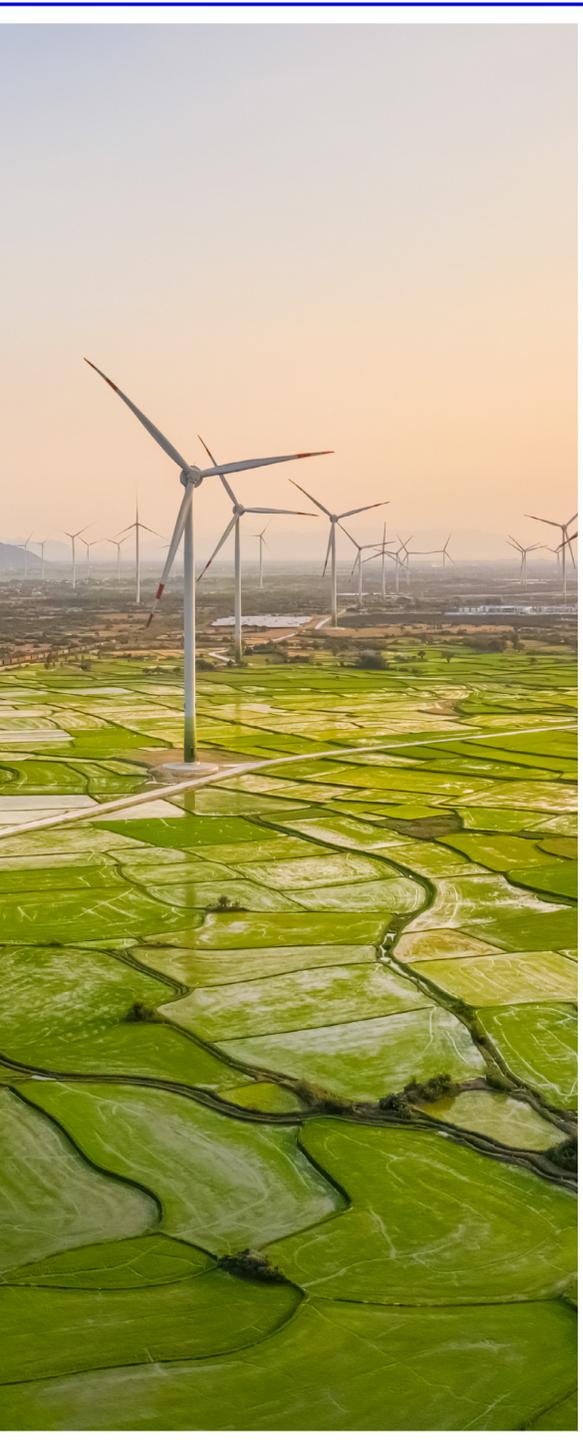
- Member Dues **45%**
- Verification Income **26%**
- Services Income **20%**
- Grant/Member Funding **7%**
- Other Income **7%**



EXPENSES BY CATEGORY

- Consulting, Legal, Financial Services **41%**
- Payroll **40%**
- Office **12%**
- Other **5%**
- HR **2%**

*Note: The graphs on this page include audited data from the 2022 calendar year, which are inclusive of the following initiatives: SLCP, Policy Hub, and Technical Secretariat for the PEF.*



# STRATEGIC PLAN PROGRESS

Since launching the SAC’s 2021-2025 Strategic Plan, we have made strides toward our aspirational goals of driving exponential impact through collective action, integrated tools, transparency, and sustainability leadership.

Through the recruitment of new members, development of our team, and strengthening of key partnerships, we have increased our capacity to advance collective action in reducing greenhouse gas (GHG) emissions in line with science-based targets (SBTs). Notably, we successfully launched our Decarbonization Program, empowering the entire value chain to take urgent steps towards emissions reduction.

In our pursuit of enhancing sustainability measurement and accountability, we continuously evaluate and evolve tools like the Higg Facility Environmental Module (FEM), Higg Materials Sustainability Index (MSI), and Higg Brand and Retail Module (BRM). These efforts have not only improved the accuracy, credibility, and value of the Higg Index suite of tools and programs but have also provided industry stakeholders with comprehensive data and insights to drive meaningful change. We

remain committed to evolving these tools to advance their effectiveness and relevance in addressing the sustainability challenges of our industry.

We have also taken the time to reflect on our current position, the context we find ourselves in, the valuable lessons we have learned from the past few years, and our future aspirations. The SAC’s work is complex and requires dedication from its members, partners, stakeholders, and team, involving continued progress, learning, exchange, and collaboration. We are optimistic about the transformative power of our collective efforts and recognize that the journey towards our ambitious goals may require adaptation and flexibility to effectively navigate the priorities and complexities.

Last year, as we reached the halfway point in our five-year time frame, we initiated a review of our strategic plan. The Strategic Planning Committee, consisting of the Board, Strategic Council members, and key stakeholders, has actively engaged in this process to realign our focus and drive even greater progress towards clearer impact goals. This review, finalized at the Board of Directors meeting in June 2023, will ensure

that our strategic direction remains robust, responsive, and aligned with the evolving sustainability landscape.

In the following pages, we highlight our achievements, learnings, and notable progress made in 2022, in line with our strategic focus and aspirational goals.

## KEY: FOCUS AREAS



### COLLECTIVE ACTION

Activating Our Ecosystem for Action



### INTEGRATED TOOLS

Evolved Tools That Drive Credible Decisions



### TRANSPARENCY

Insights That Accelerate Change



### SUSTAINABILITY LEADERSHIP

Global Recognition That Advances Massive Scale

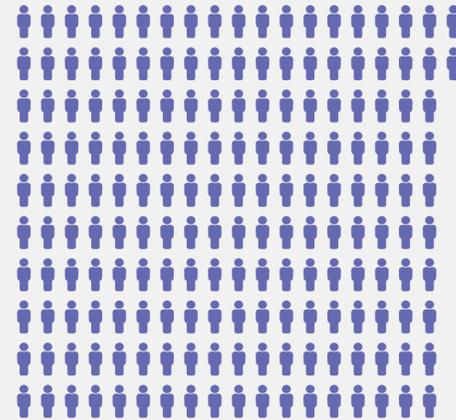
# 2022 BY THE NUMBERS

## 454

attendees participated in the 2022 Annual Meeting, in-person and online

## 182

members, partners, and independent consultants served on Strategic Councils & METs



## 283

SAC members as of 2022

## MEMBERSHIP STATISTICS

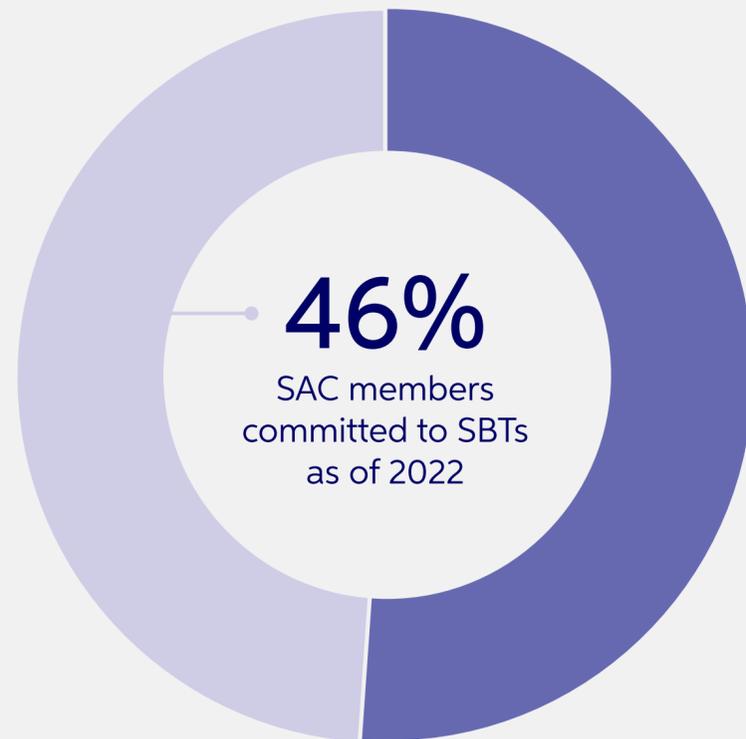
OUR GLOBAL COMMUNITY CONSISTS OF BRANDS, RETAILERS, MANUFACTURERS, SOURCING AGENTS, SERVICE PROVIDERS, TRADE ASSOCIATIONS, NOT FOR PROFITS, NGOS, AND ACADEMIC INSTITUTIONS.

## 21,000+

organizations around the world use the Higg Index suite of tools

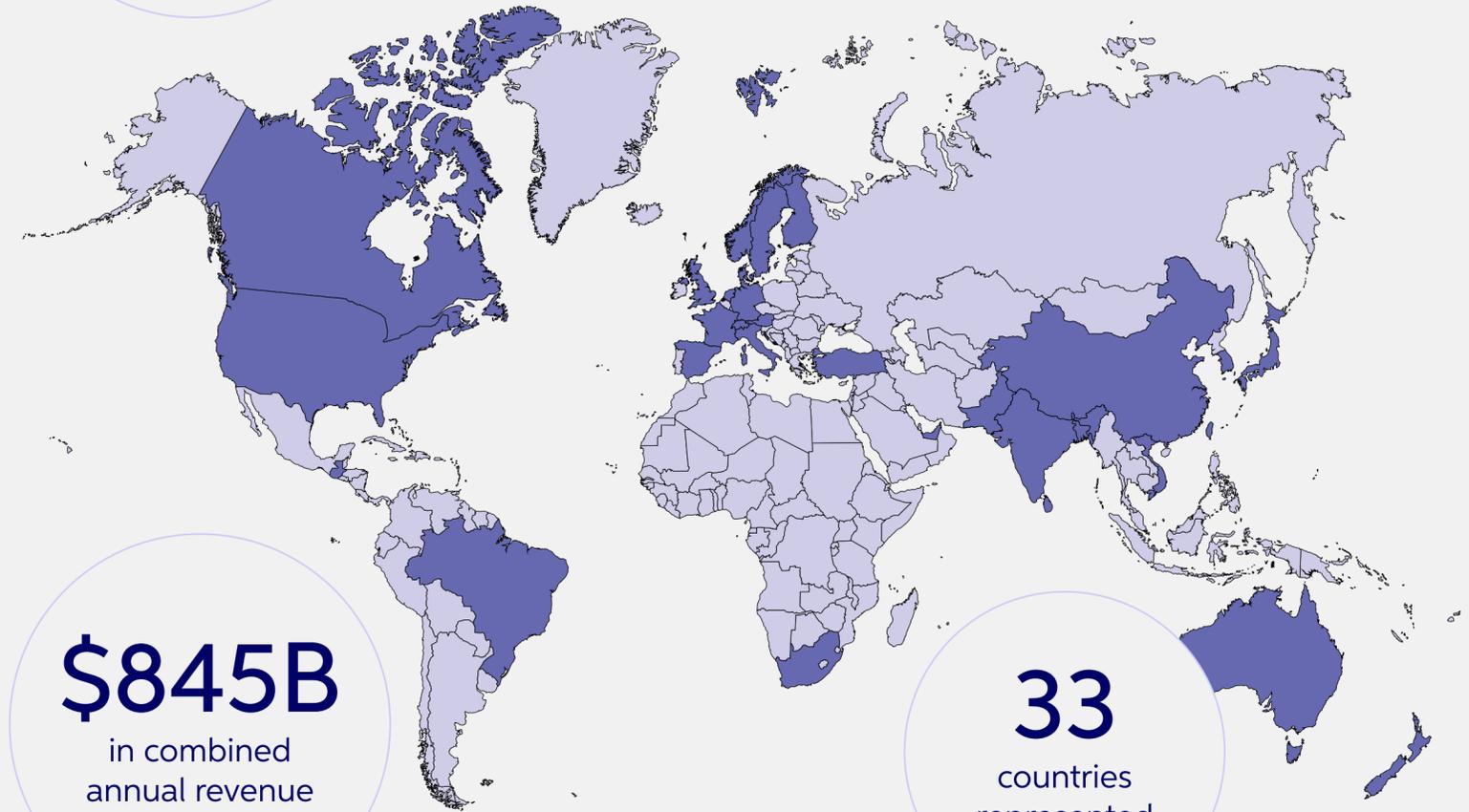
## 46%

SAC members committed to SBTs as of 2022



## \$845B

in combined annual revenue



## 33

countries represented

## 20+

new materials and processes were added in the latest MSI data update



COLLECTIVE ACTION



SUSTAINABILITY LEADERSHIP

# MEMBER GROWTH & ENGAGEMENT

To accelerate action and collaboration towards a more sustainable and inclusive future, the SAC continues to expand its membership, year over year, bringing diverse people and voices to the table. We know that no one organization can shift the industry, but, together, we can transform ambitious commitments into meaningful action and rigorous follow-through that positively impact people and the planet.

Our growing community consists of more than 280 members, representing over 33 countries, who generate over \$845B in combined annual revenue. Since 2020, the SAC has seen our largest growth in over a decade, indicating momentum towards the collaboration and industry-wide collective action needed.

In 2022, our membership expanded, welcoming 18 organizations representing every part of the global value chain. By joining the Coalition, members gain access to the Higg Index suite of tools, participate in collective action programs, and contribute to a community unified and driven by a shared vision of sustainability.

With the core Higg Index suite of tools completed in 2020, the way we engage with members and external stakeholders has shifted over the last few years to leverage expert insights and support tool evolution along with other workstreams.

Last year, we managed seven Strategic Councils that harnessed the expertise of

56 members and 19 Member Expert Teams (METs), involving 136 members, partners, and independent consultants.

These groups support the delivery of our strategic objectives by ensuring that the SAC leverages and fully integrates member expertise into different workstreams, providing an opportunity for SAC members

to advise, guide, and inform on SAC programs and goals.

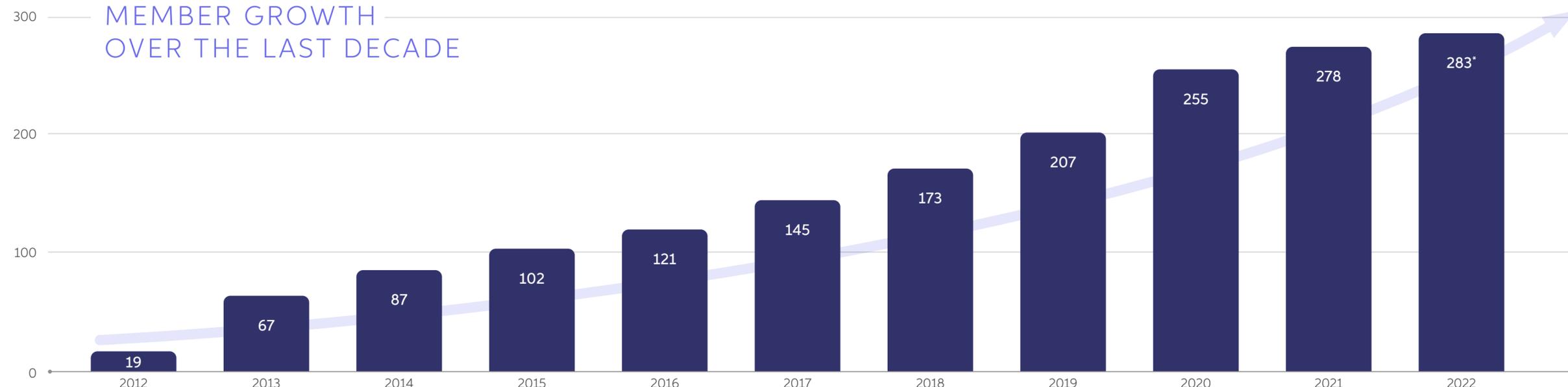
### WHAT WE DID

Began recruiting for the Science-Based Targets Strategic Council, now the Decarbonization Strategic Council, which was launched in 2023 with 13 experts and representation across each member category.

### WHAT IT WILL ACCOMPLISH

The group provides guidance on the strategic direction for the successful execution of the Decarbonization Program in line with the SAC's strategic plan. It will steer the development of the decarbonization roadmap required to determine the level of collective action needed to support all SAC brand, retailer,

MEMBER GROWTH OVER THE LAST DECADE



\*AS OF DECEMBER 31, 2022

# MEMBER GROWTH & ENGAGEMENT

manufacturer, and raw materials members in reducing their emissions.

### WHAT WE DID

Organized a Textile Wet Processes MET with 20 experts representing 15 organizations.

### WHAT IT WILL ACCOMPLISH

The group is focused on alignment in modeling requirements for primary data submissions for textile wet processes in order to expand wet processing options in the Higg MSI and enable recognition of more sustainable textile processing.

### WHAT WE DID

Initiated six new BRM METs to co-develop elements of the latest Higg BRM update, including scoring methodology, structural changes, and coordination of different sections.

### WHAT IT ACCOMPLISHED

The result is the recently launched Higg BRM tool that helps brands and retailers to better assess their Environmental Social and Governance (ESG) performance across their entire global value chain, to improve performance. In order to drive positive impact at scale, the tool now has greater alignment with “best in class” frameworks

on issues such as biodiversity and responsible purchasing practices.

### WHAT'S NEW

Initiated a new FEM SBT Tracking MET to support the development of SBT tracking tools and deliver requirements and objectives for both facility-level Scope 1 & 2 monthly impact tracking capabilities and brand-level SBT tracking capabilities. The group is one of several FEM METs to co-develop content for sections of the Higg FEM 4.0 update.

### WHAT IT ACCOMPLISHED

A major change in the Higg FEM 4.0 involves including questions aligning with Scope 1 & Scope 2 GHG Emissions calculations per GHG Protocol, the enhanced categorization of refrigerant gasses to accurately calculate GHG emissions from potential leakages, and more.

**THANK YOU** to our members, partners, and staff serving our Strategic Councils and METs. Your contribution of time, expertise, and insight help improve our industry performance and shape strategic objectives. Your active engagement and collaboration are instrumental in addressing emerging concerns and driving meaningful change for a more sustainable future.



- Existing Councils & Teams
- NEW in 2022



COLLECTIVE ACTION

# DECARBONIZATION PROGRAM

The next few years are critical, and the SAC is committed to activating our ecosystem for action.

We believe setting and working towards science-based targets (SBTs) and science-aligned targets together provide a crucial aligned pathway to support the industry in achieving 45% climate reduction by 2030. SBTs are objective goals backed by the latest climate science on our most advanced understanding of how GHG emissions impact the climate.

The Decarbonization Program, previously known as the SBT Program, was launched in 2022 to support and drive the adoption of SBTs and work toward urgent and necessary emissions reduction. As part of our strategic plan, we have an aspirational objective to mitigate climate change and build climate resilience in our industry.

To support this goal, we are aiming to reach 80% SBT adoption from Corporate Members, including brands, retailers,

holding groups, third-party retailers, and manufacturers, by 2023.

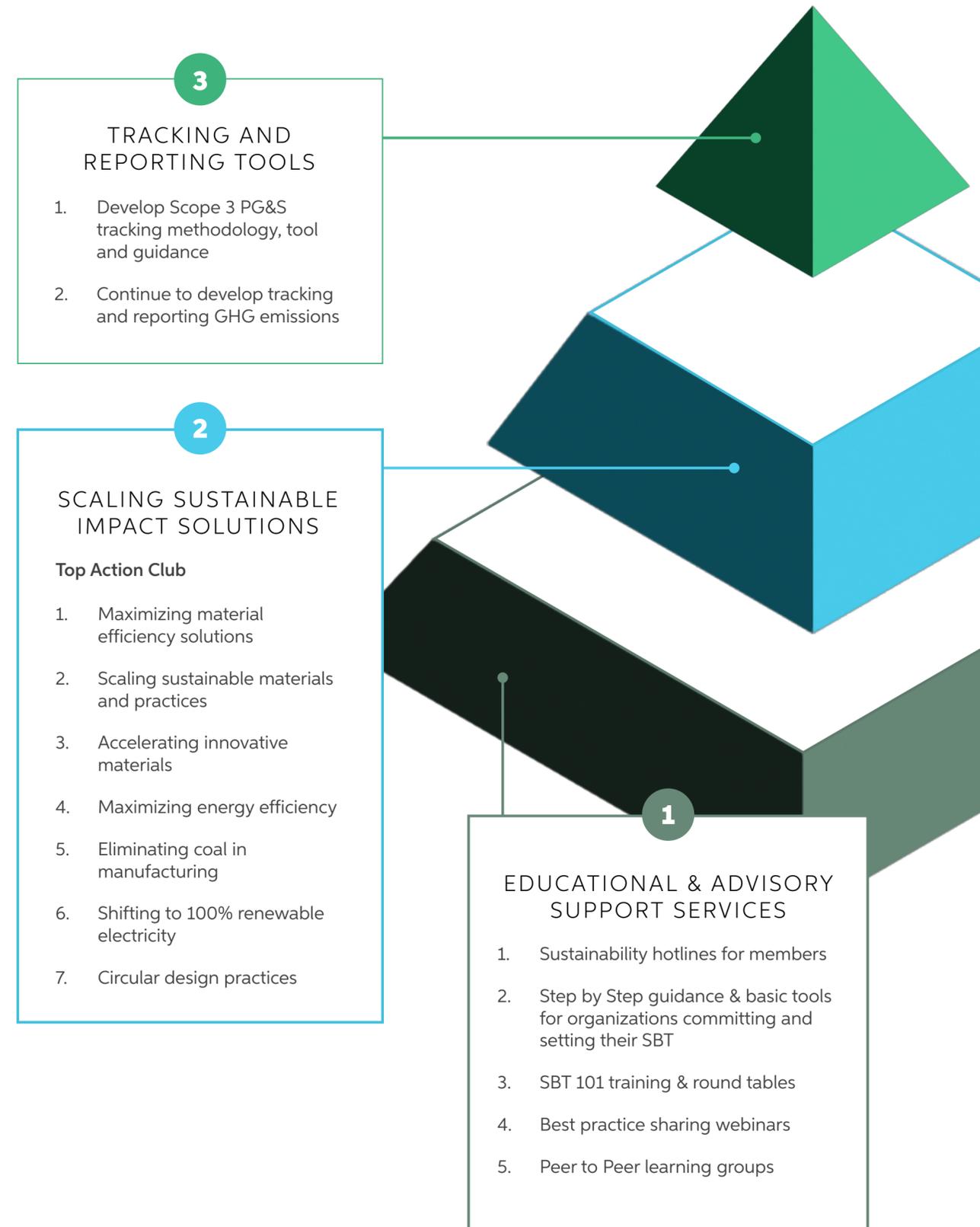
This collective action program requires a collective approach, not just from members but across our entire ecosystem of internal and external actors. The program complements the Science Based Targets initiative (SBTi) commitment to achieve a net-zero future and it also incorporates six key interventions for reducing emissions identified by the World Resource Institute (WRI) and Apparel Impact Institute's (Aii) working paper<sup>1</sup> using data from the SAC's Higg Index and Textile Exchange. We believe every stakeholder in the value chain has a role to play in taking concrete action, and we must work together to solve the joint challenges we are facing.

We have begun our work supporting and engaging SAC members and capacity-building efforts for the scaling of collaborative solutions based on the key interventions.

- We initiated Peer-to-Peer Learning Groups to reduce barriers and encourage dialogue and cross-learning.

- We launched the Top Action Club, a collaborative space for members to discuss the key levels and local/regional solutions required to accelerate actions that will support the industry to reduce GHG emissions.
- We began plans for in-country SBT training on how to commit and set SBTs, with the training sessions officially starting in 2023 in Italy, China, and India.
- As of 2022, 46% of SAC members have set or have begun the process of setting SBTs, a 6% increase from the previous year toward our goal.
- Today, we are focused on identifying and building strategic partnerships with key program partners and convening with our members to scale sustainable impact solutions.

<sup>1</sup> \*Sadowski M., Perkins L., and Mcgarvey E. Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector





COLLECTIVE ACTION



INTEGRATED TOOLS



TRANSPARENCY

# THE HIGG INDEX

Since our inception, one of our main goals has been to equip the industry with a global, standardized method for measuring and understanding its impact.

The industry needs a common language to describe sustainability performance, and we are committed to the ongoing improvement and evolution of our tools to ensure we empower the industry to drive social and environmental change.

The Higg Index suite of tools evolve based on expert input, the best available science, and a data-driven approach. As such, we are working continuously with experts from multiple sectors to update and optimize the tools. In 2022, our team delivered on a variety of fronts, including the consultation and development of the Higg Facility Environmental Module (FEM) 4.0 and updated Higg Brand & Retail Module (BRM), as well as setting in motion the next Higg Index comprehensive review.

## DEVELOPING HIGG FEM 4.0

Starting in mid-2020, the SAC began work on the Higg FEM 4.0, which included reviewing tool feedback, the FEM framework, FEM scoring methodology, FEM question content, and more, and involved an extensive engagement program with our Strategic Council and MET members, stakeholders, and the review of over 1,000 individual items of feedback. In December of 2022, we published the Higg FEM 4.0 Technical Paper to provide greater transparency to users and allow members and their supply chain partners time to prepare for the tool launch in November 2023.

## WHAT IT WILL ACCOMPLISH

The Higg FEM is a sustainability assessment tool that standardizes how facilities measure and evaluate their environmental performance, year-over-year. With this update, the SAC enhances the applicability methodology in FEM 4.0, allowing facilities across multiple industry sectors and tiers to evaluate their environmental performance in an effective manner. The questions developed have been built specifically to cater to additional sectors, such as the

outdoor sporting and hard goods facilities, as well as facilities that produce man-made cellulose fibers, etc.

## MAJOR REVISION TO HIGG BRM

Last year, we initiated a major revision of the Higg BRM that was supported by an extensive consultation program with over 75 stakeholders, including Strategic Councils, METs, successful member workshops representing all member regions, as well as industry experts and apparel alliance partners Textile Exchange and ZDHC. The major update involved a review of the assessment content and structure, scoring methodology, and the tool's digital experience. In order to drive positive impact at scale, the Higg BRM now has greater alignment with "best in class" frameworks on issues such as biodiversity, responsible purchasing practices, and upcoming legislation including the Corporate Sustainability Reporting Directive (CSRD), and the [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#).

## WHAT IT WILL ACCOMPLISH

The apparel and footwear industry needs to accelerate progress on purchasing practices,

supply chain wages, and GHG emissions. To drive meaningful transformation, we need a clear and standardized understanding of our environmental and social impact areas to develop targeted strategies and road maps for improvement. As industry standards and policies continue to progress, our tools, like the Higg BRM, must evolve as well. By aligning with emerging regulations and best practices, the Higg BRM will assist brands and retailers in staying ahead of compliance expectations and driving continuous improvement. With the latest iteration of the Higg BRM, brands and retailers gain access to deeper insights and can better assess their Environmental, Social, and Governance (ESG) performance across their global value chains. The tool provides valuable data and analysis to identify hotspots, track progress, and make informed decisions to improve their sustainability performance.

## MSI CONTRIBUTOR RECORD YEAR

The Higg MSI is updated every six months to ensure continuous evolution. The update in December 2022 was one of the largest to date, with the addition of more than 20 new materials and processes, a new material

category for leather alternatives, and more.

## WHY THIS MATTERS

Before the Higg MSI, a common language around material sustainability did not exist, which meant that the environmental impact of material design choices could not be reviewed or interpreted in a consistent way. The MSI Contributor is a tool where stakeholders may submit raw material and processing life cycle assessment (LCA) data to be reviewed and incorporated into the Higg Index Product Tools. This tool is vital in continuing to build the Higg MSI, an unprecedented industry materials database. However, this work is ongoing. As our industry continues to change, this tool must evolve alongside it, which is why it is imperative that we continue to work with producers around contributing data and improving methodology to provide insights that help ensure the tool is relevant and scalable for the industry. By doing so, we can deepen environmental understanding within the industry and empower designers, brands, retailers, and manufacturers to use LCA data to make informed decisions and create more sustainable products.



COLLECTIVE ACTION



TRANSPARENCY

# TRANSPARENCY PROGRAM

The SAC exists to drive transformational impact, and our continued ambition for standardized tools and impact communication supports that aim.

Over the last decade, the SAC, together with its members, has gathered a wealth of verified data on social and environmental performance through the Higg Index suite of tools. This work supports organizations with more reliable measurements, providing a foundation for trustworthy sustainability claims and combating greenwashing. By establishing a common language to understand, track, and measure the impacts of the industry's global value chain, we have enabled increased transparency and accelerated change.

Transparency, a key effort of the SAC, has been a steadfast commitment for the past seven years. At launch, the Transparency Program's aim has been to provide our industry with the leading transparency

framework, as it relates to product-level transparency, empowering our members to communicate about sustainability performance. Transparency is a critical step towards improved industry practices, as it enhances credibility, trust, and accountability throughout the supply chain.

As part of our efforts, we have been actively engaged in advocating for harmonized regulations and consistent approaches, including the Product Environmental Footprint (PEF) legislation. By enabling organizations to consistently communicate data-driven sustainability claims and insights, the SAC helps facilitate this communication across the value chain. Through greater transparency and accountability, our goal is to foster impact-led decision-making, and ultimately, lead us towards significant improvements across the industry.

The SAC's consumer-facing labeling pilot was launched in May 2021 with several brand & retailer members that helped develop and test the program. Over the next year, eight brands engaged in the

pilot program and we added nearly 4,500 product profiles, providing consumers with material sustainability information at the point of purchase.

In May 2022, the SAC received a notification from the Norwegian Consumer Authority (NCA) regarding the use of Higg Index data to support the consumer-facing labeling pilot. As an organization focused on driving positive environmental change in the apparel and footwear industry, we took this notification extremely seriously.

We chose to pause the pilot program in June 2022 and further engage in open and constructive dialogue with consumer authorities in the EU, and we agreed, as we always have, that supplying consumers with accurate, trusted, and substantiated product-specific information is our shared end goal.

This is complex work, yet with challenge comes opportunity and it framed a positive period of establishing common ground as well as self-reflection for our organization. We had the opportunity to pause, take

a step back, and work to redefine what transparency means for our membership within a new and rapidly evolving policy context. By sitting around the table and engaging in constructive feedback, we gathered learnings and insights that inform our path forward:

## WE CONDUCTED 60+ MEMBER AND PARTNER INTERVIEWS

The insights gathered from these interviews offer valuable learnings that inform our work and are propelling us into a space where we can provide the most value and impact for our diverse membership—from manufacturers, brands, and retailers to academia, NGOs, and nonprofits.

## WE COMMISSIONED AN INDEPENDENT THIRD-PARTY EXPERT REVIEW OF THE HIGG INDEX

Conducting external reviews is a standard practice within our process, with the most recent comprehensive review taking place in 2017. Our next review was expedited and initiated in 2022, with the review process to take place in 2023. In line with our commitment to transparency, we will make

the review reports publicly available. These reports will offer valuable insights and inform how best to maximize the use of the tools to drive the greatest impact, while also providing key guidance for future

## WE FURTHER DEVELOPED A PUBLIC AFFAIRS STRATEGY

Legislation helps bring the change our industry urgently requires, but it can be challenging to navigate. Given the speed and scale of the changing policy landscape, our members often face strain and encounter obstacles that hinder progress. Recognizing the importance of establishing common ground and alignment, we actively engaged with a number of key stakeholders, including consumer authorities, to foster a unified approach and actionable principles. Our objective is to support harmonization in the application of existing rules for product-level environmental claims. However, there is still work to be done. To better engage our members and facilitate industry-wide change, we built up our Public Affairs team and further developed our public affairs strategy and activities.



# TRANSPARENCY PROGRAM CONTINUED

## WE WORKED TO ESTABLISH COMMON GROUND AND THAT WORK CONTINUES

As a global convener for the entire value chain, our role is to establish common ground with all parties, including our critics, because, ultimately, our mutual focus is the same: to transform the industry for exponential impact. That has been the spirit of the SAC since our beginning, and that is the spirit that we need now, more than ever, to find solutions that improve the environmental impact of our industry.

## What's Next?

As an industry, we must seek to understand how to improve our work and act urgently and decisively to ensure the changes needed are accelerated.

The SAC's Transparency Program is wider than the consumer-facing labeling pilot program. Our resulting collaboration with our members, the industry, external

stakeholders, and consumer authorities motivated us, as an organization, to re-evaluate the role the SAC plays in transparency and how we further support our members in communicating their sustainability performance.

SAC's transparency team will shift its efforts towards building disclosure pathways (e.g., a Product Footprint Communication Framework powered by the Product Module) aligned to the latest regulatory requirements paired with accountability mechanisms (e.g., an impact dashboard of the industry's sustainability performance as measured by the Higg Index) that accelerate the pace against our impact goals.

Now more than ever, the SAC has a responsibility to support accelerated responses toward our shared goals. Transparency is paramount as it serves as the catalyst for driving widespread adoption of the necessary changes within the industry, and creates an environment

that not only incentivizes positive actions but also ensures appropriate accountability for all stakeholders, including producers, suppliers, brands, and retailers, while also safeguarding the interests of all involved. We will continue to support policy advocacy and transparency efforts that empower individual and collective action.

By embracing a culture of continuous learning, taking decisive action, and engaging with a diverse array of stakeholders, we can forge a stronger alliance and advocate for enhanced clarity and consistency regarding the industry's needs and our collective journey toward achieving them.



COLLECTIVE ACTION



SUSTAINABILITY LEADERSHIP

# COLLABORATIVE PARTNERSHIPS

The only way we can drive real change is through deepened partnerships and greater collaboration across the industry and with other organizations in our ecosystem.

The SAC collaborates with external and internal partners and institutes, including the apparel alliance, trade organizations, NGOs, academic institutions, and our ecosystem partners: [Worldly](#), [Policy Hub](#), [the Social & Labor Convergence Program \(SLCP\)](#), and [Apparel Impact Institute \(Aii\)](#).

In 2022, our work to further develop key stakeholder partnerships and build stronger relationships, specifically with affiliate members, remained steadfast. Through active engagement and dialogue and by leveraging each others' expertise, influence, and resources, we co-create and co-develop industry-wide solutions that allow us to reach shared industry goals.

By coming together and aligning efforts, we

can, as an industry, partner with intentional collaboration to drive collective action that delivers long-term sustainable impact.

The highlighted collaborations referenced on this page are just a few examples of how only by working together can we accelerate measurable action and create a better future for the planet and its people.



## APPAREL ALLIANCE

Four organizations—Aii, the SAC, [Textile Exchange](#), and [ZDHC](#)—came together to partner on accelerating impact and driving new efficiencies for the industry. Based on our core competencies and complementary efforts, the four organizations formed an alliance of resources and offerings for the global value chain.

The [apparel alliance](#) aligns its goals, solutions, tools, and reporting, as well as events and training to create a connected,

end-to-end path to action for the entire apparel and footwear industry as we work together to achieve a minimum goal of 45% reduction in GHG emissions by 2030.

Together, the apparel alliance has created a contiguous sustainability framework for the entire industry, spanning four primary resource areas: Programs & Tools, Global Implementation, Impact Management & Funding, and Administration & Infrastructure.

- In 2022, SAC and Textile Exchange made strides in integrating the Corporate Fiber & Materials Benchmark (CFMB) into the Higg BRM to further industry alignment on raw material uptake information and streamline reporting across the industry.
- ZDHC and SAC have continued work on identifying and fostering complementarity and efficiency between the Roadmap to Zero Programme & Supplier to Zero (StZ) and the Higg FEM. This work helps facilities optimize their use of both tools to enhance their sustainable practices.
- ZDHC and SAC have continued work on

aligning their brand and retail modules specific to chemical management and its impact areas. This work enables brands to use the ZDHC Brands to Zero reporting for the Higg BRM, therefore reducing the time and effort for companies to report across tools.



## DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE ZUSAMMENARBEIT

These projects are funded by the Federal Ministry for Economic Cooperation and Development (BMZ) and supported by the [Deutsche Gesellschaft für internationale Zusammenarbeit \(GIZ\)](#).

The SAC and the GIZ have a longstanding relationship collaborating on increasing sustainability in global textile supply chains. As a federally owned enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable

development. In the past year, SAC and GIZ have focused on industry alignment and harmonization:

GIZ was involved through its FABRIC project (Promoting Sustainability in the Textile and Garment Industry in Asia) in reviewing the updated Higg FEM version. Additionally, the Higg FEM verifier is using the online Climate Action Training developed by GIZ and the Fashion Charter for Climate Action.

Furthermore, in November of 2021, the SAC in collaboration with Aii, ZDHC, and SLCP, entered into a partnership with the [Initiative for Global Solidarity \(IGS\)](#), a program implemented by GIZ. IGS enables purchasing and producing companies to exercise shared responsibility for the impacts of their business practices on the planet and its people.

The partnership with IGS is an opportunity for the SAC and the collaborating organizations to partner with international and local initiatives and organizations to advance convergence on human rights and environmental due diligence and to act as

# COLLABORATIVE PARTNERSHIPS CONTINUED

a key player in expanding the use of open assessment frameworks and performance data sharing frameworks.

Throughout 2022, the project partners experienced synergies and identified opportunities to leverage them in pursuit of achieving common goals.

SLCP is leading on the social scope of the IGS project and is focused on furthering the convergence of social assessments by aligning the [Converged Assessment Framework \(CAF\)](#) with other social audit schemes and expanding its application to new sectors.

As part of the apparel alliance, the SAC, ZDHC, and Aii are taking the lead on the project's environmental scope, with the specific output of developing a consolidated data-sharing model and environmental performance framework in the form of a standardized factory journey for improved environmental practices. Key project highlights and synergies from 2022 include:

- Collaboration between [International Apparel Federation \(IAF\)](#), [Sustainable Terms of Trade Initiative \(STTI\)](#), and Aii-led [Fashion Climate Fund](#), connecting industry stakeholders with philanthropic funds to further support the industry in

reaching GHG targets and accessing funds needed to transform business operations that align with Paris Climate Agreement targets.

- Mapping efforts were conducted among key stakeholders, to be updated upon the launch of the Higg FEM 4.0. The focus in 2022 was on aligning Higg FEM 4.0 content with existing tools, guidelines, and programs, including air emissions and resource efficiency. Stakeholder consultations led to a concrete Terms of Reference and RFP for a detailed gap analysis, data mapping, and performance assessment, ultimately resulting in a factory journey conducted by an independent party.
- Aii, SAC, Textile Exchange, and ZDHC expressed their commitment to a shared environmental assessment framework during a 2022 Global Fashion Summit panel session. A survey was conducted to explore training possibilities, and plans are in place to initiate a working group in 2023 to further advance the project plan toward integrating supplier training components within the factory journey and broader apparel alliance objectives.



## THE INDUSTRY WE WANT

In 2022, the SAC joined [Fair Wear](#) and the [Ethical Trading Initiative](#) as a strategic partner and lead organization of [The Industry We Want \(TIWW\)](#), a multi-stakeholder initiative with the vision of a garment and footwear industry that realizes its full potential to ensure dignity for workers in decent jobs, thriving businesses along the supply chain, and a positive impact on the planet. TIWW collaborates with [Wage Indicator Foundation](#), [Better Buying Institute](#), and Aii to develop a set of metrics to measure action across three critical issues: the wage gap, purchasing practices, and GHG emissions.

Last year, these impact metrics were presented in the first iteration of [TIWW's Industry Dashboard](#), which is being updated annually. The dashboard functions as a "temperature check" for the industry as a whole and synthesizes extensive wage data on major garment-producing countries, feedback from suppliers across 54 countries, and new estimates of apparel sector GHG emissions. To calculate the GHG metric,

the dashboard gathers data from Textile Exchange's Preferred Fiber and Materials Market Report and SAC's Higg MSI.

As an organization committed to leveraging data and insights to empower its members and accelerate progress, the TIWW partnership and its goals are consistent with the SAC's vision of an industry that gives more than it takes.

We aim to leverage TIWW's platform to ensure the industry stays on track to fulfill its climate change commitments, and to have constructive exchanges with a diverse set of stakeholders on what is needed to accelerate change in the commercial, social, and environmental spheres.

- The first iteration of the [Industry Dashboard](#) was launched alongside the 2022 OECD Forum on Due Diligence in the Garment and Footwear Sector. There were 540+ registrants from brands & retailers, manufacturers, nonprofits & civil society organizations, governments, trade unions, and other stakeholders. The event counted a wide range of industry actors who reflected on the first scores of impact metrics and highlighted challenges and opportunities for the sector.

- TIWW hosted three other events throughout the year. These were deep-dive sessions on GHG emissions, wages, and purchasing practices. Each webinar brought together a diverse set of voices and experts across the supply chain, who reflected on the industry's performance across TIWW key focus areas, sparking questions on how to push for greater progress.
- During the second cycle of the purchasing practices metric, TIWW increased supplier participation by translating marketing assets and website pages into nine different languages: Vietnamese, Bengali, Chinese, Turkish, Hindi, Portuguese, French, Spanish, and Italian.

**In the year ahead, we continue working tirelessly to deepen stakeholder engagement and collaboration that support the development of a clear set of milestones that offer the coordinated, industry-wide, and joint solutions urgently needed to drive measurable action in the industry.**



# 2022 SAC ANNUAL MEETING

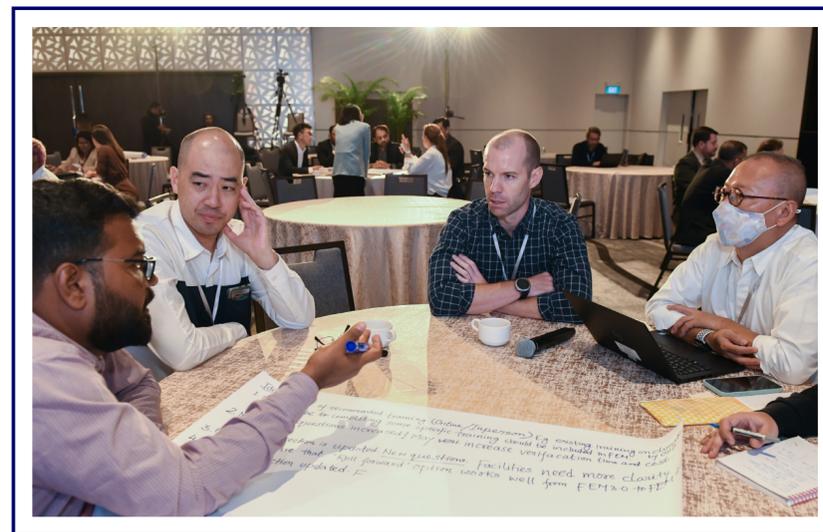
Each year, the SAC Annual Meeting offers a unique opportunity for members—retailers, brands, manufacturers, and affiliates—and industry stakeholders to have crucial sustainability conversations and exercise our core values of equal partnerships and collaboration.

In November of 2022, nearly 500 representatives from our industry joined us in person and online for the SAC Annual Meeting in Singapore. The location was selected to recognize the critical role the

APAC region plays in driving and sustaining the industry and to highlight the importance of engaging stakeholders from the global south who must have an active voice in co-creating industry solutions. With the theme: *Collective Action on Common Ground*, the two-day event invited attendees to come together to exchange ideas, identify shared goals, and find common ground from which we can drive transformation change.

This was the first in-person annual meeting since 2019, and the number of attendees

from around the world demonstrated heightened awareness and urgency for fundamental and rapid change and the power of coming together to network in person and problem-solve collectively. At the event, experts—including policy thought leaders, academics, brands, manufacturers, and retailers—discussed topics including eco-labeling, decarbonization, and responsible purchasing practices, and shared examples of how companies are using and benefiting from the Higg Index suite of tools.



# THE TIME TO ACT IS NOW

The past year has underscored the narrowing window of time we have to avoid the irreversible effects of climate change. It is clear that the time for accelerated action is now. We have made significant progress through efforts like the launch of our Decarbonization Program, the enhancement of the Higg Index suite of tools, and the growth of our membership and partnerships.

However, we must recognize that the magnitude of the challenges we face requires us to collaborate more intentionally, and act with a greater sense of urgency and unity than ever before. Together, we have the power to make a lasting impact and create a more sustainable and equitable future for all.

**LET US EMBRACE THIS CRITICAL MOMENT,  
KNOWING THAT OUR COLLECTIVE EFFORTS CAN  
BEND THE CURVE AND PAVE THE WAY FOR A  
THRIVING PLANET FOR FUTURE GENERATIONS.**

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[apparelcoalition.org](https://apparelcoalition.org)

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