

EXECUTIVE SUMMARY



DIRTY FASHION: CRUNCH TIME

**WHERE DOES THE
INDUSTRY STAND
ON STAMPING OUT
DIRTY VISCOSE ?**

The purpose of this report is to shed light on industry-specific issues related to the environmental and social impacts of unsustainable viscose manufacturing.

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This report was written and researched by the Changing Markets Foundation.

Published in December 2020

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www.changingmarkets.org

Executive summary

Almost three years since the first fashion brands and retailers signed up to our *Roadmap towards responsible viscose and modal fibre manufacturing*, this report evaluates where the global textile industry now stands in the transition towards responsible viscose. We have engaged with 100 brands and retailers, and most prominent viscose manufactures' and initiatives, evaluating their responsible production plans, commitments and progress on transparency. In this report, we examine progress to date and find that, while the frontrunners of the industry have made great headway, legislation is needed to unlock a sector-wide transformation.

When our Dirty Fashion campaign launched in 2017, there was little knowledge of the environmental and social impacts of viscose production within the clothing industry. To the extent that brands and retailers were aware of sustainability problems in the viscose supply chain, they were mostly focused on the sourcing of timber for use in the production of wood-based dissolving pulp, which is the starting material for most viscose. In partnership with the NGO Canopy, many had pledged to stop sourcing pulp from ancient and endangered forests. Through 'Detox' commitments with Greenpeace, and initiatives like the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation's Programme on hazardous chemicals, some had also taken action to curb pollution from wet processing by committing to phase out the use of toxic substances in textiles dyeing and finishing. However, almost without exception, brands and retailers had neglected to address viscose manufacturing - a key part of the supply chain that was causing significant pollution and taking a heavy toll on the health and livelihoods of communities living in the shadow of viscose factories.

Our own investigations into viscose factories across India, Indonesia and China in 2017 and 2018 - presented in our *Dirty Fashion*² and *Dirty Fashion revisited*³ reports - highlighted how inadequate chemical management and water treatment have been destroying marine life and agriculture, directly exposing workers and local people to harmful chemicals and leading to severe health problems. The reports also revealed many fashion giants were buying from these polluting viscose factories.

Following our investigations and initial engagement with clothing companies, which wanted to find a solution to polluting viscose manufacturing, we developed a *Roadmap towards responsible viscose and modal fibre manufacturing*.

The *Roadmap*, launched in February 2018, provides a blueprint for responsible viscose manufacturing. It outlines a set of principles for brands, retailers and producers to move towards a closed-loop manufacturing system, where emission controls and chemical recovery rates are in line with best practices – the so-called EU Best Available Techniques (BAT).

To date, the *Roadmap* has 14 signatories: ASOS, C&A, Esprit, George at Asda, H&M, Inditex, Levi's, Marks & Spencer (M&S), Morrison's, New Look, Next, Sainsbury's, Tesco, Puma and Reformation. These companies have made a public pledge to improve viscose manufacturing by 2023–25, and have committed to publishing their *viscose suppliers*.

At the same time, some of the biggest viscose manufacturers accounting for over 50% of total viscose production – Aditya Birla Group, Asia Pacific Rayon (APR), Lenzing, Sateri and Tangshan Sanyou – have already aligned, or committed to align, their performance with EU BAT at all their facilities in the coming two to three years.

Key findings

Brands and retailers: US and luxury brands still lagging behind

- In 2020, we reached out to more brands and retailers than ever before – 100, in comparison to 91 in 2019 and 53 in 2018. Based on their responses and the information publicly available on each company's website, we categorized the companies in four groups – Frontrunners, Could Do Better, Trailing Behind and Red Zone - summarised in the brand league table given as an attachment to this report.
- Of the 100 brands we contacted, almost two-thirds (61%) provided some kind of response – a response rate slightly higher than in 2019 (59%) – showing that responsible viscose manufacturing is firmly on the agenda of fashion brands.
- Fourteen major brands and retailers have made a public commitment to clean up their viscose supply chains, sending a strong signal to viscose manufacturers that they expect the industry to move to more responsible viscose production by 2023–25.
- Several brands have shown marked improvement when it comes to transparency. Almost all signatory brands disclose some information about their viscose suppliers. Among the most transparent are ASOS, C&A, Esprit, M&S, Reformation and Tesco, which have published extensive lists of their viscose manufacturers on their corporate websites, including the names and, in some cases, full addresses of factories.
- Sadly, a big bulk of the industry is still dragging its feet; three-quarters of companies (75 out of 100) have made few or no commitments to stamp out dirty viscose.
- Among the lowest-ranked companies, luxury brands Armani, Dolce & Gabbana, Prada and Versace rub shoulders with sports giant Nike and low-cost retailers Costco, Forever 21, TJ/TK Maxx and Walmart, proving this problem is not confined to the cheaper end of the market. Interestingly, some luxury brands made significant public statements about sustainability in the media this year, following the Covid-19 pandemic. But their complete lack of engagement, commitments and even transparency clearly shows they are just paying lip service to this issue, and it is impossible to know whether they have made any real progress.

- There is a clear divide between US and European brands. Only two US companies signed up to the *Roadmap*, while the large majority (90%) landed in the bottom two categories, showing a lack of engagement and action to stamp out dirty viscose.
- After three years of engagement, some of the US companies – Aeropostale, Forever 21 and Michael Kors – have repeatedly landed in the Red Zone, indicating they are completely out of step with industry trends and consumer expectations.

Viscose manufacturers increasingly investing in cleaner production

- All of the viscose producers analysed – apart from the Chinese Collaboration for Sustainable Development of Viscose (CV) – have now made a public commitment to achieve EU BAT levels in the next two to three years: Aditya Birla and Lenzing by 2022, and Sateri and APR by 2023. For the first time this year, some of the Chinese viscose manufacturers broke ranks with CV to make clear commitments to the EU BAT.
- Some of the manufacturers' facilities have already aligned production with EU BAT: Aditya Birla Group's at the Chinese facility, Birla Jingwei Fibres Company Limited (BJFCL); Lenzing at Lenzing, Austria and Nanjing, China; Sateri at Sateri Fujian, Sateri Jiujiang and Sateri Jiangxi; and Tangshan Sanyou at Tangshan Sanyou Group Xingda Chemical Fibre Co. Ltd and Tangshan Sanyou Yuanda fibre.
- This means that viscose manufacturers accounting for over 50% of all global viscose production, have already aligned or committed to align their operations with EU BAT.
- The CV initiative^A – bringing together China's ten leading viscose producers, which collectively account for more than half of global viscose staple fibre production – has still not made concrete commitments to EU BAT. It is disappointing that two years after releasing *Dirty Fashion: Spotlight on China*,⁴ which analysed the initial CV *Roadmap*, the initiative is still deferring actions. This shows they are at odds with the transformation taking place in the rest of the industry.
- Viscose manufacturers still fall short of transparently reporting their progress towards EU BAT. Only ENKA and APR disclose on their websites how their facilities' performance matches the EU BAT or *EU BAT reference document (BREF) on polymers* values. Reporting on findings from third-party audits also remains opaque, and Higg FEM verification reports are made public by neither the Sustainable Apparel Coalition (SAC) nor manufacturers, which is a big barrier to accountability in the sector.
- Most of the producers analysed have established a grievance procedure in the past year to address concerns raised by workers, local inhabitants or other stakeholders. However, these are not accessible in local languages, and manufacturers fail to publicly share records, investigation notes and results linked to grievances.
- Two companies – APR and Sateri both owned by Royal Golden Eagle Group – are still associated with a high risk of sourcing from ancient and endangered forests, and have recently been found to source from cleared forested peatlands in Kalimantan. While both companies have made commitments to improve their fibre manufacturing in line with EU BAT, such problematic raw material-sourcing practices cast a shadow on their claims to sustainability.

Finally, while welcoming the commitments and actions taken by fashion brands, retailers and viscose manu-

A Members of CV include: China Chemical Fibres Association, China Cotton Textile Association, Constant Day Dragon (Weifang), Funing Aoyang, Jilin Chemical Fibre, Sateri, Shandong Yamei, Shandong Yinying (Silver Hawk), Tangshan Sanyou, Xinxiang Baliu Chemical Fibre, Yibin Grace and Zhejiang Fulida, Alliance for a Green Development of Regenerated Cellulose



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facturers in stamping out dirty viscose, this report highlights the limitations of a voluntary approach in driving a sector-wide transformation. While sector frontrunners have now committed to tackling this problem, and are working with their suppliers to address it, the bulk of the fashion industry still lags behind and is hiding behind the sector's lack of transparency. The steps taken by the frontrunning fashion retailers, and viscose producers' investments to improve their manufacturing practices, are success stories - but legislation is needed to cement this progress and prevent backsliding.

This is where policymakers come into play. The European Commission has committed to developing a comprehensive textile strategy. It can take viscose as a case study on how EU standards (such as the EU BAT) can transcend borders and make them mandatory - not only for EU production but also for imports of viscose to the EU market. The EU has an opportunity to set mandatory human rights and environmental due-diligence legislation to require companies to identify, account for and mitigate negative human rights and environmental impacts in their supply chains, and be transparent about their supply chain. Through the upcoming legislation, the EU can ensure the fashion industry becomes circular, respects human rights, creates decent jobs and adheres to high environmental and responsible governance standards throughout its value chain, in the EU and beyond.

Governments worldwide should follow suit and commit to developing ambitious legislation for the textiles sector. With Covid-19 further exposing the unsustainable supply chains and practices in the textile industry, it is now crunch time to get fashion on the right track for the future.



Viscose manufacturers’ performance on responsible production

VISCOSE FIBRE MANUFACTURER	COMMITMENT TO EU BAT (CLOSED-LOOP PRODUCTION)	PRODUCTION SITES OPERATING IN LINE WITH EU BAT	INVESTMENT TOWARDS EU BAT (CLOSED-LOOP) TECHNOLOGY	TRANSPARENT REPORTING ON PROGRESS TOWARDS MEETING EU BAT (CLOSED-LOOP PRODUCTION)	GRIEVANCE MECHANISM AND REMEDIATION PROCEDURES	CANOPY 2020 HOT BUTTON RANKING (RAW MATERIAL SOURCING PRACTICES)
	Lenzing requires all sites to comply with the Group Environmental Standard, which is aligned with EU BAT, by 2022. ¹ Lenzing communicated that a delay is expected due to negative impacts by Covid19.	2 OUT OF 3 VISCOSE PRODUCING FACILITIES Lenzing Austria and Nanjing, China.	Lenzing intends to invest over €100 mn in ' <i>sustainable production technologies</i> ' by 2022. Throughout 2019 and 2020 it has attributed over €3.7 mn (US\$ 4.4 mn) in SPV; €40 mn to expand the production of the raw material sulfuric acid at the Lenzing, Austria site; and around €2 mn (18 Mio CNY) in Nanjing, China site to improve waste water treatment and Carbon disulfide Adsorption Plant (CAP).	Limited public disclosure, including information on reduction of certain emissions within a set timeframe on a group/facility level, but no systematic reporting of progress made by all facilities in relation to EU BAT parameters.	Lenzing has a BKMS® whistleblower system, publicly available for all facilities and to all employees of the Lenzing Group, to customers, suppliers and other third parties globally. Accessible publicly via website, but not available in local languages. ⁶ Incidents/complaints not publicly accesible. They are registered in Group's Safety, Health & Environment Action reporting system (SHEARs) followed by a root cause analysis and corresponding actions taken.	GREEN SHIRT: 30.5/35 BUTTONS Sourcing risk of sourcing from Ancient & Endangered Forests and other Controversial Sources has been resolved
	ABG aims to achieve EU BAT norms at all its sites by 2022. ² ABG communicated that despite Covid 19, it will still be able to meet the EU BAT by the of end of 2022.	2 out of 7 viscose producing facilities; Birla Jingwei Fibres Company Limited (BJFCL) in China and Thai Rayon Public Co. Limited (TRC) in Thailand	ABG committed a total of €145 mn (US \$170 mn) of investment to progress towards EU BAT technologies at all seven of its existing viscose fibre production plants, which are located in India, Indonesia, China and Thailand.	Limited public disclosure, including information on reduction of certain emissions within a set timeframe on a group/facility level, but no systematic reporting of progress made by all facilities in relation to EU BAT parameters.	ABG communicated that each of their site has a grievance management policy used to address the grievances of the community. The acess to policy and grievance mechanism publicly avaibale, ⁷ but not available in local languages (only grievance forms in local laguages). Incidents/complaints not publicly accesible, registered internally.	GREEN SHIRT: 33/35 BUTTONS Sourcing risk of sourcing from Ancient& Endangered Forests and other Controversial Sources has been resolved
	Sateri has committed to achieve EU BAT norms at all its sites by 2023. ³	3 OUT OF 5 VISCOSE PRODUCING FACILITIES Sateri Fujian, Sateri Jiujiang and Sateri Jiangxi.	The company communicated that where relevant, it will make the necessary investments to meet the EU BAT by 2023 at the two new facilities - Sateri jiangsu and Sateri China.	Limited public disclosure, including information on reduction of certain emissions within a set timeframe on a group/facility level, but no systematic reporting of progress made by all facilities in relation to EU BAT parameters.	Sateri communicated that it has a central grievance mechanism and an environmental complaints handling procedure at all operation sites. The access to designated email is accesible on the website in English and Chinese. ⁸ According to Sateri, each mill has an official WeChat account where anyone can leave a message to raise complaints. Incidents/complaints not publicly accesible.	RED/YELLOW SHIRT: 13/35 BUTTONS Associated with High Risk of Sourcing from Ancient & Endangered Forests and other Controversial Sources. Risk is known and no action is taken. (See page 32zzz)
	APR expects full compliance with EU BAT by 2023. ⁴	0 OUT OF 1 VISCOSE PRODUCING FACILITIES, expected to be compliant in 2023.	APR communicated that they are investing €14.8 mn (USD 15.7 mn) for the installation of an additional CS2/H2S recovery system to improve CS2 recovery and €68.000 (USD 80.000) in an effluent reduction project. The projects are due for completion and commissioning in Q4 of 2021 and at the end of Q4 2020, respectively.	APR discloses performance against EU BAT parameters on their website. ⁴	APR commuicated that any grievances are handled in accordance to the procedure and internally documented. Available on the wesbite in English and Bahasa. ⁹ Incidents/complaints not publicly accesible.	RED/YELLOW : 5/35 BUTTONS Associated with High Risk of Sourcing from Ancient & Endangered Forests and other Controversial Sources. Risk is known and no action is taken. (See page 32)
	No clear commitment to EU BAT. CV communicated that the CV Roadmap 2025 will be published in 2020, including basic-level requirements for members to achieve or go even beyond EU BAT by 2025.	N/A CV communicated that Sateri and Tangshan Sanyou are aligned with EU BAT, according to STS reports.	NOT DISCLOSED CV communicated that it will disclose members' general investment in the field of sustainability every year, however this is not specific to invetsments in closed-loop technologies.	Sustainability report provides very limited disclosure on performance of CV members in line with only one or two core EU BAT parameters, and only on seven CV members. No systematic reporting of progress made by each member in relation to EU BAT parameters. Reporting is at times misleading by refering to values as core EU BAT indicators, when this is not the case. CV communicated that it cannot publicly release or disclose data on their members.	There is no grievance mechanism in place on the CV level.	N/A
	N/A⁵ However, in exchanges with the Changing Markets Foundation, ENKA declared its commitment to closed-loop production of viscose and its facility is already operating in line with the BREF document.	N/A 1 OUT OF 1 VISCOSE PRODUCING FACILITY ENKA's stein Germany operates in line with emission and consumption values set out in the BREF document.	N/A ENKA has one production site that is already operating in line with the BREF document.	ENKA discloses performance against BREF levels on their website. Data is updated annually. ⁵	There is no grievance mechanism in place. Local complaints, inquiries and questions from individuals are directed to the regulatory authority and ENKA has to provide sufficient information and answer within a timeframe set by the authority ("Umweltinformationsgesetz").	GREEN SHIRT: 26/35 BUTTONS Sourcing risk of sourcing from Ancient & Endangered Forests and other Controversial Sourceshas been resolved

*Members of CV include: China Chemical Fibres Association, China Cotton Textile Association, Constant day dragon (Weifang), Funing Aoyang, Jilin Chemical Fibre, Sateri, Shandong Yamei, Shandong Yinying (Silver Hawk), Tangshan Sanyou, Xinxiang Baliu Chemical Fibre, Yibin Grace and Zhejiang Fulida, Alliance for a green development of regenerated cellulose.

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