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Trust in a smarter cotton future

The State of Sustainability Research: Impacts of COVID-19 on Sustainability

July 2020

Objectives & Methodology

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U.S. Cotton Trust Protocol embarked on a research initiative to help us understand the impact COVID-19 has had on existing sustainability initiatives today and the future of sustainability efforts among brands, retailers and the supply chain.

An online survey was fielded from June 21-July 5, 2020, among 138 senior executives involved in sustainability decision making at their company. The results that follow are global in nature and represent 138 responses from 8 global markets.

Respondents were recruited using a combination of Sourcing Journal and an industry leading panel partner.

Who We Talked To

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Global representatives across multiple industries

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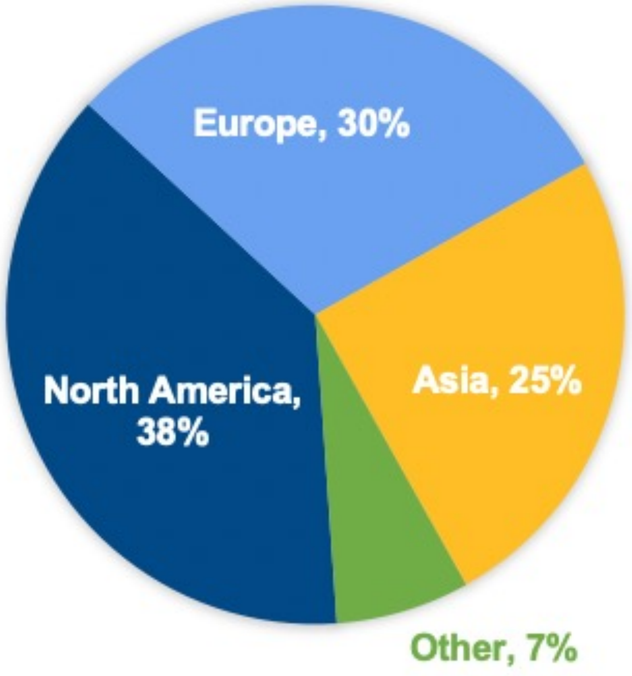
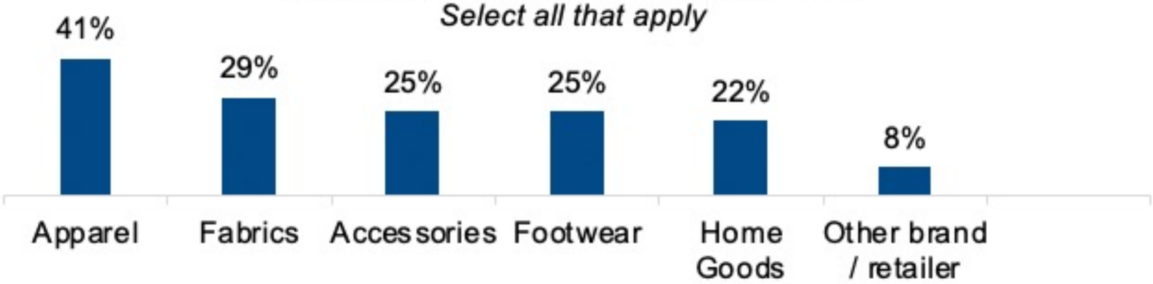
Respondents from North America, Europe and Asia are strongly represented in this research and they reflect experiences across a diverse range of textile-based industries

In which country are you located?

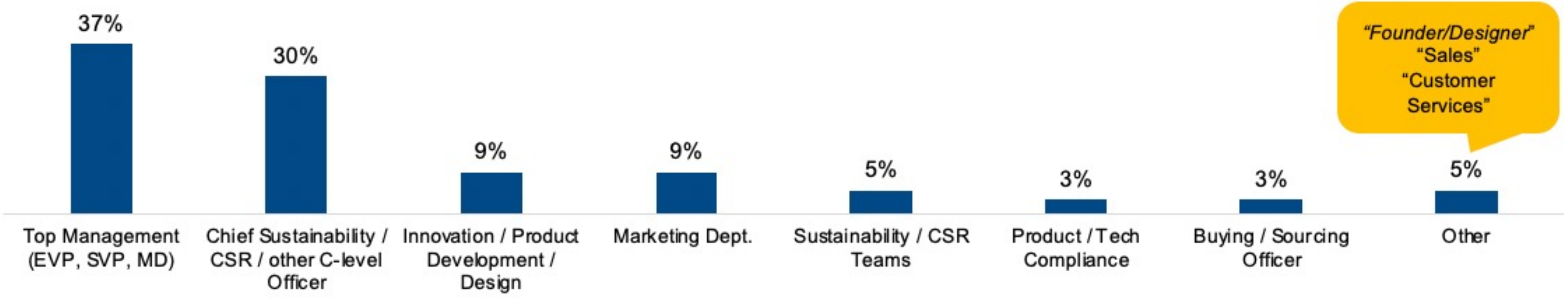


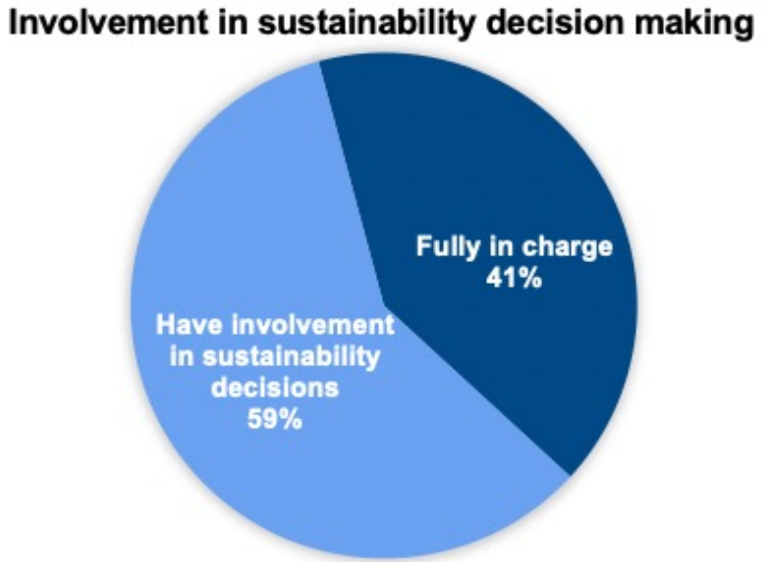
In which products/service areas of business does your company specialize in or associate with?
Select all that apply



Sustainability decision-makers

Results represent opinions and perceptions of high-level executives, all of whom are responsible for sustainability decision-making at their brand or retailer





COVID-19 Impacts

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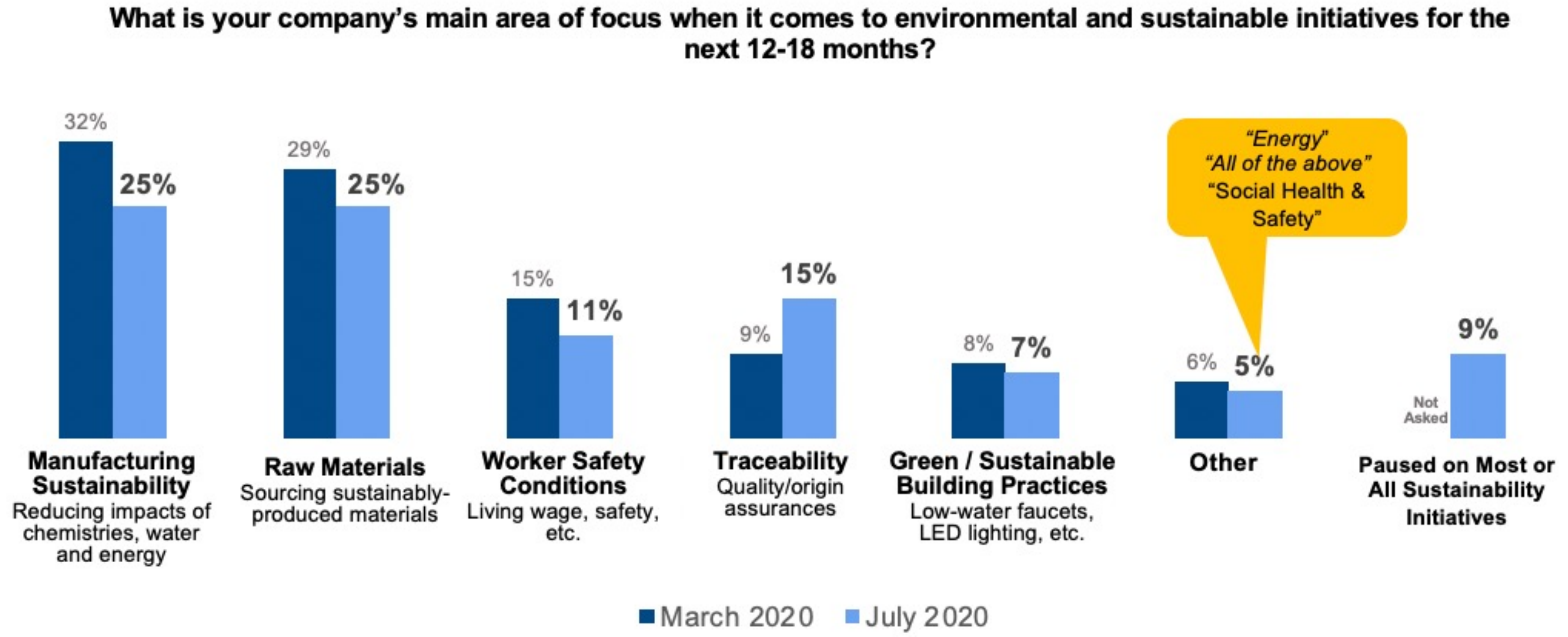
COVID-19 has shifted sustainability priorities

Compared to March 2020, sustainability focus shifted from manufacturing and raw materials sourcing to traceability or, for 9% of brands and retailers, a full pause on sustainability initiatives.



Followers and Aspirers are the most affected

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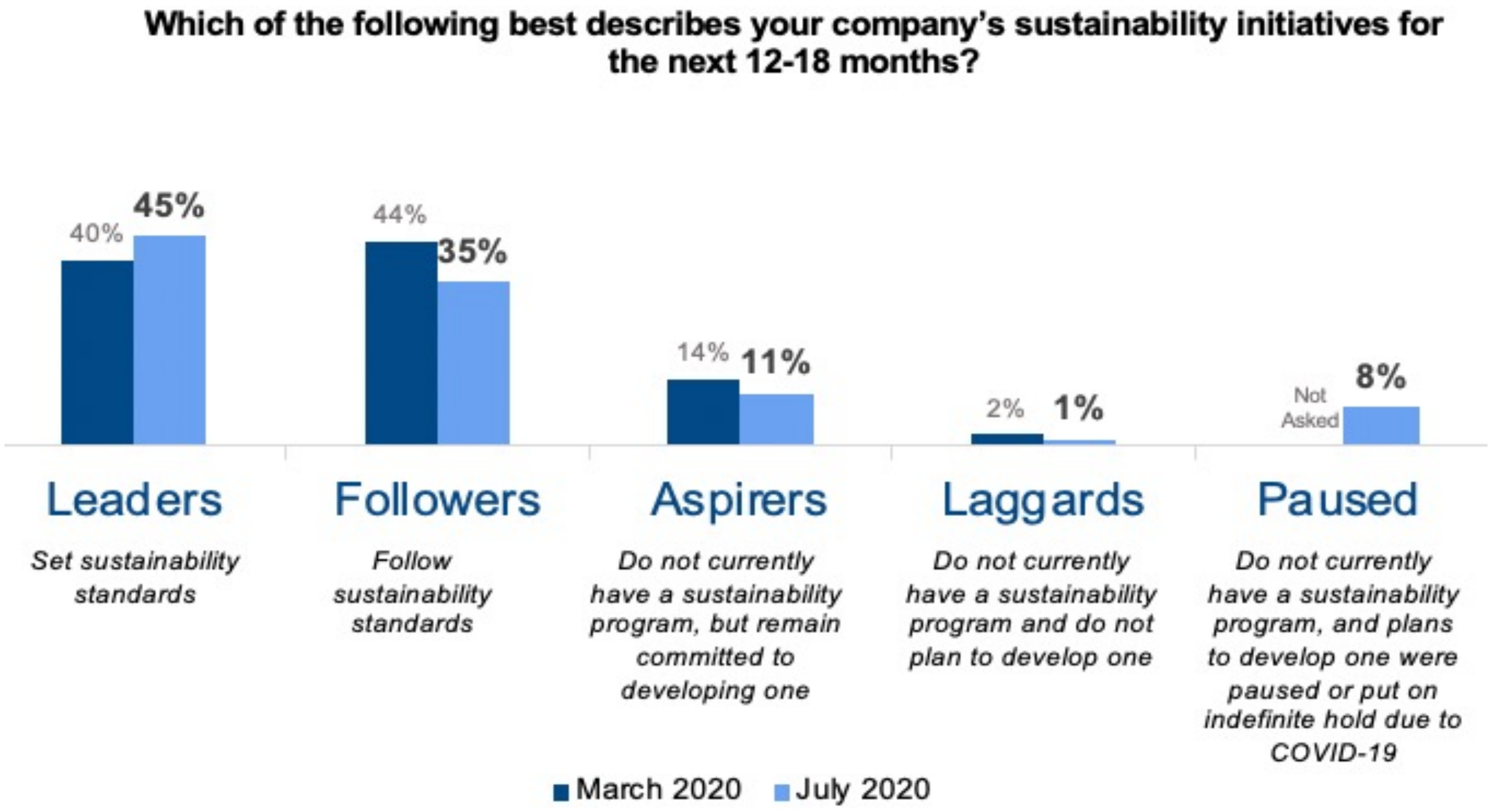
In three short months, COVID-19 changed the sustainability outlook for Followers and Aspirers. While some have found new opportunity to become Leaders, the efforts of many are on pause or indefinite hold.



The inconsistent impacts of COVID-19

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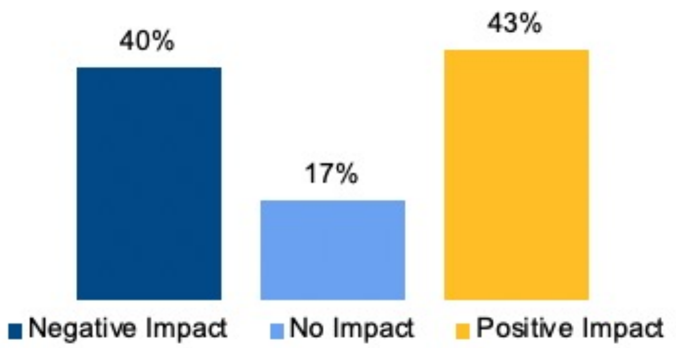
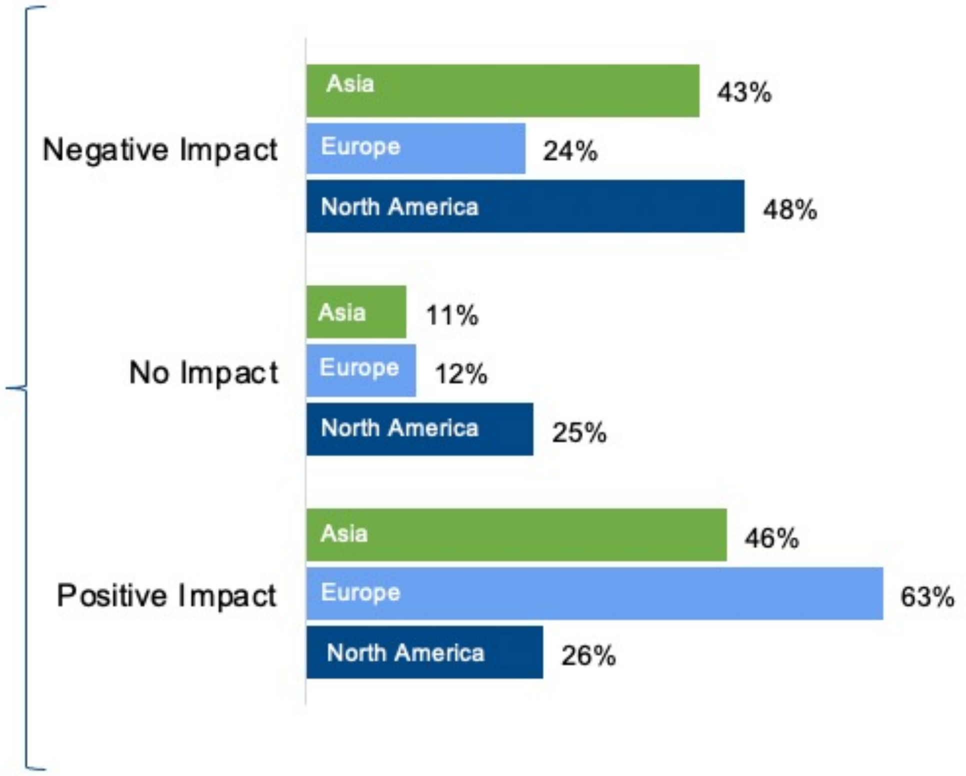
With European sustainability initiatives benefiting from the impacts of COVID-19, market-specific conditions may play a larger role in the future of sustainability than global factors

What impact has COVID-19 had on your company's proactive investments (i.e. time, money, other resources) in or future commitments to sustainability initiatives, partnerships or standards?



Impacts to proactive investments by market*



**Percent of total market response*

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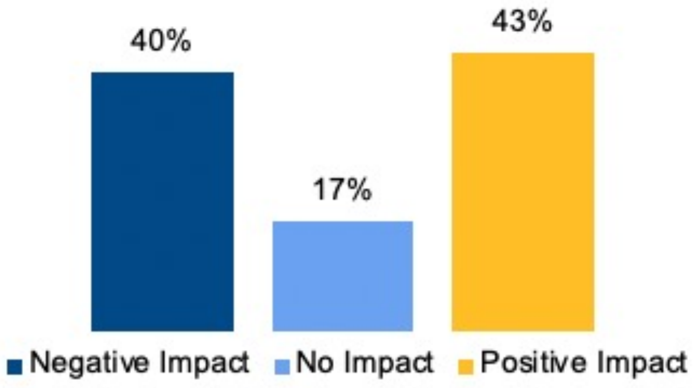

*‘**We are doing what we can with what we have**. COVID-19 has changed our business and slashed our development budget in half. **We’ll lean on integrating existing supply chain innovations rather than initiating new ones**. Working through the messaging and **working through transparency and authenticity initiatives to identify opportunities for the future.’***

*‘As this Covid-19 outbreak has affected our sales target, **all our modernization projects are put on hold**. These modernization projects cut my emissions and resource [use] by 30-40%’*

***An increased focus on smaller sustainable advances**...rather than entire garments. All poly bags changing to sustainable made and biodegradable, converting the last few paper trims to NFC or recycled paper. Rather than converting entire fabric ranges to sustainable as planned.’*

‘Chaos. This one word describes how my organization is acting/reaction to the constantly-changing virus.’

*‘**Lack of government resources to partner** with the private sector on health and sustainability initiatives is a significant impediment.’*

The inconsistent impacts of COVID-19

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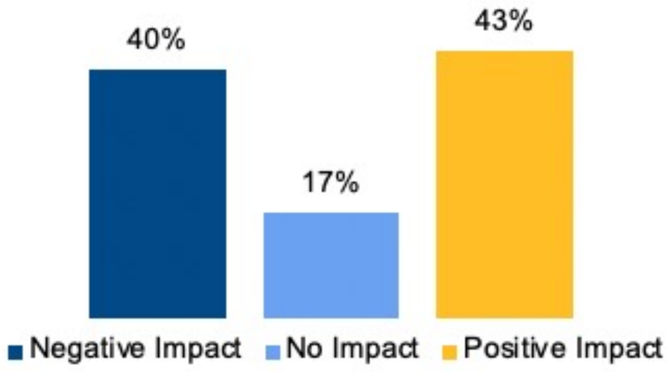

*‘**We will continue** to go in the direction we were already headed, **with even greater enthusiasm**. We are a small relatively new company **with a supply chain completely built around transparency**, I don't see how a business can have any meaning or relevancy if it is causing harm.’*

*‘Our commitment towards sustainability after Covid-19 remains unchanged and is on the top of our priorities. **We believe that it is actually an opportunity for us** to drive change and have less impact environmentally and socially.’*

*‘I haven't seen any significant 'direct' impacts of Covid-19 to our sustainability plans. The 'indirect' impacts that are yet to come into play are the **geopolitical impacts that US-China relations and the Uugur Human Rights policy will have on the sourcing of cotton programs from China.’***

*‘**Our company's brand and values are rooted in sustainability** so for us, there's no deviation from our mission. However, Covid has impacted our wholesale business considerably and with that we've had to cut on costs and on workforce. What it means is that **we'll be focusing on fewer projects** (narrowing product scopes, market reach, etc.) **while maintaining the same commitment to sustainability.’***

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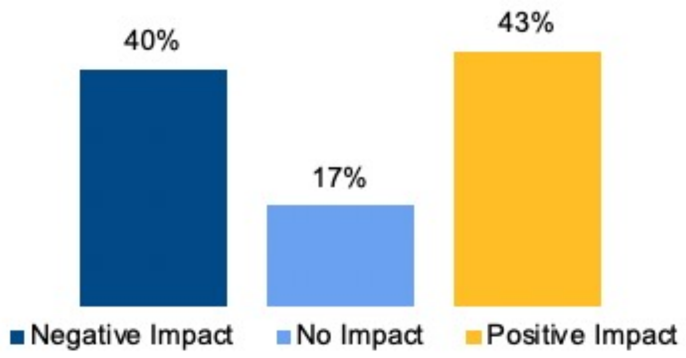


*'Prior to COVID-19 our focus on sustainability was medium- to long-term. However **the need to elevate our responsibility to suppliers and customers became crucial** as their sentiment to a cleaner healthier lifestyle became a major priority.'*

*'**Our customer (retailer) is demanding more sustainable products**, recycled polyester and eco vero yarns and pollution free textile and we intend to fully cater to the requirement and run with them.'*

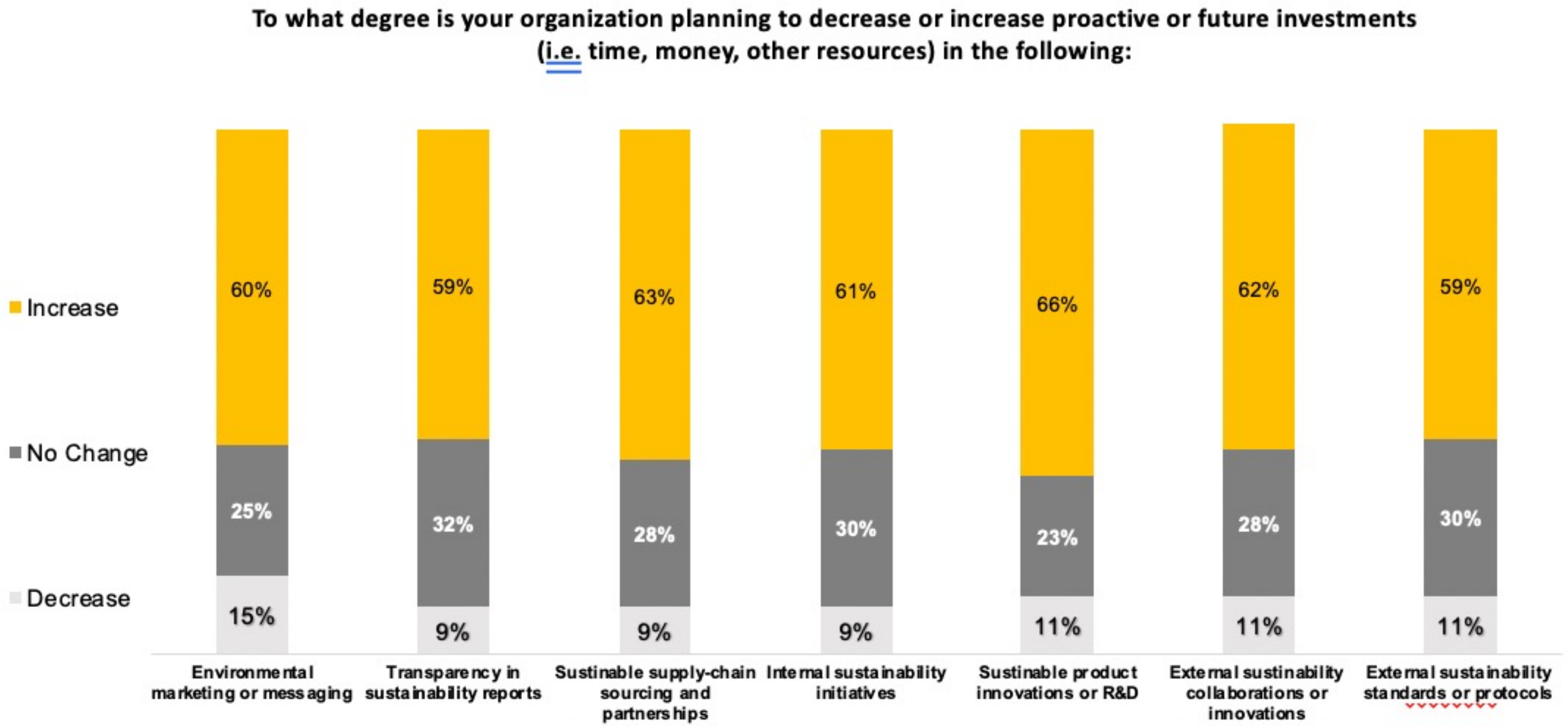
*'Standards are being respected and further increased, **however slowdown in investment means it will take longer on internal projects.**'*

*'Covid-19, in combination with the civil rights movement in the USA, have shown how critical sustainability efforts are. The company is investing in this, **though budgets have been tightened** until business picks up. It's a challenging balancing act. Certain things have suffered -- adding to the sustainability team, less consultant budget. But **the work is increasing and the importance to the business is as well.'***

*'The company has **started to show interest to follow a sustainable path in regards to raw materials**. We are now actively following this path and implementing initiatives.'*

The future is still innovative and sustainably sourced

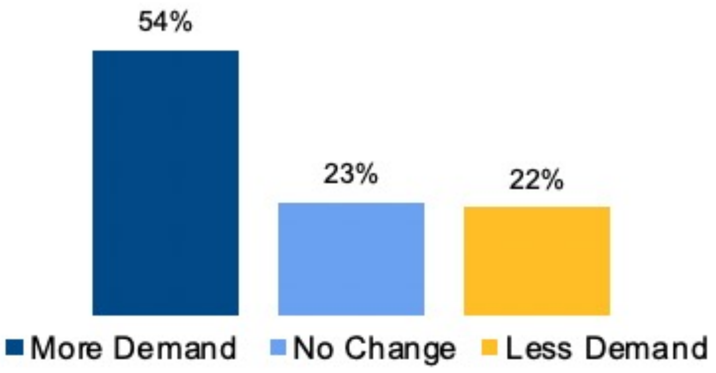
Environmental marketing efforts have taken the largest reduction in investment, while commitments to sustainable product innovations, supply-chain sourcing and external partnerships remain high



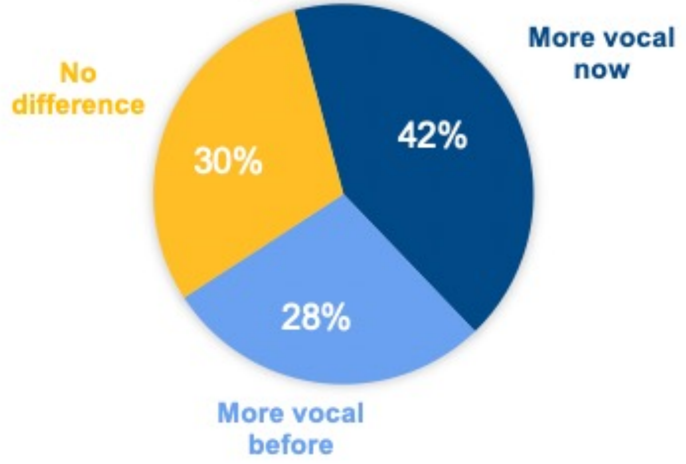
Customers are more engaged than ever

COVID-19 has fueled the growing environmental fire, sustainability decision-makers believe that customers are demanding more and using their wallets to hold companies accountable

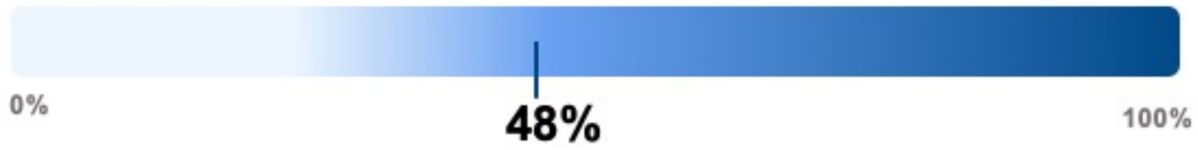
Since the COVID-19 pandemic, how has customer demand changed for environmentally sustainable business practices and goods/services?



How vocal are your customers about their environmental and sustainability concerns since the COVID-19 pandemic?



If you had to guess, what percentage of your customer base would switch to a competitor if your company did not meet its sustainability goals or commitments?



Customers will demand more information and action

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Sustainability decision-makers believe that customers will want to know how their products are environmentally sustainable and trust that brands and retailers will deliver transparent reporting against actions

From highest to lowest priority, please rank what you believe customers will prioritize when making purchasing decisions over the next 12-18 months.

Global Top 4 Customer Priorities*

- Getting the best possible deal (59%)
- Brand or retailer alignment with their personal values (54%)
- Environmental sustainability product marketing or messaging (50%)
- Corporate transparency of sustainability practices (46%)

Global Bottom 3 Customer Priorities

- Human rights and labor practices marketing or messaging
- Human rights and labor practices
- Brand or retailer support during COVID-19

**Percent ranked in the top 4 priorities*

Market-specific messaging is complex

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While all customers want to see and believe sustainability commitments, prioritizing and communicating those efforts may need to be more market-driven than brands and retailers expect

From highest to lowest priority, please rank what you believe customers will prioritize when making purchasing decisions over the next 12-18 months.

Top 4 Customer Priorities: North America	Top 4 Customer Priorities: Europe	Top 4 Customer Priorities: Asia
Brand or retailer alignment with values	Getting the best possible deal	Environmental sustainability product marketing or messaging
Getting the best possible deal	Corporate transparency of sustainability practices	Getting the best possible deal
Environmental sustainability product marketing or messaging	Environmental sustainability product marketing or messaging	Brand or retailer support during COVID-19
Corporate transparency of sustainability practices	Human rights & labor practices messaging	Corporate transparency of sustainability practices
Brand or retailer support during COVID-19		

Actions are in line with customer trends

Brands continue to work towards communicating their efforts and matching those communications with business operations and transparent behaviors

In a few words, what are three actions your company is taking to maintain or grow your sustainability programs right now?