Cotton 2040: Proposals for cross-industry workstreams to mainstream sustainable cotton
Proposals for collaborative action across the cotton and apparel industry

Cotton is an integral part of our lives, yet its future is uncertain; a fact true for many essential global commodities. Despite huge efforts from industry stakeholder groups, sustainable cotton still makes up only a small percentage of the global market. There is a lack of transparency through the supply chain, value is shared unequally, and the industry takes an uncoordinated approach to regulation and strategy. The cotton industry faces great challenges and risks over the next decades from the environmental, economic and social impacts of climate change and associated disruptions. Greater collaboration and alignment is needed to enable the industry to address key areas for action sufficiently and to scale.

The purpose of Cotton 2040 is to facilitate greater collective action within the cotton industry to enable sustainable cotton to shift from niche product to mainstream choice, by:

• Creating collaborative action on the critical issues for a sustainable cotton industry to 2040 and beyond;
• Addressing key barriers that need to be overcome to enable sustainable cotton to scale;
• Building additionality from existing efforts and developing ways the sector could go further together through coordinated action involving the standards, brands and retailers, producers and other stakeholders.

Through research and close consultation with cotton stakeholders over 2015-2016, the project has identified and co-developed priority areas for action, and is now proposing working groups in four areas that present the most significant potential to create a systemic shift to mainstream sustainable cotton. These workstreams are:

• Building demand for sustainable cotton – enabling increased demand for sustainable cotton within the industry
• Cotton recycling and circularity – scaling up cotton recycling
• Traceability – building greater visibility throughout the value chain
• Upskilling for resilience – creating a cross-industry forum to build resilience among smallholder cotton farmers

Details of each proposed workstream are summarised over the following pages.

We are now inviting expressions of interest and commitment to move forward with one or more of these workstreams in 2016.

Please contact Charlene Collison on c.collison@forumforthefuture.org to discuss joining, or for more information.

The Cotton 2040 team

Sally Uren (Chair), Charlene Collison, Joshua Basofin, Alexa Rees-Jones, Kat Campbell

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Shaping the nature of the demand for sustainable cotton (e.g. organic, BCI, Fairtrade, Reel cotton) is critical to transforming the system.

Our research shows that the key barriers preventing the wider uptake of sustainable cotton by brands and retailers are internal. In particular, senior management, design and sourcing teams often do not fully understand the sustainability challenges and issues for cotton. In addition, many organisations do not have a strategy for incorporating sustainable cotton into mainstream business decision-making processes.

This workstream aims to increase demand for sustainable cotton within organisations by focusing on raising awareness among key staff and building the business case for sustainable cotton internally. This involves understanding mechanisms to increase the capacity for sustainable cotton sourcing within an organisation, embedding sustainability into the product development process and driving demand for sustainable cotton through greater “choice editing” - i.e. choosing product assortments that favour sustainable cotton products. Central to these efforts will be demonstrating to brands and retailers the benefits of choosing sustainable cotton, the importance of having a sustainable fibre strategy with a strong ambition, as well as providing resources and guidance on how to source sustainable cotton.
Workstream: **Building demand for sustainable cotton**

**Proposed programme of work**

- Create a sustainable fibre strategy framework - a tool that can be used to define and develop options and leverage best practice for sustainable cotton sourcing, engaging all levels of the business and showing linkages to other initiatives.

- Develop a CEO engagement strategy, featuring a face to face meeting, to engage and inspire CEOs to champion sustainable cotton. This would then be followed by:
  - An engagement strategy designed to provide senior management with the insights and tools to drive demand for sustainable cotton.
  - Define the value proposition for sustainable cotton, learning from those who have succeeded in this to showcase new financial mechanisms.
  - Collate existing consumer insight across various brands and retailers and decide together how to make sense of this, perhaps through mapping, as a way of reinforcing the business case for sustainable cotton.
  - Seek to raise the ambition level across the industry with an aspirational goal.

**What would success look like?**

- Increased uptake within the industry of sustainable cotton, creating pull to drive more sustainable production.

- The achievement of a highly ambitious goal, such as “90% of all cotton to come from sustainable sources by 2040”.

**What would the change outputs be?**

- A robust, high-level working group ambition to build demand for sustainable cotton, incorporating multiple standards.

- A clearly designed framework and guidance for effective fibre strategy development for use in businesses.

- Trial deployment of sustainable fibre strategy framework and guidance, involving those from all levels of the business.

- Refined framework incorporating learning from trials.

- The establishment of a CEO leadership group to drive greater awareness across the industry.

- A new codified financial mechanism that allows companies to create the business case internally for sustainable cotton.

- The compilation of consumer insights, most likely mapped, to aid in better understanding of customer demands and sustainable choices.

**Who will benefit, and how?**

- **Brands and retailers** will position themselves as leaders in sustainable cotton. This workstream can support them to work towards individual organisational sustainability goals as well as multi-stakeholder objectives. Brands and retailers will have easy access to the tools they need to build robust strategies for sourcing sustainable cotton and embed it in their organisation. They will also better understand their consumers’ expectations.

- **CEOs and senior managers** will become better informed around the issues connected with cotton production and procurement, and understand the business case for sustainable cotton within their own organisation.

- **Farmers and producers** will benefit from increased demand and consumption of sustainable cotton.

- **Standards** will benefit from an increase in brands seeking to source sustainably.

**How will the Cotton 2040 demand workstream provide additionally to current efforts?**

This workstream will seek to build on and accelerate collective action already underway in increasing demand for sustainable cotton. It will help brands and retailers develop and mobilise internal teams understanding of the issues and options for sustainable cotton across multiple standards, and facilitate sharing of challenges and best practice at CEO and senior management level.

Sustainable cotton standard and certification organisations (e.g. BCI, Textile Exchange, Fairtrade Foundation) support and are actively working with us on this initiative as complimentary to their own strategies.
The recapture and reuse of cotton fibres in textiles has the potential to transform the cotton industry and yield significant sustainability benefits for the sector. Most of the progress to date in developing technologies and processes, however, has been carried out in isolation by major brands and technology start-ups.

There is a clear lack of coordinated effort across the industry and conversations with a broad base of stakeholders have indicated that a wider dialogue in the area of circularity is needed to unlock its potential. There are several promising strategies under the umbrella of circularity, including chemical and mechanical recycling, ‘take back’ programs, repair/longevity, and design for disassembly.

Our diagnosis is that chemical textile-to-textile recycling is a key enabler in circularity. We know that climate change and resource scarcity will constrain the virgin cotton market in the future; we also know that fast fashion is on the rise and consumer purchasing behaviour has not slowed. Both trends create a need to replace some of the virgin cotton in the system with recycled, as well as to ensure maximum use of all the cotton in the system. Therefore, while all the circularity strategies mentioned have potential, we have honed in on chemical textile-to-textile strategies.

Although long-term forecasts tell us that recycling is an imperative, short-term market signals are not encouraging adoption of new, innovative technologies. Brands and retailers are not incentivised to purchase recycled fibre because it cannot compete with the price of virgin cotton, which is already relatively low. This workstream proposal features an ‘accelerator’, a tool to connect key players in the cotton value chain, de-risk the process for brands through collaboration, and accelerate the commercialisation of recycling technology. The accelerator will have two components: an incubator to ensure the key players are making connections, and a micro marketplace to coordinate initial purchases of recycled cotton fibre.
Workstream: Cotton recycling and circularity

Proposed programme of work

- Identify the essential components of the accelerator (initially the micro marketplace and incubation hub).
- Identify the key players within the cotton value chain whose participation is necessary for full functionality (tech start-ups, brands/retailers, manufacturers, traders, and non-profit initiatives).
- Develop a physical presence (e.g. dedicated website, Google Drive, etc.).
- Determine whether there is a role for ‘take back schemes’ within the accelerator.
- Once the accelerator is live, promote and monitor its use.

What would the change outputs be?

- A de-risking of the recycled cotton market for brands and retailers through micro purchasing and piloting.
- Scaling of investment in cotton recycling that begins to commercialise the technologies and create cost efficiencies.
- Brands and retailers gain clarity on the options available to them technically, as well as from a wider business perspective in cotton recycling.
- Basic cotton fibre recycling behaviours are embedded within brand and retailer businesses and are communicated to the wider fashion community and consumers.

What would success look like?

- Initially, success will be measured by the ability of the working group to achieve buy-in from key players and to develop the functionality of the accelerator.
- In a second stage, success will be measured by the use of the accelerator, the volume of transactions, and its utility in scaling recycling technologies.

Who will benefit, and how?

- Stakeholders from across the value chain stand to benefit from the scaling of cotton recycling technologies.
- Brands and retailers, for example, will become more sophisticated in their understanding of emergent recycling technologies and how to integrate them into their business models; start-ups that are pioneering those technologies will connect to brands and retailers, gain insight into commercial markets, and conduct micro transactions of recycled fibre; and consumers will be better informed through their relationships with brands.

How will the Cotton 2040 recycling and circularity workstream provide additionally to current efforts?

It will begin to scale the commercialization of recycled cotton by connecting key players and facilitating recycled fibre purchases. This will begin to de-risk the entry into recycled cotton markets for brands and retailers, which will trigger further scaling of emergent technologies.
Difficulties with traceability of cotton across the supply chain create significant barriers to uptake. In most cases brands and retailers lack certainty about where a given unit of cotton comes from. The lack of traceability back to farm / plantation level makes it difficult for brands and retailers to understand how much of a positive impact sustainable cotton sourcing is having throughout the supply chain. It also makes it hard to tell a strong story to increasingly ethically-minded consumers.

Although advances in information and communications technology (ICT) are making accurate tracking more feasible, each sustainability standard (e.g. BCI, Organic, Fairtrade, Reel) uses a different traceability system with the result that brands and retailers wanting to source across standards need to navigate multiple entry points. This makes the process of sourcing sustainable cotton across multiple standards more complex and presents a barrier to increased uptake.

This workstream proposes the establishment of a common portal for data entry for the different standards that could integrate with each standard’s system, while keeping data secure. The portal would make it easier for brands and retailers to purchase sustainable cotton across multiple standards, and simpler for producers to manage data entry. Also, sharing learning about effective traceability methods can improve best practice and reduce unsustainable or unethical aspects of cotton production and manufacturing.

We suggest a first phase of this traceability workstream involves a core group consisting of the cotton standards and supporting NGOs, along with representation from leading brands and producers, to oversee a detailed feasibility study and scoping exercise for the portal. Attention needs to be given to objective governance to ensure data security, and to developing a clearer understanding of the needs of brands, retailers and producers. The final output of this phase would be an action plan for sharing best practice for traceability across the standards, brands and retailers. Actual implementation of the portal and action plan would be costed separately in a second phase.
Proposed programme of work

• Identify the needs of brands, retailers and producers for traceability systems across the cotton standards.

• Investigate and scope out a common portal for entry to the data systems of various standards and certifications, simplifying access for brands, retailers and producers.

• Identify and transfer learning about techniques for traceability across the supply chain.

What would success look like?

• Traceability systems designed to meet the needs of brands, retailers and producers are more accessible to the industry.

• Brands have the knowledge to address potential issues or poor practices in the supply chain proactively.

• Brands and retailers are using traceability to communicate a better story to consumers about the cotton in the products they buy, ultimately increasing the uptake of sustainable cotton.

What would the change outputs be?

• A clear set of criteria from brands and retailers for traceability systems.

• Specification and detailed costing for the development of a common entry portal to the data systems of various standards and certifications for use by brands, retailers and producers.

• A detailed project plan for implementation, including clear governance and implementing partner.

• Development of a plan for sharing best practice for traceability across the standards, brands and retailers, including use of the portal.

Who will benefit, and how?

• Brands, retailers and producers have one point of entry to the sustainable standards data systems.

• Farmers and farming communities have more incentive to invest in sustainable farming practices knowing their products can be traced back to farm level.

• Consumers have greater confidence that the cotton they are buying has not had a negative impact on the environment or workers’ lives.

• Certifiers and standard organisations will increase their accessibility to a wider range of brands, retailers and producers, thereby encouraging greater uptake.

How will the Cotton 2040 traceability workstream provide additionally to current efforts?

It will provide a greater level of integration in users access to standards’ data systems, enabling easier access across multiple standards. It will facilitate the sharing of best practice for traceability across the standards which can be shared throughout the industry.
The long-term viability of the cotton industry relies on the ability of farmers and farming communities to be resilient in a changing world. Over 60 per cent of the world’s cotton is produced by smallholder cotton farmers who are some of the poorest and most vulnerable in the world. Around 90% of an estimated 100 million smallholder farmers worldwide are in developing countries and grow the crop on less than two hectares.

Smallholder farmers are already being adversely affected by mounting challenges in cotton farming and production, and this is likely to worsen dramatically over the next decades. Changing climate impacts, such as the availability of water, or pressure for agricultural production to shift from fibre to food, will present increasing difficulties across the entire supply chain.

To prepare for these challenges, the cotton industry needs a clearer understanding of how to build the resilience of farmers in key geographies around the globe. Equipping smallholder farmers with the necessary skills and practices to grow sustainably and profitably will be key to creating resilience within the industry.

This workstream proposal focuses on creating a sector forum to explore how to build resilience for smallholder cotton farmers. It involves identifying the key issues for resilience, from climate change impacts to livelihoods and gender issues, and benchmarking and sharing best practice for cotton production by smallholder farmers in an increasingly volatile world. It seeks to make research highlighting the potential impacts of climate change and how to be most resilient within it, more accessible across the industry. The working group may work best in separate clusters focusing on different geographical areas, such as India or Africa.
Proposed programme of work

• Convene a forum consisting of standards, government organisations, NGOs, brands and retailers and others to work together to identify, learn about and share approaches to promote environmental, social and economic resilience among smallholder cotton farmers.

• Develop a broad definition of what resilience means for small cotton stakeholder farmers, specific to key geographical areas (e.g. Africa, India).

• Gather and share best practice for developing resilience in cotton across different cotton-growing organisations and standards. This might also involve learning from other commodities, such as cocoa or tea.

• Benchmark and share strategies for exiting from communities once resilience is deemed sufficient, and how to enable communities to continue upskilling.

• Collate an industry resource for up-to-date research on the potential impacts of climate change, and identify sources for analysis of potential climate change impacts on cotton production globally to map likely impacts by region. Identify gaps for additional research.

• Drawing on research sources, identify key potential shocks and disrupters to the system, and identify viable options suitable for smallholder farmers.

• Develop resources to share and embed best practice for sustainable cotton, and facilitate / support upskilling programmes across standards, organisations and regions.

• Apply a geographical landscape lens to help organisations explore cotton in conjunction with other crops to develop biodiversity and reduce risk for farmers.

What would success look like?

• Farmers are better prepared to be resilient in the challenges of the present and the future.

• Organisations have resources to draw from in educating farmers around resilience challenges, and clearer strategy on where and how to exit.

• The industry is better prepared to meet the challenges of climate change and other shocks, both in understanding the issues, and in developing and rolling out measures to support stakeholders in dealing with those challenges.

• Increased alignment on education in sustainable cotton production.

What would the change outputs be?

• A shared set of “best practice” toolkits, specific to key geographies, that could be used across the standards covering resilience challenges, such as water and watershed management, soil quality, topsoil loss, farmer livelihoods, access to finance and education etc.

• A widely available set of research resources shared across the sustainable cotton standards and other organisations on potential climate change impacts, implications, and best practice.

• An agreed draft of measures, recommendations and action plans aimed at making supply chains more resilient to shock, and building the resistance of smallholder farmers.

Who will benefit, and how?

• Farmers and farming communities are better prepared with the necessary skills to be resilient in the changing conditions of their local climate, economies and cultures.

• Standards and educating organisations have clear benchmarking of good practice to build resilience, specific to different geographies.

• Brands and retailers engage with the wider system and communities in the supply chain.

• The industry as a whole is able to operate with greater assurance that smallholder farmers will be able to produce cotton in the challenging circumstances of the future.

How will the Cotton 2040 upskilling for resilience workstream provide additionally to current efforts?

It will build on and integrate current initiatives in smallholder education by standards, NGOs, retailers and others specifically for the cotton smallholder farmer, and provide a common forum for advocacy around resilience-related issues to governments and other bodies.
How will Cotton 2040 work?

The workstreams will be pre-competitive, cross-sector collaborations – bringing together a number of organisations that will work together to support implementation. Each workstream will have an implementing organisation, and dedicated resource to ensure progress and a base level of funding.

There will be a central secretariat run by Forum for the Future that will deliver the project management, horizon scanning, and learning across the workstreams. Forum will also be responsible for developing and overseeing a communications strategy and will seek legal counsel to ensure we adhere to competition law.

This will be supported by a steering group of representatives from the funding and other core partners who will ensure the work is progressing and, importantly, maintain the crucial system-level view that has guided the process to date. Forum’s CEO will chair the steering group as the independent convenor of Cotton 2040.

The whole system, cross-industry nature of this work will also be secured through regular meetings (frequency to be determined) to share learning and insights from across the workstreams and monitor progress towards our goals.

Get involved

Cotton 2040 offers a unique opportunity to the industry to address current and future challenges, so that the impact of its actions is more than the sum of its parts. We are looking for ambitious and leading organisations that want to make a difference and have an interest in finding practical ways to mainstream sustainable cotton to join this collaboration.

Getting involved in Cotton 2040 will enable you to:

- Demonstrate leadership on the journey to sustainable cotton
- Reduce current and future risks in cotton farming and production
- Create new opportunities for collaboration with stakeholders across the cotton value chain
- Strengthen sustainable fibre sourcing strategies throughout the organisation
- Differentiate in the market by driving global thought leadership on a critical social and environmental issue and develop practical forward-thinking strategies to address it
- Gain insights through peer to peer and expert cross sector working.

Options for being involved:

Option 1:
Joining the steering group who help guide the overall project. In doing so, you will be able to participate in one or all of the workstreams. This would mean participating in approx. 4 meetings per year of the steering group, and contributing internal expertise to at least one of the workstream areas.

Option 2:
Joining one or more of the workstreams.

With either option, you will be joining an ambitious initiative working to create system level change in the cotton industry. This will take time, probably involving a commitment of 2 years or more, depending on the workstream.
Funding for Cotton 2040 workstreams

The costs of each workgroup, including a contribution to governance costs, will be shared between funding partners. (NGO members do not pay financial contributions, but offer their expertise and time commitment to the working groups).

Should a partner wish to participate in two workstreams and not the leadership group, then the expected contribution is proportionally less for each additional working group.

The financial contribution for funding partners will vary depending on the number of partners for each workstream, and will be determined in a final budget before implementation. The figure below provides a draft illustration of projected costs per workstream:

<table>
<thead>
<tr>
<th>Workstream</th>
<th>Activities</th>
<th>Total / workstream (all indicative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steering group/central coordination</td>
<td>Quarterly meetings, relationship management, comms &amp; central governance</td>
<td>£40,000</td>
</tr>
<tr>
<td>Demand Creation workstream</td>
<td>CEO event preparation, development of fibre strategy, plan and pilot facilitation of internal programmes, research and mapping of consumer demand, vision development, communicating w/s output</td>
<td>£45,000</td>
</tr>
<tr>
<td>Circularity workstream</td>
<td>Research and develop accelerator, stakeholder engagement, communications, evaluation, next steps</td>
<td>£35,000</td>
</tr>
<tr>
<td>Transparency &amp; Traceability workstream</td>
<td>Consultation with brands and retailers, research and scoping, consultation and development of suggested shared portal, pilot and testing (does not include technical development of portal)</td>
<td>£35,000</td>
</tr>
<tr>
<td>Upskilling for Resilience workstream</td>
<td>Identification of resilience issues, research &amp; analysis of impacts and implications of climate on Cotton, other research, benchmarking and developing resources, dissemination of resources throughout value chain, action planning</td>
<td>£75,000</td>
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<tr>
<td>Total</td>
<td></td>
<td>£230,000</td>
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</table>

As an illustration, in this costing scenario, if 10 organisations were to be involved in the steering group and more than one workstream their contribution might be in the region of £25K per annum (or $40K US dollars). Should a partner wish to participate in two workstreams and not the leadership group, then the expected contribution might be £20K per annum ($30K US dollars), or for one workstream only, 15K per annum ($20K US dollars).

Final contributions will be confirmed on finalisation of the workstream actions and number of funding partners. C&A Foundation will continue to support Cotton 2040, based on the financial contributions of other funding partners within the industry to the workstreams.
Forum for the Future is an independent non-profit that works globally with business, government and other organisations to solve complex sustainability challenges. We aim to transform the critical systems that we all depend on, such as food and energy, to make them fit for the challenges of the 21st century. We have 20 years’ experience inspiring new thinking, building creative partnerships and developing practical innovations to change our world. We share what we learn from our work so that others can become more sustainable.

System innovation is at the heart of our strategy. One of our key approaches is creating innovation coalitions, bringing together groups to solve bigger sustainability challenges – including those that work across whole value chains. The Sustainable Shipping Initiative, Tea 2030, and the Protein Challenge 2040 are just some examples.

Discover our stories and what we’ve learned about building a sustainable world at www.forumforthefuture.org.

C&A Foundation is a private global foundation that addresses the systemic challenges of the apparel industry. It is working to transform the apparel industry into a fair and sustainable industry that respects the rights of workers, improves livelihoods and conserves the environment. Affiliated with the global clothing retailer C&A, the foundation supports and actively drives initiatives that help transform the way the industry works.

Cotton 2040 is led by Forum for the Future, and made possible through the support of C&A Foundation. It is engaging widely with stakeholders throughout the cotton and apparel industry, including brands and retailers, standards, cotton producers, NGOs and more.

To discuss joining, or for more information:
Please contact Charlene Collison on c.collison@forumforthefuture.org

You can also find information on Cotton 2040, including the Cotton 2040 Scenarios and Case for Action at: https://www.forumforthefuture.org/project/cotton-2040/overview