The 2024 Fashion Reporting Maturity Index

Quality reporting is not in fashion. It's time for a makeover.

kōan

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While its sense of style is undeniable, **the fashion industry has work to do** in improving the substance of its sustainability reporting.

Executive summary

High Street fashion companies need to increase their reporting maturity if they are to become more sustainable—and tackle the environmental and labour challenges the industry faces.

Good reporting focuses on companies' most pressing environmental, social, and governance (ESG) issues; it helps them develop strategies for reducing their negative impact and stay on top of their progress; creating the transparency required for a productive relationship with stakeholders and regulators.

For an industry with some heavily publicised issues related to emissions, water consumption, ecosystem damage, and worker rights, reporting is a valuable tool.

In Kōan's study of 30 of the biggest High Street fashion companies[1], we discovered three key trends when it comes to where and why fashion companies need to develop reporting maturity:

1. **Style over substance: reports often look good and read well but are weaker in more technical categories like materiality and KPIs.**
2. **Omissions: missing elements such as assurance are a factor in low scores in the more important categories.**
3. **Lack of a trendsetter: no one company sets a high standard across all nine categories, which means the industry does not have a 'gold standard' to follow.**

Using our Reporting Maturity Index for the first time, we assessed companies in nine categories to calculate an overall score for each. Companies, on average, scored 51%, with just three—Inditex (Zara, Bershka, Massimo Dutti, among others) LPP (Reserved, Mohito, House), and H&M Group (H&M, COS, WEEKDAY, among others)—passing 70%, a score we would consider to be 'good'.

Encouraging signs

There are some positives when it comes to performance in specific categories. For example, all but one company conforms to at least one major recognised voluntary reporting framework. The Global Reporting Index (GRI) and Task Force on Climate-Related Financial Disclosures (TCFD)—two of the more robust frameworks available—proved popular, which suggests many companies are familiar with key reporting concepts, terminology and processes.

The industry has moved quickly on emissions, too—83% of companies are tracking their scope 3 emissions, a vast improvement on 2021 when, according to the CDP (formerly Carbon Disclosure Project), just 44% of clothing companies disclosed scope 3 data[2].

In this report, we analyse these trends in detail, before looking at the results per category and suggesting how companies can make improvements.

Approach and benchmarking

Our Reporting Maturity Index assesses companies in nine categories, which cover the major elements of reporting (see results on the right). We have tried to be as objective as possible, with almost all criteria scored quantitatively—using binary yes and no questions, or a percentage calculation.

For more subjective criteria, such as in the balance category, we have drawn on our extensive knowledge of reporting across multiple industries and the requirements used in both established voluntary frameworks and mandatory reporting standards, like the European Sustainability Reporting Standards (ESRS).

The Index is simple and focuses on the fundamental pillars of reporting—setting a standard we believe companies should be well-equipped to meet. So, while we don't yet have historical benchmarks, **we believe that scores on or above 70% should be considered a 'good' score.** This is based on testing and the results of the best-performing companies.

For more information on our approach, see the Methodology section.

Average score per category

Layout and format	68%
Balance	44%
Business model	52%
Methodology	45%
Materiality	49%
Assurance	44%
KPIs	56%
Writing	69%
Conformity to reporting standards	50%
Overall	51%

Key trends

1. Fashion reporting favours style over substance. Good practice requires both.

In a saturated market, fashion companies live and die by their branding, so it's no surprise to see layout and writing are the strongest performing categories on average. But companies underperform in more substantive categories, such as materiality and KPIs.

In the materiality category—the process by which a company identifies, prioritises, and starts to address the issues that are most critical to their business, stakeholders, and wider society—the average score in our assessment was just 48%. Many overlooked some of the most common material issues for the fashion industry[3], like human rights, supply chain management, sustainable materials, and employee health and safety.

In some cases, materiality performance was weakened because of a lack of explanatory information. For example, while 83% of companies published results of an assessment, only 64% of them also published a materiality matrix, and just 48% published definitions explaining exactly what those issues cover.

In the KPI category, we assessed companies' ability to include relevant, comparable and time-bound KPIs for the common material issues. Performance here was only marginally better, with an average score of 55%.

2. Reports are undermined by missing elements.

As well as weaknesses in important areas, some reports are let down by obvious gaps.

For example, working with an independent auditor is a key way of adding credibility to sustainability data—and will be mandatory for many companies as part of ESRS. However, 12 companies didn't have any external assurance for their report at all.

In the balance category, we assessed how fairly and completely a company presented their performance over the year, looking for descriptions of both positive and negative results. In this category, companies scored an average of 44%. Aside from Zalando, which scored 70%, companies were marked down because they did not include descriptions of the challenges or setbacks they had faced over the course of the year—the kind of information stakeholders need to make a considered evaluation of a company.

3. The industry struggles without a genuine trendsetter.

Producing a quality report isn't easy or straightforward—there are a multitude of challenges for every company to overcome, from interpreting standards, to implementing data processes and convincing colleagues across a company to get involved.

However, our results show the fashion industry has work to do, as no one company from the world's biggest names seems to have truly grasped what makes a great—and meaningful—report.

Even the companies with the highest overall scores (Inditex, H&M Group, LPP) still have clear weaknesses, with their results made up of a patchwork of varying successes and shortcomings. In fact, in just two categories—methodology and assurance—do all three score 75% or more.

This lack of a 'gold standard' could be a problem as, often, development in reporting is driven by a best-in-class performer that raises collective standards through competition or by presenting a template for others to follow.

For further breakdown of our results, and recommendations on what companies can do to improve their reporting, see pages 8-17.

Performance of top three companies

	Layout and format	Business model	Materiality assessment	KPIs	Conformity to reporting standards	Balance	Methodology	Assurance	Writing	Total score
H&M Group	65%	45%	74%	86%	58%	50%	100%	85%	77%	70%
Inditex	55%	100%	61%	52%	95%	60%	100%	85%	80%	74%
LPP	85%	100%	57%	80%	53%	60%	100%	75%	60%	71%

Industry outlook

Fashion **must move the needle on reporting** to help prove the industry is becoming more sustainable.

Industry outlook

Fashion can't afford to neglect its reporting maturity.

Given the industry's sizeable impact on people and the planet—according to some estimations it's the world's third most polluting industry[4]—it would benefit from making more use of reporting as a tool for progress.

Even so, some work towards reducing this negative impact is underway. Companies across the industry have committed to reduce their impact in areas including pollution and emissions.

However, some are finding it hard to stay on top of these commitments. According to McKinsey & Co. research[5], while the industry accounts for up to 8% of total global greenhouse gas emissions, around two-thirds of fashion brands have actually fallen behind their decarbonisation schedules—with 40% of companies seeing emissions increase since making their commitment to improve.

Countries like Bangladesh, Cambodia, Pakistan, and Vietnam—which represent 18% of global clothing exports[6]—can be vulnerable to extreme weather events caused by climate change. It's estimated that, by the end of the decade, weather events in these countries could impact apparel exports worth $65 billion and prevent one million new jobs being created[7].

The industry must move the needle to protect its supply chain and to keep up with efforts from other industries to secure the planet's future.

NGOs and pressure groups say the industry's transparency issues are the cause of its struggles. The industry scored less than 10% in fashion NGO Remake's annual fashion accountability study[8], while the 2023 Fashion Transparency Index[9] rated the industry's transparency at 23% for the second year running. These reports say there's little to drive the industry forward without true accountability.

That's why we believe fashion companies need to invest heavily in reporting as part of their strategies for reducing negative social and environmental impacts. Quality ESG reporting helps companies understand their impact, develop strategies to improve, and, crucially, make themselves more accountable to stakeholders.

Reporting ties it all together.

It also makes sense from a broader business perspective. Fashion companies need to demonstrate how sustainable they are to a growing number of consumers, who increasingly want to buy sustainable products from sustainable companies. Studies show that shoppers are willing to spend up to 12% more on a product that's sustainable[10].

It's also key to unlocking major sources of financing. A growing number of fashion companies are issuing debt linked to sustainability targets[11], including H&M Group, VF Corp and Prada in recent years, with progress disclosed in their sustainability reports.

Incoming regulations will make sustainability reporting a standard part of doing business, too. There are 16 pieces of EU regulation alone that are either in the works or have already been implemented this year, covering everything from product design and waste to greenwashing. Reporting will play a part in most, if not all, of these regulations.

In the EU, sustainability reporting has been mandated by the Corporate Sustainability Reporting Directive (CSRD), a regulation aimed at expanding and improving sustainability reporting. The information companies will have to report is specified by the ESRS. Overall, 17 of the 30 companies featured in this report will be in scope for CSRD by 2027. Outside Europe, it's highly likely similar mandatory reporting standards will be implemented, based on standards from voluntary frameworks, such as the International Sustainability Standards Board (ISSB).

The 2024 Fashion Reporting Maturity Index

	Layout and format	Business model	Materiality assessment	KPIs	Conformity to reporting standards	Balance	Methodology	Assurance	Writing	Total score
Inditex	55%	100%	61%	52%	95%	60%	100%	85%	80%	74%
LPP	85%	100%	57%	80%	53%	60%	100%	75%	60%	71%
H&M Group	65%	45%	74%	86%	58%	50%	100%	85%	77%	70%
About You	83%	55%	80%	84%	28%	50%	100%	75%	79%	68%
Lululemon Athletica	58%	100%	38%	79%	72%	50%	100%	75%	69%	68%
Puma	78%	45%	81%	78%	53%	50%	70%	85%	66%	67%
ASOS	90%	90%	70%	75%	72%	50%	100%	0%	67%	66%
Lojas Renner S.A.	55%	100%	71%	72%	95%	30%	0%	85%	46%	66%
Fila	60%	0%	75%	62%	95%	45%	70%	85%	80%	65%
Adidas	80%	55%	61%	71%	63%	50%	30%	93%	67%	64%
Nike	65%	0%	80%	78%	51%	50%	100%	85%	74%	64%
Arvind	85%	100%	48%	62%	54%	40%	70%	45%	77%	61%
F&F	90%	45%	77%	47%	77%	50%	0%	75%	70%	61%
Fast Retailing	85%	55%	56%	68%	44%	30%	30%	75%	65%	60%
Gildan	80%	45%	28%	51%	72%	40%	100%	85%	83%	59%
Zalando	60%	55%	65%	46%	72%	70%	70%	0%	74%	57%
Mavi	63%	45%	75%	61%	32%	50%	30%	45%	59%	53%
Burlington	85%	45%	65%	43%	72%	30%	0%	0%	71%	48%
Aritzia	70%	45%	80%	52%	28%	30%	0%	0%	65%	45%
Bosideng	50%	45%	71%	53%	9%	50%	30%	0%	77%	45%
Next	63%	0%	0%	58%	49%	50%	70%	85%	69%	45%
The Foschini Group	60%	55%	25%	68%	53%	60%	0%	0%	74%	45%
Gokaldas	60%	100%	20%	46%	23%	40%	0%	30%	67%	41%
JD Sports	58%	45%	0%	38%	21%	60%	0%	45%	68%	36%
Fenix Outdoor	55%	45%	50%	30%	32%	20%	0%	0%	66%	34%
Boohoo	75%	55%	0%	49%	30%	35%	0%	0%	76%	33%
Ross	80%	0%	0%	21%	63%	20%	0%	0%	71%	26%
TJX	55%	45%	0%	30%	28%	30%	0%	0%	60%	26%
Kewal Kiran	50%	45%	20%	22%	0%	30%	0%	0%	50%	23%
Topsports Int.	45%	0%	35%	17%	9%	30%	0%	0%	67%	23%
Average	68%	52%	49%	56%	50%	44%	45%	44%	69%	52%

Companies have **work to do on materiality and KPIs**—the backbone of any report.

Materiality and KPIs

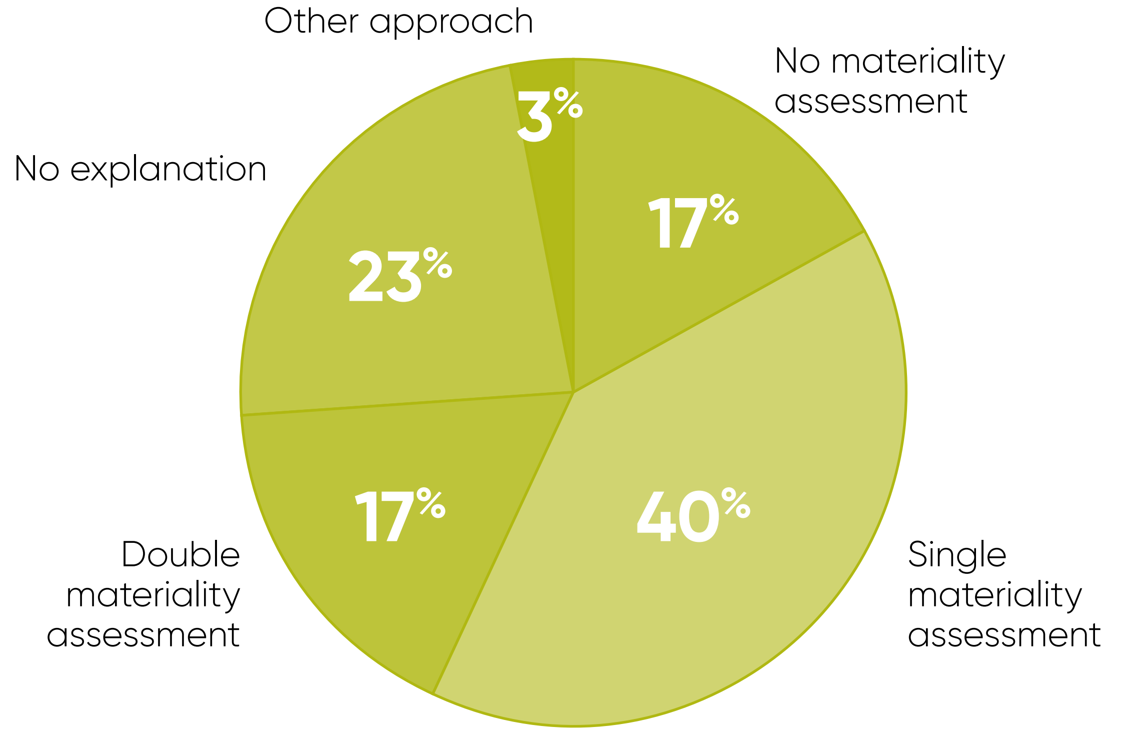
Companies need to update their materiality assessment processes.

- Overall, fashion companies fell short in the materiality category, with an average score of 49%.
- Out of 30 companies, 25 published details of their materiality assessment, including their material issues.
- Five companies—Boohoo, JD Sports, Next, Ross and TJX—did not publish results or details related to a materiality assessment at all.
- This does not necessarily mean the company has done no work. For example, the report from UK company Next includes a description of what a materiality assessment is—which indicates at least some exploratory work has been done.
- Of the companies that did publish a materiality assessment, just one-fifth carried out a *double* materiality assessment, which is a requirement under CSRD, with most relying on a single materiality assessment.
- The weaker materiality assessments we reviewed often lacked clarity and supporting information. Just over a third of companies that completed an assessment did not publish a materiality matrix, explaining how their most material issues relate to other issues in terms of impact, while almost a quarter offered no explanation of what kind of assessment they had completed.
- Of the 25 to conduct a materiality assessment, 76% explained their materiality process, with 64% adding detail on how they engaged with stakeholders as part of their materiality assessment. However, only 52% named their stakeholder groups.

The fashion industry does not treat its most pressing issues equally.

- No company included all five of the sector's most common material issues[12]. This is because one issue—innovation—is often covered as part of other issues.

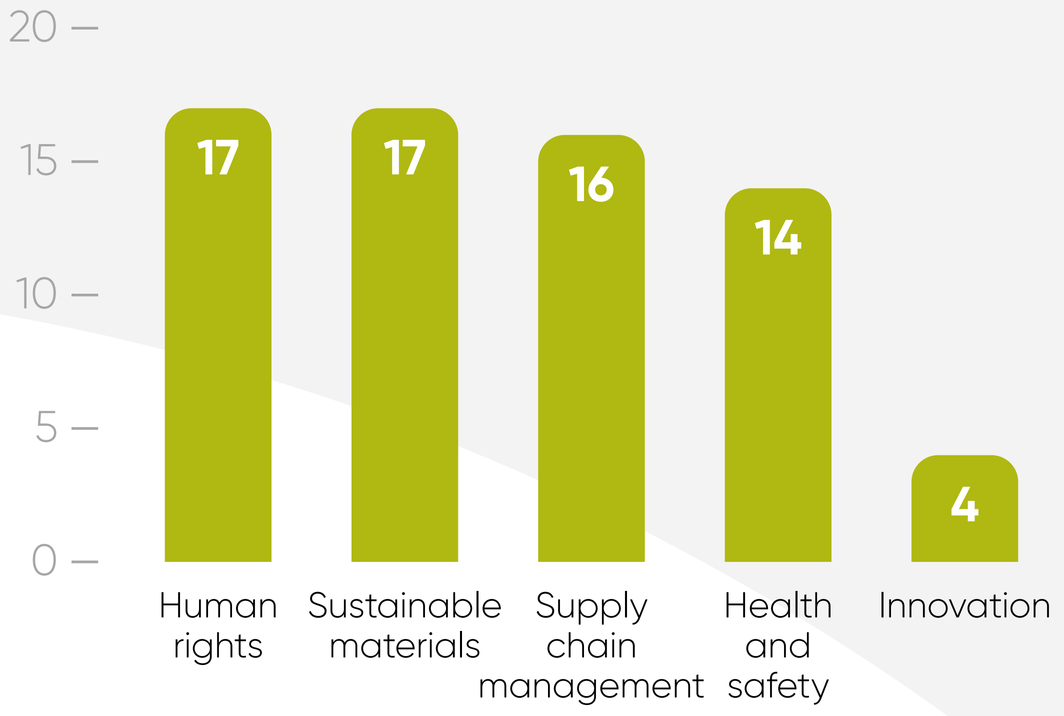
Overview of materiality assessment results



Materiality and KPIs

- Just six companies—About You, Arvind, Gildan, H&M Group, Nike, and Puma—included all four of the remaining issues (human rights, use of sustainable materials, supply chain management, and employee health and safety).
- The most frequently included issues are human rights and sustainable materials—both appear 17 times as a material issue among the 25 materiality assessments we reviewed. Excluding innovation, employee health and safety was most often missing—absent from 11 reports.
- In our experience, the absence of common issues like these may be down to a flawed process or a poor understanding of the impact they can have—leading to them being overlooked in favour of others.

Popularity of material topics



Companies need to further develop their KPIs.

- Our KPI category assessed whether companies chose KPIs related to these five most common material issues.
- For some of these issues, companies are more likely to include a KPI without them featuring as a material issue. For example, 23 companies have a KPI related to sustainable materials—seven more than the total number of companies that include it as a material issue.
- Meanwhile, one-third of companies have KPIs for human rights, sustainable materials, supply chain management and employee safety, while 43% have KPIs for three of the four most common material issues.
- The average score for including relevant KPIs—i.e. ones that align with company objectives and will provide meaningful insights into performance—was reasonably high at 69%[13]. However, companies generally struggled to set relevant targets for supply chain management and human rights.
- Companies were good at ensuring they're comparing year-on-year data for their KPIs—key for tracking and showing progress—but are not working towards set targets. Just one-third of the KPIs we reviewed have a target—with most relating to sustainable materials.

Progress on emissions could go further.

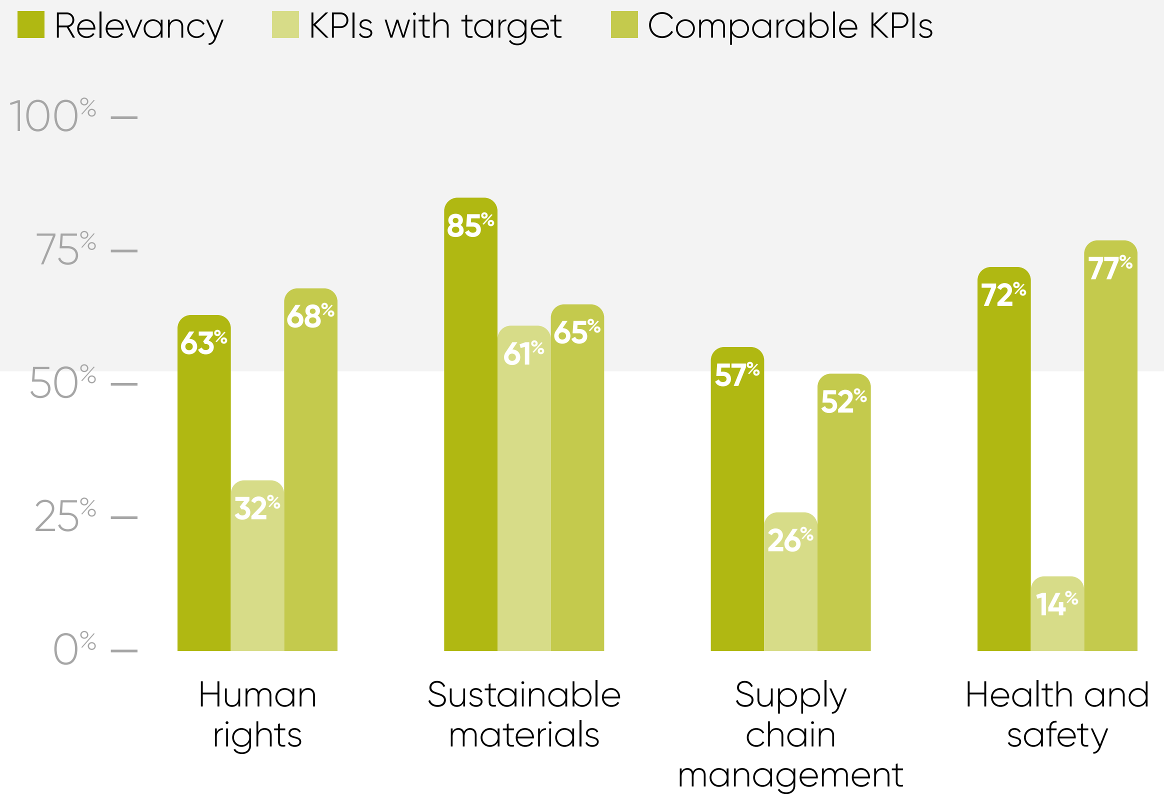
- When it comes to emissions, all companies studied included scope 1 and scope 2 disclosures, while 25 out of 30 reports featured disclosures for scope 3 emissions—the scope responsible for the bulk of their impact—something most fashion companies were not doing until recently.
- On average, scope 3 emissions disclosures were 66% complete[14]. However, nine of the 25 companies to disclose scope 3 emissions scored 50% or less for completeness. Fewer than half of emission KPIs had been approved by the Science Based Target initiative (SBTi).

How fashion companies can improve:

Materiality

- Update materiality assessments regularly (at least every two years) to get more accurate insights on material issues.
- Disclose the results and clearly define material issues.

KPI quality



- Use the outcome of an assessment as input for reporting, but also for risk assessment, stakeholder engagement, and strategy development.
- Follow the double materiality approach to make sure that inside-out (impact materiality) and outside-in (financial materiality) perspectives are included—in line with ESRS.

KPIs

- Draw from reporting standards like ESRS or GRI, and perhaps sector specific reporting standards. For example, SASB has 77 sector-specific standards to help increase relevancy. Make sure that targets are time-bound - for example: "our objective is to source 100% of cotton for our clothes from fair trade or certified sources by the end of 2025".
- Make sure that targets are relevant, that they align with business objectives and will generate useful performance insight—also that they are measurable or quantifiable and linked to an overall strategy.

Layout, format and writing

Fashion companies **do best in report presentation**, as you would expect.

Layout, format and writing

The reports are generally accessible because they are organised and read well.

- The average score for layout and format was 68%, while writing was 69%.
- Fashion companies have strong branding capabilities and this shows in their reporting. Almost half of the companies scored 70% or more for how well their report was depicted visually.
- ASOS, F&F, H&M Group, and Nike scored the highest for visuals (80%). Each produced a report that was clean and with pages that were not overloaded with text and visuals, making it easier for the reader to follow.
- That said, a fifth of companies scored less than 60%. Aritzia and Topsports Int. scored 40% each—both falling down on basic elements such as a lack of consistency in text sizes, unclear tables (Aritzia) and a lack of dividers between sections (Topsports Int.). These are small issues in isolation but could have a big impact on the reader's experience.
- Generally, reports were well written, with an average score of 72% for the readability criteria, and 12 scores of 80%.
- By and large, fashion companies present information in a concise and manageable way.

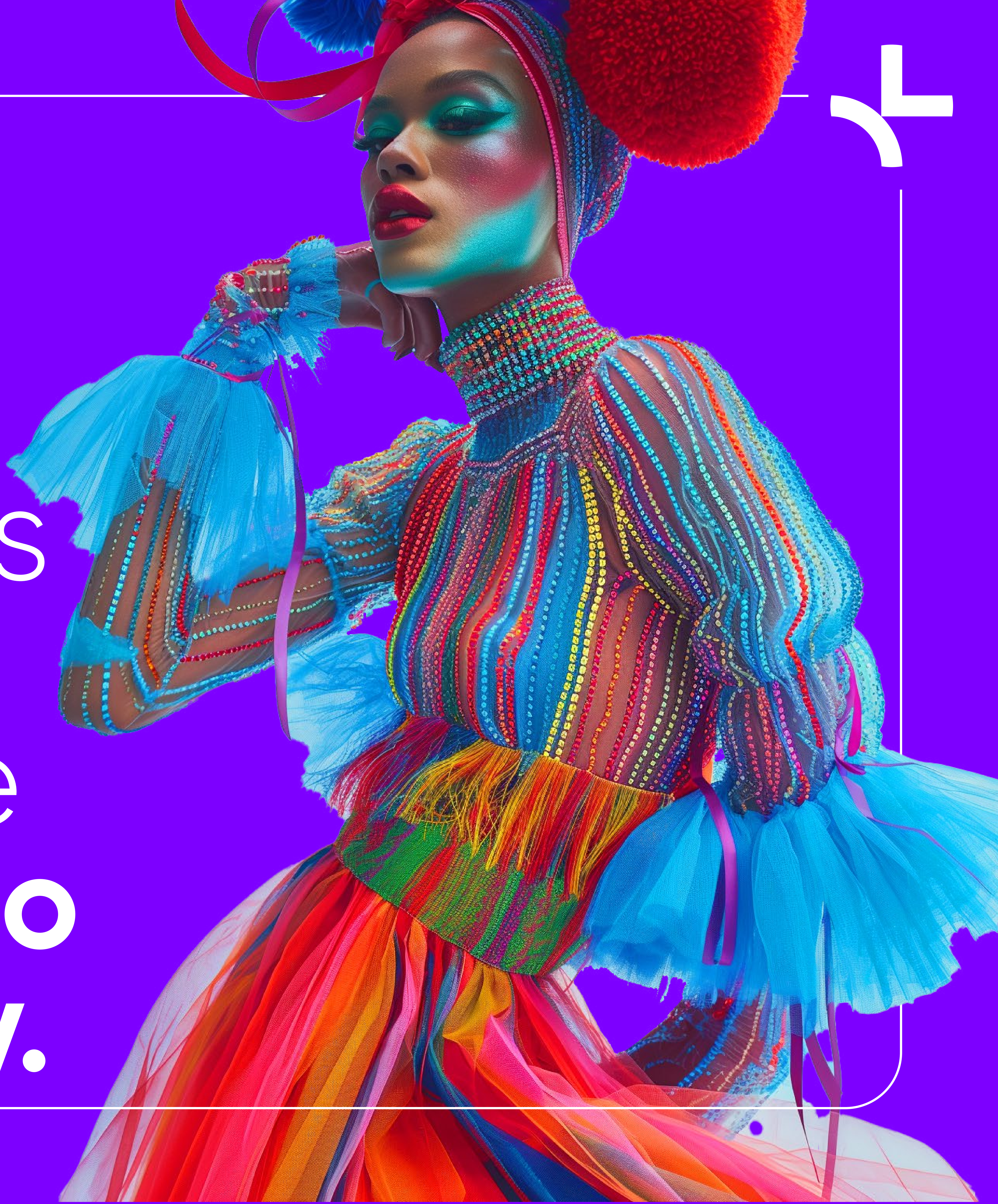
Number of companies who scored 70% or more, by category

Layout and format	13
Balance	1
Business model	7
Methodology	12
Materiality	11
Assurance	14
KPI's	9
Writing	14
Conformity to reporting standards	9

- Companies struggle more with logically laying out information—the average score of 63% for report structure is disappointing, given the often relatively formulaic structure of reports and the need to make information accessible for readers. Mavi, Fenix Outdoor and Puma recorded the lowest mark for this criterion (45%). Mavi, for example, failed to include a description of the company's operating environment and structured the report around lists of achievements rather than adopting a cohesive narrative.

How fashion companies can improve:

- Focus on communicating relevant information effectively, in a way that's comparable and decision-useful, especially when writing data-rich publications like sustainability reports.
- Declutter pages as much as possible and follow simple and well established structures that are clearly signposted.



Balance, business model and methodology are three **key areas to develop maturity.**

Balance, business model and methodology

It's time companies got comfortable showing their ugly sides.

- Scores for balance, on average 44%, were notably low, with only a handful of companies managing to score 60% or above. Significant improvement is needed across the industry in this area.
- A lack of balance damaged the quality of the reports we studied, as balance is an important principle in reporting under frameworks such as GRI, <IR>, ISSB and ESRS—and is vital for credibility with stakeholders.
- These standards generally define balance as presenting information in an unbiased way to provide a fair representation of the organisation's negative and positive impacts. Our survey found that Zalando, with 70%, was the only company to do this to a high standard.
- We gave Zalando's report a higher score because it offers insights into its negative impacts and the challenges the company faces, while also outlining its sustainability progress—doing so with straightforward and self-critical language.

Value chain descriptions are key to understanding a business's priorities and impact for readers and shouldn't be overlooked.

- The average score in the business model category was 52%.
- Five companies—Fila, Next, Nike, Ross and Topsport Int.—scored 0%, failing to describe or depict their business or value creation models.
- Lululemon Athletica, LPP, Lojas Renner S.A., Inditex, Gokaldas, and Arvind were the only companies to meet all three of our criteria and score 100%.
- Companies were generally good at including a description of their business model (83%), which provides readers with a broader understanding of how their business works, its logic and strategy for success, and where it sits in the market.
- However, just 23% described their value chains, while 60% did not include a visual depiction of either a business or value creation model—often useful for readers.

Always show your working.

- With an average score of 45%, methodology—where we assessed if companies defined their material issues and provided explanations for calculations—was the worst-performing category.
- The results show a split: eight companies scored 100% for providing definitions of their material issues and explanations for calculations, but 14 scored 0% for failing to include either.
- Fewer than half (48%) of companies that published the results of a materiality assessment included definitions for their material issue.
- Similarly, only 47% of companies included explanations of calculations.

How fashion companies can improve:

Business model and methodology

- Use clear and straightforward language when describing the business model.
- Provide a good description of the business model including the following: the value proposition, key resources and activities, revenue streams, and customer segments.
- Follow the value creation model guidelines suggested by <IR>.
- Include a table of definitions for material issues.
- Provide explanations on how important KPIs and figures were calculated.

Balance

- Provide year-on-year data to allow readers to see negative and positive trends, and provide commentary to explain these trends.
- Distinguish clearly between facts and the organization's interpretation of the facts.
- Don't omit relevant information concerning negative impacts.
- Don't overemphasize positive news or impacts in a way that is likely to inappropriately influence the conclusions or assessments of readers.

Assurance and conformity to reporting standards

Companies are familiar with existing reporting standards, which will **give them a boost** when new regulations arrive.

Assurance and conformity to reporting standards

Auditors need a bigger role in the world of fashion sustainability reporting.

- In the assurance category, we assessed if a report was assured, if its KPIs were assured, and what level of assurance it received. The average score for assurance was 44%, one of the lowest scoring categories.
- Overall, 40% of companies did not secure assurance of their report from a third-party auditor at all.
- Of the 18 companies that had their report audited, 17 received limited assurance. Initially, ESRS will require limited assurance.
- One company received a combination of limited and reasonable assurance: Adidas, our top scorer in this category with 93%.
- Almost half (47%) of companies had all KPIs independently audited (i.e., not just those related to material issues).

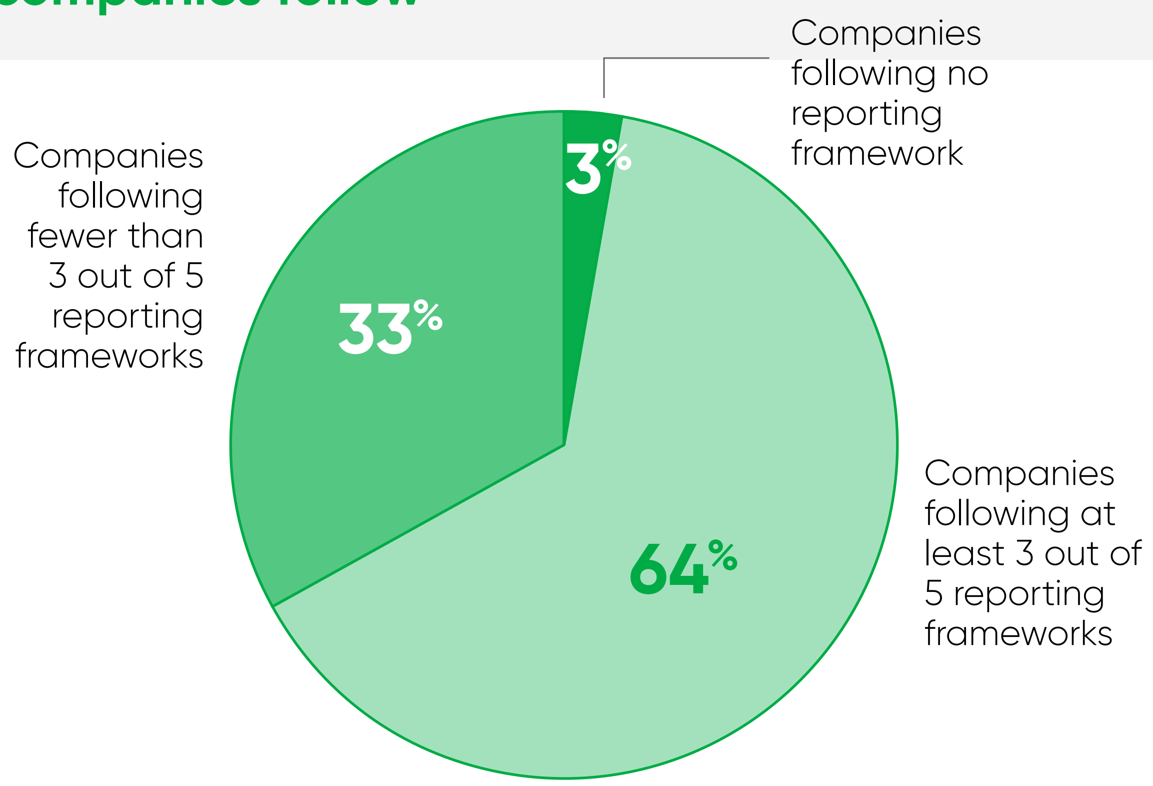
Companies showed some understanding of reporting standards.

- On average, companies scored 50% for their performance in the reporting standards section.
- Inditex, Lojas Renner S.A. and Fila all scored 95% after following GRI, Integrated Reporting <IR> Framework, the TCFD and the Sustainability Accounting Standards Board (SASB). None mentioned the UN Guiding Principles Reporting (UNGPR) framework.
- In terms of reporting standards, GRI and TCFD were most popular, with both followed by 19 companies. More than three-quarters of companies (77%) reported against the UN Sustainable Development Goals (SDGs).
- Just one company, Kewal Kiran, did not follow any and therefore scored 0%.

How fashion companies can improve:

- Map out which mandatory reporting regulations apply, plus any additional disclosures that may be required by important external stakeholders.
- Carry out a detailed gap analysis (against the reporting framework) to understand which information and data points may still be missing.
- Gather data from internal teams based on the outcome of the gap analysis.
- Discuss internally how missing data can be measured. Some reporting frameworks may require disclosure of when the company will start reporting these data points.
- On assurance, develop a company reporting manual, as well as systems to collect and store data securely.
- Ensure control procedures, along with robust review and approval processes, are in place and effective within your operations.
- Conduct internal audits to find areas for improvement for quality checks and data collection.
- Make sure all necessary procedures are in place and documented clearly (including KPI results and corrective action taken).
- Explain omitted data within reports.

Number of frameworks companies follow



Methodology

How we created the Reporting Maturity Index

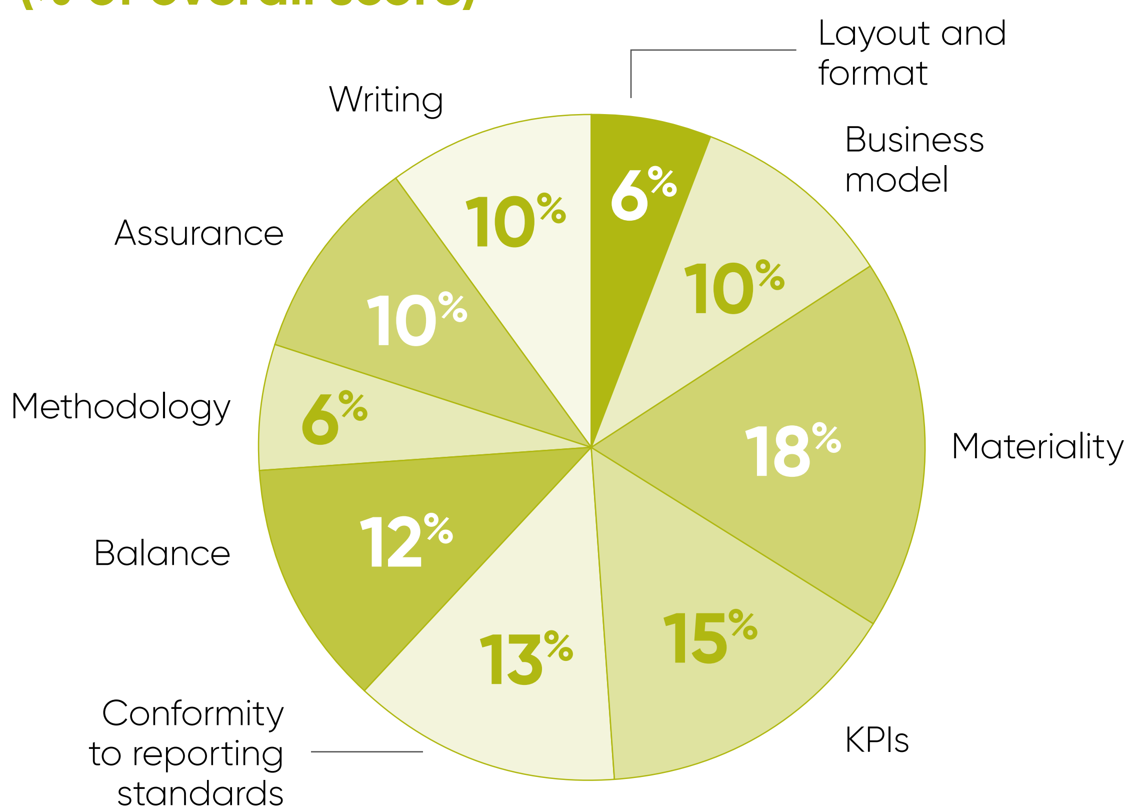
We created the Kōan Reporting Maturity Index in 2023 as a tool to assess the quality of sustainability or non-financial reporting by individual companies, the results of which can be used to evaluate the reporting maturity of an industry as a whole.

The Index covers nine core elements, or categories, that help determine maturity in reporting, based on principles from well-known reporting standards such as ESRS, the Integrated Reporting <IR> Framework, and the GRI. Each element is weighted differently based on our interpretation of their relative importance.

Within each category, a report is assessed against a varying number of criteria, which combine to give each report its category scores and overall result.

There are 56 possible criteria in total. However, not every company is assessed against every criterion. Instead, some categories work like a flow chart, whereby a 'no' answer means we don't apply further criteria. For example, if the answer to 'Did the company perform a materiality assessment?' is 'no', then the next 12 criteria for the materiality category can't be applied.

Category score breakdown (% of overall score)



We designed the Index to be simple to use and as objective as possible. Where possible, criteria are judged using a simple yes or no. However, subjectivity is an inescapable factor in making assessments for some of our criteria— such as the relevance of a KPI or the balance of a report. In these cases, we made every effort to be as fair and robust as possible, setting clear rules for scoring for these criteria against a 0-100 scale, based on our knowledge and expertise. Every report has been scored by a number of different scorers, with results compared as a way of ensuring a uniformity of approach.

Certain figures in this report may not tally exactly due to rounding. In addition, certain percentages may have been calculated using rounded figures. The results of the Index are not meant to endorse or celebrate any of the companies assessed. Instead, we hope they serve as a catalyst for change, uncovering trends that can guide the fashion industry towards improvement for the benefit of the industry and wider society. Our aim was to create a robust scoring framework that not only facilitates industry comparison but also inspires companies to use it as a roadmap for improvement or as a comprehensive reporting checklist.

This the first version of the Reporting Maturity Index. We plan to develop it further and conduct more studies in the future on the fashion and other industries.

Please contact us for more information on the Index and scoring criteria.

Explaining the Reporting Maturity Index categories

1. Layout and format (6% of total score)

A report's layout, design, and format is important for accessibility as well as ensuring the information it contains is easily understood. We evaluate how well the report looks—use of charts and graphs, quality imagery, text formatting—in one subjective criterion, as well as reviewing report format (online, PDF) as part of two further binary criteria.

Sub-criteria

1.1. Is the report a PDF document?

1.2. Is there also an online version of the report?

1.3. How well is the report depicted visually?

2. Business model (10%)

Reports should include a description of their business model (textual and/or visual) and value creation model or value chain, because they help readers understand a company's strategic priorities and impact. They also demonstrate if and how sustainability is integrated into a company's business operations, enhancing transparency. Value chain reporting is also a key component of ESRS.

Sub-criteria

2.1. Does the report include a description of the company's business model?

2.2. Does the report have a description of the value creation model (sometimes known as a value chain)?

2.3. Is the business model or value chain depicted visually?

3. Materiality (18%)

The materiality asessment holds the highest importance in the overall score because it forms the foundation of a report. A good materiality assessment signals that the company has successfully identified the issues that may impact its business and stakeholders. These issues set the structure and scope of a report, and provide transparency to stakeholders.

Five most common material issues for the fashion industry:

Innovation: Innovation involves adopting new technologies, materials, and practices to improve efficiency, sustainability and responsiveness to changing market demands and consumer preferences.

Human rights: Addressing human rights involves ensuring fair labour practices, safe working conditions, and equitable treatment for all employees across the supply chain. This includes adhering to standards that prevent child labour, forced labour, and discrimination, while promoting decent working hours, fair compensation, and the right to unionise.

Use of sustainable materials: The use of sustainable materials involves adopting eco-friendly textiles like organic cotton, recycled fabrics, and innovative alternatives to reduce environmental impact and conserve resources.

Employee health and safety: Ensuring employee health and safety means implementing strict safety protocols, providing proper training, and maintaining safe working conditions to prevent accidents and health issues.

Supply chain management: Effective supply chain management involves overseeing production processes, logistics, and distribution to enhance efficiency, ensure ethical practices, and reduce environmental impacts.

Sub-criteria

3.1. Did the company perform a materiality assessment?

3.2. Is the materiality matrix published?

3.3. What kind of materiality assessment approach was followed (double, single, other, no explanation)?

3.4. Does the result include the top five most common material issues for this sector (Innovation, Human rights, Use of sustainable materials, Employee health and safety, Supply chain management)?

3.5. Is there an explanation of the materiality assessment process?

3.6. Does the report disclose which stakeholder groups are involved?

3.7. Does the report describe the stakeholder engagement process?

3.8. How are stakeholder inputs weighted?

3.9. Is the materiality assessment linked to the company's operational/enterprise risk analysis?

4. KPIs (15%)

KPIs are linked to the company's strategic objectives and are crucial for performance accountability. Our approach is as follows:

- First, we check whether the report discloses KPIs related to the top five sector material issues.
- For each issue, we check for performance targets, and if those targets are time-bound and measurable.
- Next, we check whether the report discloses results of the KPI across different years. When a KPI is comparative, it shows that the company is actively measuring the issue and it can show progress over a set period of time.
- Finally, we evaluate the relevancy of the KPI. This is the only subjective criterion. Using Kōan's experience and expertise, we assessed how well the KPIs align with the company's objectives and how useful they are for generating performance insight.
- When it comes to emissions, scope 3 completeness relates to the number of scope 3 emission categories, as defined by the Greenhouse Gas Protocol, disclosed by a company. There are 15 categories[15] of emissions in total. Percentage scores are given as follows:

12 (or more) scope 3 emissions categories disclosed: 100%

9 or more: 75%

5 or more: 50%

3 or more: 25%

Sub-criteria

4.1. Does the report disclose KPIs of the top five material issues, do they have a target, are they comparable, how relevant are they?

4.2. Do they disclose GHG emissions (scopes 1, 2, and 3), how complete is scope 3 disclosure, are emissions targets approved by SBTi?

5. Conformity to reporting standards (13%)

We check if the report took the GRI, TCFD, SDGs, <IR> Framework, SASB or the UNGPR Framework into consideration.

To get a broader understanding of the industry's familiarity with frameworks, we check whether a report makes references to reporting standards, as opposed to evaluating how well reports adhere to those standards.

For example, if a report makes reference to the GRI framework and includes a GRI table in the appendix, we conclude that use is made of GRI framework.

As voluntary standards are joined by mandatory ones like ESRS, we will review the relevance of the standards we use to judge this category and how we assess a company's performance against it.

6. Balance (12%)

Balance is regarded as a fundamental principle in reporting because it gives stakeholders a more accurate view on the company and helps investors make better informed decisions. In our experience, a report is balanced if it adequately describes challenges or setbacks faced by a company. We use this insight as a guideline for assessment. For example, we consider an explanation of why a target for a KPI has not been met and the steps being taken to rectify this as an example of something that contributes to a balanced report.

7. Methodology (6%)

Disclosing methodology, including calculations and definitions, is also vital because it's where companies can inform readers about the basis of preparation for the report, explaining what approach has been taken, so they can interpret the figures correctly. In doing this, they can enhance the reader's confidence in their disclosures.

In our study, we did not evaluate the validity of the methodology itself—rather our two criteria simply checked data calculations and material issue definitions were included in the report.

Sub-criteria

7.1. Are all material issues defined?

7.2. Does the report provide explanations on calculations?

8. Assurance (10%)

External assurance adds credibility to a report's data, which can increase confidence stakeholders—and the company itself—can have in that data. Assurance from a third-party auditor also supports regulatory compliance. Incoming regulations, like CSRD, will require limited assurance.

Sub-criteria

8.1. Is the report assured?

8.2. Are the KPIs assured?

8.3. What level of assurance is provided (limited or reasonable)?

8.4. Is the assurance provider the same as the one for financial reporting?

9. Writing (10%)

A well-written report is concise, has a good flow and without significant spelling and grammatical errors. It should also follow a logical structure. Overall, the different sections should have a clear purpose and be well-connected to each other.

Sub-criteria

9.1. Does the report have a logical structure?

9.2. How readable is the report?

Scope of this study

The aim of our study was to provide a broad picture of the maturity of reporting in the fashion industry. To do this, we made several decisions in the selection of the companies we assessed:

- Overall, the industry consists of many different sectors including apparel, footwear, accessories, and jewellery. For this research, we focused on the apparel and footwear sector, and excluded what we saw as 'luxury' businesses to focus on High Street companies, or the parents of High Street companies.
- From this, we selected the top 30 companies based on market capitalisation—using data available on February 22, 2024.
- We created this pool by market capitalisation because, we hypothesized, were likely to have some history of publishing sustainability reports—given their worth, workforce size, and level of production. It also enabled us to create a pool of companies of similar sizes, with, in principle, similar issues, which would therefore be comparable to each other for our research.
- We selected no more than four companies per country to ensure a global representation.
- We focused on listed companies, because our Index requires public disclosures—i.e. non-financial and sustainability reports—which listed companies publish more regularly. We selected each company's most recent report available as at Wednesday 27 March 2024.

Endnotes

1. We excluded what we viewed as 'luxury' brands to focus on what are commonly termed 'high-street' companies, creating a comparable sample of businesses with significant influence, impact, and reporting responsibility. See the Methodology section for more information on our selection process and the development of the Index.
2. Maida Hadziosmanovic, Kian Rahimi and Pankaj Bhatia. (June 24 2022). Trends Show Companies Are Ready for Scope 3 Reporting with US Climate Disclosure Rule. World Resources Institute.
3. The common material issues for the fashion industry are the five issues that appear the most in a sample of 26 materiality matrices published by fashion companies in the last five years. These matrices are taken from our own 'Materiality Monitor'—a database of the materiality matrices of over 140 companies worldwide.
4. Climate Trade. (May 11, 2023). The world's most polluting industries
5. McKinsey & Co. (March 28 2024). Sustainable style: How fashion can afford and accelerate decarbonization.
6. Jason Judd, Angus Bauer, Sarosh Kuruvilla, Stephanie Williams. (September 13 2023). Higher Ground? Fashion's Climate Breakdown and its Effect for Workers. Cornell.
7. Jason Judd, Angus Bauer, Sarosh Kuruvilla, Stephanie Williams. (September 13 2023). Higher Ground? Fashion's Climate Breakdown and its Effect for Workers. Cornell.
8. Remake. (March 6 2024). Fashion Accountability Report 2024.
9. Fashion Revolution. (July 12 2023). Fashion Transparency Index 2023.
10. Bain and Company. (November 13 2023). The Visionary CEO's Guide to Sustainability.
11. The Business of Fashion. (February 23 2021). Fashion Goes Green to Raise Capital.
12. For more information on how we define the most common issues for the sector, see the Methodology section.
13. See the Methodology section for an explanation of how relevancy is assessed.
14. See the Methodology section for an explanation of scope 3 completeness.
15. In analysing scope 3 emissions, we considered that three of the 15 categories may not be relevant to the fashion industry: categories 13 (downstream leased assets), 14 (franchises) and 15 (investments).

Contacts and acknowledgements

We are Kōan Group, experts in non-financial reporting. We specialise in sustainability reporting—in fact, we're one of very few companies to do so.

But we don't only write sustainability reports—we also provide advice on the nuts-and-bolts of reporting, from materiality and regulatory compliance to policy development and reporting strategy.

To do this, we have a team of creative, dedicated professionals, which works with companies in (almost) every sector of the economy across Europe.

We do this because we believe in business. Companies do more than just make money. They drive our economies. They have a big impact on our lives.

At Kōan, our role is to help companies tell the story of that impact through their reports: how they create jobs, how they innovate with new technologies, how they help tackle climate change and protect human rights and how they create real, long-term value for society.

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