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# MIND THE GAP

**POLICY TO PROFIT: HOW NEW RULES CAN CREATE  
COMMERCIAL WINS FOR FASHION**

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## THE FASHION, TEXTILE, AND APPAREL INDUSTRY IS AT A CRITICAL POINT OF TRANSITION.

A point at which the old world of shareholder primacy, resource intensive consumption, and artificially constructed demand is shifting to a new wave of policy and legislation, conscious consumption, stakeholder capitalism, and the demand for greater transparency. Industry leaders are leaning forwards to figure out how to interweave better environmental and social governance into the fabric of their own operational and commercial reality.

FASHION  
CONSUMPTION  
TO GROW BY  
**63%**  
IN THE NEXT  
FIVE YEARS

With fashion consumption to grow by 63% to 102 million tons in the next five years, new regulation is demanding verifiable action, mandatory disclosures, and reportable progress. From recently proposed green claims directives and supply chain due diligence to responsible textile recovery and PFAS prohibitions - staying on top of this new policy and legislation will be essential to help the industry navigate this transition and avoid falling even further between the gaps.

And what a complex web of intersectional challenges lies ahead! From transforming rampant overproduction and waste colonization into a circular, closed loop system, to addressing persistent and often invisible labor abuses across the spider web of suppliers to the need for cross industry collaboration and partnership to launch scalable innovations. And behind it all, AI, carbon accounting and predictive supply chain management analytics - to name a few - are finally putting supply chain custody and transparency within reach.

Grounded in expertise, this white paper is intended to help illuminate the pathways through which brands, retailers, and manufacturers can navigate this moment of transition, along with the regulatory maze that surrounds it. It will provide an easily digestible analysis of the most important sustainability policies and legislation - spanning governance, environmental, and social pillars - while offering practical guidance around how the most transformational policies, legislation, and regulations can be leveraged to drive commercial innovation and triple bottom line impact.



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Leveraging our own expert legal counsel along with expert interviews - supercharged by our own resident AI (called Gaia)...you'll meet her later - we hope to be able to equip you with the data, insight, inspiration, tools, and frameworks to close the intention-action gap and commercialize sustainability. Whether you're looking to understand risks, take some first steps towards addressing the commercial implications of new policy and legislation or maintain a leadership position in the industry around sustainability— this white paper will help you understand how to transform purpose and policy into profit and create value by doing good.

## GET GROUNDED

Throughout this white paper, you will have the opportunity to consult with Gaia - our resident AI. By analyzing the latest reports, policy, and legislation - as well as scraping the world wide web - we hope that she'll be able to add some color, depth, and dimension to your inquiries - in a matter of seconds.

**ASK GAIA** ANY QUESTIONS YOU MIGHT HAVE AS YOU READ THROUGH THIS PAPER.

*Gaia serves as a great resource and starting point, but she's not a substitute for legal advice or counsel.*

If you'd like a more human touch - to discuss the brand, business or commercial implications of this white paper - then feel free to find 30 minutes to speak with one of our co-founders.

[BOOK A CALL HERE](#)



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# THE MOST PRESSING GLOBAL ISSUES

FOR FASHION AND  
SUSTAINABILITY

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## ***Decarbonization***

Decarbonization is a \$1+ trillion problem for the fashion, textile, and apparel industry. Manufacturers often lack access to affordable financing options and are instead passing the burden down to suppliers, especially in low-income countries<sup>1</sup>. Financing challenges, policy barriers - tied to geographical location and national agendas - the condition of facility infrastructures, challenges with brand-manufacturer procurement, and the struggle to maintain a transparent, unified approach to decarbonization across the supply chain all account for some of the most significant barriers to decarbonization across the industry.<sup>2</sup>

**THE MARKET FOR  
CARBON CREDITS IS  
PROJECTED TO GROW  
50-fold  
WITHIN A DECADE**

There are plenty of voluntary carbon market (VCM) trading platforms and offsets available, with many increasingly tied to consumer purchasing behavior and loyalty programs. In fact, the market for carbon credits is projected to grow 50-fold within a decade, from nearly \$2 billion in 2022 to nearly \$100 billion by 2030 and as much as \$250 billion by 2050, according to Morgan Stanley.<sup>3</sup>

But, although the VCM ecosystem continues to expand in sophistication, complexity, and number of participants (e.g. project developers, registries, brokers, exchanges, rating agencies, standard-setters, and financial intermediaries), the number of intermediaries is further exacerbated by fragmentation, lack of trust in the credibility of carbon credits, and concerns about transparency - resulting in claims of greenwashing for companies perceived to be “buying their way out” of their net zero commitments.

1 **Should Fashion Suppliers Bear The Cost of Becoming More Sustainable?:** Vogue: June 10, 2024

2 **Unlocking the Trillion-Dollar Fashion decarbonisation Opportunity:** Existing and Innovative solutions: November 2021

3 **Where the Carbon Offset Market Is Poised to Surge.** Morgan Stanley: Apr 11, 2023



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On the supply side, upstream mills, and manufacturers usually have smaller turnovers and steeper debt-to-revenue ratios. The distrust around the legitimacy of carbon credits, combined with the misalignment of margins, therefore poses a real challenge to funding sector decarbonization.



Global textile supply chains are also still very much fossil fuel-intensive, and fashion is one of the major contributors to the world's greenhouse gas emissions – from 2-8% of global GHG emissions. If the fashion, textile, and apparel industry continues at its current pace, emissions will only be capped at around 2.1 billion tonnes a year by 2030, around the same as they are now. This would leave levels at nearly double the maximum required to stay on the 1.5-degree pathway.<sup>4</sup> Scope 3 supply chain emissions (i.e. those generated from raw material extraction, processing product, and final assembly) are also the most intensive - making up 70-80% of the fashion industry's carbon footprint.<sup>5</sup>

Reaching net zero by 2050 and decarbonizing fashion, is not just a case of becoming more energy efficient, buying more carbon offsets, or switching operations and manufacturing to renewable energy. It requires a conscious commitment to circularity and net positive 'de-growth strategies' that stay within planetary boundaries - including the phasing out of fossil fuel-based inputs along with investment in renewable, bio-derived materials across the supply chain. Embracing and commercializing circularity by extending the use and life-cycle of textiles and reducing the amount of waste that's burned or sent to landfill is ultimately what's required to reach net zero emissions by 2050 and beyond.

<sup>4</sup> **Fashion On Climate** - How the fashion industry can urgently act to reduce its greenhouse gas emissions.

<sup>5</sup> **What Fuels Fashion**: 2024 Edition



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## Overproduction and Waste

Fashion's *increasing* environmental impact comes down to linear production (take, make, waste).<sup>6</sup> Seasonal styles and trends put continued pressure on the supply chain, natural resources, and labor practices to keep up.

"It is simply more profitable, in the current system, to overproduce and trash than to reduce production to reasonable levels," says the Remake Fashion Sustainability Report, 2024. "The industry at large seems trapped in the delusion that so long as it can decrease the relative cost *per garment* and environmental impact of its products, it can continue to pursue infinite output growth - regardless of whether its *absolute* impact is decreasing too."<sup>7</sup>

An estimated 11.3 million tons of textile waste ends up in U.S. landfills yearly, accounting for approximately 85% of all textiles and equating to an alarming 81.5 pounds (37 kilograms) of textile waste per person per year.<sup>8</sup> The Ellen McArthur Foundation estimates that every second, the equivalent of a rubbish truckload of clothes is burnt or buried in landfill.<sup>9</sup>

<sup>6</sup> Remake Fashion Accountability Report 2024

<sup>7</sup> Remake Fashion Accountability Report 2024

<sup>8</sup> 10 Scary Statistics About Fast Fashion. State of Matter: December 11, 2023

<sup>9</sup> Ellen McArthur Foundation Redesigning the Future of Fashion



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## **Greenwashing**

Fashion Brands Are Prone To Greenwashing, according to the Wall Street Journal. Fashion professionals are also leaving large companies because they can no longer stomach “internal greenwashing.”<sup>10</sup>

**MARKETING  
AND PR'S  
ROLE IN THIS  
SHOULD BE  
LAST IN LINE.  
NOT FIRST.**

Combating greenwashing (and hushing) requires robust governance and a commitment to people, the planet, and good growth. This triple bottom line approach to governance and commercialization (which we'll unpack a little later) can create what we like to term a 'flywheel of impact' - when the *WHY* of purpose is connected to the *WAY* of profit.

Better leadership, integration, transparency, partnership, and joint accountability are all required - which may include third-party verification of sustainability claims along with mandatory disclosures that report against benchmarks and progress against stated sustainability goals and commitments.

Marketing and PR's role in this should be last in line. Not first.

## **Commercializing Sustainability**

Contrary to previous years, the McKinsey 'State of Fashion 2025' report claims that only 18% of fashion executives consider sustainability a top-three risk for growth in 2025. Although technologies like chemical recycling and bio-based materials are available, they are not yet fully scalable - requiring greater investment, infrastructure, and cross-industry collaboration.

<sup>10</sup> [Remake Fashion Accountability Report 2024](#)



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Bananatex®



BioBluff



Mushroom leather

Increasingly, innovative materials made from renewable fibers are being introduced to help transition from fossil field-based inputs and help reduce carbon emissions. Bananatex®, for example, is the world's first durable, biodegradable, and plastic-free fabric made purely from regeneratively grown Abacá banana plants. BioBluff is made using a mixture of nettle, hemp, and flax, half of which the company claims can be sourced from agricultural waste streams. Mushroom leather, which is realistic enough to be used in \$4,200 Hermes handbags, has raised over \$187m from investors such as Natalie Portman, John Legend, and even General Motors! But the sheer size and intersectionality of the fashion, textile, and apparel industry demands a collaborative, sustainable system for value creation of similar scale.

## ***Legacy Pollution***

What goes into production inevitably will find its way out into the environment and textiles are no exception. For example, textile production is estimated to be responsible for about 20% of global clean water pollution from dyeing and finishing products, which can release heavy metals and other toxics into waterways.<sup>11</sup> Similar issues occur with the air. But even more concerning are the impacts of legacy pollutants, such as microplastics and per- and polyfluoroalkyl substances (PFAS),<sup>12</sup> that have both individually and together been shown to have numerous environmental and health impacts to humans and other species alike.<sup>13</sup>

## ***Inequitable Labor Practices***

Garment workers in many low-income countries are still caught in a cycle of low pay, poor working conditions, and an absence of unionization. While some brands have made commitments to paying living wages, according to the re/make fashion Accountability Report 2024, few are making meaningful progress. Workers

<sup>11</sup> [The Impact of Textile Production and Waste on the Environment](#), European Parliament, Published Dec. 12, 2020 and updated Mar. 21, 2024.

<sup>12</sup> [Our Current Understanding of the Human Health and Environmental Risks of PFAS](#), U.S. Env't Prot. Agency.

<sup>13</sup> [PFAS and microplastics become more toxic when combined, research shows](#), The Guardian, Nov. 25, 2024.



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are still expected to put in overtime hours for low wages, keeping communities stuck below the poverty line, exacerbated by climate change, which is disproportionately affecting living conditions.

The Garment Worker Protection Act (SB 62) was passed in California in 2022, creating a template for *joint liability*, where fashion companies are legally, and so financially, accountable for their supplier factories. At the national level, the proposed FABRIC Act builds on this template, also proposing “major incentives to accelerate domestic apparel manufacturing and new federal workplace protections to cement the US as the global leader in responsible apparel production.”

**CONSUMERS - AS THEY ACQUIRE NEW FASHION FASTER AND MORE CHEAPLY - ARE ALSO TRASHING MORE OF THIS UNAPPEALING FASHION AT FASTER RATES AS THEY CHASE THE LATEST TIKTOK TRENDS.**

For now, though, this bill is largely supported by smaller companies such as Allbirds, Everlane, and Reformation. This was also the case with SB 62, which was endorsed by Reformation and Cotopaxi.<sup>14</sup>



Chile's Atacama desert. ©Al Jazeera

## ***Waste Colonialism & Social Justice***

Goodwill is not enough. The global secondhand trade is colonializing waste in lower-income countries. The Global North exports millions of tons of used clothing to Africa, Asia, and Latin America, ultimately burdening the Global South.

<sup>14</sup> Remake Fashion Accountability Report 2024



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The re/make Fashion Report 2024 also cites that garments and textiles often end up in landfills or incinerators, most likely shipped from high-consumptive countries in the Global North to those in the Global South, like Chile and Ghana, which simply do not have the resources or infrastructure to manage it.<sup>15</sup> For example, in 2021 international attention focused on the mountains of secondhand clothing that were dumped in Chile's Atacama desert. The promising local textile recycling initiatives meant to address the problem were shut down due to a lack of economic feasibility, and the piles of old clothing were burned, releasing noxious air pollution into the bordering city.<sup>16</sup>

## CLICK ANY OF THESE LINKS TO GET STARTED

# ASK GAIA



- [What are the biggest sustainability issues and challenges faced by the fashion, textile,, and apparel industry?](#)
- [How can the fashion, textile,, and apparel industry reduce its carbon emissions?](#)
- [Why is circularity so important for the fashion industry?](#)
- [Tell me the different ways that consumers expect fashion brands and retailers to be more sustainable.](#)
- [Explain some of the labor laws and practices that will impact the fashion industry.](#)
- [What are the most important pieces of policy and legislation that are having a material impact on the fashion industry today?](#)

15 19. Baldwin, C. and Reid, H. (2023, November 20). **Waste from Adidas, Walmart, Other Brands Fuelling Cambodia Brick Kilns - Report.** Reuters. Retrieved from: <https://www.reuters.com/sustainability/waste-adidas-walmart-other-brands-fuelling-cambodia-brick-kilns-report-2023-11-20/>

16 Shipley, J. and Alarcón, M. (2024, January 4). **Burn After Wearing.** Grist. Retrieved from: <https://grist.org/international/burn-after-wearing-fashion-waste-chile/>



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# WHAT ARE THE TRANSFORMATIONAL ESG POLICIES AFFECTING THE FASHION, TEXTILE, AND APPAREL INDUSTRY?

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**OVERALL THESE POLICIES AIM TO HOLD BUSINESSES ACCOUNTABLE FOR THEIR IMPACT AND CONTRIBUTION TO ENVIRONMENTAL ISSUES SUCH AS CARBON EMISSIONS, WATER USAGE, CHEMICAL POLLUTION, AND WASTE MANAGEMENT.**

The mounting pressure and expectations surrounding the disclosure of financial and material impacts on key stakeholders and the environment are elevating sustainability reporting and marketing to the top of the corporate agenda. While numerous countries, states, and even municipalities are enacting a wide variety of laws and regulations targeting ESG topics, two jurisdictions have risen to the top in the scope of potential impact: The EU and California.

Legislation and regulations from these jurisdictions are forcing larger multinational, shareholder-driven companies to adhere to consistent ESG reporting frameworks and transparency requirements, map supply chains, substantiate green claims, phase out environmental pollutants, and much more. Overall, these policies aim to hold businesses accountable for their impact and contribution to environmental issues such as carbon emissions, water usage, chemical pollution, and waste management. From a social point of view, labor practices, human rights, and community impact must also be considered, and when it comes to Corporate Governance - transparency, responsible claims, regulatory compliance, and reporting are all under the spotlight.



The depth, detail, and continuous refinement associated with much of this policy and legislation can be complex and a little overwhelming, and so we have identified some of the regulations and laws that are in progress or just about to come into force across E, S & G with the broadest impact areas and influence over markets.

There is no question that these California and EU policies and legislation will have a direct, material impact on large swaths of the fashion, textile, and apparel industry over the coming few years. That said, what kind of business you operate, where you do business, where your products are sold, who you supply, your place in the supply chain, the size of your



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business, and many other factors will determine the applicability of not only the highlighted California and EU policies reviewed in this paper, but also influence whether additional ESG laws and regulations will apply.

The purpose of highlighting key elements of these transformational policies is not to create more pressure or throw fuel on the fire but to increase awareness, identify potential risks and needs for supporting counsel, and to enable more players in the industry to mitigate risk, take their first steps towards commercializing sustainability, or perhaps, maintain a leadership position to unlock commercial innovation.



To explore potential risks and implications for your brand or business, feel free to **ASK GAIA**



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## GOVERNANCE

### **EU's Corporate Sustainability Reporting Directive (CSRD) + ESRS**

The Corporate Sustainability Reporting Directive (CSRD) and its accompanying European Sustainability Reporting Standards (ESRS) form the legal and reporting framework for the EU's groundbreaking sustainability disclosure regime, which applies to both EU and non-EU companies with significant EU business.

#### **Who needs to comply?**

EU companies with over €40 million in turnover, more than €20 million in total assets, and over 250 employees. CSRD also applies to non-EU companies with significant EU activities (over €150 million in EU turnover) and subsidiaries or branches in the EU.

#### **What are the requirements?**

Companies must publish an annual sustainability report (consistent with ESRS) detailing their material sustainability matters. The ESRS applies a "double materiality" threshold, which requires disclosure of both financial impacts (risks and opportunities) and the business's impact on people and the environment.

#### **What needs to be reported?**

Companies must assess, quantify, and report on sustainability matters from their operations and their value chains, such as suppliers and end-users. Disclosures cover the entire ESG spectrum: climate, environment, human rights, labor, community, and corporate governance. Reports must be published and independently assured. Non-EU companies must also publish annual reports.



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## What Reporting Standard Should Our Company Use?

For CSRD, companies must apply the European Sustainability Reporting Standards (ESRS). That said, a number of long-standing, voluntary reporting standards, and frameworks align with many components of the ESRS. Standards developed by the Global Reporting Institute (GRI), International Financial Reporting Standard (IFRS) Foundation, and the incorporated International Sustainability Standards Board (ISSB), International Organization for Standardization (ISO), Sustainability Accounting Standards Board (now managed by ISSB), Task Force on Climate-related Financial Disclosures (TCFD) (now disbanded but fully incorporated in IFRS S2), and the World Resources Institute (developer of the Greenhouse Gas Protocol) all can provide a solid foundation on which to build CSRD/ESRS and other mandatory ESG reporting compliance. These organizations (and many leading eco-certifications) are also working diligently to update their standards and provide support for adapting to these new mandatory standards. Be sure to reach out to these experts, speak with counsel, and reach out to your primary suppliers/business partners to determine what will provide the smoothest reporting transition and framework your company.

## EU's Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD aims to increase accountability for industry impacts on human rights and the environment while promoting sustainable and responsible business practices.

### Who Needs to Comply?

EU and non-EU companies that meet certain employee (1,000 or more) and turnover thresholds (or franchising/licensing minimums). This includes company operations, subsidiaries' operations, and business partner operations.

### What Are the Due Diligence Obligations?

1. Integrating due diligence into corporate policies and management systems.
2. Identifying actual and potential adverse impacts on human rights and the environment.
3. Preventing or mitigating potential impacts.
4. Ending or minimizing actual impacts.
5. Establishing and maintaining a complaints procedure.
6. Monitoring the effectiveness of due diligence measures.
7. Publicly communicating on due diligence efforts annually.



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## Are There Any Additional Requirements?

Yes. Companies must adopt a climate change mitigation plan that aligns with the transition to a sustainable economy and the Paris Agreement limits. The plan needs to utilize the Science Based Target Initiative (SBTi) for setting GHG emissions reduction targets that are science-based and reflect a fair share of the global effort to reduce emissions. Companies must also consider the specific circumstances of each company, including their sector and growth potential when setting these targets.

## **California's Climate Corporate Data Accountability Act (SB 253)**

Many companies within the United States will also need to implement mandatory reporting because of California's SB 253.

### Who needs to comply?

Companies doing business in California with over \$1 billion in annual revenue must annually disclose their Scope 1, Scope 2, and, eventually, Scope 3 Greenhouse Gas (GHG) emissions. "Doing business" is defined broadly and includes any business actively engaged in any transaction for the purpose of financial or pecuniary gain or profit within California.

### When Do Companies Need to Comply?

Scope 1 and 2 reporting will be up first, with reports on 2025 emissions starting January 1, 2026. Scope 3 reports will be due based on a schedule currently in development by the California Air Resources Board (CARB).

### What are the Reporting Requirements?

CARB must release supporting regulations by July 1, 2025. That said, companies are required look to the Greenhouse Gas Protocol Standards and Guidance in developing their disclosures and disclosures must be assured by a qualified independent third-party assurance provider.



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## Anything Else?

Yes, California also enacted the [Climate-Related Financial Risk Act \(SB 261\)](#), which requires companies to prepare and submit climate-related financial risk and adaptation reports. There are slightly different applicability thresholds than with SB 253, but companies doing business in California should be aware of both.

## EU's Directive on Empowering Consumers for the Green Transition (EmpCo) + Proposed Green Claims Directive

### Who needs to comply?

Any business with a marketing presence in the EU will need to assess its advertising, labeling, and public-facing statements concerning generic (and even specific) ESG claims.

### What are the Requirements?

Under these directives, many generic claims are prohibited or require specific, third-party verification, and a demonstration of excellent performance. Claims will need to be substantiated once the Green Claims Directive is finalized.

EmpCo prohibitions and standards must be adopted by Member States by **September 27, 2026**. Key prohibitions under EmpCo include no claims of “neutral,” “reduced,” or “positive impact” on GHG emissions if based on offsets, no use of general “sustainability,” or “responsible” claims if only partially substantiated, no unfounded, or unverified long-term sustainability goals, no personal sustainability labels, and more.

For example, [Fashion Nova](#) has recently been accused of marketing products as “sustainable” or “eco-friendly” without providing substantial evidence or transparency about what those terms actually entail. While the brand has made some efforts to introduce sustainability initiatives, critics argue that these efforts are minimal compared to the overall scale of its operations and fast fashion model.



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## ENVIRONMENT

### **EU's Ecodesign for Sustainable Products Regulation (ESPR)**

ESPR requires fashion companies to engage in better design (making fashion products more durable, and easier to repair and recycle), honest communications (requiring disclosure and banning greenwashing), and extended producer responsibility (making fashion companies responsible for their old, unwanted textiles, clothing, and apparel).

#### **What Products are Covered?**

The ESPR extends beyond energy-related products to cover almost all physical goods, with a few exceptions like food, feed, and medicinal products.

#### **What are the Requirements?**

Requirements under the regulation include performance and information rules for products related to durability, maintenance, refurbishment, and recyclability.

ESPR also introduces the need for a 'digital product passport' to provide information on traceability and the sustainability of the products being sold, aiding consumers and businesses in making informed choices.

### **California's Responsible Textile Recovery Act of 2024 - SB 707**

Manufacturers and retailers are required to take responsibility for end-of-life management of textile products. This law is a textile-specific form of the Extended Producer Responsibility (EPR) framework.

#### **What is Required?**

The Act requires manufacturers, brand owners, and even importers and distributors under certain circumstances to join an approved Producer Responsibility Organization



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(PRO) by July 1, 2026. The PRO is then responsible for submitting a collection, repair, reuse, and recycling plan. PROs typically have costs associated with them based on levels of production and impact of target materials. New York has just recently proposed a similar act.

**The Stop Waste Colonialism Report** - Leveraging Extended Producer Responsibility to Catalyze a Justice-led Circular Textiles Economy, provides some useful guidance on the key implications of EPR. The excerpt below is taken directly from that report - to help you frame up the challenges and opportunities.

*The report says;*

*EPR is similar to the Polluter Pays Principle (PPP), but whereas the Polluter Pays Principle focuses primarily on pollution incurred throughout the production process, EPR is focused almost exclusively on the life-cycle management or the end-of-life of a product, in which the product itself may be the pollutant. Given the toxic and linear state of the global fashion industry, nearly every garment made currently ends up in an environment that lacks the infrastructure to facilitate safe recycling or decomposition as part of the circular economy.*

*The way that the responsibility for waste management is shifted onto the producer can be physical and/or financial. Physical responsibility might look like a producer being required to tangibly take back, sort, and treat their products once consumers are done with them. Financial responsibility is where producers provide the financial resources required to safely and effectively manage the end-of-life of their products. They can provide these funds individually or collectively through a third party called a Producer Responsibility Organization (PRO).*

*EPR can act as a transitional policy until the time when regenerative technologies and less energy-intensive lifestyles are adopted more broadly through the systemic incentivization to reuse and creatively remanufacture existing materials. EPR policies can also necessitate much-needed collective accountability and action within the fashion industry, facilitating loss, and damages financing that responds directly to the destruction caused by the fashion industry itself.*



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*If EPR is viewed as a means to an end (and not the end goal itself), EPR frameworks can provide a catalyst both financially and politically to shift economic structures and ecological priorities to reflect truly circular, inclusive, and sound ecological principles. With inclusive and globally-minded methods for how funds are collected, accessed, and distributed, EPR can empower traditionally disenfranchised sectors of the supply chain to develop the tools and agency to participate equitably in global markets.*

*In the best of cases, effective EPR policies:*

*(1) Disincentivize new products with harmful chemicals*

*(2) Move money to communities around the world that are most affected by waste pollution to help clean up and catalyze indigenous and regenerative alternatives to polluting products and industries.*

*(3) Internalize the cost of waste management for newly produced items so as to financially move both companies and customers to prioritize reuse and resale of clothing, thereby reducing overall waste and resource consumption in line with critical global climate demands.<sup>17</sup>*

<sup>17</sup> **The Stop Waste Colonialism Report** - Leveraging Extended Producer Responsibility to Catalyze a Justice-led Circular Textiles Economy. Published February 14th, 2023.



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## California PFAS Prohibitions

Multiple laws and regulations in California have placed extensive restrictions on the use of “intentionally added” per- and polyfluoroalkyl substances (PFAS) in a multitude of consumer products.

### Is There a Restriction on PFAS in Textiles?

Yes. AB 1817 prohibits “intentionally added” PFAS in the manufacture, distribution, and sale of new textile articles..

### When Does it Take Effect?

The ban on intentionally added PFAS and concentration limits for residues at 100ppm begins **January 1, 2025**. By January 1, 2027, residues cannot exceed 50 ppm.

### What is Required?

Manufacturers must obtain a certificate of compliance to demonstrate adherence and provide it to downstream retailers. The certificate must be signed by an authorized official of the company.

### Are there Exceptions?

There is an extended deadline for outdoor apparel for severe wet conditions (rain jackets, snow pants, and other extreme weather gear). Outdoor gear must meet standards by **1/1/2028** (elimination or concentration limits). Starting **1/1/2025**, outdoor gear must disclose on the label “contains PFAS products.”



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## SOCIAL

### **EU Forced Labour Regulation**

Entered into force in December 2024, the EU Forced Labor Regulation imposes a ban on products being placed or made available on the EU market that were made with forced labor.

#### **Who Must Comply?**

Any company operating in the EU, including companies selling products on the internet, if targeting EU consumers.

#### **What Products are Covered?**

All products and all parts of products. Additionally, qualifying forced labor can occur inside or outside of the EU and at any stage of the value chain, even extraction.

### **US Uyghur Forced Labor Prevention Act**

The Uyghur Forced Labor Prevention Act (UFLPA) prohibits the importation of goods into the United States manufactured wholly or in part with forced labor in the People's Republic of China, especially from the Xinjiang Uyghur Autonomous Region, or Xinjiang.

#### **How does the Law Work?**

The UFLPA establishes a rebuttable presumption that goods mined, produced, or manufactured wholly or in part in Xinjiang or by an entity on the UFLPA Entity List are prohibited from U.S. importation under 19 U.S.C. § 1307, unless the company proves otherwise (through standards process). UFLPA maintains an Entity List that identifies businesses that mine, produce, or manufacture wholly or in part any goods, wares, articles, and merchandise with forced labor.

#### **Are there Other Laws?**

Yes. The United States utilizes Section 307 of the U.S. Tariff Act 1930 to prohibit the importation of products mined, produced, or manufactured by forced labor.



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# EXPERT OPINION

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## **Jeanine Ballone**, *World Collective*



Jeanine is Founder and Chief Sustainability Officer of [World Collective](#) - a start-up marketplace for sustainable textile sourcing. As a leading supply chain resource hub, World Collective provides comprehensive solutions for brands, retailers, and suppliers aiming to embrace and integrate sustainable practices into their business models. Jean brings a practical yet forward thinking perspective on how brands can align with upcoming sustainability policy by leveraging technological innovation as a competitive edge.

### **Transparency is No Longer Optional**

*"Lack of transparency is the biggest barrier to sustainability in the fashion industry," says Jeanine. "Complex supply chains, fragmented certification processes that are losing credibility, and lack of accessible technological tools have made it difficult for brands to measure the human and environmental impact of their decisions".*

But Jeanine believes that *"Transparency is no longer optional - it's the foundation to stay competitive in a fast-changing market"*. She also believes that World Collective's platform solves this problem by connecting brands directly with suppliers, streamlining sourcing, and giving a clear view of the impact across the entire supply chain.

**"TRUE LEADERSHIP IS THE ABILITY TO ADAPT, INNOVATE AND BE TRANSPARENT AT EVERY STAGE OF THE SUPPLY CHAIN."**

**Where are the biggest opportunities for commercial innovation around sustainable fashion?**

*"I would say sustainability is treated like a cost center, but digital transformation can really flip that narrative", says Jeanine. AI powered design tools can reduce material waste at the*

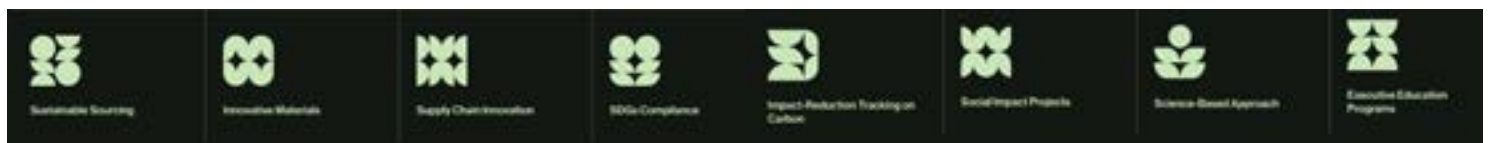
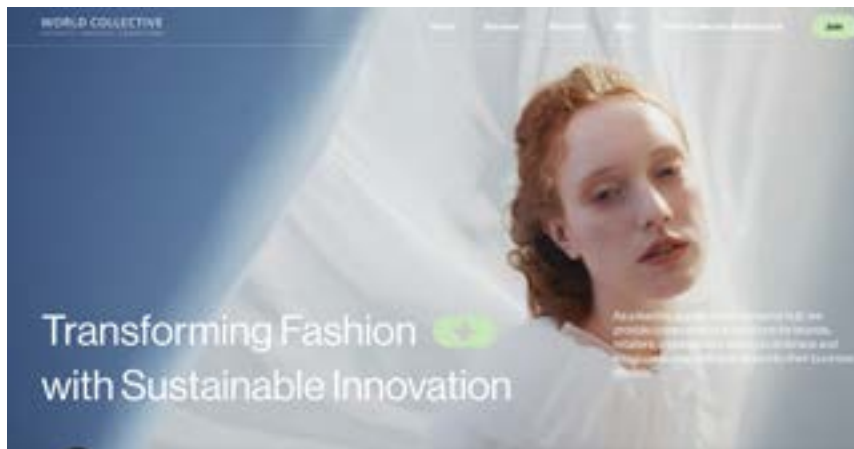


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**“AI POWERED DESIGN TOOLS CAN REDUCE MATERIAL WASTE AT THE CONCEPT STAGE ALONG WITH PREDICTIVE ANALYTICS THAT CAN ALSO ELIMINATE OVERPRODUCTION BY ALIGNING SUPPLY MORE PRECISELY WITH DEMAND.”**

*concept stage along with predictive analytics that can also eliminate over-production by aligning supply more precisely with demand. Things have to be more mobile and efficient, so more sustainable choices can be made and made more cost effective. We've reduced the layers of inefficiency, cutting lead times out, and empowering both parties to innovate so they have direct access to each other - instead of the way the supply chains have been built right now.”*

**Hear more from Jeannine by listening to the [Mind the Gap Podcast](#).**





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# KEY RECOMMENDATIONS

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So, what can the fashion, textile, and apparel industry do to mitigate risks, take a meaningful first step into more sustainable business practices, or indeed stay one step ahead, and maintain a leadership position?

The ever-changing landscape of mandatory disclosures, reporting, policy, and legislation can feel complex, overwhelming, and punitive - and it's unlikely to ease up - especially as consumers demand more transparency and accountability from brands.

Below are some failsafe considerations and drivers of governance, environmental stewardship, and commercial innovation that naturally dovetail into the key policy and legislation outlined earlier in this document.



Feel free to **ASK GAIA** if you want to dive into these recommendations more deeply or simply **BOOK A CALL**, and we can help you navigate through the key implications.

You can also leave your email address when consulting Gaia, and then she will be able to make more specific recommendations for your company or brand. (You'll receive a customized summary and proposed solution via email).



## 1. MITIGATING RISK

*Evaluate Policy Nexuses, Ideally with the support of Legal Counsel*

It's best to determine what policies apply to your business with the support of either in-house or external legal counsel. Many of these policies only require that a product be sold within the jurisdiction to apply. On the other hand, some of these ESG policies only apply to larger public businesses, so be sure to look at all your business factors (what kind of business? What are you selling/using in products? Where are products sold and sourced? How much revenue? How many employees? etc.) and work with your compliance and general counsel teams to understand your plan of action.



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## ***Educate Across Departments on ESG Policy Requirements***

As with any legal or regulatory requirement, ensure that your company executives and heads of all departments are familiar with the key policies, regulations, and best practices concerning mandatory ESG reporting and disclosures.



## ***Understand Where You Do Business***

Make sure to do a deep dive into the reach of policies in terms of where your business is located and where you do business, even if outside of the reach of the state of California and the EU. Many states, countries, and municipalities are enacting similar or related policies - so expect a 'chain reaction' within the next 3-5 years!



## ***Evaluate Corporate Structures and Supply Chain Connections***

Even if you do not do business or sell a product within CA or the EU, if you are part of a larger corporate structure or supply a larger enterprise, you may still be required to follow these policies and contribute various levels of compliance data, information, attestations, and accreditations. Knowing which ones are important, how to implement, and what third-party data is required will be critical and certainly make you a preferred supplier or accelerate your competitive advantage.



## ***PFAS***

If PFAS is used intentionally in your products; begin product formulation evaluations and prepare for elimination, secure testing services (if needed), update compliance documentation, maintain appropriate records, and continue to monitor regulatory developments. Also, be prepared to obtain certification and file compliance records with the appropriate authority.



## ***Know Your High-Risk Materials and Supply Chains***

Policy impacts do not stop with PFAS. Many materials, ingredients, and even sourcing regions can be considered "high risk" from an ESG perspective. The sooner you begin mapping your ingredients and materials, where they are from, and identifying what is "high risk," and potentially eliminating or assembling required documentation, the better.



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## ***Document Before You Speak***

Many of the policies highlighted in this white paper are merely attempting to add better clarification and consistency to legal rulings stemming from consumer class actions on ESG topics. Under general unfair competition and consumer protection laws, consumers continue to demand accountability for green initiatives and claims for which many consumers pay a price premium. Make sure you are creating an environment of green innovation that is also rooted in compliance and has the appropriate reviews in place for all public-facing statements concerning ESG.

## **2. TAKING YOUR FIRST STEPS**



### ***Think Ahead***

Even if you do business outside the direct impact zone of any targeted ESG policies, think about the systems, recordkeeping protocols, and verification procedures you can begin building to support your ESG initiatives. This is too important to be delegated or seconded to an existing department function or non-specialist role, so consider bringing in outside help - until you're crystal clear what information, disclosures, and reporting skillsets are required.



### ***Support Your Claims***

The world of self-certification on ESG claims, initiatives, and programs is on its way out. Start looking into what third-party accreditations, certifications, or external suppliers can provide support to your claims.



### ***Stay Alert***

New policies are being discussed, and existing ones are in a continuous state of evolution and refinement. Make sure you have a qualified sustainability professional on hand to help you stay on top of these emerging regulations, supply chain, and strategic opportunities.



# MIND THE GAP



## Perform a Landscape Assessment

Understanding the context in which you operate is critical (culture, category, competition, and consumer). Identifying the potential for paradigm shifts across these 4Cs (that your brand or business is uniquely placed to facilitate) is the first step towards finding the intersection between sustainability, business strategy, brand marketing, and commercial innovation..

**DOWNLOAD** our approach to landscape assessments and then finding and quantifying the size of your intention-action gaps.

## Develop your Purpose Blueprint On a Page

The BPP is a framework designed to help companies, brands, nonprofits, and social enterprises articulate their brand purpose. It connects the 'why' of purpose to the 'way' of profit (or revenue). Think of it as a business canvas on a page for purpose - that provides a succinct elevator pitch for *WHY 'WHAT' & the 'HOW'* (i.e. the product, the engagement platform and the transformative impact you'd like to have in the world).

Used in this way, the BPP can be an invaluable tool to help articulate purpose - at a company, brand, and even campaign level - ensuring that purpose drives your business plan and go to market strategy - as well as galvanizing your company culture around it and creating inspiring communications. It also provides founders and executive leadership with a great elevator pitch at cocktail parties!

**DOWNLOAD** the BPP framework to get you started.



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## TAKING A LEADERSHIP POSITION

### *Circularity*

Needless to say, accelerating progress towards a ‘closed loop, regenerative system’ is the biggest challenge - wrapped up into the biggest commercial opportunity - for the fashion, textile, and apparel industry. And, of course, it’s intrinsically linked to decarbonization. The financial benefits of climate-related opportunities seen by the world’s largest companies have more than doubled in the past 5 years; they now identify an average of over \$3B each.<sup>18</sup> That equates to the world’s largest business realizing \$5 trillion in potential gains. According to the United Nations Development Program, over 4 trillion dollars are needed to close the global financing gap around the Sustainable Development Goals<sup>19</sup>. So, the ultimate business plan to save the world is attainable.

Enough research has been undertaken, along with a plethora of infographics (by various top voices for circularity on LinkedIn), to provide a set of clear principles. When you strip away the complexity, commercializing circularity boils down to 3 key things across the three key phases that drive business and commercial strategy:

**THE FINANCIAL BENEFITS OF CLIMATE-RELATED OPPORTUNITIES SEEN BY THE WORLD’S LARGEST COMPANIES HAVE MORE THAN DOUBLED IN THE PAST 5 YEARS.**

- 1. Design / Manufacture Phase:** Minimize the use of finite and fossil fuel-based resources. Re-design, innovate, and scale around renewable, recycled, or bio derived inputs instead.
- 2. Use Phase:** Keep feedstock, textiles, garments, and apparel in use for longer - whether through more sustainable textile marketplaces (like world collective), or through repair and re-commerce (like Thredup).

<sup>18</sup> <https://sustainablebrands.com/read/5t-benefit-climate-action>

<sup>19</sup> <https://www.undp.org/eurasia/our-focus/development-impact/sdg-finance#:~:text=To%20achieve%20the%202030%20SDGs,1%25%20of%20the%20global%20wealth>



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Founded in 2001 in Sweden, [Nudie Jeans](#) is redefining the denim industry by fully commercializing the art of wear, tear, and repair.

- 93% of all their fibers are organic, certified, or recycled.
- Last year alone, they repaired 73,386 pairs of used jeans.
- Since 2018, they've reduced overall supply chain emissions by 22%.
- Their jeans are sold in over 50 markets worldwide.
- In 2023, the group made €42 million in sales.

**3. Recovery Phase:** Close the loop through recovery, collection, recycling, re-manufacturing, or refurbishment

This is the most challenging aspect to circularity. The last yard or 'closing the loop' requires industry-wide transparency, reverse logistics, infrastructure, investment, and easily accessible consumer collection points and behavior change.

## ASK GAIA



- *What are the biggest challenges associated with developing closed-loop infrastructure to help accelerate circularity across the fashion industry?*
- *Which organizations and NGOs can I partner with that are helping to accelerate circularity and build closed-loop systems across the fashion industry?*



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## Partnership & Collaboration

By collaborating with organizations across your supply chain, investing in 'edge' initiatives, pre-competitive alliances, and joint-ventures - or simply keeping track of or regularly consulting with the most innovative start-ups and disruptors at exhibitions, shows, and events - you can help keep your 'ambition loop' spinning and game-plan how to better integrate policies and regulation into your commercial, brand, and innovation pipeline.

## Third-Party Certifications

While many trusted (and needed!) third-party ESG certifications cannot guarantee alignment or compliance with the new and emerging policies discussed in this paper and beyond, some may offer that benefit. Even those that can't may serve as an excellent resource for implementation.



### ASK GAIA

- "What are the most trusted third-party certifications for sustainability in the fashion industry?"



## Become More Sustain-Agile

As the name suggests, **Sustain-Agility** is the ability of an organization to drive agile innovation and communications through sustainability. It's a design sprint-based approach that helps connect the WHY of purpose to the WAY of profit by building off your BPP blueprint and ensuring that your corporate sustainability goals and commitments all connect back- to the commercial and operational drivers of your business. It helps cross-functional teams rationalize, prioritize, and commercialize sustainability by connecting the dots across E,S&G.

DOWNLOAD



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## ***Build out Your Flywheel of Impact***

The 'Flywheel of Impact' is an insight-driven framework that enables any brand, business, social enterprise, or non profit to identify the biggest opportunity for triple bottom line impact - at a corporate, culture, category, brand, or community level.



Your sustainability value proposition (SVP) that can drive both commercial and cultural innovation is at the center of the flywheel - at the intersection between purpose, people (i.e. the biggest intention-gaps for all key stakeholders), and then the planet (the biggest environmental, social, or governance based risk and opportunity that you face).

Hopefully, this is a good starting point to prompt discussion and illustrate how your business can start to take the necessary steps to create your own flywheel of impact to help accelerate better design, use, and re-use across the industry.

The Flywheel of Impact can be run as a cross-functional workshop in just one day.

## ***Final Thought:***

Thanks for taking the time to read 'Mind the Gap.' If you want to dive into these recommendations more deeply - to unlock compelling communications and commercial innovation, explore how to apply any of the tools or frameworks linked in this white paper to your business or, if you need help navigating compliance and disclosures, we'd love to hear from you!



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## AUTHORS & CONTRIBUTORS

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**AIMEE SIMPSON** is the CEO and Founding Counsel of Sustainability Law & Strategies, PLLC, a legal consulting firm with a diverse array of services that aim to build trust in sustainability branding, policies, and programs. Based in Seattle, Washington, Aimee supports businesses seeking ESG solutions balanced in

innovation, compliance, and impact. Aimee received her J.D. from William & Mary Law School and B.A. from Boston University. With nearly two decades of experience in ESG strategy, law, advocacy, communications, and management, Aimee's professional accomplishments include: the establishment of groundbreaking retail ESG initiatives, standards frameworks, and cross-departmental compliance solutions; developing stakeholder coalitions and successful advocacy campaigns; managing and creating complex ESG data, reporting, and communication streams; and driving executive-level ESG education and strategy.



**PALOMA JACOME** is a strategist at grounded and a social entrepreneur—dabbling in everything from apparel, 3D printing, ecological retail, waste management, and events. Paloma's passion for ideation has been a central focus throughout her entrepreneurial journey and inspires her strong belief in the power of entrepreneurial activities for the future circular economy.



**PHIL WHITE & HEIDI SCHOENECK** are our Co-Founders! Grounded is a multi-award winning, B Corp certified, social innovation, and brand activation agency – thriving at the intersection of brand purpose, commercial innovation, and social impact.



[Click here to visit the Mind The Gap Resource Page](#)