

ASOS SUSTAINABILITY REPORT & STRATEGIC PLAN

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INTRODUCTION &

THE FOUR KEY PRINCIPLES OF SUSTAINABILITY

INTRODUCTION

ASOS is a British company where over the past ten years has grown to become one of the world's most popular online fashion destinations. ASOS concessions over 850 different brands, in addition to its own range of affordable clothing and accessories. The low price point and ease of delivery entice shoppers however the low costs and the sheer volume of cheaply made textiles ultimately will have an impact that is detrimental to the environment, animals, people and the planet. This report will look at how ethical the ASOS private range is using the critique of the four key principles of sustainability outlined below followed by some strategic suggestions in preparation for a brainstorming activity in the upcoming strategy meeting.

Key principles of sustainability;

Fossil fuel usage should be eliminated, if any non-fossil fuel resources are used they should be allowed to replenish over time and be respected.

Recycling or rather circular design should be embedded into the nature of all business aspects.

Biodiversity and ecosystems should be considered when using resources such as water, land and air to mitigate adverse effects to the planet and its inhabitants.

Supply Chains should be inclusive to fair pay for all, sourced locally where possible to reduce carbon footprint and transparent to the consumer and other stakeholders.



1. FOSSIL FUELS



FOSSIL FUELS

ASOS's fossil fuels statement "We believe we can only reduce what we can measure so we've joined the Sustainable Clothing Action Plan (SCAP) and the Sustainable Apparel Coalition (SAC) so that we can accurately quantify our environmental impacts.

The Sustainable Clothing Action Plan (SCAP) ASOS has been a member of SCAP since 2012. We use SCAP to assess our UK clothing production across its life cycle to find ways to make it less wasteful, and to reduce its carbon and water footprints. As a signatory to SCAP's 2020 Commitment, we're aiming to reduce the carbon and water footprint of ASOS Brands clothing by 15% by 2020, and are using SCAP's assessment tool to measure and report on our progress." (ASOS 2020)

ASOS use diesel trucks to transport goods and a mixture of air cargo and shipping cargo for deliveries of stock. The use of non-renewable energy and fossil fuels such as oil is a direct impact on climate change and makes up 92% of ASOS's carbon footprint.

Whilst ASOS made the public commitment to reduce its greenhouse gas emissions by 2020 and has procured renewable energy measures as part of the direct operations within the UK sites there are opportunities to continue this trajectory by using electric vehicles, using shipping for the delivery of the factory garments from outside of the UK & Europe as air cargo is more polluting, this is a slower system and doesn't correlate with fast fashion method that ASOS currently have so there would need to be a refresh of strategy from the very core of the business which is suggested further within the strategic plan at the end of this report.

There have been emission reduction measures implemented within the warehouses, however, the packaging that ASOS uses is plastic and not currently biodegradable but can be recycled, biodegradable packaging bought at the volume that ASOS is capable of can be cost-effective, this is further outlined within the strategic plan at the end of the report.

2. RECYCLING

RECYCLING AND CIRCULAR ECONOMY

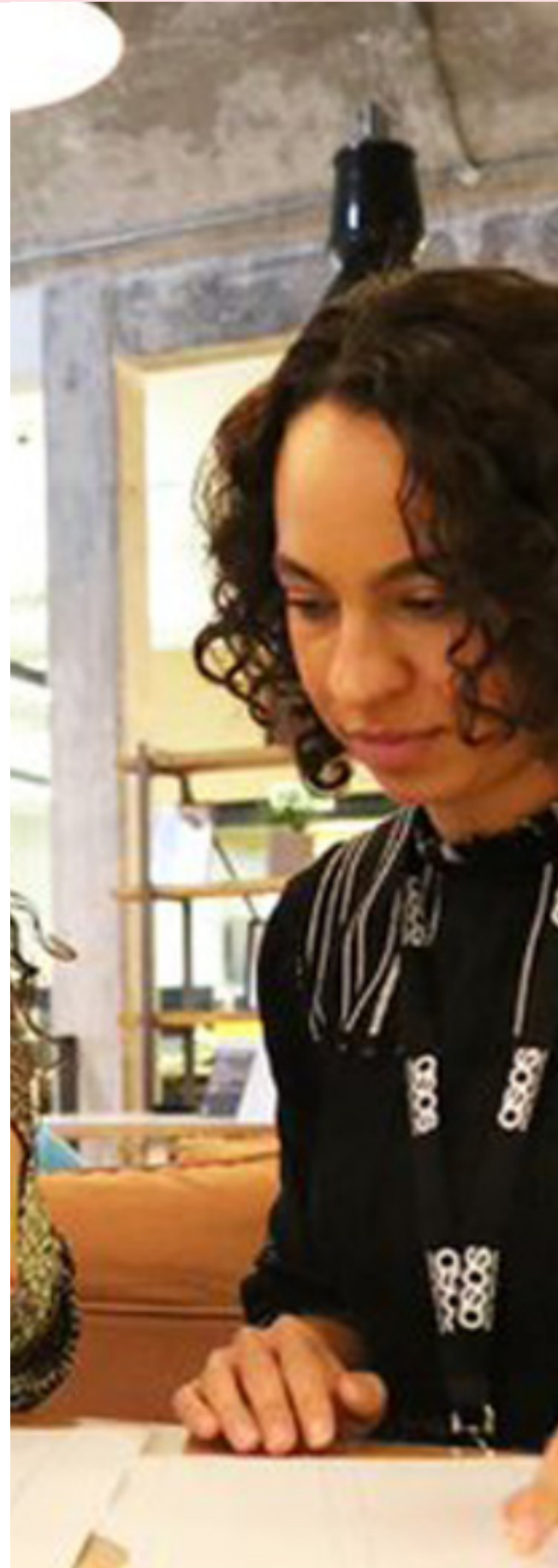
The circular design process is where ASOS is excelling at present, they have committed to many actionable goals such as;

ASOS have a 2020 Circular Fashion System Commitment. At the Copenhagen Fashion Summit in May 2017, ASOS signed Global Fashion Agenda's call to accelerate the transition to a circular fashion economy. As a signatory, ASOS committed to the following:

- By 2020, we will train all of our design teams on circular design techniques and best practice.
- By 2020, we will train all of our relevant product teams on circular principles and best practice for packaging.
- By 2020, we will launch a garment collection scheme and recycling programme for apparel for customers located in the UK and Germany, our two biggest markets. We will support this programme by engaging customers, through social media, on garment care, repair and recycle.
- Each year from 2018 - 2020 we will publish external targets for increasing post-consumer recycled textile materials in our products whilst eradicating those that cannot be cycled. We will report on our progress and continue this initiative past 2020.

In 2018, ASOS launched a circular design pilot training programme in partnership with London College of Fashion's Centre for Sustainable Fashion. 100% of ASOS design teams have now progressed through a series of workshops and discussions where they explore concepts, case studies and practical applications of circular design.

"In October 2018, ASOS launched a pilot clothing recycling programme with ASOS employees, to test a possible customer proposition. In March 2019, ASOS participated in the Ellen Macarthur #wearnext campaign in the city of New York, joining forces with the fashion industry to tackle waste together. ASOS states "we continue to explore options around clothing take-back and hope to find an appropriate, scalable solution to meet our commitment." (ASOS, 2020)



3. BIODIVERSITY



Biodiversity is something that ASOS can improve on, this list gives an overview of how ASOS are aiming to Lower the environmental impact of our processes;ASOS's suppliers and partner organisations are also helping to reduce the impact of manufacturing processes on the environment and on the health of those working and living in and around the sites where ASOS products are made.

- **Wet processes:** Wet processes such as dyeing and finishing use substantial amounts of water and involve large quantities of dyes and chemicals, which leave behind polluting residues. We're using the Higg Facility Environmental Module (FEM) data to gain greater visibility on the environmental impacts of wet processing.
- **Denim:** is also a priority area for us. We're encouraging our denim suppliers to utilise low water and low chemical methods, such as ozone and enzyme finishing.
- **Sandblasting:** Garment sandblasting involves projecting fine sand with compressed air to create a worn look on denim and other products. Sandblasting can be extremely damaging to the health of workers and can lead to a potentially fatal lung disease called silicosis. ASOS recognises the health and safety risks to workers and has banned the use of sandblasting within our supply chain.
- **Leather production:** ASOS is committed to only sourcing leather from tanneries that have a Leather Working Group (LWG) audit. To help us develop a roadmap to reach this ambition, ASOS is also collaborating with Tanneries of the Future to help tanneries within our supply chain work towards meeting an LWG audit. The process of leather tanning requires significant amounts of energy, hazardous chemicals and dyes that can have negative health implications for workers, and pollute waterways and land surrounding the tanneries. By collaborating with organisations such as the LWG and Tanneries of the Future, we're ensuring that tanneries operate in a way that is safer for people and the environment.

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3. BIODIVERSITY CONTINUED



- .Chrome VI: is a heavy metal which is often formed from Chromium III chemicals used in leather tanning. We're working with our suppliers to ensure that all of the leather used in our products is compliant with REACH Chrome VI regulations, and we regularly test all of our ASOS Brands leather items to check suppliers are meeting these requirements. We're also educating our suppliers on how to reduce the formation of this chemical at the source of production.
- Chemical management: Suppliers and brands must meet the requirements set out in our Chemical Policy/Restricted Substance List which is updated annually. ASOS Brands suppliers are required to submit high-risk materials and products, such as PU/ PVC, leather and embellishments for mandatory chemical testing. In addition to meeting global regulatory compliance, we have a thorough chemical due diligence testing programme in place to perform compliance spot checks against our Restricted Substance List. We use the results from the chemical due diligence testing programme to increase awareness and develop continuous improvement training programmes, for both suppliers and retail teams.

ASOS has banned the use of animal fur from rabbits and angora, the wool is claimed to be from non-mulesed sheep but this is unregulated. ASOS do use leather, mohair, alpaca and cashmere and do not specify the sources to where they are sourced.

The ASOS brand has a lack of eco-friendly materials within their collections, there has been no commitment as yet to roll this out across their entire offerings. This is something that can also be explored within the strategic plan.

Back in 2010 ASOS introduced a collection called the 'Eco Edit' this selection of clothing, accessories and beauty products that was marketed for its lower environmental impact, this ASOS private label comprised of around a quarter of this collection made with fair labour partners in Kenya and with fabrics from Lenzing such as Tencel. This small collection can be classed as an attempt at Greenwashing, the term is used to describe a business that is spending money on marketing themselves as green or eco friendly rather than being so.

4. SUPPLY CHAIN

SUPPLY CHAIN

ASOS have been a member of the Sustainable Apparel Coalition since 2016. SAC developed the Higg Index, a set of standardised sustainability measurement tools for all industry participants. The Higg Index includes facility, brand and product tools that measure environmental impacts across the supply chain. One of these tools is the Facility Environmental Module (FEM), which is completed annually by supply chain facilities. We're rolling the FEM out to our Tier 1-4 suppliers that make ASOS products and fabrics. We also request that fibre producers responsible for viscose production participate. The SAC Brand & Retail Module (BRM) is undergoing an update by the SAC, and therefore was not available for completion this year. However, we're committed to completing this annually to benchmark our sustainability performance. We'll also continue to utilise the Materials Sustainability Index (MSI) to inform our preferred material strategy.

Because ASOS has been a member of the Ethical Trade Initiative (ETI) since 2009 which promotes respect for workers rights internationally, however, the code of conduct states that the company is monitored and audited, the results that have been published are not comprehensive. ASOS also do not publish a list of direct suppliers on their website. There is no clear guidelines or strategy for ensuring a living wage to people within the supply chain, this is suggested within the strategic plan at the end of this report. (ETI, 2020)

Another supply chain issue is to reduce the amount of waste across the whole chain, including that of the brands that ASOS have supplied to them, there should be a benchmark of sustainable practice that the brands have to meet in order to be a supplier, this is suggested within the strategic plan.

ASOS have recently responded to the recent coronavirus pandemic where workers within the supply chain have claimed that the company is risking the employees' safety by not enforcing social distancing measures, this lack of action to ensure the safety of the workers is suggesting that it is profit over people when it comes to business. (Olulode, 2020)



STRATEGIC PLAN

SUGGESTIONS AND RECOMMENDATIONS

The following strategic plan suggests why there is a business case for further sustainability measures should become a focus for the business. ASOS needs to make sustainability the main focal point of the business as the world's focus is changing to a more sustainable future.

Suggested actionable steps to be taken are bulleted below and followed by a short explanation.

- Revise the Mission statement of the business
- Switch to renewable energy for transport
- Switching to shipping rather than air cargo
- A full rollout of eco-friendly materials

Revising the Mission statements to reinvent the business from the core, the current mission for the business is not in alignment with the Sustainable Development Goals and ultimately is detrimental to the environment, with a reinvention of the core values through the mission of the business this can be developed into key principles from the mission.

ASOS's Current Mission Statement;

"To become the world's number-one destination for fashion-loving 20-somethings."

Proposed New Mission Statement;

"To become the world's number-one sustainable fashion destination for fashion and planet-loving 20-somethings."

This would create a culture within the business to develop sustainable processes alongside profit.



A NEW MISSION STATEMENT

TO BECOME THE WORLD'S NUMBER-
ONE SUSTAINABLE FASHION
DESTINATION FOR FASHION-AND
PLANET LOVING 20-SOMETHINGS."

STRATEGIC PLAN CONTINUED

SUGGESTIONS AND RECOMMENDATIONS CONTINUED

Switching to renewable energy for transportation of goods within the EU and UK, this could be rolled out by using only electric vehicles. As ASOS's transport makes up for 92% of its carbon footprint this could be a huge step towards reducing that. This needs to be in conjunction with slowing the operational process down by shipping the factory fulfilments rather than the air cargo option.

Finally, ASOS could incorporate eco-textiles though their whole collections, with the buying power that ASOS has it would be expected that the material cost would inevitably be higher than polyester and the profit margin would be decreased but the customer satisfaction and contribution environmentally would increase.

THE SWOT TABLE
SHOWS THE
POSITIONING OF
ASOS THROUGH
ITS STRENGTHS,
WEAKNESSES,
OPPORTUNITIES
AND THREATS.

Strengths 1. Sells over 850 brands as well as its own range of clothing and accessories 2. Innovative ways to display merchandise to customers and interactive ways to shop, including customer-created looks, company edited fashion trends and the ASOS marketplace. 3. UK's largest independent online and fashion beauty retailer 4. Connects with its customers through social media platforms including Twitter, Facebook, Instagram, Tumblr, Youtube, and Google+ 5. International expansion and growth with sales growth outside of UK 6. Has over 5000 employees as a part of the organization 7. It has its business spread over 200 countries	Weaknesses 1. The free shipping service provided by ASOS costs the company 100 million pounds on an annual basis. 2. Around 30% of purchases are returned to the company, resulting in additional shipping charges for ASOS 3. Has a lack of transparency through the supply chain and fair wages 4. Uses animals within the making of the garments such as mohair/cashmere, increasing vegan consumers within their target demographic. 5. Lack of ethical expectations from the concessions it has partnerships with. 6. High costs of transportation and high carbon footprint. 7. Relies on international workforces to deliver the products.
Opportunities 1. Consumers are willing to spend more money on unique products 2. Increasing mobile penetration helps people to make more purchases from mobile platforms 3. Globalization is expanding the reach of retailers, as they are able to connect with consumers across the globe and grow their businesses 4. Sustainable biodegradable mailing bags (setting a standard across the industry) 5. A clothing buyback scheme 6. A repair scheme for clothing 7. Circular design opportunities for the garments 8. Electric vehicles	Threats 1. Larger retailers existing in both digital and physical form may have more brand recognition than ASOS, as they gain consumers through foot traffic as well as their online platform. 2. Uncertain economic times 3. Customers becoming increasingly ethical and sustainability-conscious can mean loss of sales Example of five ASOS competitors: 1. Boohoo 2. N Brown 3. Zalando 4. Amazon 5. H&M

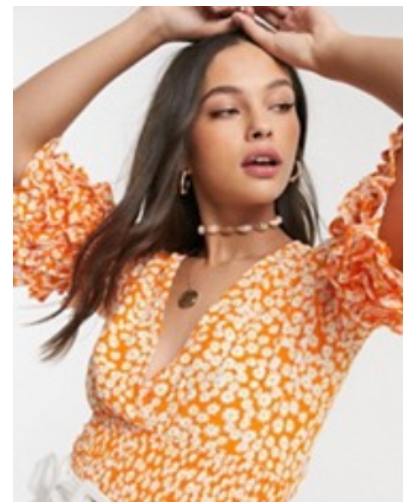
SUMMARY

A QUICK SYNOPSIS

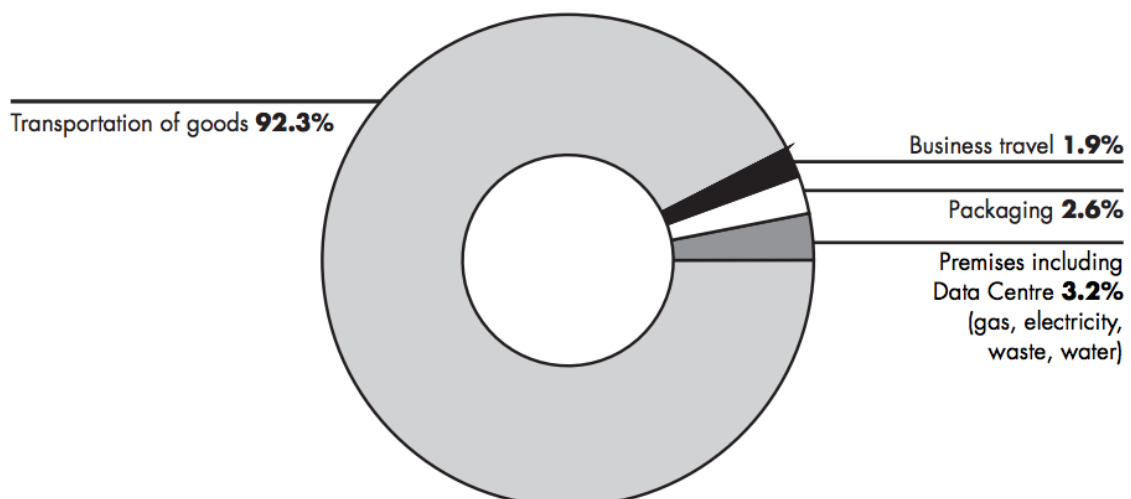
The suggestion to ASOS is to reinvent the business from the core, the current mission for the business is not in alignment with the Sustainable Development Goals and ultimately is detrimental to the environment, with a reinvention of the core values through the mission of the business this can be developed into key principles from the mission. ASOS claims to be a top online destination for 20 somethings who are fashion conscious, however, the younger demographic is becoming increasingly sustainability-conscious and will turn to other businesses that are congruent with their own personal values

Some suggestions for a think tank session to achieve these goals:

- Revise the Mission statement of the business
- Switch to renewable energy for transport
- Switching to shipping rather than air cargo
- A full rollout of eco-friendly materials



BREAKDOWN OF OUR CARBON FOOTPRINT



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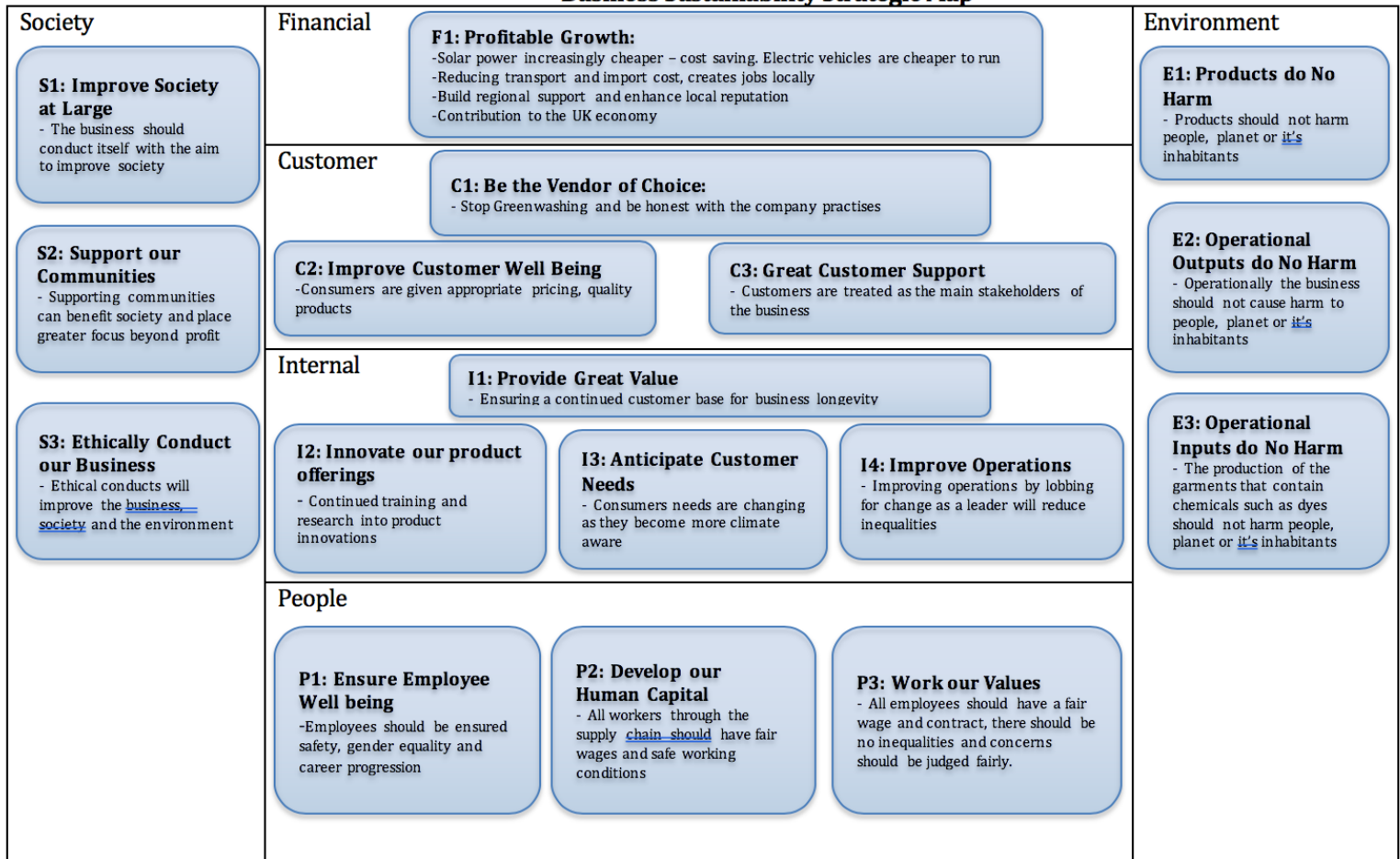
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APPENDIX

Business Sustainability Strategic Map



APPENDIX

Mapping Stakeholder Sustainability Strategy Goals

Stakeholder Perspective	Strategic Goals	Future-Fit Goal (FF 1-23) from: http://futurefitbusiness.org/break-even-goals/#	SDGs met (SDG1 -17) from: https://sustainabledevelopment.un.org/#	Contributing Key Future-Fit Indicators (KFI):	Measure of Status Quo*	Target State*	Justification
Financial	F1: Profitable Growth	FF01: Energy is from renewable sources)	9. Industry Innovation and Infrastructure	Switching to Renewable Energy Supplier and encouraging supplier to use electric vehicles	1	3	Solar power increasingly cheaper – cost saving. Electric vehicles are cheaper to run.
		FF04: Procurement safeguards the pursuit of future-fitness	7. Affordable and Clean energy	Use local suppliers where possible	1	3	Reducing transport and import cost, creates jobs locally
		FF21: The right tax is paid in the right place at the right time	11. Sustainable Cities and communities	Paying tax to the UK where the operations and most of the stock is sold			Build regional support and enhance local reputation
Customer	C1: Be the Vendor of Choice	FF15: Product communications are honest, ethical, and promote responsible use	10. Reduced inequalities				Contribution to the UK economy
		FF15: Product communications are honest, ethical, and promote responsible use	12. Responsible consumption and production	Stop Greenwashing and be honest with the company practises	2	3	Combats Greenwashing
		FF16: Product concerns are actively solicited, impartially judged and	16. Peace, justice and strong institutions	Consumers are given appropriate pricing, quality products	1	3	Ensures fair pricing and good quality products
		transparently addressed					
	C3: Provide Great Customer Support	FF15: Product communications are honest, ethical, and promote responsible use	12. Responsible consumption and production	Customers are treated as the main stakeholders of the business	2	3	All customers to be treated fairly
Internal	I1: Provide Great Value	FF23: Financial assets safeguard the pursuit of future-fitness	8. Decent work and economic growth	Ensuring a continued customer base for business longevity	1	3	Great value ensures consumers return
	I2: Innovate our product offerings	FF17: Products do not harm people or the environment	12. Responsible consumption and production 13. Climate action	Continued training and research into product innovations	2	3	Continued research and innovation for a sustainable planet
	I3: Anticipate Customer Needs	FF17: Products do not harm people or the environment	12. Responsible consumption and production 13. Climate action	Consumers needs are changing as they become more climate aware	2	3	Consumers are becoming more climate aware
	I4: Improve Operations	FF22: Lobbying and advocacy safeguard the pursuit of future-fitness	10. Reduced inequalities	Improving operations by lobbying for change as a leader will reduce inequalities	1	3	Inequalities need to be addressed throughout the fashion industry
	P1: Ensure Employee Well being	FF10: Employee health is safeguarded	5. Gender equality	Employees should be ensured safety, gender equality and career progression	2	3	Employees are pivotal to a successful business
People	P2: Develop our Human Capital	FF11: Employees are paid at least a living wage	1. No poverty 2. Zero hunger	All workers through the supply <u>chain</u> <u>should</u> have fair wages and safe working conditions	1	3	All workers are treated equal and with respect

APPENDIX

	P3: Work our Values	FF12: Employees are subject to fair employment terms FF13: Employees are not subject to discrimination FF14: Employee concerns are actively solicited, impartially judged and transparently addressed	1. No poverty 2. Zero hunger 3. Good <u>health</u> and wellbeing 4. Quality education 5. Gender equality 8. Decent work and economic growth 10. Reduced inequalities 17. Partnerships for the goals	All employees should have a fair wage and contract, there should be no inequalities and concerns should be judged fairly.	2	3	Employees are respected and valued.
Society	S1: Improve Society at Large	FF20: Business is conducted ethically	10. Reduced inequalities 17. Partnership for the goals	The business should conduct itself with the aim to improve society			Large co-operations should realise their power to improve society
	S2: Support our Communities	FF09: Community health is safeguarded	2. Zero hunger 3. Good health & wellbeing 4. Quality education	Supporting communities can benefit society and place greater focus beyond profit	2	3	Thriving communities are an asset to the business
	S3: Ethically Conduct our Business	FF03: Natural resources are managed to respect the welfare of ecosystems, people and animals	13. Climate action 14. Life below the water 15. Life on land	Ethical conducts will improve the business, society and the environment	1	3	The business should conduct themselves with ethics at the forefront
Environment	E1: Products do No Harm	FF17: Products do not harm people or the environment	13. Climate action 14. Life below the water 15. Life on land	Products should not harm people, planet or it's inhabitants	1	3	Products should not harm people, planet or <u>it's</u> inhabitants
		FF18: Products emit no greenhouse gases FF19: Products can be repurposed	12. responsible production and consumption				over profitability
	E2: Operational Outputs do No Harm	FF05: Operational emissions do not harm people or the environment FF06: Operations emit no greenhouse gases FF07: Operational waste is eliminated FF08: Operations do not encroach on ecosystems or communities	13. Climate action 14. Life below the water 15. Life on land 12. responsible production and consumption	Operationally the business should not cause harm to people, planet or it's inhabitants	1	3	The business should run operationally that causes no harm to people, planet or it's inhabitants
	E3: Operational Inputs do No Harm	FF02: Water use is environmentally responsible and socially equitable	6. Clean water and sanitation 14. Life below water	The production of the garments that contain chemicals such as dyes should not harm people, planet or it's inhabitants	1	3	Garment production should not cause chemical dye that is detrimental to health.

* 0 = no impact: 1 = low level impact: 2 = medium level impact: 3 = high level impact (on achieving SDGs)