Higg Brand Retail Module Guidance:
Setting baselines and targets

Why do I need to know about baselines, data collection and target setting?

For most companies, environmental performance or risk reduction is most effectively managed by having clear standards that are enforced across their value chain, or specific environmental goals to work towards. To support the delivery of standards or targets across an organisation, it is usually important to gather up data on current performance, to understand a company's starting point and to set up progress monitoring against the standard or target. Establishing this initial status is called setting a baseline, and it is particularly useful for targets focussed on progress over time, such as GHG emission reduction targets.

What do the following things mean, and why are they useful?

Policy: An environmental policy is a statement of intent and values from a company, particularly defining a position on specific standards, practices or impacts. For example, a policy on animal welfare might state that non-'mulesed' wool would be used in the company's products.

Target: A target is a particular goal to be delivered by a company, usually with a specific delivery data and baseline year, and often including a numerical value and a specifically defined scope. An example of a target is for a company to commit to applying the Higg Facility Environmental Module (Higg FEM) in all their relevant tier 1 and 2 supplier sites by 2022.

Programme: A programme is usually a whole range of activities and interventions designed to deliver against one or many environmental policies or targets. For example, a company might say that they have an environmental programme to address their operational or supply chain risks.

Action plan: An action plan can be similar to a programme, but it can also be something that is more focussed on strategy – for example an action plan to solve a specific problem like supplier non-compliance with a requirement around chemical use.

How do I set a baseline?

Setting a baseline can be important, particularly if you are setting a target that tracks progress between one data and another – such as percentage reduction of waste sent to landfill. A baseline year should be identified with the level of performance – for example existing waste to landfill is 80% in 2020 – and then the target should be set for a specific data beyond that – say reaching 20% by 2022.

For other types of target that aim for absolute outcomes – such as sourcing 100% recycled packaging by 2025 – a baseline is not required in order for the target to be valid. However, in this case, a baseline can still be useful to assess the feasibility of a target, how much resource will need to be put into meeting it, where some particular areas of challenge lie, and how data should be collected in order to track progress against the goal.

Setting a baseline can be as simple as gathering up data you already have and putting it together in a way that makes sense for the risk or target you want to understand. In other cases, specific data will be needed in order to put together a baseline, particularly if it is a risk area you have not monitored before.

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What is the type of baseline data typically needed for the risk or target type?

Type of risk	Maturity of typical targets set*	Common target types	Data needed for baseline/monitoring
Air pollution	Medium	Targets around total air emissions across value chain; average air emissions per supplier or per unit of production; number of suppliers implementing best practices	Data on real air emissions data from operational sites and suppliers; modelled air emissions data for raw materials and sites without real data available
Animal Welfare	High	Policies against sourcing specific kinds of high-risk material or banning specific practices; targets around percentage of materials sourced from high-welfare sources; percentage of producers involved in improvement programmes	Data on sourcing and practices/certification of specific kinds of high-risk product, such as wool, feather and down, leather and skins; data on producer participation in improvement or verification programmes
Biodiversity impacts	Low	Policies against specific kinds of high biodiversity risk practices or products	Data on modelled biodiversity risk in the raw materials stage; data on biodiversity risk in key sourcing regions;
Chemical impacts	High	Policies around restricted substances including in supplier code of conduct; targets around percentage or number of suppliers applying good chemical management standards as defined by a specific organisation; number of suppliers involved in improvement programmes; sourcing of lower chemical impact raw materials	Data on MRSL compliance from each tier of the value chain; use of banned or permitted chemicals by supplier sites; degree of chemical management practices by supplier sites; supplier participation in improvement or verification programmes; sourcing of lower chemical raw materials and demonstration of the reduction of chemicals within those producers
Deforestation	Medium	Policies around zero deforestation value chains; targets around percentage or volume of raw materials or packaging products from verified no-deforestation sources	Data on modelled or actual deforestation risk from raw materials and packaging sources – depending on level of traceability available; data on any use of deforested materials in the rest of the value chain such as for fuel; data on sourcing of certified or otherwise validated no deforestation sources

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Type of risk	Maturity of typical targets set*	Common target types	Data needed for baseline/monitoring
Energy	High	Policies around specific types of energy such as no coal fired boilers in tier 1 and 2; targets around energy efficiency improvements above baseline for operational sites, transport and supplier sites; number of sites within the value chain implementing energy efficiency improvements or technologies; number of sites taking part in improvement programmes	Data on actual or modelled energy use by fuel source from stores, DCs, offices, transport and from suppliers as far down the value chain as possible including any purchase or generation of renewable energy; where data gaps exist and for further down the value chain, modelled energy use; number of sites applying improved practices/technology or participating in programmes
Green-house gas emissions	Medium	Incremental targets on GHG emissions reductions above baseline for operational sites, transport, supplier sites, raw materials and sometimes customer use phase; science-based targets on GHG emissions (setting absolute targets based on the overall required reduction from companies to meet the Paris Agreement)	Data on energy use by fuel sources across your value chain as above including purchased or generated renewable energy PLUS emission conversion factors for all relevant locations; modelled GHG emissions from raw materials phase, chemical and packaging inputs and anywhere else with data gaps on energy use/GHG emissions; modelled consumer impacts based on estimated consumer behaviour, energy usage and conversion factors; modelled GHG impacts from waste and product end of life depending on end destination
Hazardous waste	High	Policies against release of hazardous waste including sludge management included in supplier code of conduct; number or percentage of supply chain sites in specific tiers with safe disposal of hazardous waste; volume of hazardous waste produced or safely disposed of across the value chain	Data on number of suppliers operating safe hazardous waste disposal; volumes of hazardous waste being produced and methods of disposal across the value chain
Land conversion or land use	Low	Policies around eliminating land conversion impacts within the value chain; policies against sourcing inputs competing with other land uses such as food in vulnerable areas; targets around the volume or percentage of materials coming from sources not contributing to land conversion	Data on the volume of materials coming from more sustainable sources; the level of land conversion protection provided by specific schemes; volumes of inputs for fuel, materials or packaging from food biomass sources, whether first or second generation, whether from a location or material type that competes with food sources; analysis of conventional biomass sources such as cotton and how much

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Marine	Low	Policies around the use of single-use plastic; policies and targets around addressing microfibre release including research and testing; targets on the volumes or percentage of recycled plastic packaging throughout the value chain; volume of goods shipped across which locations and likely impacts on marine habitats	Data on volumes of plastic packaging including transit packaging; analysis into the volume of single-use packaging and volumes that are recycled; data on the volumes of different materials and finishes used in the value chain and the likelihood of micro-fibre shedding for each; data on impacts from shipping including marine pollution.
Protected areas and protected species	Low	Policies against sourcing any protected species productions; targets around volume or percentage of raw materials products with protected areas risk including high conservation value forests; volume or percentage of raw materials sourced from schemes preventing impacts on protected areas	Data on all material sources to demonstrate no link to products from protected species or areas – including exotic or protected species, pulp sourcing locations for packaging and cellulosic materials and any timber materials for finishes etc; data on volumes of materials coming from unverified sources where risk is likely to be higher; data on volumes of materials from more sustainable sources; degree of protection provided by selected more sustainable sources
Soil health	Low	Targets around volume or percentage of materials coming from sources protecting soil health	Data on volumes of materials coming from more sustainable sources; estimated soil health benefits or risk reduction from those selected more sustainable sources
Waste manage-ment	High	Targets on overall volume of waste produced or recycled of across the value chain including sold products and packaging; number or percentage of supply chain sites with good waste management practices; volumes or percentage of materials coming from recycled sources	Data on volumes of waste coming from suppliers across the value chain at least to tier 2; waste management practices per supplier including recycling; volumes of waste coming from stores, offices, DCs or customer packaging, with volumes that are recycled; modelled data on end of life destination of sold products and steps taken to reduce volumes sent to landfill through activities such as takeback schemes, resale; volumes of materials from across the value chain coming from verified pre or post-consumer sources, including fibres and materials, packaging, store fit-out and any other relevant material types

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Type of risk	Maturity of typical targets set*	Common target types	Data needed for baseline/monitoring
Water quality and waste-water discharge	Medium	Policies around minimum requirements for wastewater treatment in wet processes and tanning; targets around number or percentage of suppliers applying best in class wastewater standards such as ZDHC WW guidelines; actual water quality performance from suppliers; actual water quality performance on removal of toxic chemicals	Data on number of sites with functional on-site ETP or access to a credible CETP or municipal treatment facility; number of sites with high-impact or high-volume wastewater discharge linked to wet processing or tanning; water quality performance from each relevant supplier against BOD, COD, TSS, PH and Temperature; water quality performance from each relevant number of suppliers 3rd party verified to meet a specific water quality standard;
Water use or extraction	Medium	Policies around responsible water use and water stewardship; improvement targets against a baseline for overall water use by source across operations and supply chain particularly for regions or processes with high water related risks; number of sites applying best practices or specific technologies around water management; number of sites taking part in improvement programmes particularly in high risk areas	Data on water use by source (groundwater, surface water, municipal etc) from offices, DCs, stores and suppliers, including raw materials if feasible; data on water risk level for specific sourcing regions, by water source type and overall; number of supplier sites reaching an identified benchmark or implementing a specific set of technologies; number of sites participating in credible improvement programmes

In this case maturity means: how long have companies in the textiles and apparel industry typically been setting targets around this risk area, how well established are the best practices and standards, and how much supporting data is typically available to help identify baselines and targets? For some risks, such as marine impact, there are few companies in the textiles industry with existing targets on marine impacts and many gaps around relevant data – for example the degree of microfibre pollution coming from different material types. Therefore, it is classed as having a low maturity status.

How do I set a target?

For most companies, target setting has evolved organically over time, depending on a number of factors such as company values, external pressure or industry norms. However, there are a number of key factors that are recommended as drivers for target setting.

It is often seen as best practice to implement what are known as S.M.A.R.T. goals, in order to ensure that goals achieve the desired outcomes and are seen as credible. S.M.A.R.T has several interpretations, but usually stands for:

Specific – target a specific area for improvement and avoid ambiguity
Measurable - quantify or at least suggest an indicator of progress
Achievable – ensure it can realistically be achieved with available resources (but also be ambitious!)
Relevant - ensure the target is material to your impacts or business
Time-bound - specify when the result(s) can be achieved

Which type of targets should I prioritise?

One of the most important factors in how a company should prioritise target setting is based on the materiality or relevance of their risks or known impacts. Please review the document on "Conducting an Environmental Risk Assessment" for detailed guidelines but the main priority is that companies should look into:

- The likelihood and potential intensity of harm across their value chain for a range of risks including those listed above;
- Which processes, materials or locations are most likely to have risks;
- Where data does not exist to support analysis, analysis should err on the side of caution and assume the highest relevant risks are occurring – for example for wood pulp sources with no verification in place and no identified country of origin, it should be assumed that there is some potential risk around deforestation.

3rd parties including NGOs and other stakeholders can also be helpful to include in this process, to support risk analysis processes, or to highlight issues potentially missed during a desktop risk analysis.

Once risk analysis has been carried out, ***those areas with the highest risks of harm should be the first areas to prioritise target setting***. This applies both to the risk type (e.g. GHG, water) and the relevant step in the value chain (e.g. tier 2 suppliers, stores).

Other factors that can also play a role in prioritisation of target setting include:

- How mature the industry data, approaches and benchmarks are for that specific risk (as above) and how equipped the company is to carry out individual, through third party or collective efforts to address any gaps or uncertainty.
- How easily a company can influence that specific phase in the value chain – for example the easiest areas to influence might be the company's own stores, and their tier 1 suppliers, and the most challenging areas might be in customer use phase or tier 3 and chemical suppliers
- Whether collective efforts exist to create solutions to shared challenges where individual companies lack leverage – such as the Sustainable Apparel Coalition's Higg Index, credible certification schemes, innovation and research programmes or policy engagement forums on key topics.

Where a company is facing gaps in its data, it may be worth pursuing additional data sources in order to refine risks analysis. However, in many cases, it is not necessary to have a full granular baseline dataset to set a target around improvement. There are multiple kinds of target that can be set, and each has a different purpose and scoping requirements as explained on the next page.

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Type of target	What does it mean?	When it would be used?	Data requirements
Qualitative	Qualitative targets are those that don't use specific numbers, but rather measure benefits, actions or outcomes.	In contexts where benefits are more subjective or process driven – for example supporting an industry-leading collective evaluation of microfibre impacts; successfully engaging a policymaker on a climate issue	A baseline may not be needed, but the evaluation framework and definition of success will be important. There should also be some form of quality assurance for those making the evaluations to ensure credibility
Quanti-tative	Quantitative targets are those that measure specific numbers to show progress, for example % reduction in GHG emissions	For targets where specific, measurable and objective reduction measures are critical for demonstrating progress	A baseline is usually needed, especially for things like GHG emissions and energy use where progress over time is a critical factor. Data gaps can sometimes be addressed through modelling, but ideally a company should progress to using real measured data through their value chain if possible for quantitative targets. If a target is absolute, for example to source 100% FSC cardboard packaging, then a baseline is not necessary to set the target, but tracking against the target will be usually be required at least annually so data collection will be required
Blended	This can take a combined approach to measuring benefits – such as measuring the number of supplier sites implementing good chemical control processes	For targets where some elements are more subjective or action based, but there is still a need to tangibly measure progress over time	A baseline is often useful for this type of target, although not obligatory. An evaluation framework, assurance process and usually annual progress tracking will be required

Type of target	What does it mean?
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
Intensity, relative or normalised target	An intensity or relative target is the amount of a specific impact per relevant unit – for example the energy used per tonne of material produced within a factory. This can be useful where the unit (e.g. production volume) is variable or expanding, however an expansion of units can mean that even reductions in relative impact creates an increase in absolute impact.
Absolute	An absolute target sets a specific, unchanging target that is not relative to anything else – for example that 100% of polyester sources used across a brand are recycled, or that water use across all company offices will be reduced by 80% in real terms
Incremental	Incremental targets track an improvement over time against a baseline – for example reducing in-store waste by 50% between 2010 and 2020
Science-based	'Science-based targets' does not just mean that the approach taken is scientific! Rather it means that instead of tracking improvement against an existing baseline, they track improvements against the absolute amount of impact reduction needed in the world. For example, looking at total GHG emissions reductions needed by 2030 or 2050 globally can be used to benchmark how much GHG emission reductions are needed from a specific company. The Science Based Targets Initiative is a collaboration of four organisations supporting science-based climate targets on climate. The Science Based Targets Network is a wider collaboration exploring science based targets for other impact areas

A target could combine some of these different types, but not in all combinations:

- A qualitative target or a blended target cannot be science based, but sometimes can be incremental (improved over time), or absolute (setting a total goal).
- A quantitative target can be relative OR absolute but not both, and incremental OR science based but not both
- A science-based target can be measured and tracked using a relative intensity target, but only if it is within the boundaries of an absolute science-based limit
- All targets can be SMART

Other terms have also emerged recently in company language around target setting, and these are clarified below:

Net zero and net positive targets

- A net zero target is aiming to reduce a specific kind of measurable harm, such as GHG emissions or water use, to a neutral or zero total impact level
- A net positive target is aiming to go even beyond net zero - not just reducing harm, but to make an overall positive contribution to the relevant impact area
- These types of targets can be challenging to verify, as high data granularity would be required to demonstrate genuine zero harm or positive impact across a whole complex value chain
- It is also very important that a net zero claim is measuring only one type of impact 'like for like', rather than adding together different ***types*** of impact to demonstrate overall net zero harm or positive benefit.
- Strategies used to reach net zero or net positive often include some form of 'offset' or other compensation activities, which can be highly controversial if not selected and verified extremely carefully. Many organisations do not approve the use of offsets for reducing company impacts, for example they are not accepted by the Science Based Targets Initiative as part of a company's GHG reduction plans. Some offset schemes are seen as more credible than others – for example Gold Standard is well regarded in the space.

- These types of targets are most appropriate for harms that are less tied to location – such as GHG emissions. For locally-specific and time-specific risks such as water, demonstrating net zero or net positive impact (particularly through using offsets or other compensatory activities) can be highly criticised for failing to recognise and account for the complexities of balancing harm with benefit in a highly variable and sensitive system.

Targets within planetary boundaries

- Setting targets in reference to planetary boundaries is very similar to the concept of science-based targets covered above. The idea is that there is a fundamental limit to how much of an impact the world can take, and that companies need to stay within their allocation of that limited impact.
- The planetary boundaries cover 9 key risk areas globally
- A high amount of data and further research is still needed in order to create precise planetary boundaries at global and local level, and then work out a just allocation for specific sectors. This means that as yet, only climate change has a set of clear guidelines and applicable measures for companies
- For this reason, most uses of the term planetary boundaries (outside of climate change targets) are using the term more as a long-term aspiration, rather than a specific, measurable benchmark. It is recommended that if a company uses this terminology, this distinction is made clear during target setting.

Where do I go for more support and information on target setting?

For animal welfare:
- RSPCA
- Compassion in World Farming
- PETA ***(more campaign-orientated)***

For biodiversity impacts, protected areas and protected species:
- IUCN
- Science based targets network ***(working to develop SBTs beyond climate)***
- Business for Nature
- The Biodiversity Consultancy ***(commercial)***

For chemical management and wastewater quality standards:
- Higg Facility Environmental Module (Higg FEM) – Chemicals Management section
- ZDHC initiative including wastewater guidelines and process guidelines
- BSR wastewater quality standard

For deforestation:
- Canopy Style
- GFTN

For Green House Gas (GHG) and energy:
- Higg Facility Environmental Module (Higg FEM) – Energy Use & GHG section
- Greenhouse Gas Protocol guidelines
- UNFCCC Fashion Industry Charter for Climate Action guidelines
- Science Based targets initiative and textile sector guidelines

For land conversion and land use:
- Science based targets network ***(working to develop SBTs beyond climate)***
- Food and Land Use Coalition

For marine:
- The Fashion Pact
- The Microfibre Consortium

For raw materials targets and risk mitigation of improved raw materials standards:
- Higg Materials Sustainability Index (Higg MSI)
- Textile Exchange
- WWF Certification Assessment Tool

For waste management, resource management and hazardous waste:
- Higg Facility Environmental Module (Higg FEM) – Waste section
- WRAP
- Ellen MacArthur Foundation
- ZDHC initiative

For water use:
- Higg Facility Environmental Module (Higg FEM) – Water Use section
- CEO Water Mandate
- WWF
- Science based targets network ***(working to develop SBTs beyond climate)***
- WRI Aqueduct Tool

How do I track a target?

One way that you can track your targets and your progress against them is to use the data collection sheets created as part of the Higg BRM guidance. ***You can also track your targets and progress in the Higg BRM system itself as part of your reporting to the SAC.***

Some companies can leverage internal tools to track specific targets and progress against them – such as attributing of products or materials in a product development database, or tracking of energy use in stores through an internal energy tracking system. Some also go beyond this and invest in internal data tracking systems. Some examples of internal tracking systems include:

- Point 380
- CEMAsys
- Enablon
- Systain
- Thinkstep

Many companies also appoint a specific team member, or even whole teams, to manage data from around their value chain, including the tracking of relevant 3rd party data such as emissions factors. For deep dive technical work, such as modelling raw materials impacts or complex GHG emissions, companies can also appoint technical consultants or NGOs to carry out the data analysis work.

How can I validate my performance?

Different kinds of data and target can require different levels of validation or verification.

- Data on supplier impact or performance can be verified through a number of auditing organisations, 3rd party improvement programmes such as through the Higg FEM verification process
- Validation of raw materials sourcing can be done through environmental certification schemes and sustainability programmes such as Forest Stewardship Council (FSC) and Better Cotton Initiative, and overall validation of the chain-of-custody of materials and product integrity can be done through organisations such as GOTS and Textile Exchange
- For overall validation of sustainability data and progress, approved 3rd party assurance organisations can be used – for a list of assurance organizations of the Higg FEM please navigate to howtohigg.org/verifiers or contact the respective initiative to obtain an up-to-date list of approved verifiers.
- ***For the Higg BRM, a verification pilot will be carried out in 2020 by SAC and several of their brand and retailer members. More information will be released closer to the pilot's launch.***

How should I report on progress?

If policies, targets, baselines and progress are in place – and the data has been validated/verified where required – companies can report their progress through a number of different reporting mechanisms:

- ***Through the BRM system as part of the SAC's Higg Index performance communications roadmap***
- Through annual company sustainability reports (ideally validated by a 3rd party)
- Through other external reporting mechanisms such as CDP, GRI or UN Global Compact