Global Fashion Brands: Does Sustainability Make Business Sense?

Rohit Choraria, Medha Jain, Praguni Goel

Abstract: ***Sustainable fashion has gained significant importance with growing awareness of the real cost of fashion in terms of its impact on people and the environment. Large fashion firms have responded with sustainability policies to address these real costs. This leads to an interesting interplay of sustainability and financial performance which may not be entirely in alignment with each other. The paper has empirically assessed the sensitivity of changes in financial metrics to changes in sustainability metrics using the Fashion Transparency Index. The statistical tool of correlation is used for this assessment.***

We find that brands who show above average sales growth and profit margins are three times more likely to meaningfully adopt sustainability, than others. In other words, global brands need to "do well" (in financial terms) to "do good" (in terms of sustainability).

Keywords: Sustainability, Fast Fashion, Sustainable Fashion, Fashion Transparency Index, Sustainable Development Goals

I. INTRODUCTION

Sustainability concentrates on addressing current needs, without undermining future generations' ability to fulfil their needs. The perception of sustainability comprises of three pillars: economic, environmental, and social— informally known as profits, planet, and people.

According to the UN Alliance for sustainable fashion, today's clothing and textile industries:

- Add value of $2.4 trillion to manufacturing worldwide;
- Utilizes a workforce of 75 million people (most often women) globally;
- Is accountable for 8-10 per cent of greenhouse gas emissions worldwide;
- Contributes to 20 per cent of the world's industrial wastewater pollution; and
- Annually, the equivalent of $500 billion is lost due to underused garments and a failure of recycling.

[1]

Fast fashion is a collection of chain stores that can look at the ramps and runways and produce clothes rather quickly and bring them into a see now-have immediately form of retail environment. It's about making fashionable clothing, speedy, affordable and expendable. Fast fashion is common because it's democratized, and they do so by eliminating designer labels with scale.

Sustainable fashion, on the other hand, is a trend and mechanism to promote a transition of fashion goods and the fashion system towards greater environmental sustainability and social fairness. It is more than just tackling textiles or items of apparel. It involves handling the entire fashion system. This includes dealing with interdependent social, economic, environmental and financial processes. It also means contemplating fashion from many stakeholders' viewpoint-consumers and manufacturers, all living creatures, contemporary and future earthly dwellers. Thus, sustainable fashion belongs to everyone and is therefore the responsibility of all- from a supplier to a consumer. Sustainability in Fashion is not just related to the environment, that includes wastage, pollution, exploitation of raw materials. But also, workers' health and safety, wages, working hours that form a part of human rights.

Sustainability was not a trend in fashion until few years ago. The incident of Rana Plaza factory complex collapse on the outskirts of Dhaka, Bangladesh on April 24, 2013, where 1,138 people were crushed to death and an additional 2,500 were injured became an alarming time for the industry. Cracks had opened up in the eight-story building the day before, and workers begged their employers not to push them to work on garments intended for large international stores. Yet they refused their appeals. It was followed by the deadliest incident in the fashion industry's history which prompted violent protests.

[2]

After the Rana Plaza collapse, people had to dig through the ruins in search of clothing labels to find out the brands that were making clothes in garment factories that worked in that building. In certain cases, it took brands and distributors weeks to decide why were their labels found in the ruins and what kind of sales agreements they had with those suppliers. Many brands supplying from factories inside Rana Plaza were unaware that their products were being manufactured there. The fashion industry is sadly fragmented despite being an important part of our lives.

To get an actual piece of clothing, 17 different processes, involving large number of people are performed. The true cost of a garment is not only material, labour and marketing. It includes pollution to the environment, human right abuse, carbon footprint, massive waste and a lot more things which are not accounted for.

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With time the consumer has become aware of the true cost of fashion. Just as they are worried about the food, they intake and the chemicals they put on their bodies, they are also changing their buying decisions to create a healthier environment through the clothes and accessories worn by them.

But the question which arises here is "whether the brands are providing them with a sustainable option to choose from?" With the question also comes a realization that even with sustainability initiatives, the purpose of the existence of a company is earning "Profits". The will to practice sustainability is not sufficient for the companies. To practice something beyond business objectives requires finances.

Thus, the financial metrics, such as sales and net profit plays a big role in determining whether the company will go ahead and invest in sustainability drives and practices.

Therefore, with this research paper, we try to find if there is a relationship between financial performance and sustainability performance of a company. For comparing these performances, the financials were taken from the annual reports of the respective companies while Fashion transparency index is used as a proxy for sustainability.

The Fashion Transparency Index produced by Fashion Revolution, evaluates and ranks the largest global fashion and apparel brands and retailers on the basis of five key areas. The first such index was rolled out in April of 2016, in which it had reviewed and ranked 40 global brands. With every passing year, the index increased the number of brands it reviewed. In the latest edition of 2019, about 200 global fashion brands were reviewed. The brands having an annual turnover of US$ 500 million and more are selected and reviewed.

The five key parameters on the basis of which the index reviews and ranks the brands include

1. **Policy and Commitments** looks at what human rights and environmental practices and procedures the brand has for its own workers and suppliers.
2. **Governance Approach** determines who is in charge for social and environmental issues in the company, and whether they can be easily contacted.
3. **Traceability** looks into whether or not the brand's suppliers can be traced.
4. **Know, Show & Fix** is based on the assessment of suppliers' policy and checks if brands try to fix problems when finding in its supplier facilities.
5. **Spotlight Issues** are related to the sustainable development goals (SDGs) given by the UN. These goals keep on changing every year based on their current relevance to the industry. (Note: Though the spotlight issues keep changing every year, but their weightage remains the same only). The SDG's selected for the year 2019 were:
   - SDG 5: Gender Equality
   - SDG 8: Decent Work and Economic Growth
   - SDG 12: Responsible Consumption and Production
   - SDG 13: Climate Action

The brands are ranked out of a total of 250 possible points.

Table 1.1. Fashion Transparency Index Points

Parameter	Total Possible Points (250)	Weighting (%)
Policy and Commitment	49	19.5
Governance Approach	12	4.5
Traceability	85	34
Know, Show & Fix	70	28
Spotlight Issues	34	14

Source:[3]

II. THEORETICAL BACKGROUND

The available literature has explained fast fashion and the impact it has on the environment from manufacturers and consumers point of views. Also, studies have been done on building a relationship between sustainability performance and financial performance in various industries. However, the pieces of literature fail to establish any relationship between the fashion industry's financial performance and its role in sustainability despite the industry being an integral part of our lives.

This paper aims to identify whether a global fashion brand's financial performance in terms of sales and net profit affects its contribution to sustainability performance that includes supplier management, working conditions and wages, sustainable raw material and its role towards the planet as a whole.

III. LITERATURE REVIEW

[4], **The Relationship between Corporate Social Performance and Financial Performance**

There is a lack of reliable knowledge for business executives to make and promote strategic financial decisions when promoting social responsibility programs in businesses. This correlation analysis was based on stakeholder and contract theory and analysed the relationship between Fortune reputation scores and return on assets, return on equity, and earnings per share, while controlling for total assets. Archival data was extracted from 25 U.S. banks corporate websites listed in the list of Fortune Most Admired Companies between 2011 and 2013. The implication for progressive social change includes significant support for socially conscious corporate policies to foster sustainability, and more corporate leaders to endorse stakeholder social benefits. Kurucz et al. offer a fine-grained justification for CSR's broad view of the business case. The authors describe four forms of intermediary gains: cost and risk mitigation, competitive advantage formation, the benefits of credibility and legitimacy, and the formation of synergistic value.

Such benefits serve as arbitrating variables between sustainability initiatives and firm financial performance. A sustainability initiative would lead to one or more of those benefits that would, in effect, boost the financial results of the company.

[5], Rethinking sustainability strategies.

The paper has established a theoretical framework that more closely connects sustainability approaches with the generic strategies used by Porter. The paper indicated that progressive innovation in sustainable practices may cause less strategic risks for some businesses, based on their key business strategies. Comparatively, it can also offer more competitive and financial benefits than ingrained programs that depend on continuous and incrementing traditional innovation. The study's social implication suggests that the advised models and strategic management approach aim to improve sustainability efficacy by synchronizing them with corporate strategies. The practical implication gives a rationale that incremental sustainability strategies won't always give neutral outcomes regarding financial performance, it can be negative as well.

[6], Fashion Industry Still Failing on Transparency

In 2013, the Fashion Transparency Index was launched, in retort to the Rana Plaza incident in Bangladesh. The disaster led to the killing of over and above 1,000 workers and people had to search deeper to check which brands were manufacturing clothes there. It was found out that poor working conditions had existed for years and also the industry was into subcontracting.

The brands are scored out of 250 that is divided into number of factors, such as social and environmental policy transparency, information on how corporate accountability for such is regulated, who are the suppliers and if information is presented on the impact of their sustainability initiatives.

The Fashion Revolution adds new brands for evaluation each year. The index has pushed companies to be more transparent and create a sense of accountability within the industry. "The fashion industry still operates in an opaque manner, which is a huge barrier to change," said Carry Somers, co-founder of the Fashion Revolution movement, a global campaign for systemic reform of the industry.

[7], Will fast fashion brands change their ways in a climate crisis?

Even though large retailers are announcing their commitment to sustainable ways, their fast fashion business model isn't changing for any good. This model is in itself antithesis to sustainability. Concepts used by large fast fashion companies include recycling or using sustainable fabrics. However, recycling is typically more energy-intensive than to produce new garments. And by merely using sustainable fabrics won't alter the way garments are produced. Anika has figured that the difference between small brands and large fast fashion brands is the culture. While larger brands focus on the above methods, small brands focus on reducing the waste and manufacturing quality garment that stays for longer in our wardrobes. Even when the garment is produced using all sustainable materials, cheap materials and speedy production leads to problems like that of labour. Also, how much wear does our clothes give us is another issue. Consumers must also act responsibly towards the environment. One of the ways suggested by Anika is that companies should start giving tailoring and repair service.

[8]**, Sustainability begins with our wardrobes**

For the fashion industry to be sustainable, Kate believes that its responsibility and the ability to change lies with the consumers. She says that sustainability isn't just about the supply chain or the details of a particular garment. But it teaches how to live well. It is to do with garments that are stitched or woven and also forming relationships. It is important that people wear garments they already have to ensure a sustainable way. At the Nift Conference, Kate talked about 'localism' which she tried to connect with fashion. She explains how the movements about sustainability in fashion is increasing in the UK, but consumers are still buying more and more. The amount of clothing people buy has increased by one third over a decade. The most important work around sustainability is to reduce the quantity that people buy. A change in consumption psychology will lead to sustainability in the fashion industry. When the basic need is met, any new garment has nothing to do with well-being. Kate also says that sustainability in fashion is about how much do we really need and how we are engaging our money in it.

[9], Why Sustainable Fashion Is Amazing For-Profits, Customers and The Whole World.

With ever-increasing threats of climate change, pollution, rising population, etc., the consumers have become more sustainable thinkers and are ready to pay more for ethically and organically produced clothes. Also, treatment of the workers create impact on how sustainable a brand is. The article mentions about H&M and their source of raw material coming from Bangladesh, a country that merely follows the regulations when it comes to safety of the workers. It seems as if the clothing brands do not try to learn about the workers' treatment and wages. If the brands spend more time studying this information, they could find that paying a little more to a supplier may give a huge boost to their reputations.

When it comes to large profits, it isn't ethical to use immoral means to make clothes out of unsustainable materials. On an average, product returns and refunds are 40 to 60 per cent for major clothing retailers. Companies are losing too much money and it is squeezing their profits. However, if the clothes are manufactured by skilled and fairly paid labourers, there would be fewer returns, thereby reducing resource wastage of a million fashion brands.

[10], Sustainable fashion index model and its implication.

The writers have used ACSI (American Customer Satisfaction Index) as the base for their research. The apparel industry has a great economic value but despite that it has many negative impacts in terms of employee welfare, excess use of resources and waste creation. The paper tries to examine the dimensions through which consumers

analyse sustainability in the fashion industry. Economy, environment, society, and culture are the four dimensions through which this paper notices consumers' viewpoint of value and quality. The ACSI's contribution is that it has implemented a modern measurement framework. The index evaluates commodities, companies, sectors, and countries according to various dimensions such as CSR, eco-growth, and sustainable development. But alongside these, the index also measures the expectations of customers about economic health, environmental efficiency, social reliability, and cultural performance that helps fashion industry specialists devise more efficient and appropriate sustainability strategies. Based on the index ranking, fashion companies may draft their comprehensive strategies on how sustainability can be built to influence profits.

[11], Sustainability Initiatives in the Fashion Industry.

A part of the paper has discussed about the strategic sustainability initiatives taken by fashion industry. Front-end model refers to incorporating sustainability strategies at the start of the project itself, such as sourcing of raw materials, and processes of design and production. Whereas, the back-end method refers to sustainability measures that strive to reduce the product and processes' environmental effect at the end of the textile product life cycle, e.g., at the disposal. They have proposed using digital resources to reduce the need for physical prototype samples or to train designers to integrate an eco-conscious mind set into their designs. One of the limitations of the front-end approach in dealing with the impact on the environment is that it still feeds more things in the fashion system which eventually leads to the end of the textile lifecycle as a by-product of waste. This is controlled by a back-end approach by recycling textile waste after consumption back into the textile supply chain which makes it possible to bypass the fibre production stage's heavy environmental toll.

IV. DATA DESCRIPTION

For the purpose of this study, the authors have used the Fashion Transparency Index as a tool to select the brands present across all three years, 2017-2019. It ranks brands based on key sustainability parameters relevant to the fashion industry, grouped under Policy and commitments, Governance, Traceability, Know, Show and Fix and Spotlight Issues (4 SDGs of UN). Based on an annual turnover of over US$ 500 million, brands were selected, covering a wide variety of market categories including high street, designer, premium, sportswear, accessories, footwear, and denim from across Europe, North America, South America and Asia.

Using the FTI scores for three years, FTI score CAGR was calculated.

The following metrics were evaluated for the firms:

1. FTI score Compounded Annual Growth Rate
2. Sales Compounded Annual Growth Rate
   where CAGR was determined according to the formula: (End Value/Start Value) ^ (1/Years)-1
3. Net profit margin, calculated using the formula: Net Profit/Total Revenue*100

Since the FTI scores for a particular year are based on the prior year's disclosures, financial metrics are thus relevant to 2016-2018. Changes in Global Fashion Brands' FTI scores as issued by the Fashion Transparency Index are computed against the changes in financial figures. The changes are tested for correlation.

The correlation is calculated using the following formula:

$$r_{xy} = \frac{\sum(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum(x_i - \bar{x})^2 \sum(y_i - \bar{y})^2}}$$

where,

r = Correlation

n = number of observations

xi = Sales CAGR

yi = FTI Score CAGR

This study has made use of the following secondary data:

- FTI score as mentioned in the Fashion Transparency Index issued by the Fashion Revolution in the years 2017, 2018 and 2019.
- Sales and net profit figure of the respective brands for the years 2016, 2017 and 2018 taken from the:
  1. Annual Reports of the respective companies
  2. Sec.gov.in

(The financial figures of a brand having a parent company taken as the same as that of the latter.)

80 Global Fashion Brands out of 150+ were selected which were part of the Fashion Transparency Index for three years, i.e. 2017-2019. In order to have longitudinal data, we have taken those companies which were part of the index for all three years. Thus, taking into consideration the whole population to serve the purpose of our study.

V. METHODOLOGY

This study has conducted an analysis of the correlation between financial performance and sustainability performance of top global fashion brands. To do so, the following steps were taken:

Step 1: The FTI score of 80 brands for the years 2017 - 2019 were collected from the Fashion Transparency Index issued by the Fashion Revolution. The brands were divided into top 40 sustainable brands and bottom 40 sustainable brands on the basis of 2019 FTI score. (Refer Fig. 5.1 & 5.2)

Step 2: Sales and Net Profit figures of the brands for the years 2016 - 2018 were collected from their annual reports. (All the figures were converted to USD ($) as on 31st December 2018).

Step 3: Net Profit Margins of all the brands for all three years were calculated and for comparison average net profit margins of the top and bottom half was arrived at. (Refer to Fig. 5.3 & 5.4)

Step 4: Sales CAGR of all the brands was calculated for the time period and the average sales CAGR of the top and bottom half was derived. (Refer to Fig. 5.5 & 5.6)

Step 5: Average FTI Score CAGR of the top and bottom half was calculated.

Step 6: Correlation between Sales CAGR and FTI Score

CAGR was arrived at for the respective halves.

VI. DISCUSSION OF RESULTS

The results of this study indicate that sale and net profit figures have a direct impact on the transparency of sustainable practices of the brands. Better financial performance leads to more sustainable initiatives by the brands. According to the data analysis, it can be seen that the FTI scores of the brands fluctuate according to the information disclosed by them and in most cases better the financial figures, the higher the score. This shows that financial position has a positive effect on sustainable performance.

However, there are brands that despite having low profits take a step up to perform their duties towards society. Esprit has shown a net profit margin of (-)17% in 2018, but still scores high on the Fashion Transparency Index. Similarly, Marks & Spencer has a continuous low net profit margin for three years but lie in the top sustainable brands' section. Then there are brands like Heilan Homes whose FTI Score is zero for all three years even if its net profit margin of 18% is consistent. Due to increasing awareness and need to be sustainable, there are brands who have shown a sudden interest in corporate sustainability and have levelled up their FTI scores over the years. Like Dior scored 50/250 in 2019 while it scored 0/250 in previous two years.

- There is a significant difference between the correlation of Sales CAGR and FTI Score CAGR of the Top 40 Sustainable Brands and Bottom 40 Sustainable Brands. This proves that financial performance does impact the transparency levels which is used against sustainability by the FTI.

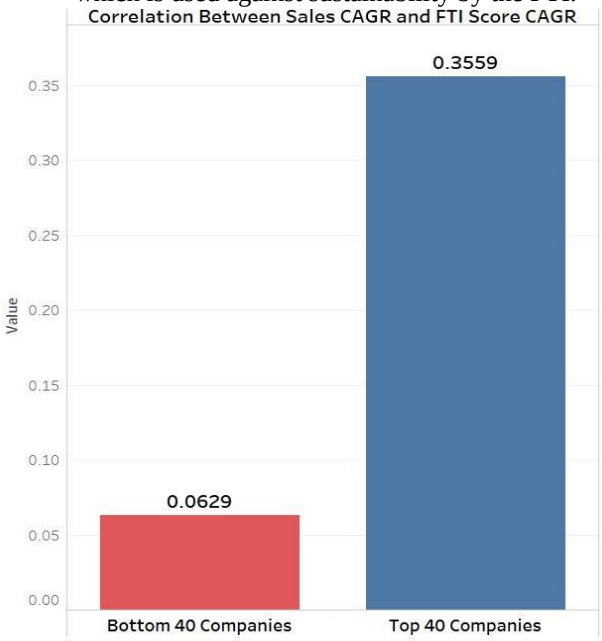

Figure 6.1 – Correlation between Sales CAGR and FTI Score CAGR of top 40 and bottom 40 sustainable Companies.

- The top sustainable brands show an average of 115 FTI Score out of 250, while bottom sustainable brands score just 35 on average.

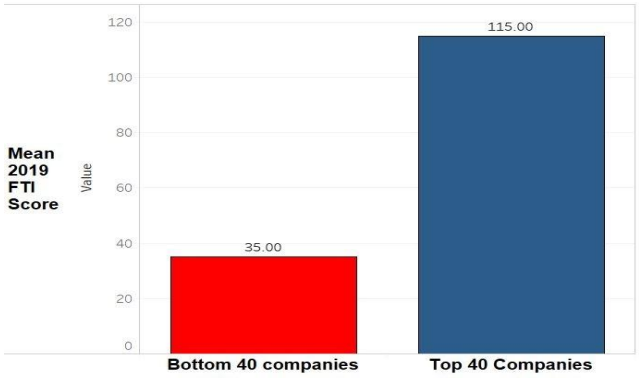

Figure 6.2 – Mean 2019 FTI Scores of top 40 and bottom 40 sustainable Companies

- There is an increasing trend in net profit margins of both sections.

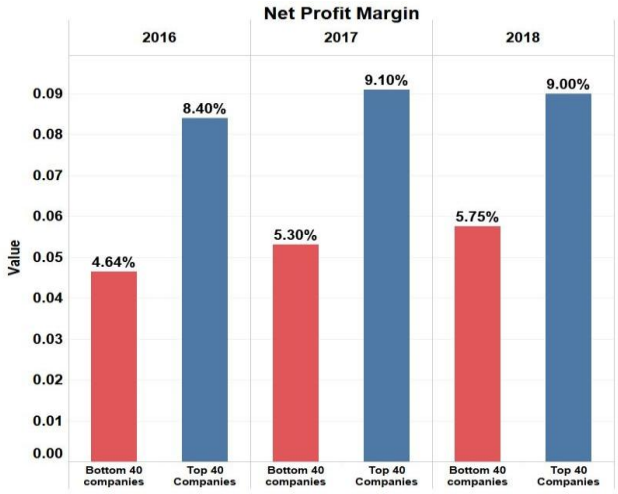

Figure 6.3 – Net Profit Margin over a period of three years of top 40 and bottom 40 sustainable Companies

- When compared, bottom sustainable brands show a negative sales CAGR. This is reflected in the sales amount of these companies.

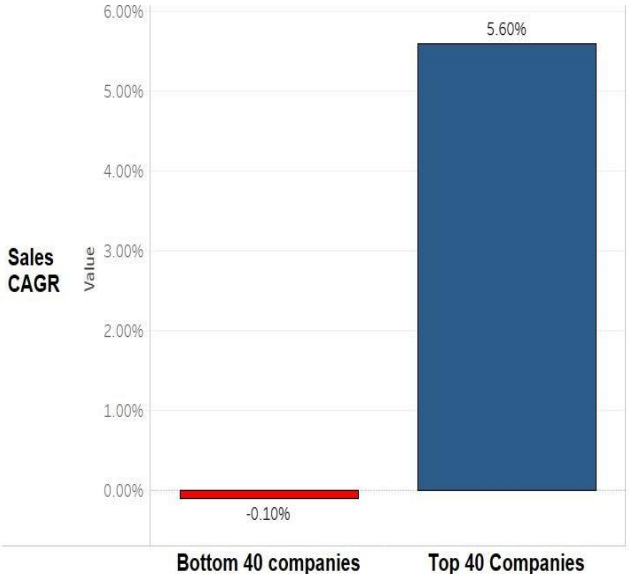

Figure 6.4 – Sales CAGR of top 40 and bottom 40 sustainable Companies

VII. CONCLUSION

The title of the research project asks an important question: Does sustainability make business sense for Global Fashion Brands?

It can be concluded, through the findings that it does make business sense for brands who are doing well. And it doesn't for those who are not doing well. Brands who show good sales growth and profit margins are three times more likely to take sustainability seriously, than those whose sales are stagnant or falling.

According to the data analysis and findings, there is a relationship between financial performance and sustainability performance of fashion brands.

Global fashion has a very long convoluted operating cycle; for example, for apparel, it starts from cotton farming, yarn spinning and dyeing, fabric making, garment making with related industries like threads, buttons, etc., transportation of the shirt or top across continents to fashion stores across the world, and then once the season is done, removing them from shops to allow the cycle to start all over again. Each of these steps has several sub-steps, and each has human and environmental costs that are only now being fully understood, and quite rightly so. The crux of sustainability in the fashion world lies in TRANSPARENCY of the supply chain. This was one of the important parameters as well. We used Fashion Transparency Index, a well-known index in the fashion world, to gauge how much do brands disclose about their supply chain and how well they enforce human rights and environmental considerations on supply chain they don't own.

Through our research, we found that almost all firms who scored poorly on sustainability failed to disclose their supply chain. Transparency provides access to factory workers in low-cost countries to report violations, be it human rights or environmental. This is a hugely effective deterrent and has raised the sustainability standards in the industry, but comes with financial costs. Supply chains now invest in better infrastructure, higher wages, health and safety, pollution control etc., and costs are borne by the entire supply chain including the brand. Some brands may, therefore, compromise on all of these sustainability initiatives to save costs, sell cheap and generate sales growth. We found such brands in our research. It was also found that some brands even after shutting stores and falling sales scored highly on sustainability, like Esprit. This leads us to believe that sustainability policies are more a matter of ethics which cannot be measured as a cause and effect on sales and profits. At best one can measure interrelationship between sustainability and financial performance, using correlation (both Pearson and Spearman Rank) which yielded identical results. Though sales and net profit figures were clearly higher in the case of top sustainable brands, the correlation with sustainability was moderate. This indicates the wide variety of brands with their own shades of ethics. We also acknowledge that some brands may not have disclosed all the good work they do, though the disincentive not to disclose good work is very high these days.

Rana Plaza incident had brought about a sea change in how the fashion industry looked at sustainability. The supply chain has several smaller events happening all the time that shake the lives of people who make the fashion products we all use. Sustainability standards ultimately will be the result of customer activism.

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VIII. APPENDIX

Parent company	Company Name	FTI Score (2017)	FTI Score (2018)	FTI Score (2019)	CAGR of score
	Adidas	122.5	145	160	14.3%
ADIDAS	Reebok	122.5	145	160	14.3%
	Esprit	92.5	135	155	29.4%
	H&M	120	137.5	152.5	12.7%
	ASOS	82.5	125	147.5	33.7%
	Puma	115	140	145	12.3%
Nike Inc.	Jordan	90	90	142.5	25.8%
Nike Inc.	Converse	90	90	142.5	25.8%
Nike Inc.	Nike	90	90	142.5	25.8%
VF Corp	The North Face	60	115	142.5	54.1%
VF Corp	Timberland	60	115	142.5	54.1%
VF Corp	Wrangler	60	115	142.5	54.1%
	Marks & Spencer	120	127.5	140	8.0%
GAP Inc.	Banana Republic	115	135	135	8.3%
	Gap	115	135	135	8.3%
GAP Inc.	Old Navy	115	135	135	8.3%
	Levi Strauss & CO	87.5	117.5	127.5	20.7%
INDITEX	Bershka	90	105	115	13.0%
INDITEX	Massimo Dutti	90	105	115	13.0%
INDITEX	Pull & Bear	90	105	115	13.0%
INDITEX	Zara	90	105	115	13.0%
PVH	Tommy Hilfiger	72.5	95	102.5	18.9%
PVH	Calvin Klein	72.5	95	102.5	18.9%
	Hugo Boss	67.5	95	102.5	23.2%
	Lululemon	62.5	87.5	102.5	28.1%
	Gildan	67.5	82.5	102.5	23.2%
Kering Group	Gucci	70	92.5	100	19.5%
Kering Group	Bottega Veneta	70	90	97.5	18.0%
Fast Retailing	Uniqlo	65	72.5	95	20.9%
Kerring Group	YSL	70	90	95	16.5%
	Target	80	87.5	90	6.1%
Associated British Foods	Primark	60	90	87.5	20.8%
	Next	50	82.5	82.5	28.5%
	Burberry	62.5	82.5	82.5	14.9%
HanesBrands Inc.	Champion	50	60	77.5	24.5%
	Hanes	50	60	77.5	24.5%
	Hermes	55	65	77.5	18.7%
	ASICS	50	65	75	22.5%
	New Look	52.5	72.5	75	19.5%
Bestseller	Jack & Jones	37.5	50	70	36.6%

Figure 5.1 – CAGR of FTI Score of Top 40 Sustainable Companies

Parent company	Company Name	FTI Score (2017)	FTI Score (2018)	FTI Score (2019)	CAGR of score
	Zalando	40	67.5	70	32.3%
	Under Armour	27.5	55	70	59.5%
Arcaia Group	Topshop	62.5	65	70	5.8%
Ascena Retail Group	LOFT	42.5	50	67.5	26.0%
L Brands Inc.	Victoria's Secret	27.5	47.5	57.5	44.6%
LVHM	Louis Vuitton	37.5	37.5	55	21.1%
Tapestry Inc.	COACH	52.5	52.5	55	2.4%
HBC	Hudson's Bay	52.5	55	52.5	0.0%
HBC	Saks Fifth Avenue	52.5	50	52.5	0.0%
	Ralph Lauren	22.5	35	52.5	52.8%
	Columbia Sportswear	37.5	55	52.5	18.3%
Prada	Miu Miu	20	37.5	50	58.1%
	Prada	20	37.5	50	58.1%
	Abercrombie & Fitch	25	35	50	41.4%
	GUESS	30	47.5	50	29.1%
	Nordstrom	37.5	42.5	45	9.5%
	Lands' End	40	52.5	45	6.1%
	Monsoon	20	25	42.5	45.8%
TJX	TJ Maxx	42.5	45	37.5	-6.1%
	American Eagle	25	37.5	35	18.3%
	Macy's	42.5	45	32.5	-12.6%
	J.Crew	27.5	32.5	30	4.4%
	Kohl's	32.5	20	25	-12.3%
	Chanel	2.5	7.5	25	216.2%
	Burlington	20	30	25	11.8%
	Matalan	2.5	12.5	25	216.2%
	Triumph	22.5	22.5	22.5	0.0%
	Chico's	17.5	27.5	22.5	13.4%
	Armani	20	20	17.5	-6.5%
	Dillards	25	27.5	17.5	-16.3%
Capri Holdings	Michael Kors	20	17.5	17.5	-6.5%
	Neiman Marcus	15	15	15	0.0%
	Express	10	17.5	15	22.5%
URBN	Anthropologie	17.5	15	12.5	-15.5%
	Urban Outfitters	17.5	15	12.5	-15.5%
Calzedonia Group	Calzedonia	22.5	15	12.5	-25.5%
	Ermenegildo Zegna	12.5	12.5	10	-10.6%
Kate Spade and Comp	Mexx	15	0	0	-100.0%
	Dior	0	0	55	
	Heilan Home	0	0	0	

Figure 5.2 – CAGR of FTI Score of Bottom 40 Sustainable Companies

A	B	L	M	N
Parent company	Company Name	NP Margin 2016	NP Margin 2017	NP Margin 2018
	Adidas	6%	6%	8%
ADIDAS	Reebok	6%	6%	8%
	Esprit	0%	0%	-17%
	H&M	8%	8%	6%
	ASOS	4%	3%	3%
	Puma	2%	4%	5%
Nike Inc.	Jordan	12%	12%	5%
Nike Inc.	Converse	12%	12%	5%
Nike Inc.	Nike	12%	12%	5%
VF Corp	The North Face	10%	5%	9%
VF Corp	Timberland	10%	5%	9%
VF Corp	Wrangler	10%	5%	9%
	Marks & Spencer	1%	0%	0%
GAP Inc.	Banana Republic	4%	5%	6%
	Gap	4%	5%	6%
GAP Inc.	Old Navy	4%	5%	6%
	Levi Strauss & CO	6%	6%	5%
INDITEX	Bershka	14%	13%	13%
INDITEX	Massimo Dutti	14%	13%	13%
INDITEX	Pull & Bear	14%	13%	13%
INDITEX	Zara	14%	13%	13%
PVH	Tommy Hilfiger	7%	6%	8%
PVH	Calvin Klein	7%	6%	8%
	Hugo Boss	7%	8%	8%
	Lululemon	13%	10%	15%
	Gildan	13%	13%	12%
Kering Group	Gucci	7%	17%	27%
Kering Group	Bottega Veneta	7%	17%	27%
Fast Retailing	Uniqlo	3%	7%	8%
Kerring Group	YSL	7%	17%	27%
	Target	4%	4%	4%
Associated British Foods	Primark	6%	8%	7%
	Next	16%	14%	14%
	Burberry	10%	11%	12%
HanesBrands Inc.	Champion	9%	10%	8%
	Hanes	9%	1%	8%
	Hermes	21%	22%	24%
	ASICS	4%	3%	-5%
	New Look	-1%	-17%	-45%
Bestseller	Jack & Jones	5%	7%	9%
		8.4%	9.1%	9.0%

Figure 5.3 – Net Profit Margins of Top 40 Sustainable Companies

A	B	L	M	N
Parent company	Company Name	NP Margin 2016	NP Margin 2017	NP Margin 2018
	Zalando	3%	2%	1%
	Under Armour	5%	-1%	-1%
Arcaia Group	Topshop	11%	8%	5%
Ascena Retail Group	LOFT	-2%	-19%	-3%
L Brands Inc.	Victoria's Secret	9%	8%	5%
LVHM	Louis Vuitton	12%	14%	15%
Tapestry Inc.	COACH	10%	13%	7%
HBC	Hudson's Bay	3%	-4%	-6%
HBC	Saks Fifth Avenue	3%	-4%	-6%
	Ralph Lauren	-1%	3%	7%
	Columbia Sportswear	8%	4%	10%
Prada	Miu Miu	9%	8%	7%
	Prada	9%	8%	7%
	Abercrombie & Fitch	0%	0%	2%
	GUESS	1%	0%	1%
	Nordstrom	2%	3%	4%
	Lands' End	-8%	2%	1%
	Monsoon	-1%	-1%	-8%
TJX	TJ Maxx	7%	7%	8%
	American Eagle	6%	6%	5%
	Macy's	2%	6%	4%
	J.Crew	-1%	-5%	-5%
	Kohl's	3%	5%	4%
	Chanel	18%	19%	19%
	Burlington	4%	6%	6%
	Matalan	1%	1%	2%
	Triumph	-1%	-13%	-10%
	Chico's	4%	4%	2%
	Armani	3%	4%	5%
	Dillards	3%	4%	3%
Capri Holdings	Michael Kors	12%	13%	11%
	Neiman Marcus	-8%	-11%	1%
	Express	3%	1%	0%
URBN	Anthropologie	6%	3%	8%
	Urban Outfitters	6%	3%	8%
Calzedonia Group	Calzedonia	10%	11%	10%
	Ermenegildo Zegna	2%	3%	3%
Kate Spade and Comp	Mexx	10%	13%	7%
	Dior	11%	13%	15%
	Heilan Home	18%	18%	18%
		4.64%	5.30%	6.32%

Figure 5.4 – Net Profit Margins of Bottom 40 Sustainable Companies

A	B	C	D	E	F	G	H
			FCY/USD	IN USD	IN USD	IN USD	
Parent company	Company Name	Reporting Currency	Ex rate (31-12-2018)	Sales (2016)'000	Sales (2017)'000	Sales (2018)'000	Sales CAGR
	Adidas	€	0.8709	21,222,181	24,362,508	25,162,803	8.9%
ADIDAS	Reebok	€	0.8709	21,222,181	24,362,508	25,162,803	8.9%
	Esprit	HK$	7.8338	2,270,673	2,035,028	1,972,861	-6.8%
	H&M	SEK	8.877	25,105,892	22,530,585	23,701,701	-2.8%
	ASOS	£	0.7845	1,841,810	2,452,008	3,081,326	29.3%
	Puma	€	0.8709	4,164,177	4,748,840	5,337,178	13.2%
Nike Inc.	Jordan	$	1	32,376,000	34,350,000	36,397,000	6.0%
Nike Inc.	Converse	$	1	32,376,000	34,350,000	36,397,000	6.0%
Nike Inc.	Nike	$	1	32,376,000	34,350,000	36,397,000	6.0%
VF Corp	The North Face	$	1	11,026,147	11,811,177	13,848,660	12.1%
VF Corp	Timberland	$	1	11,026,147	11,811,177	13,848,660	12.1%
VF Corp	Wrangler	$	1	11,026,147	11,811,177	13,848,660	12.1%
	Marks & Spencer	£	0.7845	13,539,834	13,636,966	13,227,916	-1.2%
GAP Inc.	Banana Republic	$	1	15,516,000	15,855,000	16,580,000	3.4%
	Gap	$	1	15,516,000	15,855,000	16,580,000	3.4%
GAP Inc.	Old Navy	$	1	15,516,000	15,855,000	16,580,000	3.4%
	Levi Strauss & CO	$	1	4,552,739	4,904,030	5,575,440	10.7%
INDITEX	Bershka	€	0.8709	26,765,690	29,090,795	30,019,689	5.9%
INDITEX	Massimo Dutti	€	0.8709	26,765,690	29,090,795	30,019,689	5.9%
INDITEX	Pull & Bear	€	0.8709	26,765,690	29,090,795	30,019,689	5.9%
INDITEX	Zara	€	0.8709	26,765,690	29,090,795	30,019,689	5.9%
PVH	Tommy Hilfiger	$	1	7,791,400	8,439,400	9,154,200	8.4%
PVH	Calvin Klein	$	1	7,791,000	8,439,400	9,154,200	8.4%
	Hugo Boss	€	0.8709	3,091,926	3,137,540	3,210,325	1.9%
	Lululemon	$	1	2,344,392	2,649,181	3,288,319	18.4%
	Gildan	$	1	2,585,070	2,750,816	2,908,565	6.1%
Kering Group	Gucci	€	0.8709	14,220,342	12,418,816	15,690,383	5.0%
Kering Group	Bottega Veneta	€	0.8709	14,220,342	12,418,816	15,690,383	5.0%
Fast Retailing	Uniqlo	$	1	17,312,471	16,862,141	19,179,363	5.3%
Kerring Group	YSL	€	0.8709	14,220,342	12,418,816	15,690,383	5.0%
	Target	$	1	70,271,000	72,714,000	75,356,000	3.6%
Associated British Foods	Primark	£	0.7845	17,079,669	19,575,526	19,852,135	7.8%
	Next	$	1	4,136,800	4,117,500	4,220,900	1.0%
	Burberry	£	0.7845	3,525,813	3,483,748	3,467,177	-0.8%
HanesBrands Inc.	Champion	$	1	6,028,199	6,471,470	6,803,955	6.2%
	Hanes	$	1	6,028,199	6,471,410	6,803,955	6.2%
	Hermes	€	0.8709	5,973,166	6,371,591	6,850,276	7.1%
	ASICS	¥	109.66	3,639,495	3,649,079	3,526,008	-1.6%
	New Look	£	0.7845	1,854,302	1,642,575	1,579,350	-7.7%
Bestseller	Jack & Jones	DKK	6.5114	3,322,634	3,425,531	3,530,270	3.1%
				583,173,250	608,901,540	649,733,909	5.6%

Figure 5.5 – Sales CAGR of Top 40 Sustainable Companies

A	B	C	D	E	F	G	H
			FCY/USD	IN USD	IN USD	IN USD	
Parent company	Company Name	Reporting Currency	Ex rate (31-12-2018)	Sales (2016)'000	Sales (2017)'000	Sales (2018)'000	Sales CAGR
	Zalando	€	0.8709	4,178,300	5,154,270	6,186,387	21.7%
	Under Armour	$	1	4,833,338	4,989,244	5,193,185	7.45%
Arcala Group	Topshop	£	0.7845	2,561,871	2,428,868	2,318,441	-9.50%
Ascena Retail Group	LOFT	$	1	5,894,100	5,617,300	5,566,400	-5.56%
L Brands Inc.	Victoria's Secret	$	1	12,574,000	12,632,000	13,237,000	5.27%
LVHM	Louis Vuitton	€	0.8709	43,172,320	48,954,655	53,765,613	24.54%
Tapestry Inc.	COACH	$	1	4,491,800	4,488,300	5,880,000	30.91%
HBC	Hudson's Bay	CAD	1.3565	8,201,990	10,656,100	6,995,945	-14.70%
HBC	Saks Fifth Avenue	CAD	1.3565	8,201,990	10,656,100	6,995,945	-14.70%
	Ralph Lauren	$	1	6,652,800	6,182,300	6,313,000	-5.11%
	Columbia Sportswear	$	1	2,337,045	2,466,105	2,802,326	19.91%
Prada	Miu Miu	€	0.8709	3,604,533	3,454,107	3,557,202	-1.31%
	Prada	€	0.8709	3,604,533	3,454,107	3,557,202	-1.31%
	Abercrombie & Fitch	$	1	3,326,740	3,492,690	3,590,109	7.92%
	GUESS	$	1	2,118,534	2,290,999	2,526,500	19.26%
	Nordstrom	$	1	14,498,000	15,137,000	15,480,000	6.77%
	Lands' End	$	1	1,335,760	1,406,677	1,451,592	8.67%
	Monsoon	£	0.7845	500,062	396,308	377,790	-24.45%
TJX	TJ Maxx	$	1	33,184,000	35,865,000	38,973,000	17.45%
	American Eagle	$	1	3,521,848	3,609,865	3,795,549	7.77%
	Macy's	$	1	25,908,000	24,939,000	24,971,000	-3.62%
	J.Crew	$	1	2,360,010	2,267,810	2,308,695	-2.17%
	Kohl's	$	1	18,636,000	19,036,000	19,167,000	2.85%
	Chanel	$	1	8,630,000	9,623,000	11,119,000	28.84%
	Burlington	$	1	5,566,038	6,084,766	6,643,051	19.35%
	Matalan	£	0.7845	1,321,861	1,355,003	1,407,138	6.45%
	Triumph	$	1	3,532,799	3,198,951	3,364,930	-4.75%
	Chico's	$	1	2,476,410	2,282,379	2,131,140	-13.94%
	Armani	€	0.8709	366,979,783	364,727,026	330,285,183	-10.00%
	Dillards	$	1	6,257,137	6,261,477	6,356,109	1.58%
Capri Holdings	Michael Kors	$	1	4,494,000	4,719,000	5,238,000	16.56%
	Neiman Marcus	$	1	4,949,500	4,706,000	4,900,000	-1.00%
	Express	$	1	2,204,417	2,158,502	2,116,344	-4.00%
URBN	Anthropologie	$	1	3,545,794	3,616,014	3,950,623	11.42%
	Urban Outfitters	$	1	3,545,794	3,616,014	3,950,623	11.42%
Calzedonia Group	Calzedonia	€	0.8709	2,505,372	2,656,935	2,644,305	5.55%
	Ermenegildo Zegna	€	0.8709	1,447,880	1,358,321	1,330,764	-8.09%
Kate Spade and Comp	Mexx	$	1	4,491,800	4,488,300	5,880,000	30.91%
	Dior	€	0.8709	43,594,858	50,137,301	53,765,613	23.33%
	Heilan Home	CNY	6.85	2,481,692	2,656,947	2,786,822	12.30%
				683,722,710	703,220,743	682,879,526	-0.1%

Figure 5.6 – Sales CAGR of Bottom 40 Sustainable Companies