FDRA
FOOTWEAR DISTRIBUTORS & RETAILERS OF AMERICA

Shoe Sustainability
Progress Report 2023

Shoe professionals open up on where progress is being made, and sound off on challenges and critical issues impacting further progress

powered by

JONES & VINING

FDRA FOOTWEAR DISTRIBUTORS & RETAILERS OF AMERICA

The footwear industry's business and trade association. At over 95% of the entire industry, the Footwear Distributors and Retailers of America (FDRA) is the largest and most respected footwear trade association in the U.S. It represents and serves the entire footwear industry from small family owned footwear businesses to global footwear companies, as well as domestic manufacturers, importers, and retailers. In all, it supports more than 250 companies and over 500 brands designing, producing, and selling great footwear to consumers all over the globe.

As the footwear industry continues to innovate in dynamic ways and as new jobs are being created in the areas of technology, materials, advanced manufacturing and production, FDRA's Innovation and Sustainability Working Group acts as the conduit for footwear industry collaboration and information sharing on best practices and all things footwear innovation and sustainability. FDRA members can join these working group calls and events.

JONES & VINING — WE ARE THE MAKERS OF PERFECT FIT, COMFORT & PERFORMANCE.

Increasing sustainability is an integral part of our commitment to doing better in all aspects of our work. When the best names in footwear partner with Jones & Vining they get consistently perfect fit, comfort, and performance — as well as our dedication to innovations that advance sustainability from our Lasts to our PerfX Footbeds since 1930.

Survey Methodology

This report is based on a survey of footwear professionals across the industry who work on shoe materials, development and sourcing. FDRA conducted this survey October – November 2023 to obtain insights and establish a sustainability benchmark of the footwear industry.

Contents

Looking for more information on the footwear industry?

Visit **FDRA.org** to find a range of stats, data and analysis and subscribe to Shoe-in Show to hear industry leaders discuss business insights and trends!

Questions about this survey should be directed to apolk@fdra.org. Any portion of this survey used for any purpose without written consent of FDRA is strictly prohibited.

A Needed Progress Report

For the 5th year in a row, FDRA has asked shoe professionals across the industry to share their opinions and insights on sustainability.

Why it Matters:

The results of this critical survey allow companies to benchmark operational efforts that enhance sustainability throughout their supply chains. The survey also provides FDRA key insights into common challenges facing shoe companies, which empowers the footwear industry to prioritize work on collective solutions—increasing impact and lowering costs.

FDRA has a robust Shoe Sustainability Working Group where we bring together hundreds of professionals across hundreds of brands and retailers to discuss key issues and develop reports, programs, and training that solve capacity issues and reduce constraints to greater sustainability.

We encourage all shoe companies to join FDRA to get involved and make a real difference, and we encourage all shoe professionals who work at FDRA member companies to join our critical calls to find new ideas to enhance their ESG programs.

Contact working group director Andy Polk at **apolk@fdra.org** with questions on how to get involved.

Thanks to our 2023 shoe sustainability program sponsors for their support in this and other key projects.

Berkshire Hathaway Shoe Holdings · Bloom Sustainable Materials · Caleres · Deckers Brands · Dynamic Foam · evoco · Insite · Jones & Vining · Material Exchange · Off Broadway Shoe Warehouse · Ortholite · Rack Room Shoes · RG Barry Brands · Romans CAD Software · Steve Madden · VF Corporation

Sustainability Strategy Snapshot

On a scale of 1 *(lowest)* to 10 *(highest)*
How strong is your company's sustainability strategy?

QUICK ANALYSIS

- The focus on strategy is vital because we are trying to obtain how embedded sustainability is into operations and culture across the industry, versus how much of it is a one-off product launch for marketing purposes.
- 60% is similar to last year's response. What we are seeing is perhaps a growing split in the industry. Some companies are making meaningful strides in terms of strategy and execution, some are still working to develop strategy and align teams, others have stalled or stopped pushing due to economic constraints or difficulties.
- We are encouraged by some of the following comments on clarity, defined goals, and directed efforts. But equally concerned that half of respondents are saying they are in neutral or downshifting.

Soundoff on Sustainability Strategy, in their own words

How clear and strong is your company's sustainability strategy now compared to 2022?

"More clear in 2023 vs 2022. Still need to set specific targets for footwear-related sustainability goals."

"Still in development."

"Much more involved in aligning all internal teams to get on board with our sustainability efforts. More proactive in accomplishing goals."

"Much stronger."

"Same." *(Similar comments among a large number of respondents)*

"Much stronger, but in my opinion not strong enough."

"We're continuing to try to define it and put actual goals together that we can communicate internally and externally, but it can be stronger. Every time we think we've finalized the plan, a new law seems to be passed that changes our plans."

"Almost the same, continue to do what's right as much as we could."

"Stronger and clearer." *(Similar comments among a large number of respondents)*

"Much stronger and more defined pillars."

"Getting stronger."

"50% better."

"Less strong."

"The same... small brand and everything we do could fall into the definition of sustainability depending on who defines it."

"We are just starting to talk about it and only use simple fixes like a sustainable insole."

"Much better, aligned with FDRA EPMs and SBTi."

"Getting there, still not crystal. We measured a baseline using 2022 data. Now in the process of working through a climate roadmap strategy and working on SBTIs."

"Much stronger, we have created a new sustainability framework / set of goals for the company this year."

"Less. Direction and implementation was lost. The "cost" barrier became largest driving factor against and feeling of its importance lost against quarterly goals."

"Science-based targets were approved in 2023 and we are making progress in developing an abatement strategy."

"We're trying to keep our head above water."

"Much clearer and stronger. Our SBTi targets were approved in 2023 and we are connecting those goals all the way back to seasonal strategies by team. It's not perfect, but the dots are being connected on methods to reduce waste and decarbonize our products."

"Mixed, at best."

"Small steps to move more sustainable, mainly packaging improvements."

"We set 2025 goals that we are still moving towards. We feel confident in reaching goals."

"We have returned to a standby/watching situation because we do not see any clear signals that would prove our consumers are so interested in this topic."

"More focused and directed. Confusion due to greenwashing makes it necessary to pick our battles."

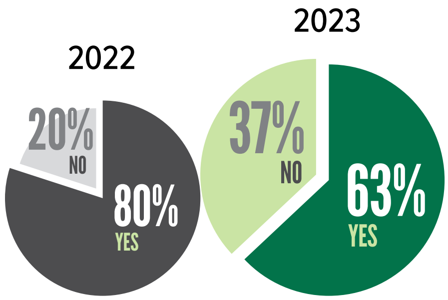
"In process in 2023 versus 2022, so that aspect is better. But we still don't have a complete strategy (implemented from the top down)."

"Becoming more focused and directed as goals and definitions are established as well as establishing procedures to comply with upcoming legislation expected."

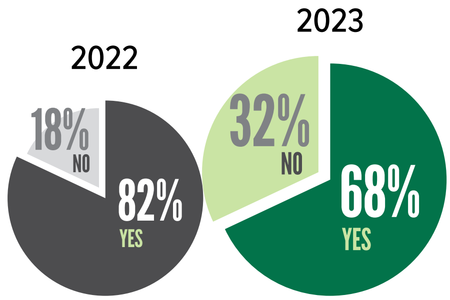

J&V
PROVEN

Materials and Production Snapshot

Choose all statements that apply.



We are using more **recycled materials** now than last year

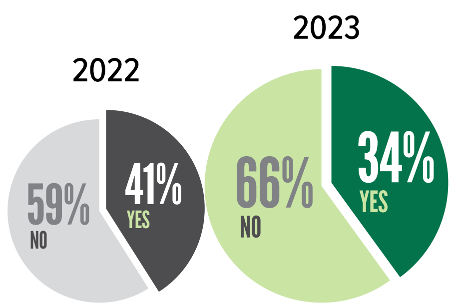


We plan to increase our use of **recycled materials** in upcoming and specific SKUs

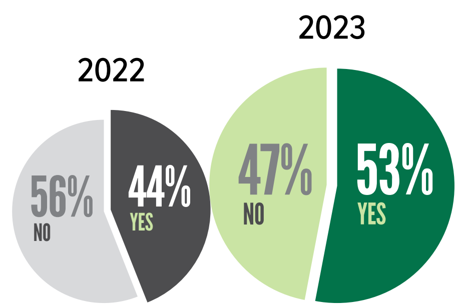
QUICK ANALYSIS

Shoe companies have leveraged recycled content for shoes for years now. It is clear the industry understands how to best incorporate this content into shoes without performance issues. We may be seeing full adoption by brands as the numbers point to the fact that companies may not have many more places they are not already using recycled content. The challenge for the industry is how to verify and certify recycled materials.

QUICK ANALYSIS



We are using more bio-based materials now than last year



We plan to increase our use of bio-based materials in upcoming and specific SKUs

- Bio materials present a new challenge for many companies. 1. It is difficult to compare biomaterials, as some are very sustainable, while others are made from non-sustainable processes. 2. Companies are still learning how to incorporate bio content without performance issues. *We are starting to see bio materials outperform traditional plastics for the first time, helping solve some of this riddle.
- In reading the following comments from professionals, the drop in use this year versus last year is likely due to budget and cost restrictions. Bio materials do cost a bit more on average than traditional foams or other materials, and we've heard about pressures to reduce costs. Without firm strategic targets, goals, and operational rules, companies have likely pulled back.
- What is encouraging is that we see companies leaning into bio much more than in years past. We have been talking about it for some time, and with new innovations coming to the fore in the form of new materials and better materials, we think companies see this space as the key to reducing environmental footprints overall.

FDRA
Footwear Factory Zero Waste Program
Towards zero manufacturing waste to landfill or incineration in footwear suppliers

Many shoe companies are using this plug and play program to help their factories reduce waste and actually generate an ROI.

Learn more at **shoesustainability.com/shoewaste**

Contact **info@fdra.org** to sign up

Do you feel progress is being made by shoe factories and material suppliers on sustainability, or have costs and orders (economic issues) impacted focus and progress?

"A bit of both. We've had success implementing cost-neutral sustainability options (e.g.; rTPR) but still face challenges from old buyer mindsets that everything should cost less... which in itself is not a sustainable mindset. Suppliers and factories "get it" now more than ever... and are aggressively pursuing options that'll benefit people and planet."

"Costs have impacted progress."

"Maybe progress on the material side more so than factories, at least in my world."

"Costs are a huge impact for us. Availability and traceability are huge hurdles as well."

"There has been progress but they have also been impacted by costs." *(Similar comments among a large number of respondents)*

"Factories are more aware of energy usage, moving to solar or wind. Material suppliers' costs seem to have decreased over the last 2 years. The biggest issue with enhanced bio and recycled materials is the MOQs continue to be prohibitive on most items."

"Most are definitely more cognitive and proactive about that, mainly due to push from brand side."

"Slow progress due to costs and economic issues." *(Similar comments among a large number of respondents)*

"Cost and orders are for sure their main focus over progress on sustainability."

"Limited progress is made." *(Similar comments among a large number of respondents)*

"Progress is definitely being made on things like PFAS-free, Higg FEM adoption and forced labor / traceability."

"Yes, feeling more supported with sustainable material footwear options. Supply chain transparency getting better and more insightful, but tracing back to tier 4, where a lot of the impact is coming from, is challenging."

"Improvement is being made, but we need to ensure we are seeing traceability and chain of custody to verify these claims. EU Regulations will require it and prohibit us from using these more sustainable materials without such visibility within the material supply chain."

"The has been some progress, especially regarding material suppliers. However, the cost of the new and more sustainable materials is still a barrier to change the sector."

"(EU) Recycled products are critical for the business."

"(USA) Recycled products still aren't a priority for the USA consumer. Suppliers are able to switch to recycled materials easily, but the sourcing/ production teams aren't willing to pay the increase in cost."

"There have been significant improvements, specifically in the use of renewable energy."

"Yes, but we need to be more consistent and clear about what our priorities are."

"Progress is slower in Asia, but our supply chain partners are increasingly more responsive. Quality is always a primary concern so anything that changes or impacts quality is a challenge."

Do you feel progress is being made by shoe factories and material suppliers on sustainability, or have costs and orders (economic issues) impacted focus and progress?

"Some progress, but lack of strategy. Definitely impacted by pricing and margin priorities."

"Costs and margin tend to dictate progress across most industries, unless governments push the narrative."

"There is progress, but it feels slow compared to the apparel sector."

"Currently, costs and volume has impacted our ability to move to more sustainable materials."

"There's more available from a Tier 3 perspective but getting tier 2 to buy or implement the new material has been a challenge."

"Progress is slow, visibility murky at best."

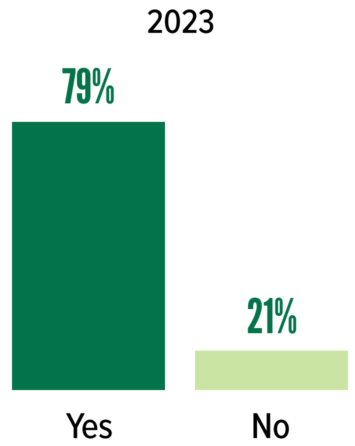
"Yes, the main emphasis is on materials though. Factories and suppliers should be focusing on switching to green energy which would decrease the environmental footprint of all of their associated products' substantially."

"Factories and suppliers on the whole are still watching and seeing if the brands are really serious—there are some who are making progress."

"There is some progress being made but it's slow going. Costs and orders having an impact for sure."

"It's getting easier and the costs are getting better. But there is still a lot of room for growth."

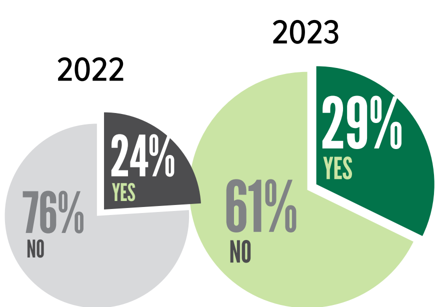
Do you feel like you and/or your company found success within the sustainability space this year (even tiny steps forward)?



QUICK ANALYSIS

This is a question of how professionals 'feel' about progress. That 80% 'feel' like they made positive steps forward is meaningful. It tells us that the passion to do the work remains high and respondents are seeing enough progress to keep pushing.

How much of your company's supply chain is mapped?



We have a full map of all our material suppliers (traceability)

QUICK ANALYSIS

Traceability is a large challenge for our industry, so the number is not surprising to those who understand the issues. Unlike a t-shirt, we produce a product that has 60+ materials and components, coming from multiple suppliers across several continents. We do see some progress from last year, but the numbers remain a concern to us based on forced labor laws and emerging legislation focused on deforestation and disclosure regulations. There is more work to do, but companies know this and we have seen a large uptick in collaborative work in this space.

Soundoff on what professionals need for Sustainable Progress, in their own words

QUICK ANALYSIS

The next several sections are open-ended honest comments from industry professionals. Data is important, but in this space, we need honest in-depth insights and feedback. The comments provide a critical understanding to where our industry is and what it is facing; helping companies benchmark themselves, helping solution providers see where they can add value, and helping align collaborative efforts.

What is the biggest issue you face working on sustainability issues – where do you need help (budget, knowledge, tools)?

"Establishing scope 3. Pulling all of the information out of the factories."

"All three areas—budget, knowledge and tools." *(Similar comments among a large number of respondents)*

"The intersection of social and environmental sustainability."

"Traceability, circularity and addressing the CO2 impact of key materials, e.g. leather in a Net Zero commitment without using offsets."

"I would say all 3 (budget, knowledge, and tools). This can be the equivalent of boiling the ocean some times."

"Budgets and suppliers." *(Similar comments among a large number of respondents)*

"Budget and knowledge."

"Internal communication about the need."

"We need more marketing knowledge and tools to boost demand."

"Documenting season-over-season of 'low carbon' material selections linked to Scope 3, Cat 1."

"It is still hard for product people to have the insight and data to make comparative decisions on EPMs in real time when they are building a shoe."

"Understanding regulations and building around that." *(similar comments among a large number of respondents)*

"Policy knowledge. (thanks to FDRA for the regulatory deep dive sessions)."

"We would need more tools to collect data and analyse impact."

"Budget and tools. Some traceable materials are very expensive and cost prohibitive. For example, we need tools to enable traceability within leather."

"Systems—we are bombarded with Tech Company solicitations through emails and phone calls. We need FDRA to provide more intel on different ESG systems and hear from the brands that are using these systems."

"Cost making it hard to scale lower options. Truly sustainable alternatives that are durable."

"Too many regulations to comply with."

"Ability to do a quick lifecycle analysis."

"The retailer, or consumer, is still not recognizing the need/importance/value of these sustainable products..."

"SO many regulations there's not enough extra time for the team as that takes up so much resource. Also struggling how to communicate this well to customers."

"Industry alignment on issues and solutions."

"Focus."

What is the biggest issue you face working on sustainability issues – where do you need help (budget, knowledge, tools)?

"Pricing of bio-based and more environmentally preferred materials in general."

"So much green-washing... Not even sure if what suppliers tell us is completely legit."

"We need industry collaboration on supply chain issues. We know the biggest impact is in our supply chain, and we know the biggest supply chain issue is dirty energy. We need an industry group with experts focused on helping big suppliers switch to green energy."

"Guidelines on legislation."

"Greenwashing marketing from larger brands has really cluttered up the messaging around sustainability so it's hard to break through with real sustainability."

"It would be interesting if there was budget for recognizing brands who make real, holistic sustainability progress in the footwear industry."

"I would say all 3 (budget, knowledge, and tools). This can be the equivalent of boiling the ocean some times."

Soundoff on Biggest Sustainable Challenges, in their own words

What is the biggest challenge our industry faces on sustainability today – what is hindering faster progress on that challenge?

"Lack of uniform standards."

"Consumption and growth are the biggest challenges to reductions and sustainable solutions..."

"Measure and benchmark current state for improvement. Product take back and footwear circularity."

"Addressing the CO2 impact of key materials, e.g. leather in a Net Zero commitment without using offsets."

"Red tape."

"Understanding whether the customer will pay more for sustainable products and [whether] being sustainable will help more in conversions."

"More US based suppliers."

"Circularity challenge."

"Cost." *(Similar comments among a large number of respondents)*

"There's too much green washing, so it's hard to track what really is sustainable."

"Lack of standards."

"Pricing and budget."

"Legislation is ramping up, and trying to keep track and [stay] compliant is eating up a lot of time and is a lot of documentation work."

"End-to-end traceability tools and consistent guidelines."

"Quarterly gains and margins outweigh everything else."

"Materials with greater social impact and lower environmental cost at a competitive price. Waste is also a big challenge for the fashion industry to become more sustainable."

"A war in Asia's impact on supply chains."

"Lack of systems and people and Exec management's investment in a weak economy."

"Data collection from supply chain beyond tier 1."

"Perfection over progress. Profit still top priority."

"Meeting the consumers' expectations with high performance and high sustainability needs, where in reality there is a compromise between those two."

"Traceability."

"Cost. Then, end-of-life... what do we do with the footwear when we're finished with it."

"The complexity of footwear and how to make sustainability goals for footwear product. Lack of investment in innovation."

"Long product development cycles, the fact that customers say they want more sustainable options but they aren't willing to pay for that."

"Building sustainability into a legacy industry model that was not created to be sustainable."

"Lack of consumer demand."

"Greenwashing and vague marketing claims seem to be working with consumers and investors. So there is less incentive for real progress."

"Collaboration among competitors to push the industry forward." *(Similar comments among a large number of respondents)*

Soundoff on Sustainable Hot Topics, in their own words

Please share any thoughts (importance, feasibility, challenges, opportunities) you may have on these hot topics: Regenerative Ag / Circularity / Bio-Based Materials / Traceability / Factory Production

"We would like to have a better handle on our traceability."

"Cost of sustainable alternative materials, whether it be bio, certified, regen—it would be great if the companies providing these solutions could help flip the narrative and reality making "better" the affordable option and "worse for the planet" the one you have to pay for."

"All above topics are important."

"Traceability, circularity (recycling, deconstruction), and addressing the CO2 impact of key materials, e.g. leather in a Net Zero commitment without using offsets."

"Traceability is a major concern and challenge in this ever changing sector. Inspection and testing is critical and it has to be 100% accurate when making Green claims."

"Circularity: how to manage this in developed countries like Europe, where costs are very high to collect assort repair, etc."

"If FDRA's proposal of duty free for over 25% bio-based materials is passed, it would probably be a real game changer."

"Regenerative is top of mind for us, followed by all of the others in almost an equal way."

"Brands should promote second-hand markets for their products."

"Factories already have a financial incentive to recycle raw materials, but brands have no incentive to recycle finished products."

"Traceability—we need information to be more transparent in the industry."

"Circularity is something that is extremely important to me. The footwear industry is prone to making a lot of waste and we need to start taking forward-thinking steps to make sure our planet is not overrun by waste."

"Circularity—using recycled/upcycled (or whatever you call it) materials from old shoes will very likely increase the risk for RSL non-compliance, e.g. PFAS contamination. It's a noble endeavor to seek out EOL solutions, yet it feels like e-commerce and marketing are leading the charge to commercialize CBMs because it's a cool thing to do, but maybe not the right thing to do."

"I find regenerative ag really fascinating but challenging due to the mono cropping and pesticides used by big farm."

"Traceability, though a pain point in the current regulatory landscape, will allow our company to have increased control over our supply chain and in turn allow us to push towards centering our supply chain on sustainable suppliers. If our supply chain is clear, we can celebrate and support suppliers in their push toward sustainable production and material use. Already with the FDRA waste program, we have seen increased engagement at the supplier level and have had the opportunity to celebrate their accomplishments at vendor summits."

"Factory Production holds a large key to all of the benefits that can be made in products. That is where we as a collective have the most power to implement change and make steps forward."

"Want to learn how factory performance (as measured in FEM and FSLM, for example) factors into material score (as calculated in MSI)."

Please share any thoughts (importance, feasibility, challenges, opportunities) you may have on these hot topics: Regenerative Ag / Circularity / Bio-Based Materials / Traceability / Factory Production

"Bio-based Materials: I think this is a great opportunity to move forward in the industry, but we are seeing a lot of partially bio-based materials that are not always grown sustainably, or are not committed to increasing their sustainable threshold. Ideally we would like to see more bio-material suppliers committed to improving their materials to be 100% bio-based."

"Traceability: A lot of the sustainable materials available to the FTW industry at lower costs lack a verifiable chain of custody or traceability. We need to see investments and development towards technology to enable traceability and chain of custody."

"Factory Production."

"Circularity—recycling footwear is still a challenge. Need new technology to separate components."

"Traceability—need investment in systems to track supply chain to tiers 3–4."

"Factory Production—need investment in renewable energy."

"Traceability: mapping supply chain beyond tier-1 is challenging."

"A lot of suppliers are offering more bio-based options. However, we are finding that many of the suppliers cannot trace the bio-based content back to the source... or they are tracing it back to a source that cannot provide an internationally recognized certification. This has made it difficult for our company to adopt more bio-based options."

"Amongst all the 'green washing' concerns, we truly feel by making high quality, long lasting shoes, we are one of the most sustainable brands there are—but very little credit is given to that. You seem to have to make something that's really bad, less bad to say you're "doing something."

"Regeneration should be the next step to follow. We should invest more time and resources on regenerative solutions, not just in regenerative agriculture."

"Circularity—it is exciting to see so many brands launching takeback/resale, but it still feels like there is a major gap in the other parts of the circularity equation—recycling and remaking."

"Factory production model needs industry-wide modernization efforts."

"Just because a material is bio-based doesn't mean it is better than a petrochemical material. It is an incredibly complex topic and many suppliers, industry groups, and brands seem to think that if a product is bio-based it is a good thing. There is a lot of nuance."

"Traceability—I think regulations are coming faster than most of the industry is reacting—this is a heavy lift and we need to move faster and with purpose."

"Circularity and factory production."

"Consumer behavior challenges progress on circularity and most companies lack incentive to help change consumer behavior... see fast fashion."

Synopsis

Why the range of responses – some positive, some neutral, and some a bit negative?

Footwear has 436 different style classifications based on different construction and materials; that number, set by U.S. Customs, is just the bare minimum. Each company and shoe brand must approach sustainability differently based on product variation, customer preferences, retail price constraints, and supply chains. These diverging variables drive different answers.

Some companies focus intensely on durability and longevity, while others are homing in on material types and possible recycling alternatives.

What are workers saying now versus years past:

The positive is that over the last five years we see continued progress, priority, and stronger execution. Even in a tough economic environment where costs were cut in 2023, we still see companies moving forward and continuing to craft their strategies.

It's very encouraging that 80% of workers feel they are making progress.

We do see a split among companies who have stronger control over supply chains and more agility in terms of retail pricing, and those who are more constrained due to market conditions. However, the fact that many have some sort of strategy in place or are discussing one, provides a stronger foundation for our industry than in years past; we are talking less about what we should do, and more about how we execute our plans.

What was interesting to us:

Companies seem to have a very firm grasp on using recycled content for product, while continuing to explore plant-based materials. We are encouraged in the outlook for bio-based materials to reduce environmental footprints. The issue with biomaterials remains costs, but many bio-based components are outperforming traditional plastic based components.

Even with laws on the books we seem to have a major challenge mapping footwear supply chains. With an average of 60-75 materials per pair of shoes, coming from multiple continents, it is no shock there are challenges. However, the hope is that companies can quickly trace, map, and confirm supply chains to not just comply with regulations but also optimize decisions for cost and environment.

More and more professionals are talking about regenerative as the hot topic of the day. Professionals are still passionate about circularity, but the many constraints on recycling is holding up progress in this space. Rather, with tight budgets and less personnel to tackle these issues, many professionals continue to look at optimizing current processes and choices.

Do you understand what the shoe industry faces when it comes to sustainability?

Too often those outside footwear judge companies with ignorant standards or rules. This report clearly outlines, more honestly than any 'fashion' ESG report, on the challenges posed to footwear but also the advancement our industry is making. It is clear that we do not live in a state of fear in addressing our challenges but work collectively towards opportunity and innovation.

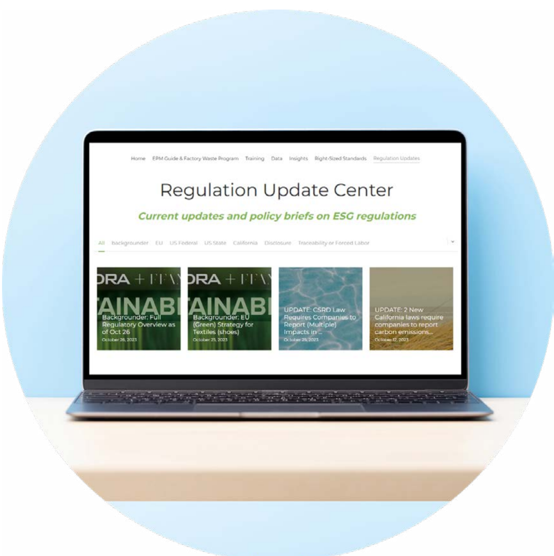
With a complex product, as stated time and again in the sound-off sections, we merely need a bit more expertise, capital incentives, and time to get the strategy right in each category.

Skill up and collaborate in 2024 with FDRA

FDRA 2024 SHOE SUSTAINABILITY & Innovation Summit

TUESDAY, SEPTEMBER 17, 2024 · CASTAWAY, PORTLAND

ShoeSustainabilitySummit.com



FDRA Member Companies: visit our Regulation Update Center for current updates and policy briefs on ESG regulations

ShoeSustainability.com

FDRA SHOE SUSTAINABILITY WORKING GROUP

FDRA Member Companies: look for Working Group calls throughout the year covering critical topics with industry experts

fdra.org/events