Ceres

October 2025

The 2025 Valuing Water Finance Initiative Benchmark

Apparel Industry

Background

The following section presents a review of the apparel industry-specific highlights and areas for improvement compared to the 2023 baseline benchmark to assess corporate water stewardship practices against the 2030 ambition of the six Corporate Expectations for Valuing Water. Examples of leading company practices are provided throughout and should be used alongside the 2025 Key Findings report to strengthen corporate water stewardship strategies. By assessing both strengths and gaps in industry wide water stewardship, companies can identify the steps necessary to address a range of water issues. The refined 2025 methodology along with the downloadable spreadsheet containing company-specific data offers valuable tools for deeper analysis into individual company performance and the identification of areas requiring further action.

Water Risks in the Apparel Industry Value Chain

The apparel industry faces escalating water-related risk across its entire value chain, from the cultivation of raw materials to processing, manufacturing, dyeing, finishing, and consumer use, affecting textiles, footwear and accessories and diversified companies in adjacent sectors such as wine, jewelry, and fragrances. As a result, water stewardship is an increasingly critical concern at every stage. Water use in the industry is substantial, with textiles alone estimated to consume almost 21 trillion gallons of fresh water along the value chain. Cotton alone accounts for roughly 25% of total world fiber use, with a single t-shirt requiring 713 gallons of water to produce. Water pollution is an equally significant challenge for the industry. Untreated wastewater from dyeing and finishing operations often contains hazardous chemicals that contaminate local water bodies, contributing to the industry's responsibility for over 20% of global industrial water pollution. The risks are exacerbated by concentrated production in industrial clusters that are frequently located in water-stressed regions. This puts enormous strain on shared water resources, compounding risks for communities and businesses.

In response, regulatory frameworks and industry innovation are evolving. In the United States, some policy has tightened, notably through the EPA's PFAS Strategic Roadmap, which mandates reporting data on PFAS use, and Extended Producer Responsibility schemes introduced at the state level to address textile waste, improve recycling, and promote circularity. Companies are responding

by phasing out hazardous chemicals and improving wastewater treatment, adopting sustainable farming practices for raw materials like cotton, implementing water-efficient dyeing and finishing technologies, and increasing water recycling and closed-loop systems.

Benchmark Progress Update

The following sections highlight the progress apparel companies have made on water stewardship, as well as the gaps that remain. A notable trend is the increase in corporate disclosures around water stewardship. More companies are now publicly stating their water stewardship commitments and reporting on targets, initiatives, and progress since 2023. This reflects a positive shift towards transparency and an increasing acknowledgment of water risks, impacts, and dependencies. However, disclosure alone, while foundational, is not sufficient to elevate companies to higher ambition of water stewardship performance. Corporate water stewardship leadership requires evidence of concrete action across the six Corporate Expectations for Valuing Water.

Notable Highlights

Several key highlights stand out, reflecting both continued trends and notable advancements since the 2023 benchmark, particularly around including suppliers in water stewardship strategies and increasing efforts to assess ecosystem impacts and risks across the value chain to support water resilience and habitat integrity.

- **Continued inclusion of suppliers in water stewardship strategies** Apparel companies are increasingly integrating suppliers into their water stewardship strategies, recognizing that water use and exposure to water-related risks are highest in the supply chain. Currently, 10 out of 11 apparel companies have established time–bound targets to address impacts on water availability covering their direct operations and parts of the supply chain (up from eight in 2023). Many of these commitments target priority suppliers in manufacturing and wet processing stages such as dyeing, washing, and printing fabrics and garments. Of these commitments, six are contextual, addressing impacts on water availability in water stressed areas, up from three in 2023. Raw material supply chains are being addressed largely through sustainable sourcing practices, with some having specific sourcing commitments that support improved freshwater ecosystems. **LVMH** has committed to certifying that, by 2026, 100% of its strategic raw materials will meet standards that guarantee the conservation of ecosystems, including water resources. These standards include organic and regenerative cotton, Leather Working Group certifications, and the Responsible Wool Standard.

- **Continued attention to addressing water quality through target setting** Ten out of 11 apparel companies now have targets to address water quality within their value chain (up from seven in 2023). However, most of these remain non-contextual and do not address the specific challenges associated with site or watershed level water quality risks. **H&M** remains the only company to set specific interim targets to support meeting its 2030 goal, ensuring all wastewater being discharged is treated to a level that causes no harm to receiving water bodies. These interim targets for 2025, 2027, and 2029 are guided by the Zero Discharge of Hazardous Chemical (ZDHC) standards for hazardous wastewater discharges, ranging from Foundational to Aspirational levels and rolled out progressively based on basin water risk.
- **Increasing efforts to assess ecosystem risks and impacts to support water resilience and habitat integrity** Five companies (up from three in 2023) now assess ecosystem impacts of sourcing and capital expenditure decisions to strengthen water resilience and habitat integrity. Nature-related risk and impact assessments support water resilience by providing insights into how ecosystems support water availability and quality, while enabling companies to prioritize ecosystem conservation and restoration actions, guide sustainable water management, and mitigate risks from ecosystem degradation. Additionally, six companies (up from four in 2023) provide details of risk management processes for identifying and assessing nature-related risks in their direct operations and supply chains. Tools such as the Integrated Biodiversity Assessment Tool (IBAT), International Union for Conservation of Nature and Natural Resources Guidelines, and the Science-Based Targets for Nature (SBTN) methodology are being used. **Levi's** has identified that 49% of its freshwater impact stems from agricultural pollution and water use, while 51% of its terrestrial impact is driven by land use changes. **LVMH** has identified that 218 protected areas, 48 biodiversity areas of strategic importance and 2,936 species of fauna and flora are within three-fifths of a mile of Group sites, including Ramsar designated wetlands.
- **Expanded efforts on water advocacy and greater transparency in aligning lobbying activities with corporate sustainability and water strategies** Ten companies now advocate for actions that advance water stewardship broadly, compared to four in 2023. Their efforts include engaging in industry associations to shape guidance on best practices such as the ZDHC guidance on chemical roadmaps, participating in coalitions such as the CEO Water Mandate and WASH4Work to advance WASH and industry action, and partnering with NGOs, such as Water.org, to support equitable access to water within communities. Disclosure has also improved, with nine companies now reporting on how they align lobbying activities with corporate sustainability strategies, compared to four in 2023. Three companies have gone further, reporting specifically on alignment with their water strategies, up from none in 2023.

Areas for Improvement

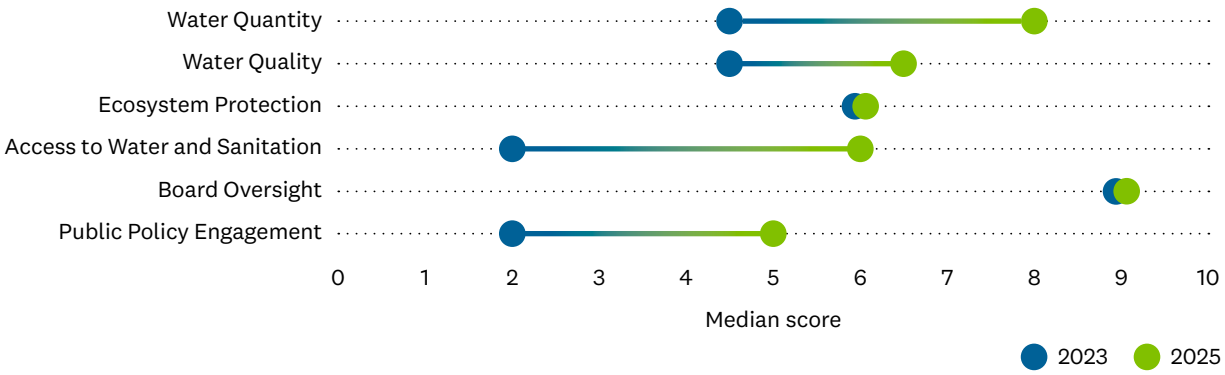
Despite progress since 2023, apparel companies still demonstrate significant gaps in disclosure of water impacts across their operations and supply chains, WASH remains limited in scope, and water considerations still need to be integrated into business planning across the full value chain. The following represent areas where the industry can further enhance action to continue to advance towards the Corporate Expectations.

- **Disclosure of water availability and quality impacts from direct operations and supply chain is limited** Few companies provide transparent reporting on the current and potential water availability or quality impacts resulting from activities across their value chain or on how these impacts are monitored within local catchments. In 2025, only **Kering** disclosed information on water availability impacts and monitoring processes, while **LVMH** and **Fast Retailing** were the only companies to report on water quality. Greater disclosure across the sector is needed to ensure accountability and enable stakeholders to understand how companies are managing water-related impacts at the watershed level.
- **WASH efforts do not sufficiently address the disproportionate burden the lack of water access places on women and girls, and companies have not conducted comprehensive risk assessments inclusive of WASH to identify gaps across the value chain** No company provides evidence of identifying where WASH is needed most within direct operations, supply chain, and communities through a risk assessment. While all companies continue to report acting on WASH for at least one of their key stakeholder groups (employees, suppliers, or communities), only three (**Gap**, **Fast Retailing**, and **VF Corporation**) have corporate WASH strategies that fully integrate gender considerations and explicitly recognize the disproportionate burden faced by women and girls.
- **Potential to further embed water considerations into board oversight and business planning measures** Similar to 2023, only four companies (**Adidas**, **Inditex**, **Levi's**, and **LVMH**) integrate water risks and opportunities into business planning and strategy for both direct operations and their supply chain. Stronger corporate governance mechanisms are needed for the industry to meet the Board Oversight Expectation, which includes explicitly incorporating water into board committee charters and adopting tools such as shadow pricing or internal water pricing that reflect the societal and environmental value of water. These measures would enhance accountability at the governance level and build on existing practices, where boards and senior management regularly oversee water risks and opportunities as part of business planning for assets and supply chain.

Detailed Industry Performance

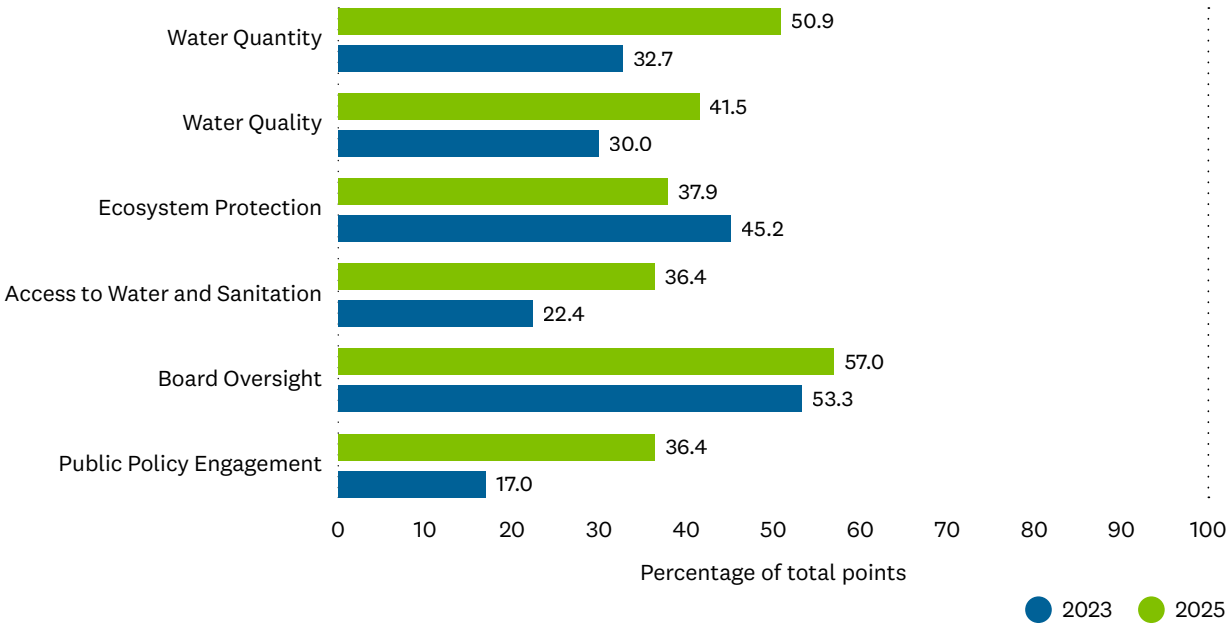
Apparel companies demonstrated the strongest disclosure and performance on the **Board Oversight** and **Water Quantity** Expectations, with median scores of 9 and 8 respectively (out of 15 available points) (Figure 1). Companies performed the lowest on the **Public Policy Engagement** Expectation, with a median score of 5.

Figure 1 · Apparel Industry Performance (2023 vs. 2025) across the Corporate Expectations



Across the six Corporate Expectations for Valuing Water, from 2023 to 2025, notable improvements were observed in industry-wide performance, with upward trends in the **Water Quantity** (▲18.2 percentage points), **Water Quality** (▲11.5 percentage points), **Access to Water and Sanitation** (▲14 percentage points), and the **Public Policy Engagement** (▲19.4 percentage points) Expectations (Figure 2). Companies maintained strong performance in **Board Oversight** (▲3.7 percentage points) and demonstrated a lower score in **Ecosystem Protection** compared to 2023 (▼7.3 percentage points), largely due to 2025 methodology refinements (read more here).

Figure 2 · Apparel Industry Performance (2023 vs. 2025) across the Corporate Expectations

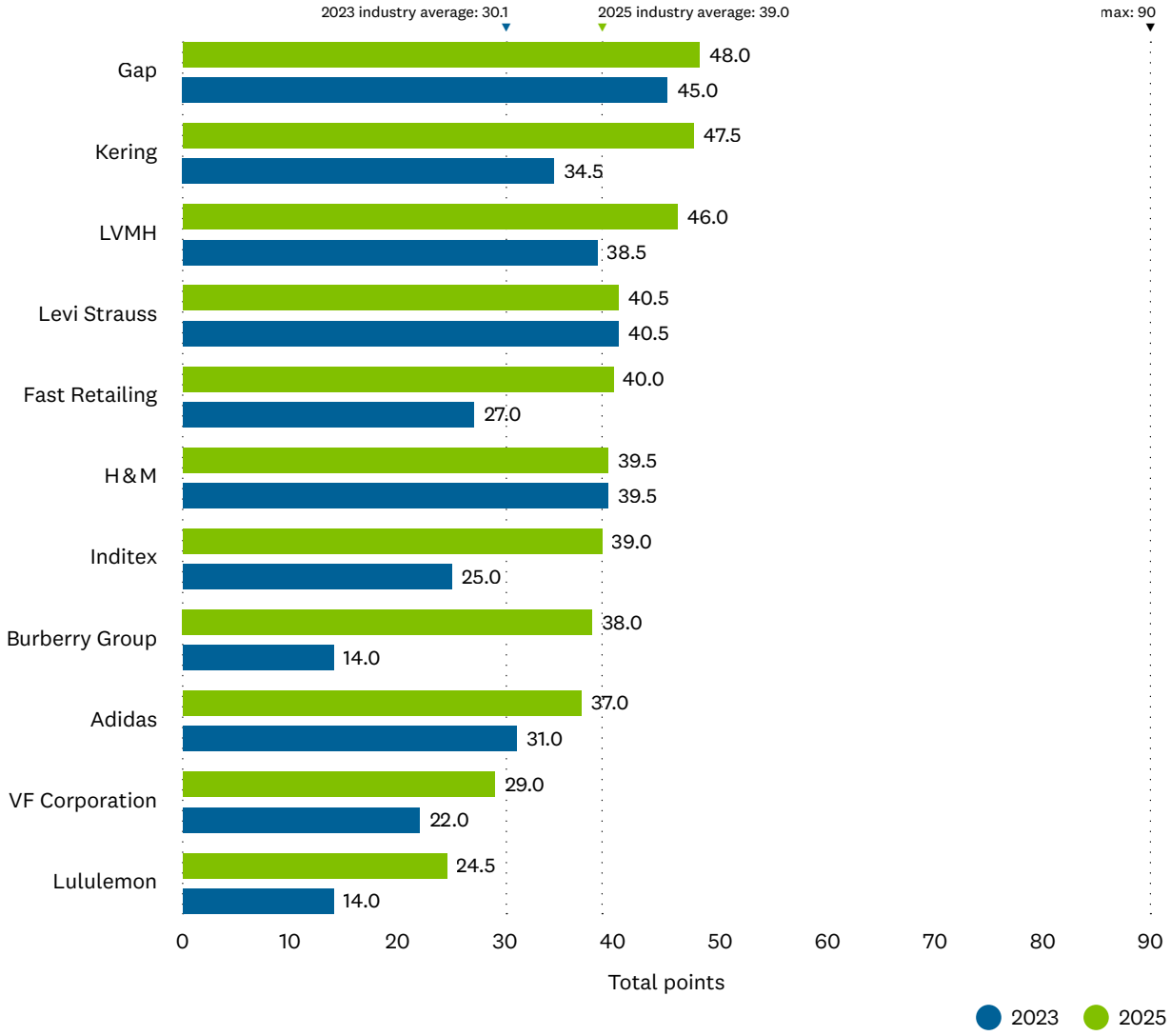


Detailed Company Performance

Gap continues to have the highest individual score, given its strong performance across the Water Quantity, Access to Water and Sanitation, Board Oversight, and Public Policy Engagement Expectations, closely followed by **Kering** and **LVMH** (Figure 3). **Burberry** showed the most significant improvement, raising its overall score to 38 points (out of 90 total available points), up from 14 in 2023, driven by stronger disclosure and action across all six Corporate Expectations. Overall, nine out of 11 apparel companies improved their benchmark performance between 2023 and 2025.

For 2025, the average industry score is 39 out of 90 points, an improvement from 30.1 points in 2023.

Figure 3 · Breakdown of Company Performance (Total Points Scored) from 2023 to 2025



Water Quantity

Average company performance increased to 7.6 points in 2025, up from 4.9 points in 2023 (out of 15 total points).

Ten out of 11 apparel companies now have time-bound targets to address impacts on water quantity (up from eight in 2023). Among these, six companies have set contextual targets to address impacts on water availability, focusing on water stressed areas (up from three in 2023). Targets vary in type, including reducing water consumption or withdrawal intensity (per unit of product or per kilogram of garment), lowering absolute freshwater use, decreasing average freshwater use in manufacturing, and pursuing water replenishment efforts.

Five of the 10 companies setting time-bound targets (Burberry, H&M, Inditex, Fast Retailing, and Lululemon) have targets covering strategic Tier 1 and Tier 2 (manufacturing and wet processing) suppliers. Inditex has set a target to reduce water use in its supply chain 25% by 2025 and had achieved a 22% reduction by 2024. The company has identified water-stressed regions, such as Turkey, Mainland China, and Morocco, where its wet processing facilities are concentrated. Its recently

released Water Policy outlines its commitment to setting contextual water reduction targets based on geolocation and water footprint monitoring. The company's Care for Water standard is used by water-intensive manufacturing facilities in its supply chain as a benchmark for responsible water management. Under this standard, all facilities must have achieved a level of "excellence" for optimal water consumption management by July 2025. **Burberry** now works with suppliers at hotspot sites, areas of high water stress with inadequate water management relative to their water intensity, to identify and develop improvement strategies, with the goal of eliminating all such hotspots by 2030.

Lululemon has committed to a 20% reduction of freshwater use intensity with priority wet process suppliers by 2025; by 2023, it had achieved a 2% reduction in freshwater use intensity and is in the process of reviewing its target as part of the next iteration of its Impact Agenda. The company uses the World Resources Institute's (WRI) Aqueduct Water Risk Atlas to prioritize suppliers with high production volumes, water reduction potential, and high water risk. **H&M** continues to advance towards a 30% reduction in absolute freshwater extraction and use by 2030, with interim goals tailored to water stressed basins.

The remaining five companies out of the 10 setting targets (Adidas, Kering, Levi's, LVMH, and Gap) have targets addressing both direct operations and supply chain. For instance, in addition to **Gap**'s commitment to achieve a net water positive water impact in water-stressed regions by 2050, the company is working towards a "water-resilient supply chain" by engaging with suppliers to set context-based water targets and strategies for achieving them, although these are not publicly disclosed. The company is working with its strategic supply chain partners in manufacturing processes to reduce freshwater use by using recycled water and improving wastewater quality. **Gap** has assessed all of its Tier 1 and 2 manufacturing sites using WRI Aqueduct and WWF Water Risk Filter, allowing it to prioritize water use reduction efforts in high-risk regions, including South and Southeast Asia and Central America. **LVMH** distinguishes itself among its peers by ensuring that water withdrawal reduction efforts include raw material production, which accounts for more than 95% of the company's total water withdrawals. To achieve this, the company supports raw materials certification and the implementation of regenerative agriculture for its cotton, wool, leather, and beet supply chains. These actions are designed to advance the company's 2030 commitment to reduce water withdrawal from its scope 3 suppliers by 30%, of which it has achieved 10% to date.

Disclosure practices across the industry are also improving. Eight out of 11 companies (up from four in 2023) reported water withdrawal and consumption volumes for their direct operations, parts of their supply chain, or both. Gap collects annual water consumption data for its supply chain using the Higg Facility Environmental Module, while **Fast Retailing** discloses water withdrawal and

consumption at its major garment factories and fabric mills to track progress towards a 10% per unit withdrawal reduction by the end of 2025. As of 2023, 51% of factories had achieved this target.

Kering is the only company reporting on the local impacts caused by its water withdrawals, according to data provided by CDP (2024). Drawing on its proprietary Environmental Profit & Loss accounting tool and SBTN guidance, the company has identified the Arno Basin in Italy as a top priority basin, with animal rearing and tanning as the most water-intensive processes in its supply chain. Water availability is a challenge in the basin, due to the density of company and supplier operations located there. The company has identified 138 supplier sites withdrawing water from the basin, leading to potential risks of conflicts with communities. In response, **Kering** has joined a local consortium of tanneries to address shared water challenges and engage local stakeholders. It has also established site specific targets for 2030 to reduce water withdrawals by 21% at Group operated sites in the Arno Basin, as well as by 21% among strategic suppliers.

Water Quality

Companies' average performance increased to 6.2 points in 2025 from 4.5 points in 2023 (out of 15 total points).

Ten out of the 11 companies assessed have established time-bound targets to address impacts on water quality, an increase from seven companies in 2023. Similar to water availability commitments, the scope of these targets is primarily directed at companies' own operations and Tier 1 and 2 suppliers. Most targets focus on compliance with the Zero Discharge of Hazardous Chemicals (ZDHC) wastewater guidelines for effluent discharges and wastewater monitoring for wet processing suppliers, phased elimination of restricted substances in line with ZDHC Manufacturing Restricted Substances List (MRSL), and overall commitments to achieve zero wastewater pollution.

For instance, **Inditex** requires all wet processing facilities in its supply chain that discharge directly into the environment to meet ZDHC's wastewater guidelines at the "foundational level" by July 2025 and the "progressive level" by July 2026. **Kering** has established water quality targets for both its direct operations and its strategic suppliers. These include implementing action plans to reduce Chemical Oxygen Demand (COD) in the seven Group-owned tanneries by the end of 2025, ensuring that 100% of strategic suppliers using wet production processes reach Level 2 of the ZDHC Supplier to Zero program by 2025, and requiring 100% of such strategic suppliers (defined as being critical to business due to volume of spend) conduct wastewater testing annually. **H&M** remains the only company to have a target based on the level of water risk in different basins. To support its 2030 goal to ensure that the receiving water body is not adversely affected by discharges from the supply chain, the company has interim goals for its sites in all basins, which medium to high risk and high-risk basins are to achieve by 2025, 2027, and 2029. These targets are informed by ZDHC guidelines and include meeting local pollutant requirements and improving wastewater quality.

Nine companies now disclose aggregate wastewater discharge volumes for their direct operations or parts of their supply chain (an increase from seven companies in 2023). **Burberry** and **Fast Retailing** are the only two companies that disclose wastewater discharge volumes for both their direct operations and parts of their supply chain.

All 11 companies (up from eight in 2023) now disclose industry pollutants of concern and their approach for setting internal discharge limits, including where local regulations are insufficient. Notably, 10 of these companies rely on ZDHC's Wastewater Guidelines to identify and address their discharges. **Gap** applies a combination of global chemical regulations and industry standards, including the AFIRM Restricted Substances List, ZDHC Manufacturing Restricted Substances List (MRSL), and ZDHC Wastewater Guidelines, supported by third-party audits and ongoing supplier engagement. **Adidas** also works across its supply chain to help Tier 1 and Tier 2 suppliers in adopting best-in-class chemicals in line with the ZDHC MRSL guidelines. It collaborates with the ZDHC group to keep the restricted substances list up to date, engages chemical formulators to identify safer alternatives, and supports suppliers in implementing planned substitutions. **VF Corporation** addresses water pollution by implementing its Global Wastewater Discharge Standards, which require independent testing for Tier 1 and key Tier 2 suppliers, the adoption of a responsible chemical management program, and full compliance with internal wastewater standards that meet or exceed local requirements.

Ecosystem Protection

Companies' average performance slightly declined to 5.7 points in 2025 from 6.8 points in 2023 (out of 15 total points).

As in 2023, no apparel company has met the highest ambition for this indicator by setting a time-bound target to specifically protect or restore freshwater ecosystems and aquatic biodiversity and provide support through involvement in associated projects.

Projects and Targets

Five out of 11 companies (Burberry, Inditex, Kering, Levi's, and LVMH) engage in ecosystem protection and restoration projects that support natural ecosystems critical to freshwater supplies and aquatic biodiversity (up from two in 2023). Companies are participating in restoring mangroves and sustainably managing wetlands that are critical to safeguarding freshwater ecosystem health and

biodiversity. For instance, as part of company's Net Zero Agenda, **Burberry** is supporting ecosystem restoration efforts across key areas in Hainan, China, through preserving the island's tropical forestry, mangrove ecosystems and biodiverse habitats, in line with the country's sustainability agenda. **H&M** is working with WWF to reforest and enrich land in Central Kalimantan, Indonesia, through biodiversity conservation and wildlife habitat restoration in an area with mangroves, peat swamps, and freshwater swamps. **Kering** plans to launch "transformation projects" for 10 priority basins, with the aim of regenerating ecosystems under water stress, improving water availability and quality, and strengthening land ecosystems.

All of the five companies participating in ecosystem projects have established ecosystem targets but these lack a specific focus on freshwater ecosystems. For instance, **Inditex** has committed to restore, protect, and regenerate 5 million hectares by 2030. To advance this target, the company participates in cross-border initiatives such as the Mountains to Mangroves project in India, Bhutan, Nepal and Bangladesh, forest restoration in Mexico and Brazil and sustainable forestry programs in Spain and Portugal. However, the company does not report a quantitative metric for the extent of freshwater ecosystems to be restored or protected. Similarly, **Kering** has committed to reducing its land footprint 3% by 2030 through its participation in an SBTN pilot. However, it is unclear if freshwater ecosystems will be included in this land footprint commitment.

Sustainable Sourcing and Supplier Engagements

In 2023, all apparel companies had adopted sourcing policies for key raw materials, supported by supplier engagement efforts to reduce practices harmful to ecosystems. These efforts were underpinned by commitments to meet third-party certifications for raw materials, enhanced supply chain traceability, and deforestation- and conversion-free sourcing for high-risk commodities. Collectively, these measures were intended to mitigate ecosystem degradation.

In 2025, methodological refinements have emphasized the importance of sourcing practices being explicitly linked to the reduction of negative impacts on freshwater resources. As a result, **only five companies (down from 11 in 2023) report the intended water benefits of all their sustainable sourcing strategies (sourcing commitments, policies, and supplier engagement).**

Kering has committed that, by 2025, sourcing and production in its supply chains will not cause or contribute to the loss of natural ecosystems, including land, freshwater, and marine areas. The company's Sustainability Principles require its suppliers (and their suppliers) to evaluate water stress at production sites using tools such as WRI's Aqueduct or WWF's Water Risk Filter. Suppliers are also expected to maintain a water stewardship program to manage water use and quality. This includes protecting community access to water and sanitation, implementing measures such as closed-loop

water systems, rainwater harvesting, and comprehensive monitoring, and reporting at the watershed level—particularly in regions with high water stress or degraded freshwater resources. **Kering** leverages the Clean by Design program developed by the Apparel Impact Institute to deliver supplier engagement sessions on water and performance audits, covering 59 suppliers between 2013 and 2023.

LVMH has committed that 100% of its strategic raw materials, including cotton, wool, and precious metals, will be certified to standards that guarantee the conservation of ecosystems and water resources by 2026. The company also targets a 30% reduction in water withdrawals from its scope 3 suppliers by 2030. Reported progress emphasizes reductions and optimization in vineyard irrigation (grapes suppliers), cotton cultivation, leather production, wool production and processing, and precious metal extractions and processing. Key measures include wastewater reuse and rainwater recovery within the value chain, while supporting partner livestock farmers, growers, and vineyard operators with raw materials certification and regenerative agriculture across the cotton, wool, leather and beet supply chains. **Levi's** is progressing on its commitment to use only third-party preferred or certified sustainable primary materials by 2030. In 2023, 96% of **Levi's** cotton was organic, recycled, or Better Cotton. As part of these efforts, it supports The Better Cotton Initiative, US Cotton Trust Protocol, and Organic Cotton Accelerator, which helps cotton farmers improve their yields while using less water, reducing chemical use, and investing in regenerative farming techniques.

Five companies (up from three in 2023) assess the ecosystem impacts of current and projected capex and sourcing decisions to ensure water resilience and habitat integrity. For instance, **Fast Retailing** now assesses the ecosystem impacts of its current and projected capex and sourcing decisions by evaluating biodiversity risks across its value chain, particularly land use change and water pollution in its cotton and rayon supply chains. **Adidas** has conducted an analysis of its direct and indirect ecosystem impacts using ENCORE, a specialized tool for biodiversity and assessments related to natural resources. The analysis demonstrated that the company's largest dependencies and impacts are related to the physical condition and ecological health of habitats, followed by water and the atmosphere. This is due to **Adidas**' reliance on raw materials and the ecosystem services that regulate and maintain freshwater supplies.

Six out of 11 companies (up from four in 2023) provide details of risk management processes for identifying and assessing nature-related risks in direct operations and supply chains. LVMH has updated its deforestation and biodiversity assessment to quantify the potential deforestation intensity and land conversion within its supply chains based on countries of origin and production practices, using tools such as the IBAT, the Global Forest Watch, and the Global Mangrove Watch. These tools include indicators such as water use and support the company and its brands in identifying supply chains and geographies to prioritize for reducing ecosystem impacts.

Access to Water and Sanitation

Companies' average performance increased to 5.5 points in 2025 from 3.4 points in 2023 (out of 15 total points).

Five apparel companies (up from three in the 2023) have formally recognized the human right to water through a publicly available corporate policy (Burberry, H&M, VF Corporation, Inditex, and Gap), demonstrating a strengthened commitment to WASH beyond solely referencing it in a corporate sustainability or ESG report.

Additionally, eight companies (Adidas, Fast Retailing, H&M, Inditex, Kering, LVMH, Gap, and VF Corporation) now have a time-bound WASH target, up from three in 2023. Gap continues to make progress towards its goal of empowering 5 million people in the apparel industry with improved access to clean water and sanitation.

Similar to 2023, all companies continue to show progress in reporting WASH efforts for at least one of their key stakeholder groups (employees, suppliers, or communities). Ten apparel companies (up from five in 2023) report providing employees access to water and sanitation, either by complying with local WASH regulations for their facilities or meeting internally set WASH requirements. **Gap** ensures employee access to WASH through compliance checks conducted by both an independent internal audit team and third-party auditors to identify and address any violations related to WASH services. However, most companies do not disclose audit frequency or whether access to WASH is verified by third-party certification across all sites.

Within supply chains, WASH expectations are typically included in the supplier or vendor code of conduct. LVMH, for instance, requires suppliers and subcontractors to provide WASH as a condition for doing business, enforces a zero-tolerance policy, aims for zero non-compliance in audits, and terminates relationships with non-compliant suppliers. Still, few companies describe mechanisms for ensuring supplier adherence to these policies. **Adidas** revised its Major Incident Report Protocol for suppliers by adding a new community complaint reporting mechanism. This is a channel for suppliers to report complaints they receive from local communities, such as negative impacts to water and sanitation access caused by the supplier operations. Through this system, the company received a community complaint in Indonesia in 2024 related to a Tier 2 supplier facility's impacts on the local community. According to the complaint, the facility's operations caused local flooding, which adversely impacted the community. In response, **Adidas** required the facility to upgrade its rainwater run-off systems to prevent recurrence.

Four apparel companies (VF Corporation, Gap, Fast Retailing, and Inditex) now report supporting projects to improve WASH services in surrounding communities. VF Corporation addresses supply chain and community access to WASH through its Worker and Community Development Program (WCD), which includes comprehensive needs assessments to ensure the company delivers projects in areas with WASH gaps. In 2024, the company scaled its partnership with WaterAid to improve WASH access for women and low-income communities in Cambodia. At the time of assessment, this

program had engaged 42,499 people, with the goal of supporting access to clean drinking water and sanitation for 100,000 people by March 2026. **VF Corporation** also supports the Open Defecation Free Plus initiative and empowers women government staff to deliver training on WASH practices through the Women's Leadership program. In Bangladesh, the company continues to work with Water and Sanitation for the Urban Poor, an organization dedicated to improving water and sanitation access is impoverished urban areas of developing countries, to increase access to WASH, following its findings from its latest WCD program needs assessment.

Inditex supports Water.org to improve access to drinking water and sanitation for vulnerable families through microloans in countries such as Bangladesh, Cambodia, or India. The company also supports the Water & Climate Fund, which develops projects that improve water and sanitation infrastructure and strengthen resilience against climate impacts across Asia, Africa, and Lain America.

Board Oversight

Companies' average performance increased slightly to 8.5 points in 2025 from 8 points in 2023 (out of 15 total points).

In 2025, eight companies disclosed information on how often their board is briefed on water issues, incentive structures linking water stewardship to senior management and board compensation, and the specific water-related issues overseen by board and senior management. This represents an increase from six companies that provided this information in 2023. At **H&M**, the Chief Sustainability Officer briefs the board twice a year on water-related topics, according to data provided by CDP (2024). The company's governance practices link monetary incentives, such as bonus schemes for the CSO and other senior executives, to performance on corporate water-related targets. **Gap**'s Chief Supply Chain and Transformation Officer holds the highest level of direct responsibility for water-related issues, reporting directly to the CEO. The Chief Supply Chain and Transformation Officer meets regularly with the Governance and Sustainability Committee of the board of directors, a committee of directors independent of the management of the company, on **Gap**'s water strategy and program progress and is eligible for an annual bonus tied to water goal achievement.

Similar to 2023, nearly all apparel companies (10 out of 11) make statements around or consider water-related risks and opportunities as part of major business planning activities. Of these, five companies (Burberry, H&M, Kering, Gap, and VF Corporation) integrate water risks and opportunities into decisions on strategy, risk, and revenue for either their assets or supply chain. Commonly acknowledged water risks continue to include flooding, drought, and water stress. **H&M** has identified that its virgin cotton is particularly vulnerable to water stress, extreme heat, and flooding, which could raise sourcing costs—especially in the long term due to impacts of climate change according to data provided by CDP (2024). In response, the company aims to reduce reliance on virgin cotton by increasing the use of recycled and alternative fibers and by supporting regenerative and resilient farming practices. In terms of water-related opportunities, companies commonly acknowledge innovations to strengthen supply chain resilience, decreased operating costs through reduced water use and consumption, and improved brand value. For instance, **Kering** promotes regenerative agriculture within its operations and value chain to protect natural resources, strengthen ecosystem services, and secure the quality and availability of raw materials.

Four companies (Adidas, Inditex, Levi's, and LVMH) report integrating water risks and opportunities into decisions on strategy, risk, and revenue across both assets and supply chain. LVMH discloses water-related risks, including restrictions on water use, water stress, and reputational risks from water pollution impacts, across its operations and supply chain, according to data provided by CDP (2024). It addresses these through a 30% water reduction target and SBTN-aligned measurement framework. The company also identifies opportunities, such as advancing strategies around regenerative cotton and water reuse, which are integrated into its value chain strategy and supplier engagement through the company's LIFE 360 program. These initiatives enhance water efficiency and drought resilience, including for its tanneries. **Levi's** has identified specific regional water risks, such as high water stress, drought, and flooding in South Asia, as posing a threat to cotton supply and manufacturing operations. To mitigate these risks, the company implements production efficiency, water reuse technology, climate-smart cotton, LEED water standards, and water quality improvements, primarily within its supply chain where impacts are greatest. **Adidas** reports on the water risks it faces from operating in water-stressed areas and its reliance on water-intensive suppliers, which could lead to business disruptions, stricter regulations, and reputational impacts, according to data provided by CDP (2024). Additional acknowledged risks include potential water pollution in the supply chain, which may increase regulatory and transparency requirements. In response, the company works with its Tier 1 and 2 suppliers to reduce water use, providing guidelines, toolkits, and an efficiency calculator to enable the tracking of supplier water consumption and setting supplier water reduction targets. In terms of water-related opportunities, the company's risk mitigation strategy focuses on strengthening upstream value chain resilience and sustainable sourcing through its work with Tier 1 and 2 suppliers to reduce water use.

None of the apparel companies explicitly include water as an issue of board focus in their board committee charters, as also noted in 2023. Ten companies have at least one board member with expertise in water. This is an increase from nine companies in 2023. To support business planning and decision-making, **Kering** remains the only apparel company to have set an internal price for water that considers wider societal and environmental benefits, which means that not only is the water saving counted, but the monetized value of river pollution is avoided and biodiversity maintained. The company uses its Environmental Profit & Loss accounting tool to estimate the financial cost of externalities based on their social and environmental impacts. This country-specific, contextualized monetization approach helps guide investments, improve water efficiency, and inform procurement and value chain decisions across all stages of operations.

Public Policy Engagement

Companies' average performance increased to 5.5 points in 2025 from 2.5 points in 2023 (out of 15 total points).

Advocacy

Ten companies (up from four in 2023) engage in external advocacy specifically around water-related issues such as water governance, infrastructure, and equitable access to water. Apparel companies demonstrate this through participation in industry groups, civil society, and multi-stakeholder initiatives to advance sustainable water management and support the development of industry resources to scale best practices. **Burberry** serves on the board of the ZDHC Foundation, working alongside other brands and luxury peers, third-party suppliers, and external chemical experts to shape the industry's chemical management roadmap. The company also participates in the Global Water Initiative's Corporate Water Leaders group, a global network of working groups engaged in solving industrial water challenges. **Kering** is also part of the Corporate Water Leaders group, currently working on a set of guidelines for water management covering brands and their supply chains. **Lululemon** helps strengthen industry knowledge on mitigating water impacts through collaboration with The Microfibre Consortium and ZDHC as part of a task force that developed common testing requirements to address microfiber fragmentation in wastewater from apparel manufacturing facilities.

Two companies (Gap and VF Corporation) report increased ambition by ensuring their water-related advocacy activities take place within some of their priority and high-stressed basins. Gap collaborates with NGOs, public and private sectors, and global initiatives, such as the UN CEO Water Mandate, Water Resilience Coalition, and WASH4Work, to promote access to clean water, sanitation, and water-saving innovation. Its partnerships, including with the Women+Water Collaborative and WaterEquity, demonstrate its role in mobilizing collective action and advancing systemic solutions.

VF Corporation collaborates with Water and Sanitation for the Urban Poor in high water stress areas of Bangladesh, advocating for improved WASH within the community and supporting the development of water and sanitation guidelines implemented alongside the government utility Chattogram Water Supply and Sewerage Authority and the local facilities. The company also supports enhanced water resilience through global partnerships with organizations, including Water.org and WaterAid, and engages in industry and policy collaborations, such as the UN CEO Water Mandate, Cascale, and the World Business Council for Sustainable Development, to influence industry practices and promote stronger action on water stewardship.

Lobbying

Nine companies (up from four in 2023) report that their lobbying activities are aligned with general corporate sustainability strategies. Of these, only three companies (Gap, Kering, and LVMH), up from zero in 2023, have advanced in ambition by disclosing mechanisms to ensure both direct corporate lobbying and the activities of their industry associations align with company water policy or strategies.

> Similar to 2023, most companies provide limited details on how their lobbying directly advances sustainable freshwater management. Greater transparency and action in this area are needed.

At **Kering**, the Chief Sustainability Officer oversees direct and indirect lobbying activities with the Group's sustainability strategy. By engaging in trade associations, the company advances sustainable growth in the luxury industry in line with its sustainability strategy. If misalignment is identified, the company engages the association to address it and, if unresolved, withdraws membership. Similarly, at **LVMH**, the CEO, Chairman, and all directors of the Board share responsibility for ensuring lobbying activities are aligned with the company's environmental strategy, including water. The Board provides guidance when misalignments arise during regular meetings. The company also participates in policy discussions, such as those related to the EU Water Framework Directive, to support prudent regulation and share local basin insights.

While these examples represent an improvement within the Public Policy Expectation, there is still opportunity for companies to provide more transparency into how their lobbying activities, whether direct or through trade associations, may impact freshwater resources.