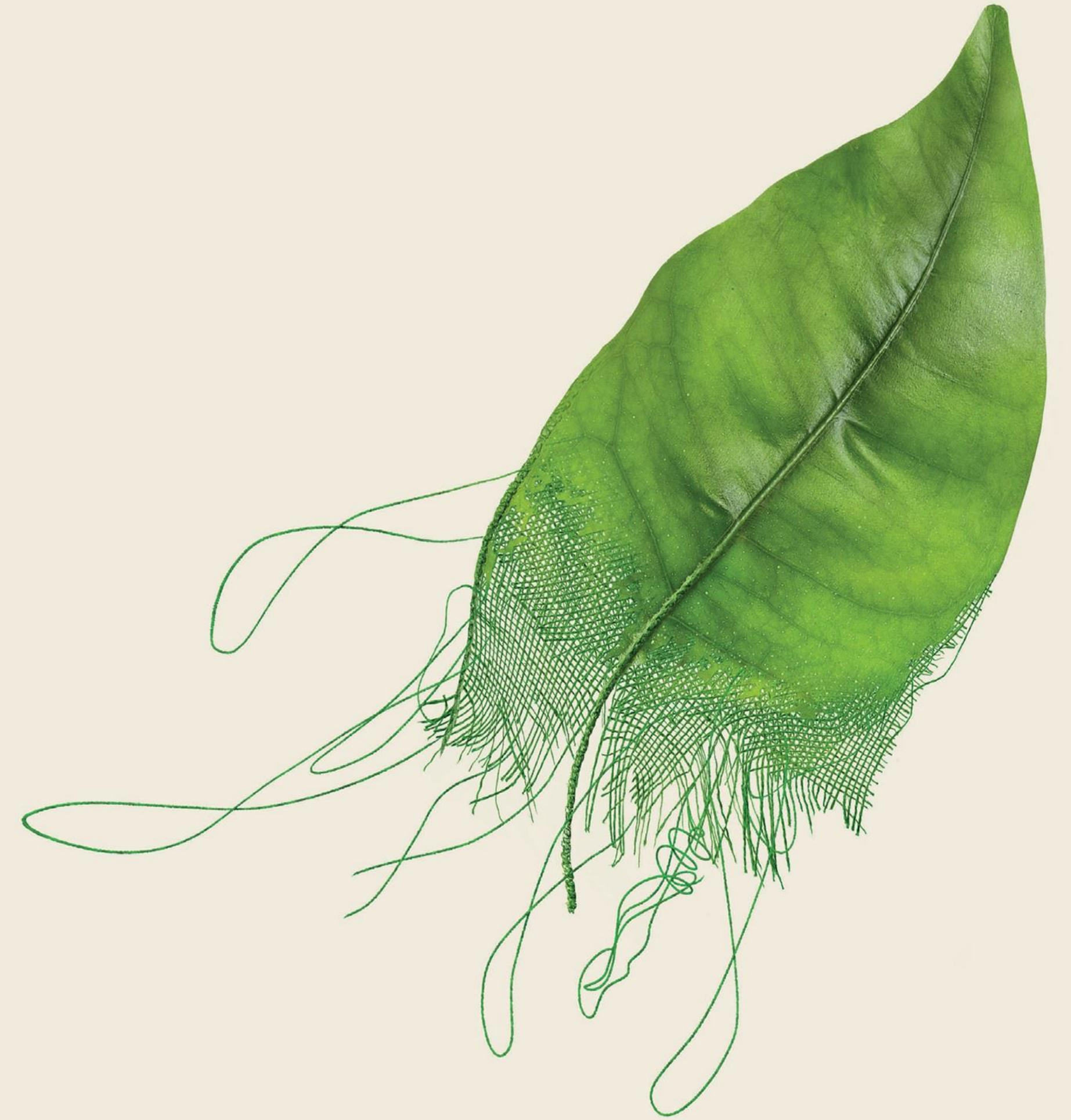


3rd EDITION
VENICE SUSTAINABLE FASHION FORUM
OCTOBER 24th AND 25th, 2024
VENICE, FONDAZIONE GIORGIO CINI

PARELLEL SESSION

JUST FASHION TRANSITION 2030

Adele Fusi, Matteo Rimini, Giulio Benelli,
Leonardo Raffaelli
- Modera Silvia Mazzanti



DIAMOND PARTNERS



PLATINUM PARTNERS

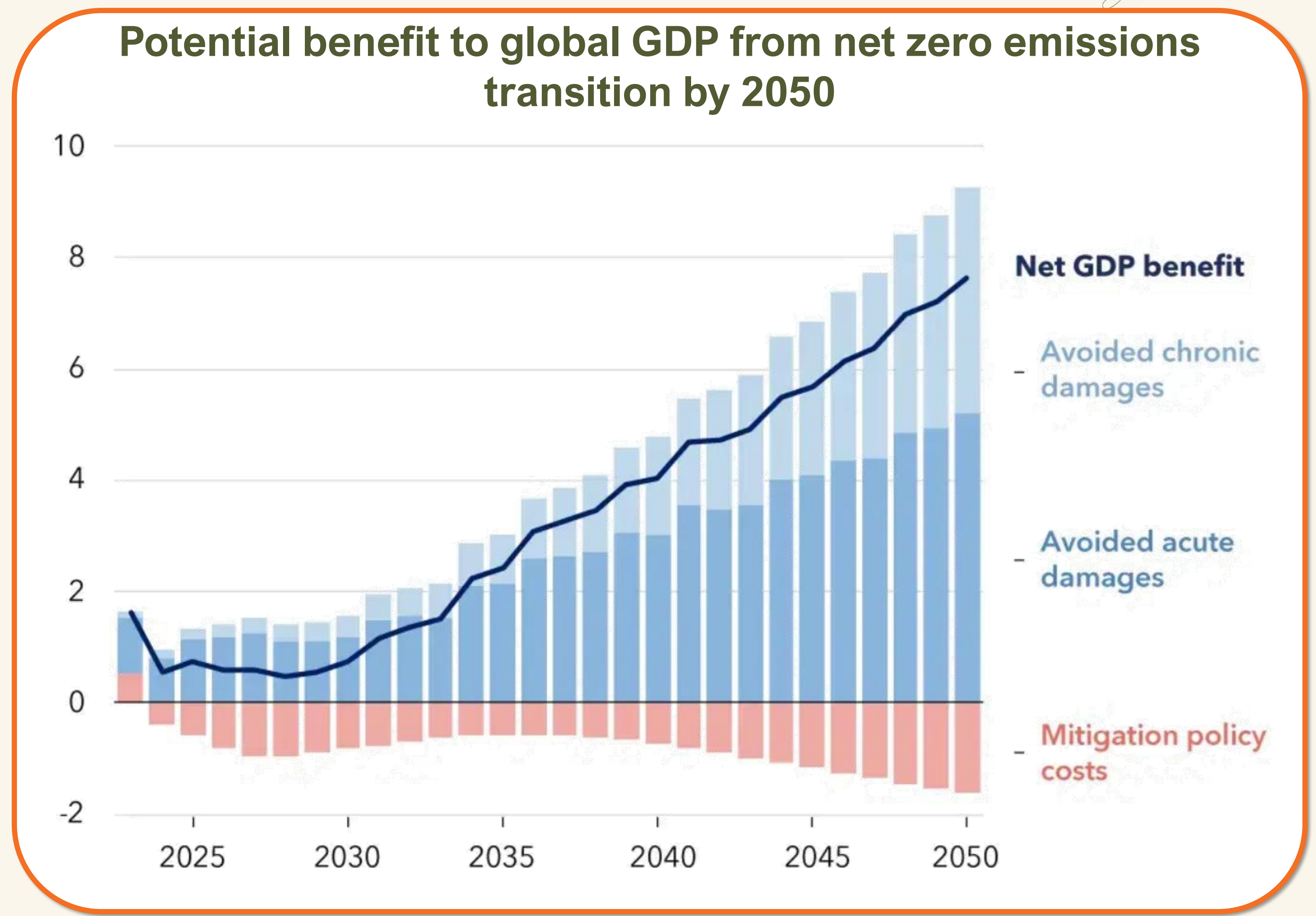


PARTNERS





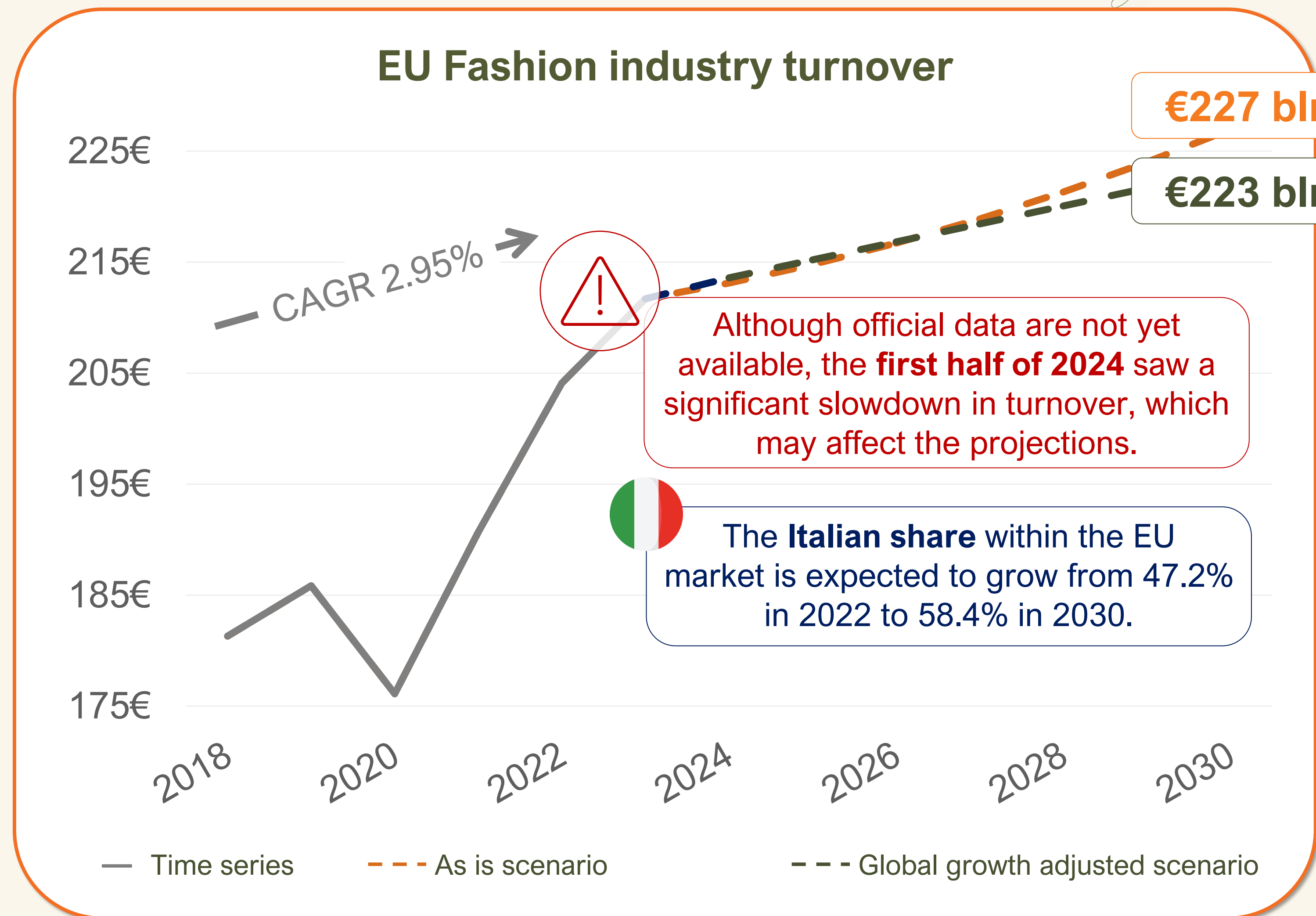
Avoiding the damage caused by climate change can fuel a **net rise in GDP of around 7% by 2050.**



(1) TEHA elaboration on International Monetary Fund: Benefits of Accelerating the Climate Transition Outweigh the Costs (2023)

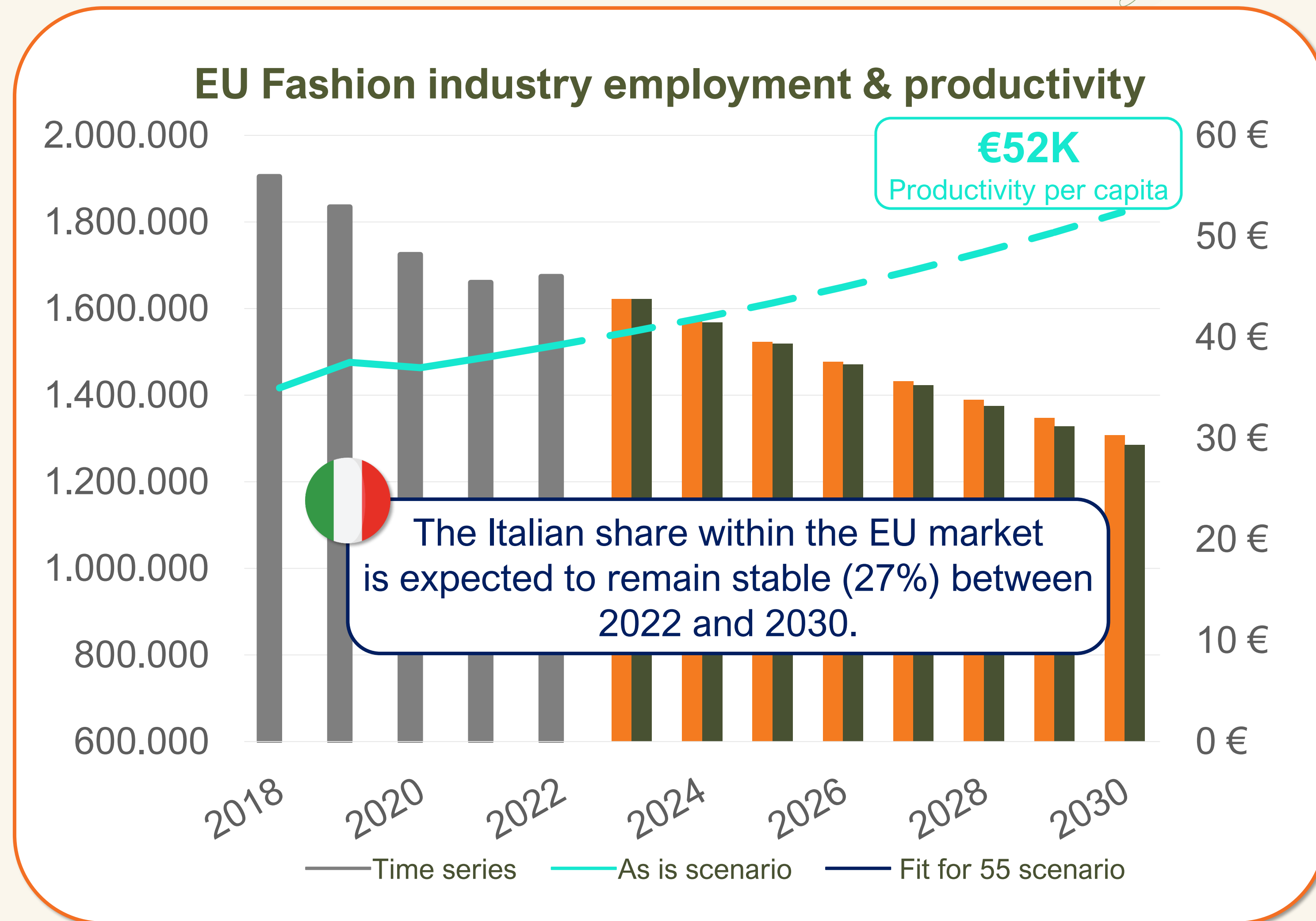


By 2030, the European fashion industry could grow up to 11%, mainly drive by growing prices per unit.





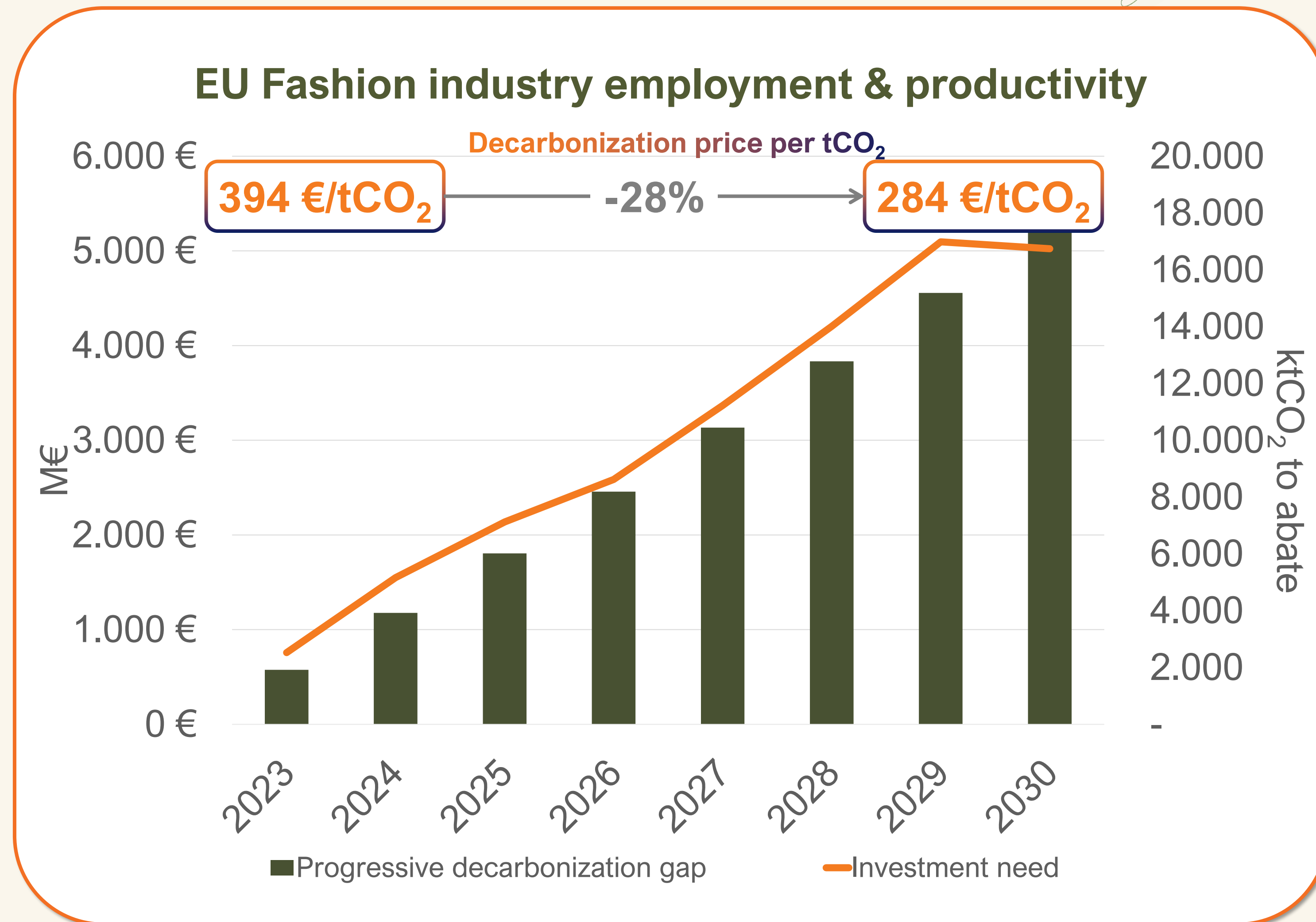
Employment is sinking, with **almost 366,000 jobs at risk** but a steadily growing productivity per worker.



(1) TEHA elaboration on Eurostat: Annual detailed enterprise statistics for industry from 2018 to 2022 (retrieved on 06/06/24); (2) TEHA elaboration of OECD: Real GDP long-term forecast; (3) McKinsey & Company, The State of Fashion: Technology (2022); (4) OECD, Offshoring, Reshoring, and the Evolving Geography of Jobs: A Scoping Paper (2024).



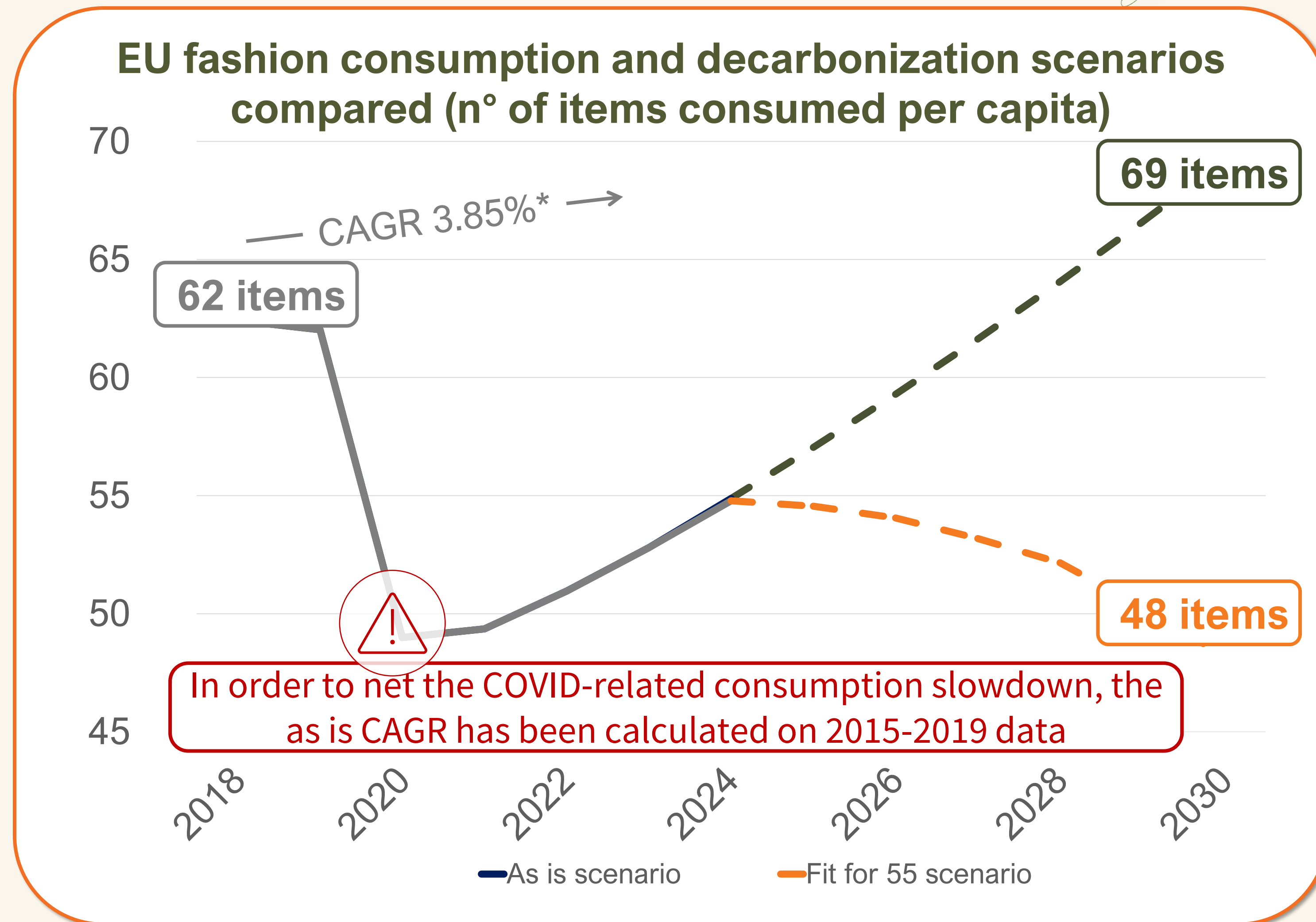
At least €24.7 billion of additional investments will be needed by 2030. Yet, in the last 4 years, investments declined by -7.93%.



(1) TEHA elaboration of European Environment Agency: EEA greenhouse gases - data viewer from 2018 to 2022 (retrieved on 06/06/24); (2) TEHA elaboration on McKinsey, Fashion on Climate (2020) and various sources (2024); (3) TEHA elaboration on European Investment Bank: Corporate investment was growing in Europe – then COVID-19 hit (2021); (2) TEHA elaboration on Eurostat: Annual detailed enterprise statistics for industry (retrieved on 14/06/2024) – Data do not include leather and related products manufacturing, as they are not available. (4) TEHA elaboration on Eurostat: Population on 1 January (retrieved on 14/06/2024); (5) TEHA elaboration on European Patent Office: European Patent register (retrieved on 14/06/24) - Patent application for apparel, fashion, garment, leather and textile.



If the industry chooses not to pursue the investment pathway, each European will have to give up 21 items of clothing in 2030.

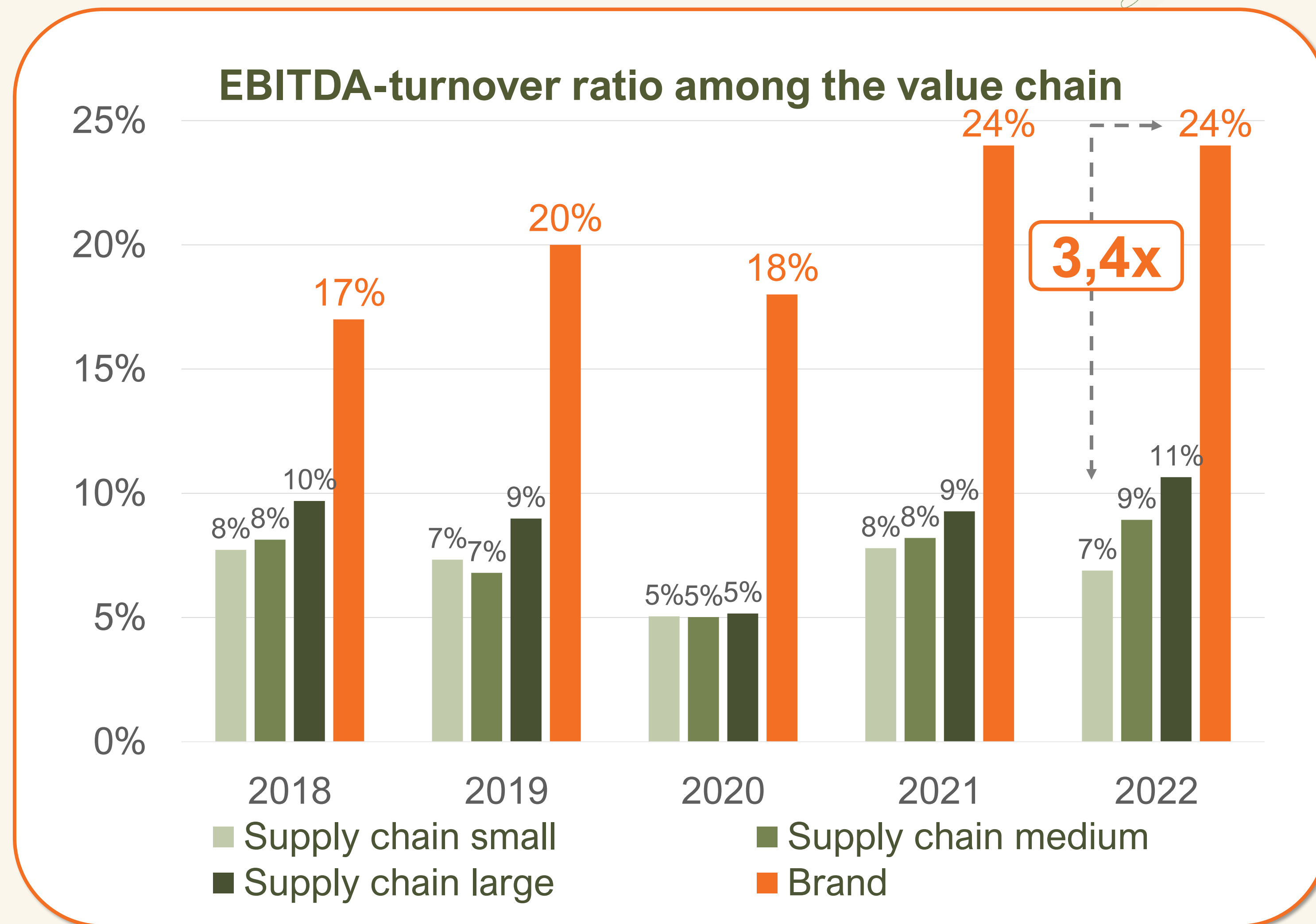


(1) TEHA elaboration on Statista, IMF, World Bank, UN and Eurostat (2024)



But is it really a matter of choice?

Narrow margins along the Italian supply chain make **investments in decarbonization** hardly affordable for **92% of the companies.**

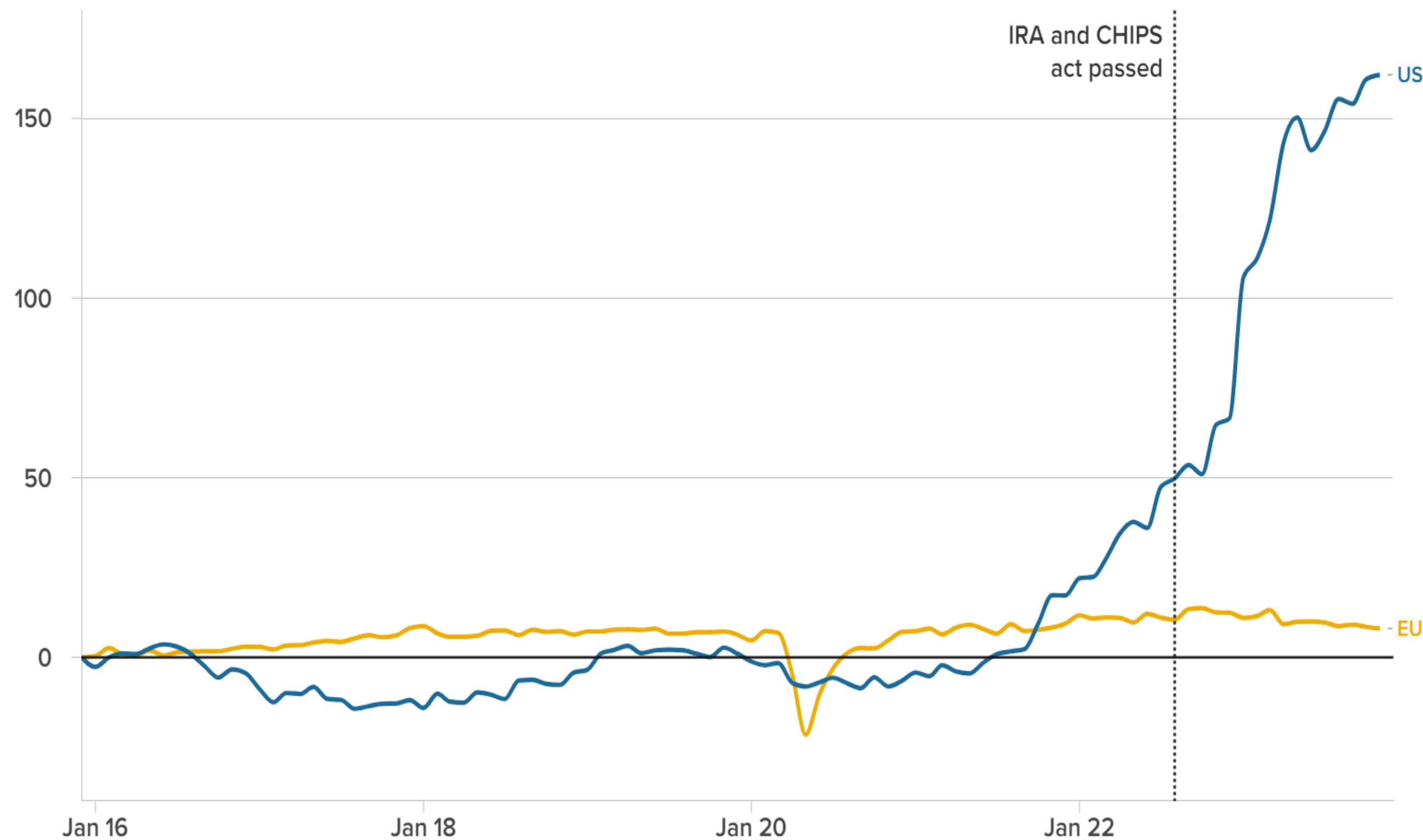


(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.



EU has pushed the transition with regulation, but if it does not invest it risks losing ground on green competitiveness.

Total expenditure on construction in the manufacturing sector US vs EU (percentage change)

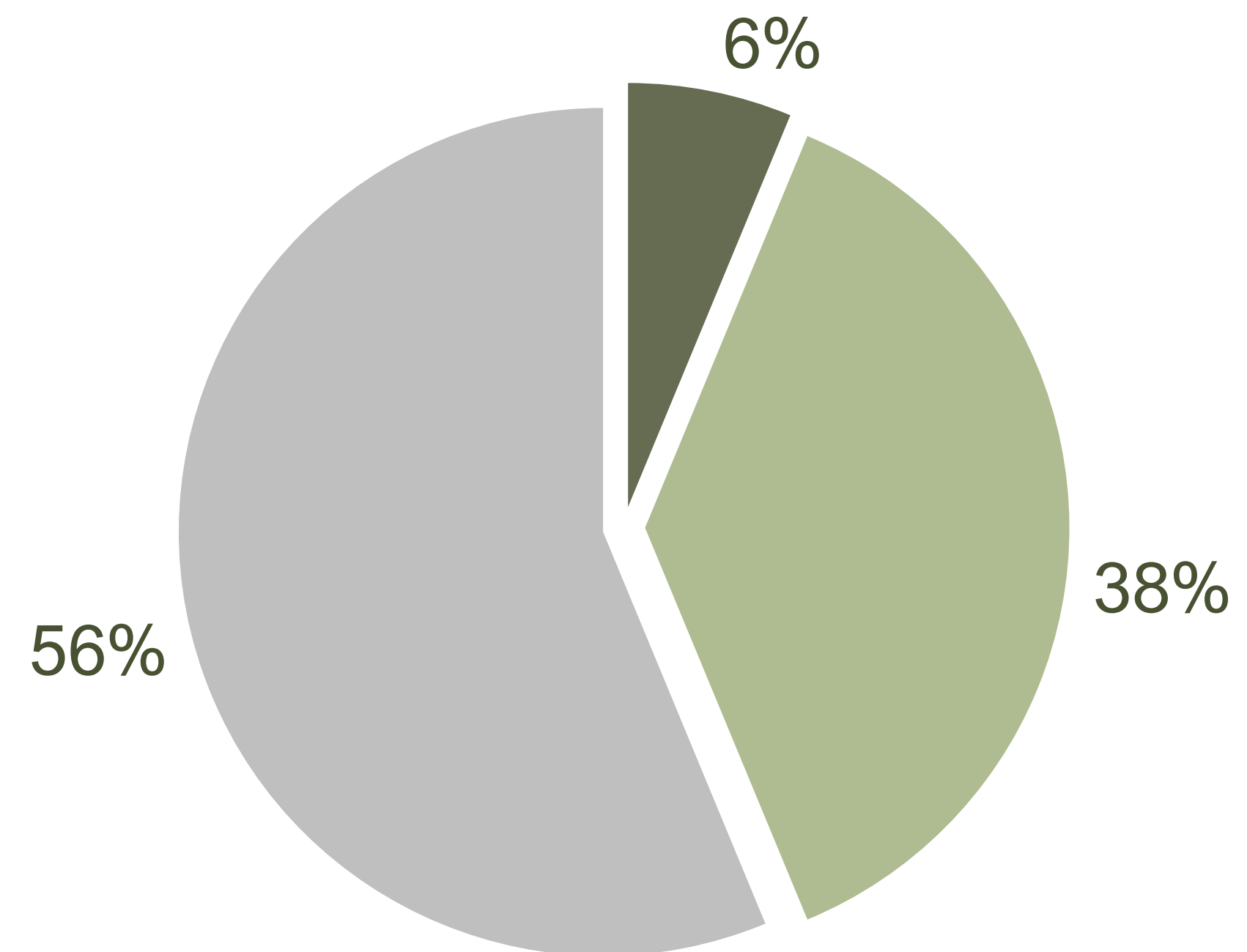


(1) ISPI, UE: il treno green non è frugale (2024); (2) Atlantic Council, The IRA and CHIPS Act are supercharging US manufacturing construction (2024)



Full implementation of European Industry policies is not expected for another 5 years.

Key requirements and impact of legislation in force that will affect small and micro enterprises



■ Implemented ■ Partially implemented ■ Proposed



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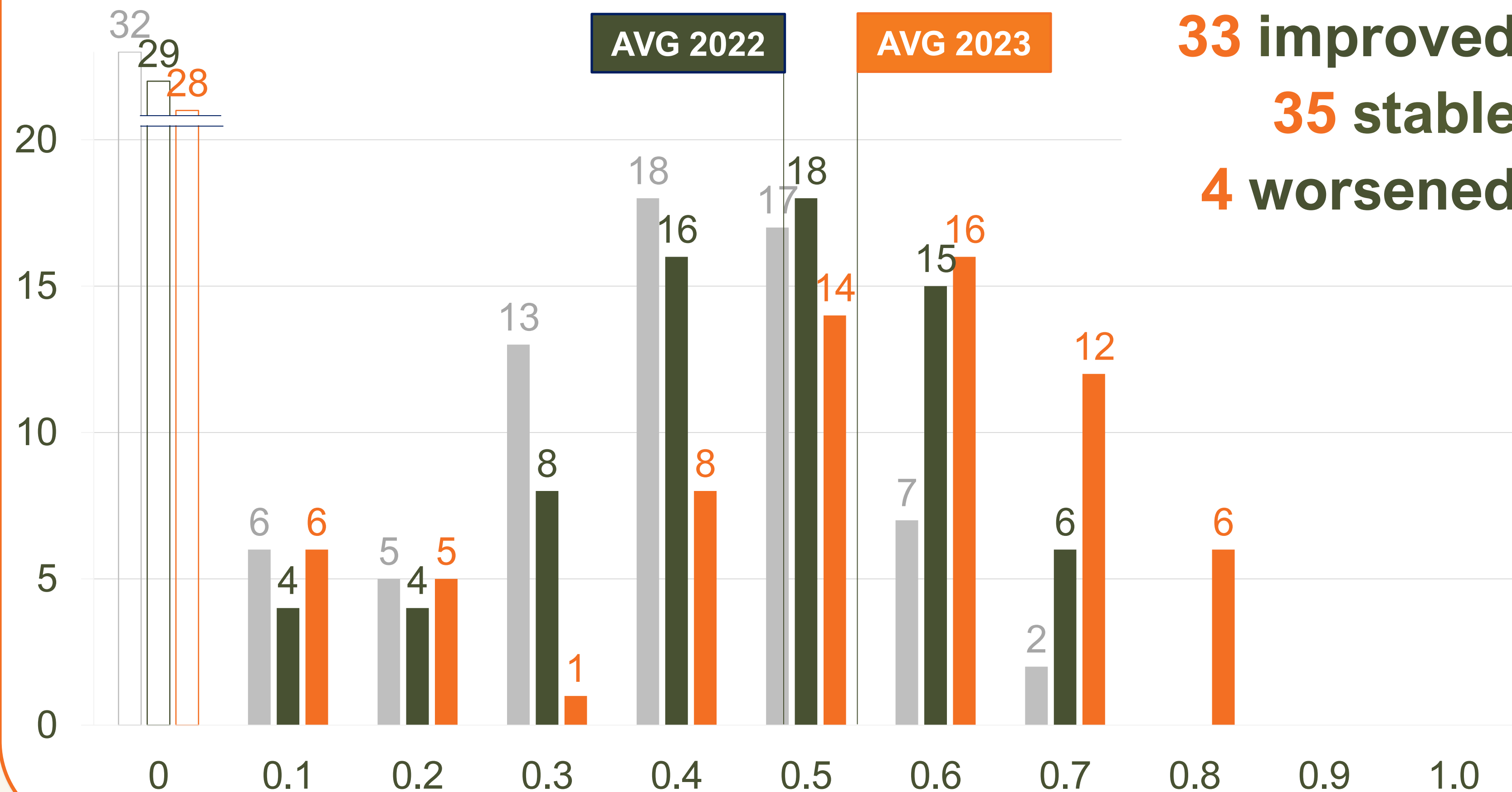




In 2023, an improvement in ESG oversight is registered among the 100 EU largest fashion companies (+12%), 28 still lack sustainability reports

- 2021 ESG data
- 2022 ESG data
- 2023 ESG data

2021-2023 EU largest 100 Oversight Distribution



(1) TEHA elaboration on all latest balance sheets and sustainability related publicly available information from European fashion and luxury value chain companies that will be subject to CSRD obligations; (*) To be considered as improved or worsened, the difference between the score of the two years was in absolute value higher than 0.05.



Oversight and commitments on the environment focus on climate change

- Long-term targets
- Quantitative targets
- Qualitative targets
- Reporting



(1) TEHA elaboration on all latest balance sheets and sustainability related publicly available information from European fashion and luxury value chain companies that will be subject to CSRD obligations; (*) To be considered as improved or worsened, the difference between the score of the two years was in absolute value higher than 0.05.

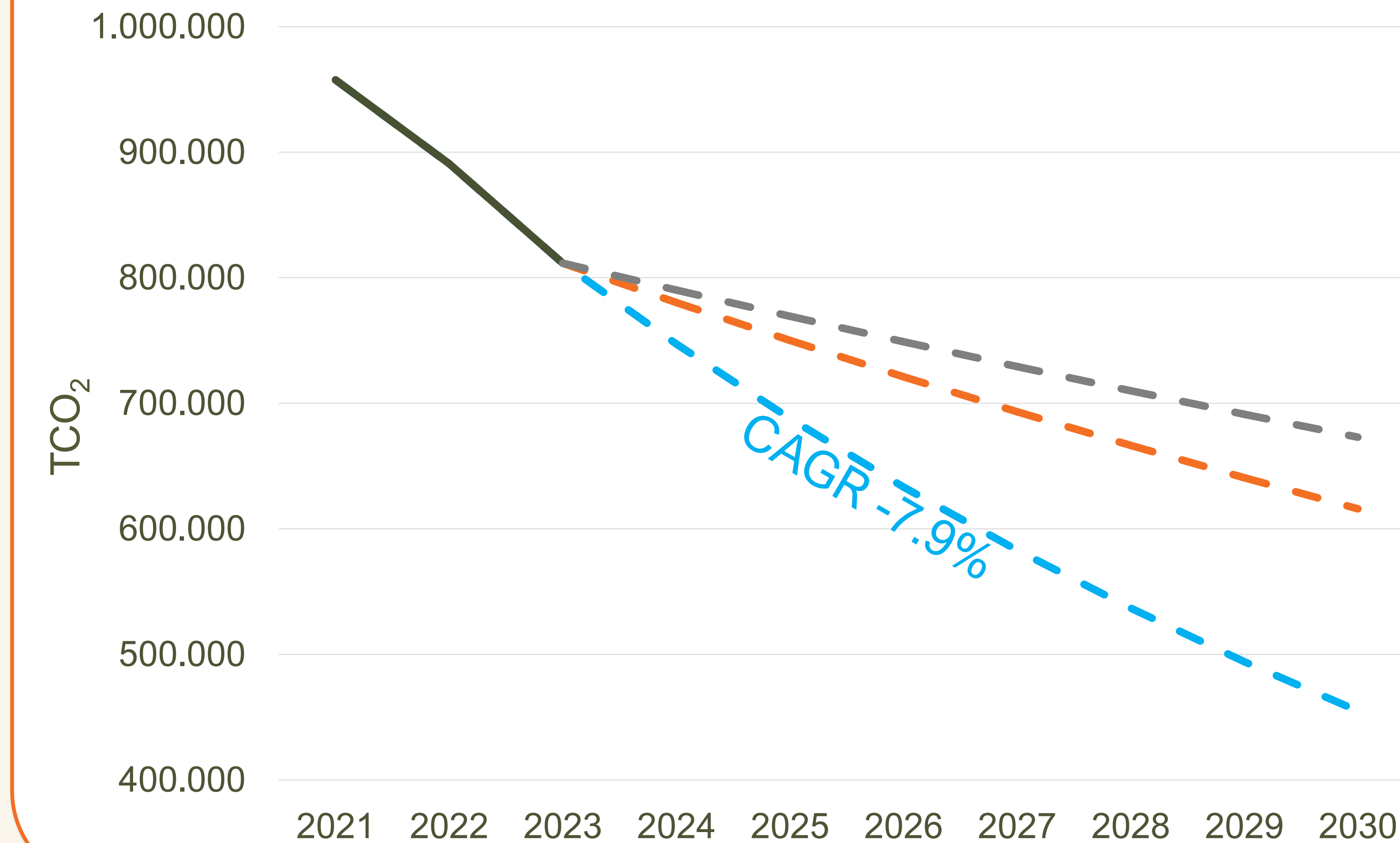


Decarbonization in EU is feasible, as 34 large companies are reducing their emissions 2x fast as required by Fit for 55.

This shows a significant lag for the rest of the industry.

- Whole industry
- - - Fit for 55
- - - Best among largest EU companies

Best in class, EU fashion industry emissions and Fit for 55 decarbonization scenarios





Sustainable financing is not yet accessible, as the European financial sector does not have all the levers to drive a Just Fashion Transition, as all SMEs are excluded from the EU Taxonomy regulation.

Sustainable external financing sources among European SMEs



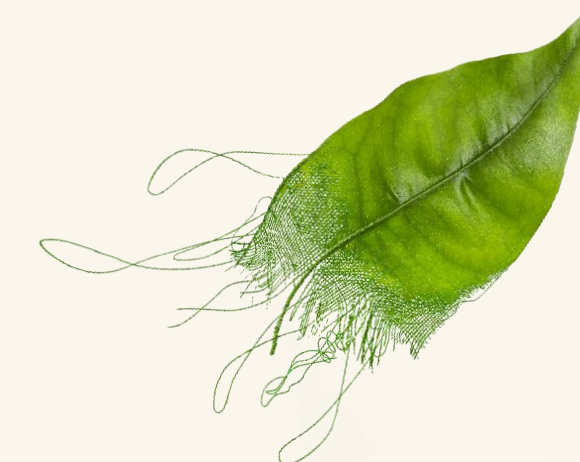
€485 bn

The **EU funds** put in place for all industries and companies to accelerate the European Green Deal implementation



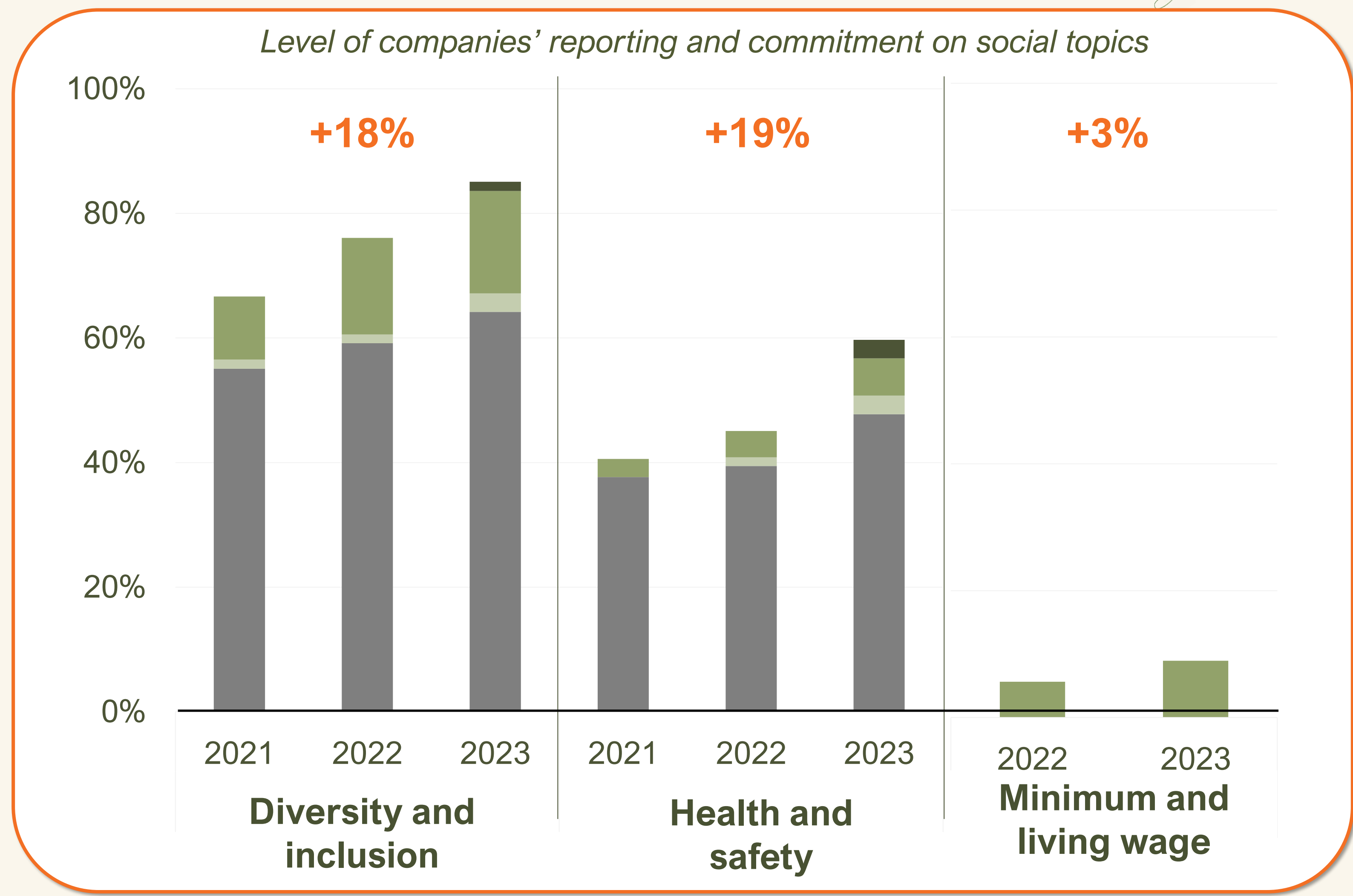
~16%

The **average external financing** qualifiable as **sustainable** finance, with a broad definition of the term sustainability



Oversight and commitment on the social aspects is improving, but **not on value chains**

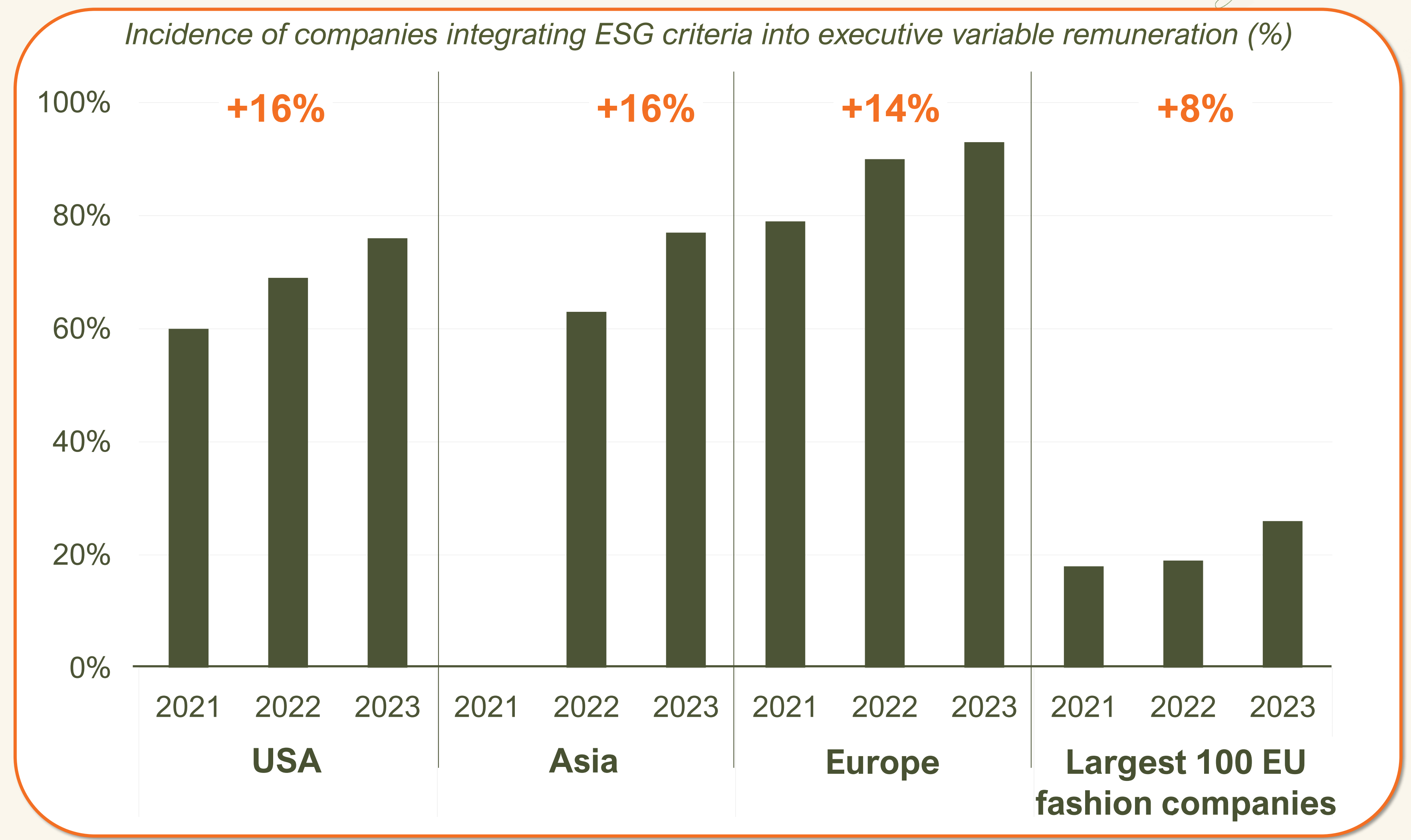
- Long-term targets
- Quantitative targets
- Qualitative targets
- Reporting



(1) TEHA elaboration on all latest balance sheets and sustainability related publicly available information from European fashion and luxury value chain companies that will be subject to CSRD obligations; (*) To be considered as improved or worsened, the difference between the score of the two years was in absolute value higher than 0.05.



When it comes to accountability, the fashion industry falls behind other sectors in adopting ESG linked variable remuneration systems



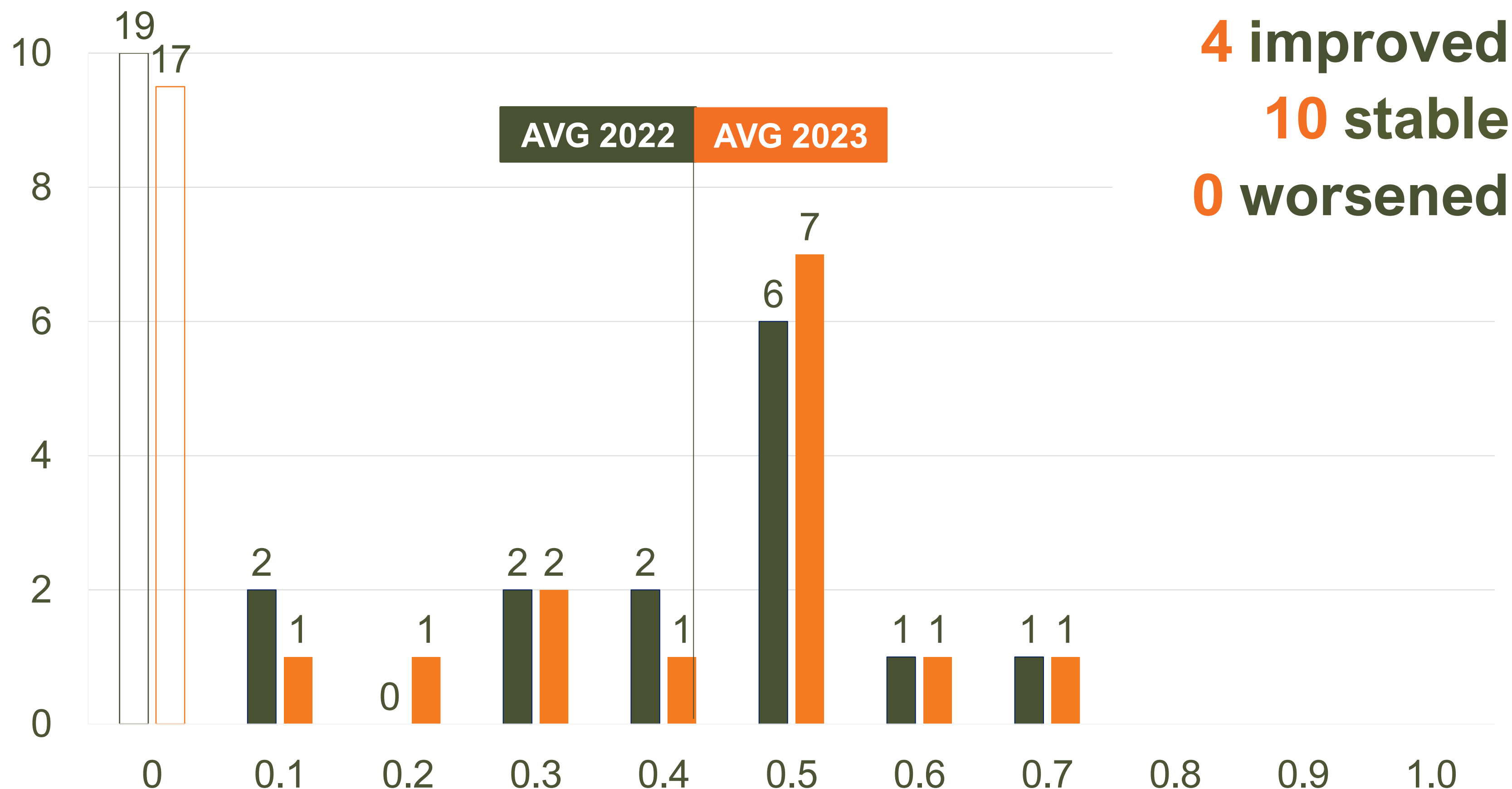
(1) (1) TEHA elaboration on Global Report on ESG Metrics in Executive Incentive Plan, WTW (2021,2022,2023)



Retailers struggle to improve the quality of their disclosure. Only 11 out of 31 companies have published a new sustainability report in 2023, 3 still rely on a 2022 edition.

- 2022 ESG data
- 2023 ESG data

2021-2023 Retailers' Oversight Distribution

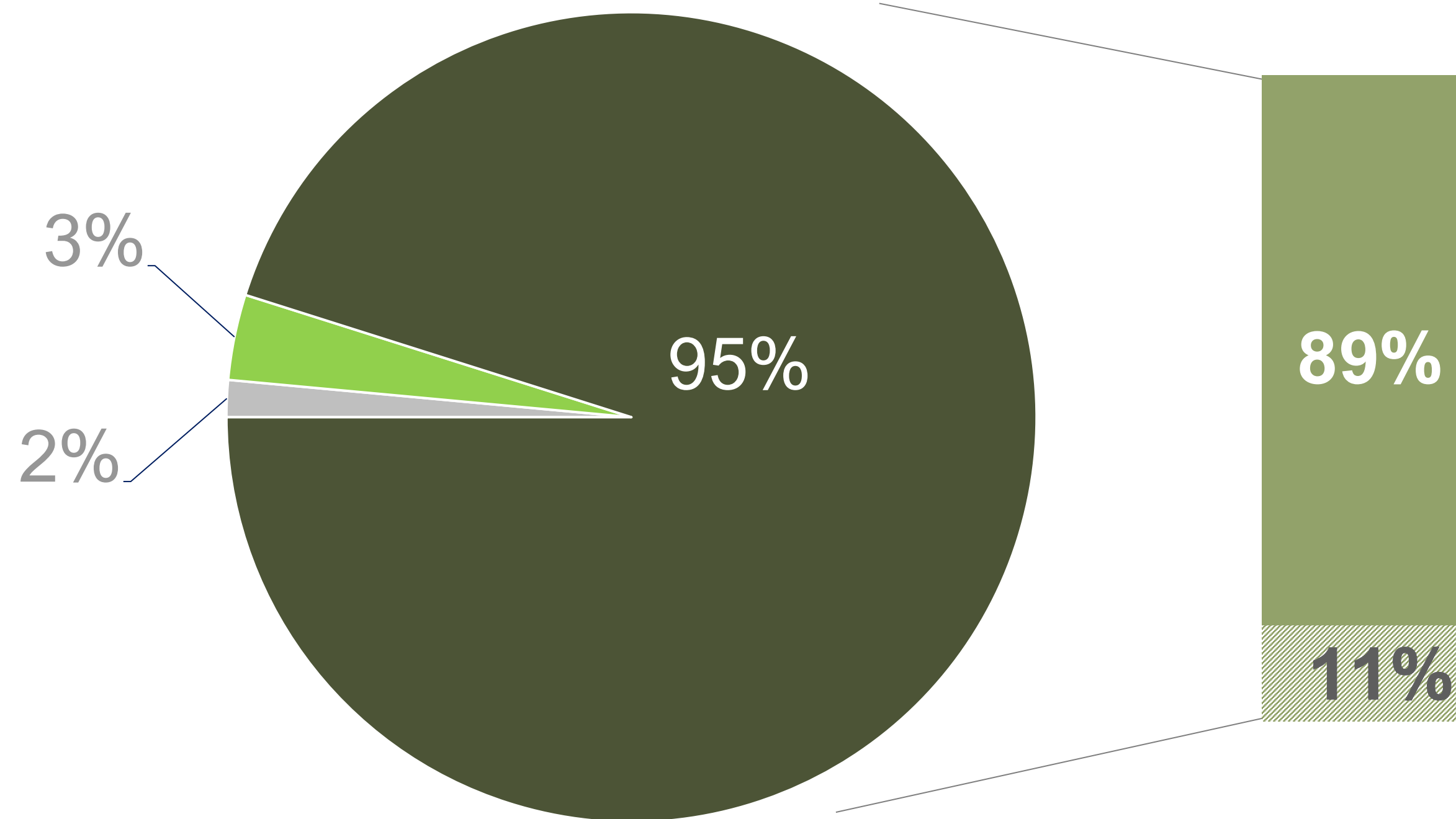


(1) TEHA elaboration on all latest balance sheets and sustainability related publicly available information from European fashion and luxury value chain companies that will be subject to CSRD obligations; (*) To be considered as improved or worsened, the difference between the score of the two years was in absolute value higher than 0.05.



Still, they put pressure on upstream actor by setting ambitious **Scope 3 decarbonization targets that cover on average 89% of indirect emissions**

Retailers' CO2 emissions, by Scope and coverage of decarbonization targets [%]



- Scope 1
- Scope 2
- Scope 3
- Scope 3 – covered
- Scope 3 – not covered

(1) TEHA elaboration on all latest balance sheets and sustainability related publicly available information from European fashion and luxury value chain companies that will be subject to CSRD obligations; (*) To be considered as improved or worsened, the difference between the score of the two years was in absolute value higher than 0.05.



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ESG Assessment 2024: perimeter surveyed




ENVIRONMENT

-  Climate change
-  Use of raw materials
-  Waste management
-  Biodiversity preservation
-  Water consumption

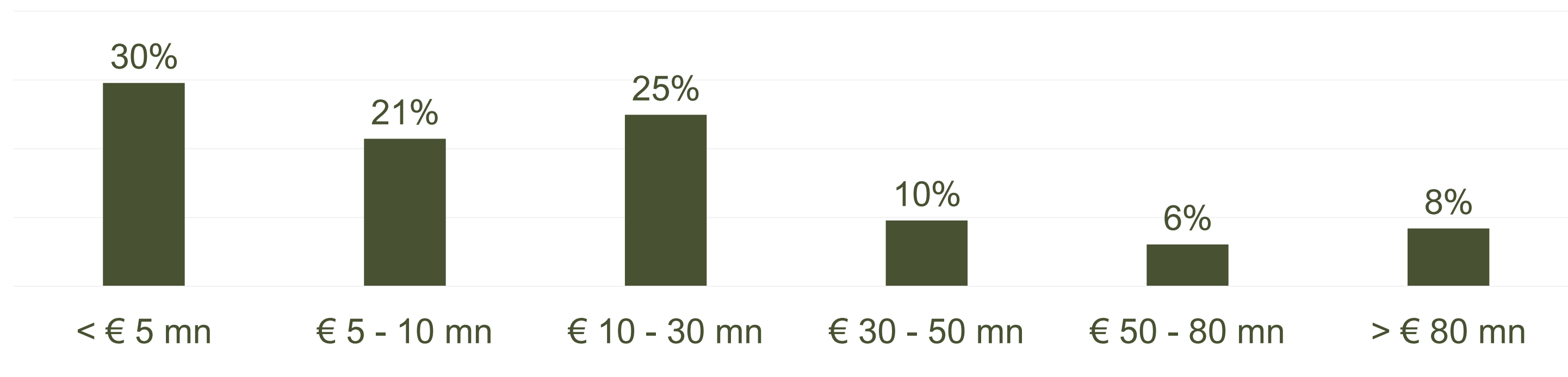
SOCIAL

-  Skills development
-  Diversity and inclusion
-  Health and safety

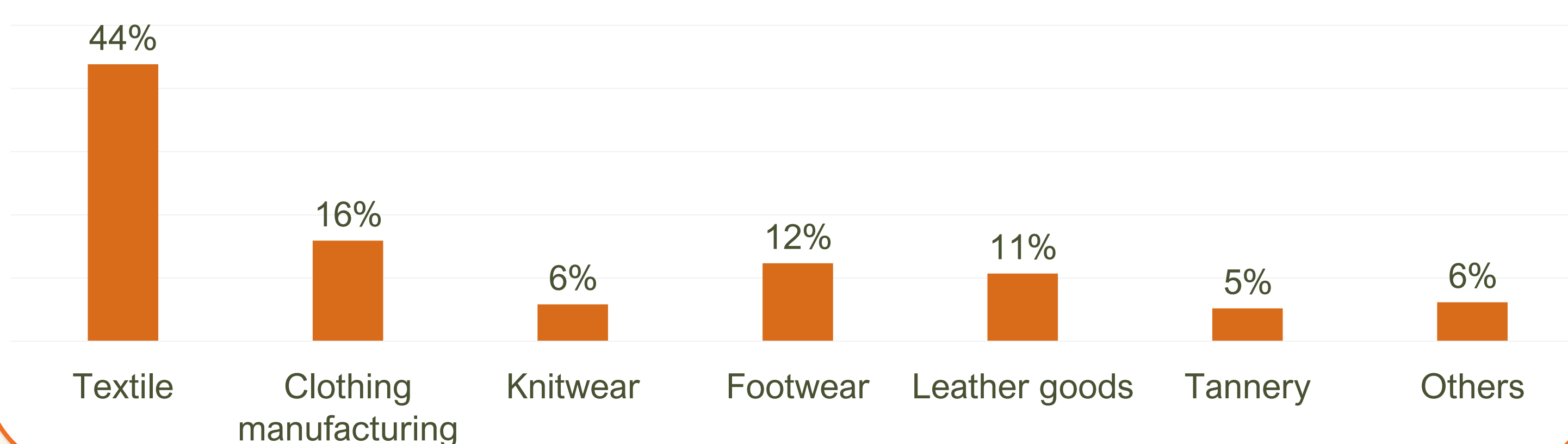
GOVERNANCE

-  Sustainability governance
-  Human rights
-  Supply chain management

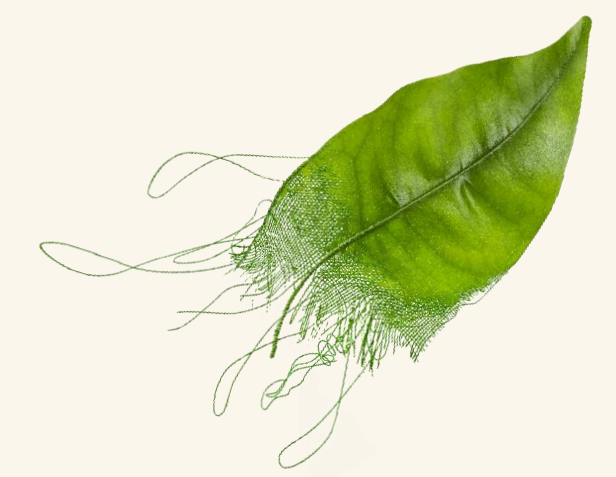
Sample of companies, by turnover¹



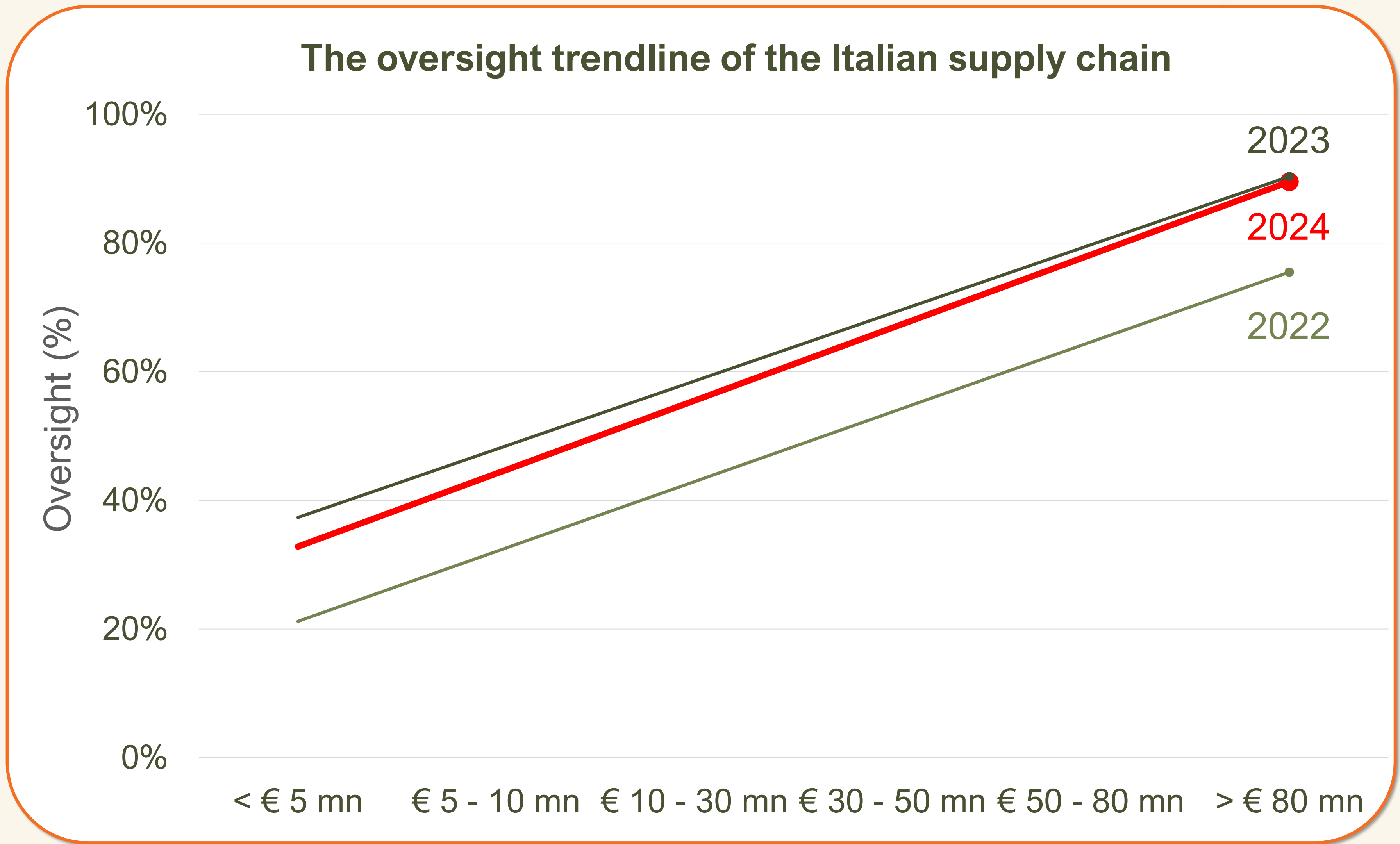
Sample of companies, by supply chain segment²



TEHA elaboration on proprietary data collected through the ESG Assessment on the Italian fashion supply chain; (2) Total does not equal 100% as companies were able to select multiple options



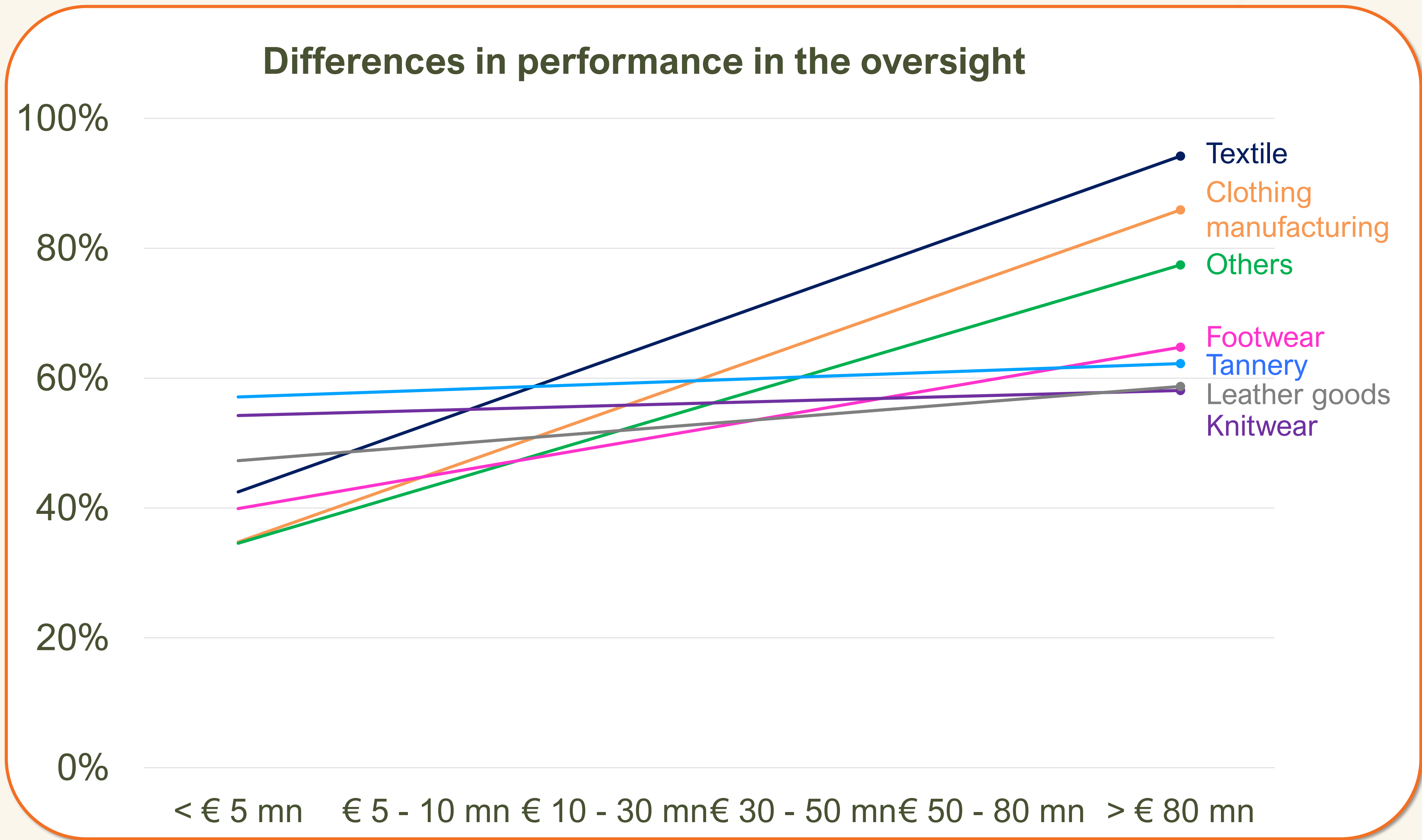
**Supply chain
company size
and
sustainability
remain directly
proportional,
with a small
decline in small
companies**



(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.



Textile and clothing manufacturing companies shows better oversight of sustainability issues, while leather goods lag behind



(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.

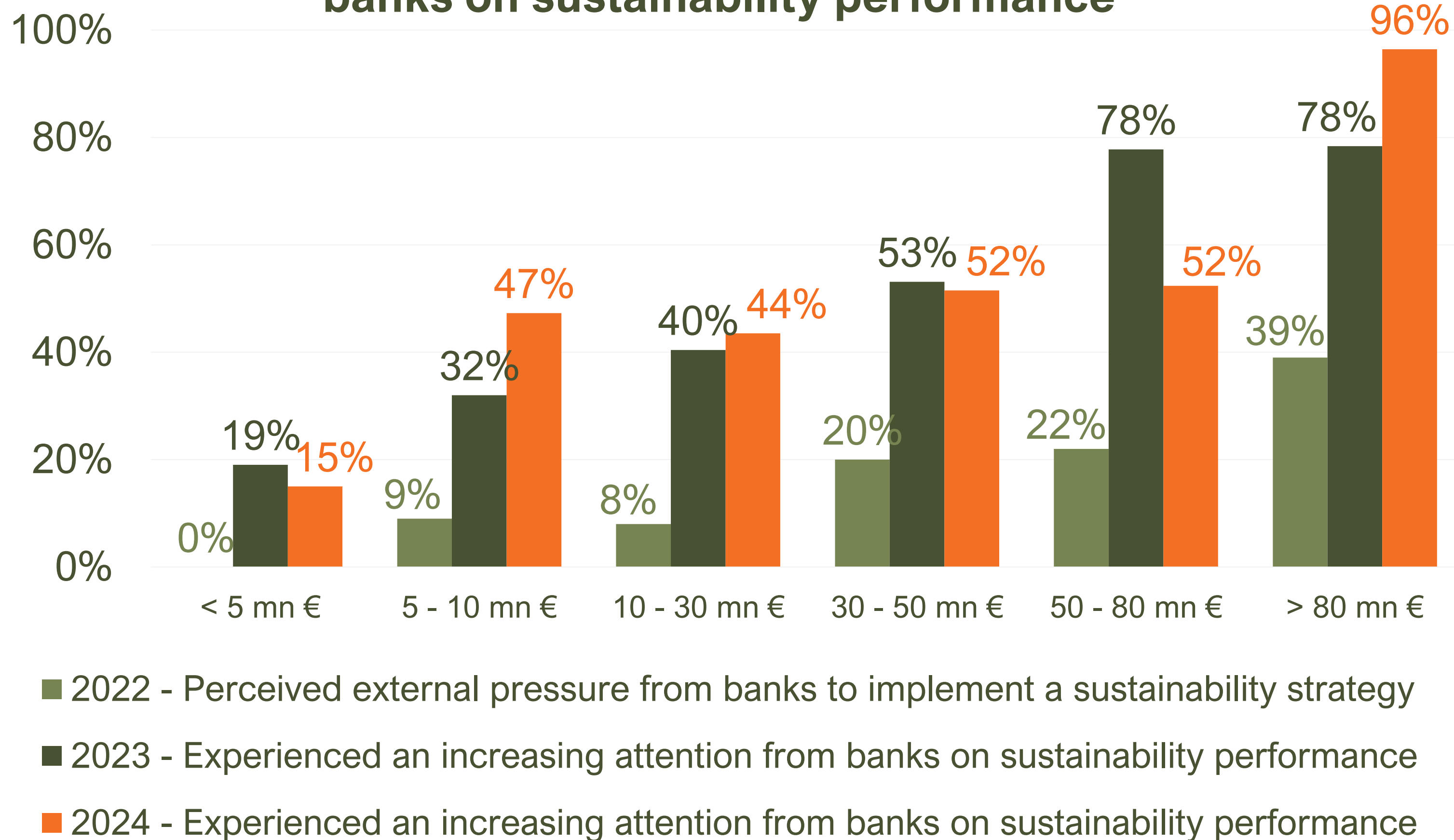


Nearly all companies with revenues > €80 mn have experienced **increased attention from banks on sustainability performance**

70%

of companies that experienced **increased attention from banks** have implemented a **sustainability strategy.**

Companies that experienced an increasing attention from banks on sustainability performance

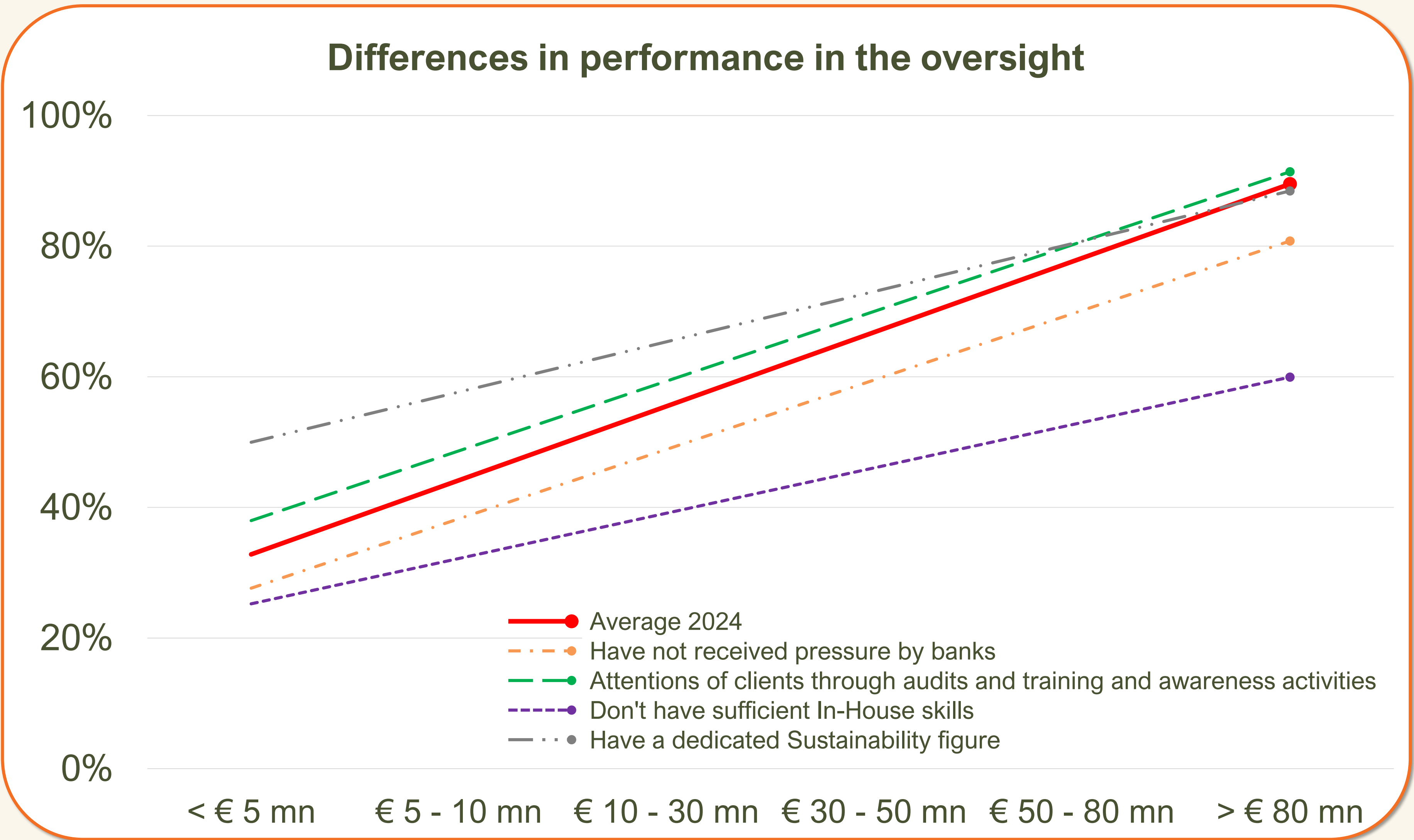


(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.



Lack of internal competencies seems to be the main cause of the unattended oversight of sustainability issues

Differences in performance in the oversight

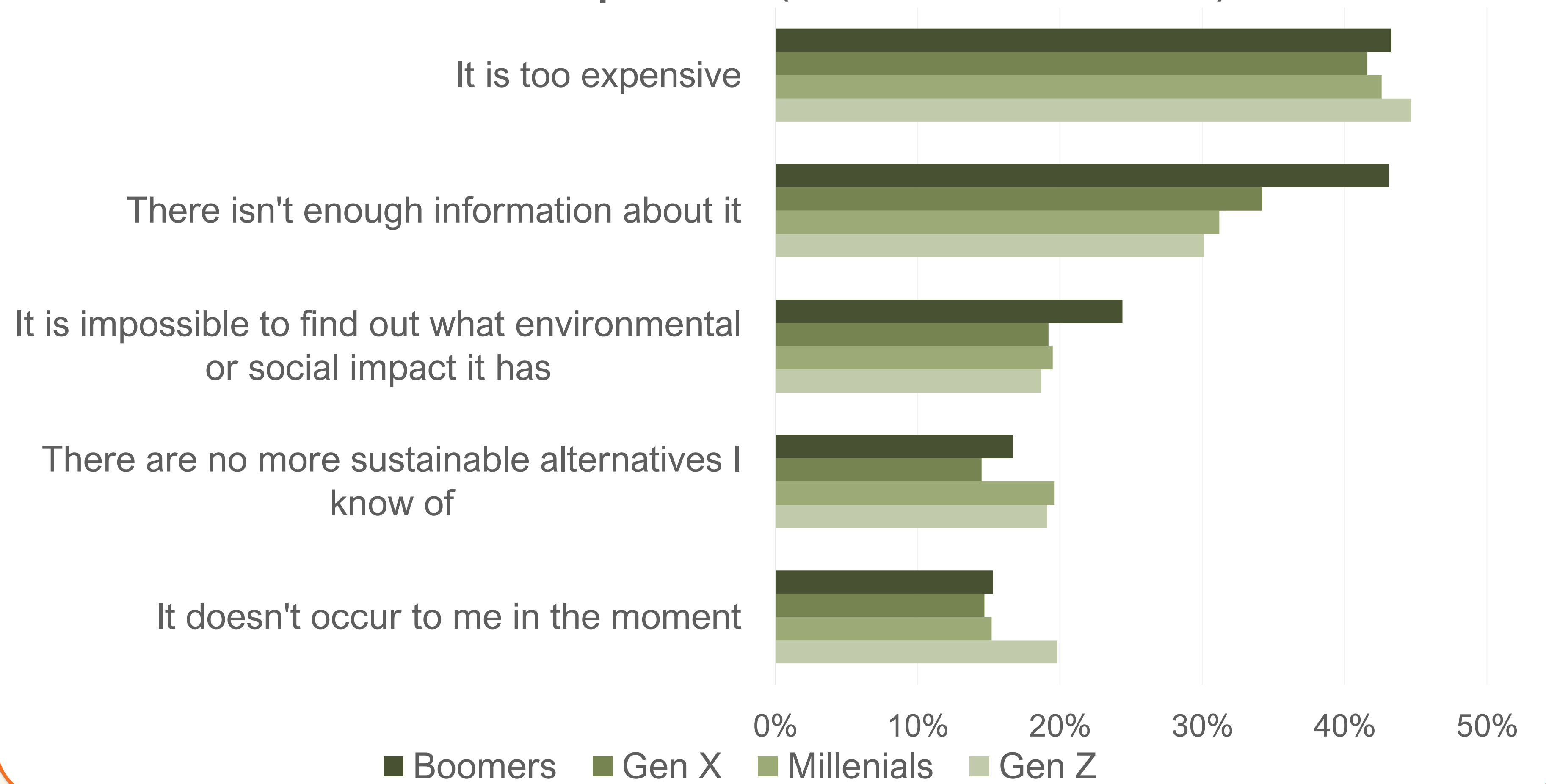


(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.



Cost and lack of information are the main barriers when it comes to adopting more sustainable fashion choices

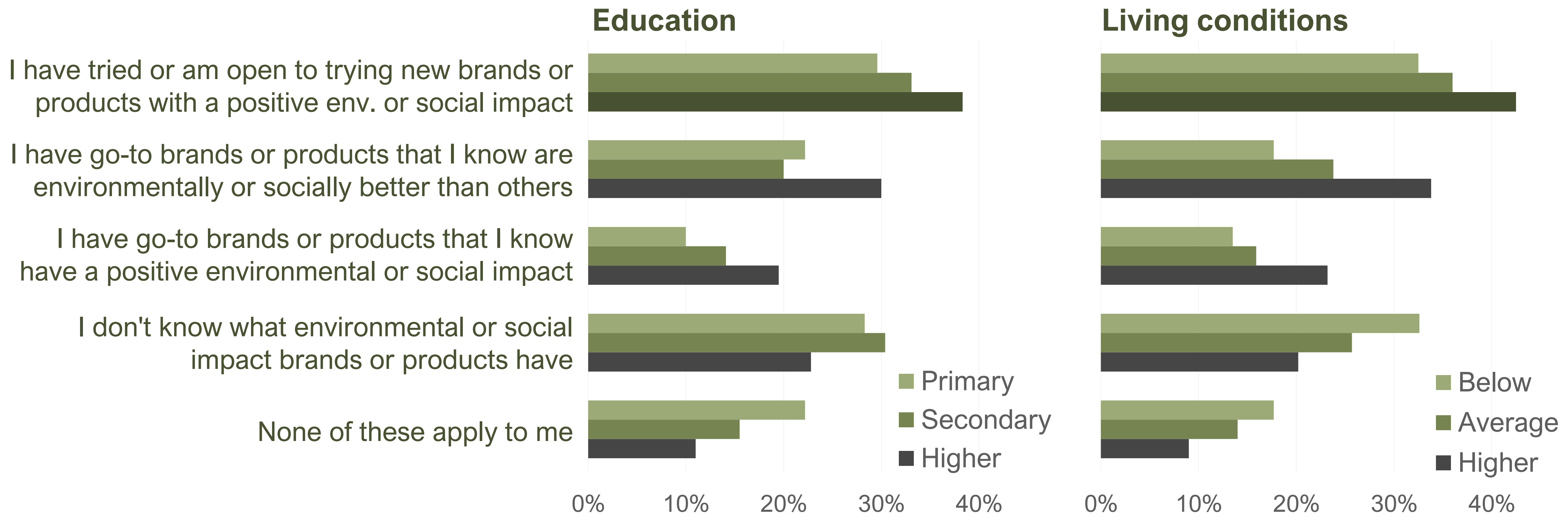
Top 5 reasons that make it difficult to be more sustainable when choosing fashion products (Results based on Generation)¹



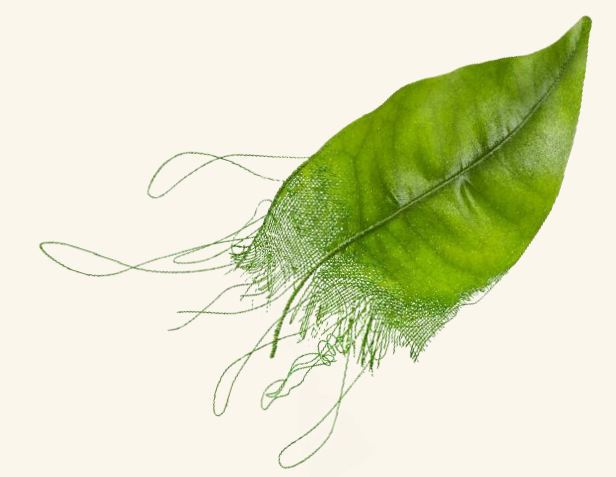
(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.



Many consumers, **higher educated and wealthy**, say they actively seek or support more sustainable brands



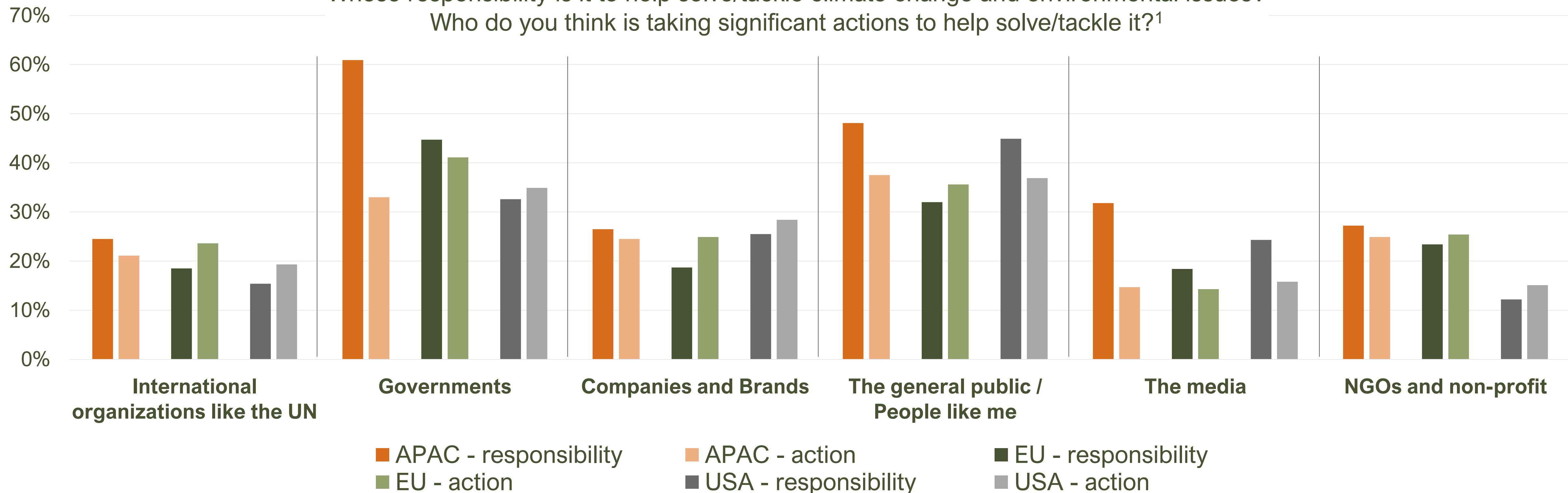
(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.



Governments should lead climate action while EU consumers feel that both businesses and themselves are already contributing enough

Responsibility vs. Action

Whose responsibility is it to help solve/tackle climate change and environmental issues?
 Who do you think is taking significant actions to help solve/tackle it?¹



(1) TEHA elaboration on Kantar data - Sustainability Sector Index 2023, 26,018 respondents. Total does not equal 100% as companies were able to select multiple options.



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