



## Press Release

### **“BOOSTING TRANSITION”: THE FASHION SECTOR CALLS FOR AN ACCELERATION OF THE TRANSITION TOWARDS SUSTAINABILITY**

**For Sergio Tamborini, Chairperson of Sistema Moda Italia, this paradigm shift is an irreversible process in rewriting the future of Italian manufacturing and must be a priority issue on the political agenda**

**Confindustria Veneto Est Chairperson Leopoldo Destro believes that the challenge is to combine competitiveness and sustainability in a just transition**

**A study by the European House - Ambrosetti reports improvement in ESG oversight at European and Italian companies, up 17% and 16% respectively in just one year. Waste exported from Europe to developing countries increases five-fold and global working conditions show no improvement**

**Venice, October 26, 2023** - Sustainable transition in the fashion supply chain takes center stage at the first day of the **2<sup>nd</sup> edition of the "Venice Sustainable Fashion Forum"**, the summit promoted by Sistema Moda Italia, The European House - Ambrosetti and Confindustria Veneto Est - Venice Padua Rovigo Treviso Metropolitan Area.

The significantly titled **“Boosting Transition”** Forum is a key event on sustainability in the fashion industry. This year’s second edition saw the contribution of 21 partners, each of whom embraces its values and goals and recognizes the need for a serious debate on the issue, which will lead to a concrete and just transition. The welcome messages from the institutions and organizers were followed by contributions from the international institutions **European Union Environment Commissioner Virginijus Sinkevičius, and from Tatiana Molcean, Executive Secretary of the United Nations Economic Commission for Europe and Under Secretary-General of the United Nations.**

*Opening the proceedings was Flavio Sciuccati, Senior Partner & Director of the Global Fashion Unit, The European House - Ambrosetti, creator and founder of the Forum alongside Sistema Moda Italia and Confindustria Veneto Est, who stated: “the mission of these two days will again this year be to offer entrepreneurs and Italian and international executives throughout the Fashion&Luxury sector value chain the elements required to correctly and responsibly tackle the challenges of sustainability. Developing strategies and actions for improvement on all ESG factors requires analysis of current and future scenarios, and “Boosting Transition” underscores the sense of urgency in our sector, which is lagging significantly behind other sectors that have made more progress. In terms of social sustainability, we can cast our minds back to the collective amnesia following the Rana Plaza tragedy 10 years ago. Today it is imperative that everyone - brand and industry, luxury and fast fashion - works together to improve this situation.”*

**Sergio Tamborini, Chairperson of Sistema Moda Italia:** *“The Venice Sustainable Fashion Forum seeks to reflect the innovation and needs of the fashion supply chain during a key chapter in the sector’s history, the sustainable transition. We see this as an irreversible process to rewrite the future of Italian*

manufacturing, and SMI's intention is to underline the priority status that the issue must assume on the political agenda.

**The 2023 edition of VSFF focuses particularly on companies' value chains**, which are the first stage in addressing sustainability challenges, with a specific emphasis not just on widespread producer responsibility but also and especially on textile recycling. **The circular supply chain must be entirely reinvented**, where it will provide space for a new way of working and a different vision of the economy and consumption."

**Leopoldo Destro, Chairperson of Confindustria Veneto Est**, stressed that "a sustainable transition is no longer a choice for the fashion industry, it is a **must, a driver of growth and a conscious responsibility**. In Veneto, 66% of companies in the sector already have an ESG issues manager, while 50% have a strategy. On the other hand, only 17% publish a sustainability report, and the vast majority (87%) do not yet have an ESG-based incentive system. This is a pathway that is in constant flux, but which remains an uphill journey and will require investment that is difficult to sustain, especially for SMEs. Amidst significant EU-led changes, we are calling for **a uniform, streamlined regulatory system** that provides certainty and does not lead to competitive asymmetries between countries and operators. We also hope to see **a long-term, more realistic and less dirigiste view** on the timing and manner of a transition which is certainly necessary, but which requires a pragmatic approach in order to be economically and socially sustainable for the sector. **The challenge is to combine competitiveness and sustainability**. It is our call from Venice to **overcome the challenge of a just transition together**."

**Carlo Cici, Partner & Head of Sustainability Practices at The European House - Ambrosetti**, presented the second edition of the "**Just Fashion Transition 2023**", the permanent observatory on the sustainable transition of key fashion, apparel, footwear and leather goods supply chains by The European House of Ambrosetti. The strategic study analyzed more than **2,800 Italian and European companies**, assessed the ESG performance of **366 companies in the Italian supply chain**, performed sustainability benchmarking for the top **100 European companies**, conducted a discussion with **21 industry experts**, and conducted policy intelligence on **32 regulatory instruments** that directly affect the future of European fashion. The key findings of the study are set out below.

The morning session concluded with a session (entitled "*Global Action Required: Persistent Environmental and Economic Issues*") dedicated to **environmental and economic issues and the work required in these areas**, particularly in relation to water contamination and conserving biodiversity. This was followed by a discussion of **changes in consumer behavior**, in terms of purchasing choices and the psychological motivations behind fast fashion.

In the early afternoon, the message from the **Minister of Enterprise and Made in Italy, Adolfo Urso**, **underlined** that "*the commitment and resilience shown by entrepreneurs in the sector was in full view during a complex period which saw rising energy and raw material costs, which in turn drove inflation and a slowdown in demand. This is a polarized market: on the one hand, the exponential growth in the luxury sector, and on the other the significant growth of fast fashion, have combined to create a highly complex scenario. Your report highlights the challenges faced by consumers when choosing green options: lack of collections, high prices, lack of information on product sustainability. The government is aware of these barriers to the market entry of planet-friendly fashion. The time has come to join forces in finding solutions and making sustainable fashion increasingly accessible.*"

The afternoon sessions will include focuses on **circularity, the social aspect within the supply chain, and sustainable and traceable value chains**. The panel "*Regenerating The Fashion Industry: Circularity Towards 2023*" will see EURATEX experts, companies and brands provide updates on the application of the Green Deal and EU targets, particularly in relation to the Textile Strategy. The key issue will be how to achieve the goal of accelerating the sustainable transition in the supply chain against the backdrop of a regulatory framework which currently contains some 16 pieces of legislation. Businesses must deliver state-of-the-art, concrete cases of the application of ESG measures in production processes: challenges, difficulties, costs, and organizational elements that are required to truly become agents of change.

Of particular significance was the discussion on **human rights** (entitled "*Re-Thinking The System: Social Dimension and Consumer Behavior*"), in conjunction with sustainability performance, which cannot currently be **tracked**: how can this data be collected? The proposed solution is once again based in digitalization, i.e. making business data available online. The development of human capital, however, remains central, as staff must be trained to handle this type of data and sensitivity.

The afternoon's last session, "*Tracing The Threads: Sustainable Value Chains*," will highlight **companies' biggest challenges** in addressing the sustainable transition, considering the need to navigate between

certifications and impacts within organizations, digital passport and worker and environmental protection. Concrete examples from Fashion and Luxury companies will provide a true picture of Italian entrepreneurship.

## The Just Fashion Transition 2023 study

Presenting the study, **Carlo Cici, Partner & Head of Sustainability Practices at The European House - Ambrosetti**, explained that *"we need to unleash and fully exploit the potential for change within EU companies by promoting the development, diffusion and large-scale adoption of green technologies throughout the fashion value chain. This approach should draw inspiration from the positive experience of the US Inflation Reduction Act (IRA), which provides up to 40% tax credit to companies that make green investments, leading to investments in renewables increasing at least 5-fold in a single year."*

The key findings of the study are set out below.

### 1. Will EU regulatory pressure be effective?

In 2022, the European Commission launched the "EU Textile Strategy," a massive initiative designed to establish a common framework and vision for transition in the textile sector which has faced a number of obstacles during its gestation. **Of 14 major legislative actions submitted, only 51% appear to have received approval**, and there are major delays in approvals relating to issues encountered during trialogues and the influence of pressure groups.

There is an issue of effectiveness. **A preliminary impact analysis on the proposed new Ecodesign Regulation carried out on specific product categories is not encouraging**: applying the principles to 100% cotton T-shirts would result in a cut of only around 3.51 million tons CO<sub>2</sub>eq, equating to 0.3% of Europe's annual carbon footprint.

The EU strategy also includes a new Directive to counter the negative impacts associated with **shipping waste to third countries**. Today, fashion is the sector with the largest volume of waste exported to non-OECD countries (93.5% of the total), increasing fivefold between 2000 and 2019, reaching 1.7 million tons. But the European proposal targets a profound, complex reform to streamline and strengthen the European customs system.

### 2. A sustainable garment costs twice as much, while average consumer spending drops

The total production cost for a traditional cotton T-shirt is approx. \$3.87. The garment is then resold to the consumer at roughly twice the price (up to \$8). Meanwhile, case studies show that **producing an ethical fair trade cotton T-shirt can cost up to \$8.72, with a retail price of approx. \$36 - four times** the cost of production.

### 3. "There's no such thing as sustainable fiber" Technology reduces environmental footprint

Approximately 70% of the fibers used to make clothing and upholstery fabrics are synthetic (e.g. polyester and nylon). While **natural fibers are commonly seen as more "environmentally friendly" because they are renewable and biodegradable, the data shows that, in some cases, they may have greater environmental impacts than synthetic or man-made alternatives**. This is true of cotton.

In 2020, EU-27 countries imported more than 8.7 million tons of textile materials and produced 6.9 million tons of finished textile products. Textile production activities emitted 121 million tons of CO<sub>2</sub>eq, used 175 million tons of virgin raw materials, consumed 24,000 million m<sup>3</sup> of water and occupied 180,000 km<sup>2</sup> of land - approx. 400 m<sup>2</sup> per person.

Yet despite this data, the European Environment Agency reports that **between 2017 and 2020 the environmental footprint of textiles suggests that the unitary environmental impact of household textiles decreased by an average of 46.3% in just four years**.

The period 2017-2020 also saw technology in the Fashion sector advance by 23.3%, mainly driven by an increase in patents filed.

### 4. Consumer attitudes and the "waste" of online returns

58% of global consumers say that having an impact on fashion sustainability is important to them personally, but people of all ages rarely buy sustainable clothing at regular stores.

What's more, **approximately 30% of online purchases are returned, and that 70% of these returns are the result of a "change of mind," which do not take into account the repercussions of this decision**. These repercussions include sending a large amount of "unwanted" garments to landfill. A considerable portion ends up in Africa, where more than 50% of used clothes immediately become waste.

## 5. The opportunities of recycling and reuse

Estimates of annual textile waste in Europe range from 5.2 million tons to 7.5 million tons - equivalent to around 26 billion garments, with forecast growth of 20% by 2030. More than 60% of discarded textile products are composed of synthetic fibers such as polyester. On average, **of 35 textile articles discarded each year by a European citizen, three are recycled and less than one is reused in the domestic market.**

The European textile recycling industry is worth more than USD 4.6 billion, or 29.6% of the global total, and handles upwards of 32% of the textile waste generated annually on the continent (approx. 700,000 tons). **Against this backdrop, given the ever-higher concentration of synthetic garments on the European market, recycling is an increasingly promising solution.**

**Reuse**, in turn, **avoids up to 97% of CO<sub>2</sub> emissions and reduces water consumption by 99%** compared to chemical recycling. The second-hand luxury market - worth USD 24 billion in 2018 - appears to be growing rapidly, increasing 28% to 2022.

## 6. Challenges for companies in social sustainability

10 years after the Rana Plaza collapse disaster in Bangladesh, **only 1.5 million (<2%) of the 75 million workers comprising the global sector receive adequate wages** and have formal employment contracts, stable working hours or legally established protections.

## 7. Companies' growing commitment to transition

Between 2021 and 2022, the number of European fashion companies with sustainability oversight increased by 17%: 71 of the 100 largest companies are already prepared to manage the transition, but the best of these meet only 70% of the maturity requirements for ESG oversight.

Demonstrating a strong correlation between oversight and performance acceleration is still difficult, but on average, companies with structured ESG governance and linked remuneration boast 36% more oversight than their peers, while companies that have reported their emissions on a regular basis over the past four years have achieved a 37% reduction in scope 1 and 2 emissions.

The study concludes with a list of **eight proposals for a just transition within global fashion**, which is the centerpiece of discussion at the Forum.

**Venice Sustainable Fashion Forum: topics of the second day** - Day two, **October 27**, will explore the **solutions companies are implementing and the role of finance in accelerating sustainable business processes**. A spotlight will also be placed on **European regulations**, with contributions from distinguished guests, including members of the United Nations Economic Commission for Europe and the European Parliament. The **proposals and recommendations, in addition to an appeal to the institutions**, agreed by the various stakeholders and necessary for the achievement of a just, effective and rapid transition, will bring a close to the event.

To follow the event on social media, the official hashtags for the event are #VSFF23 and #BoostingTransition

*Venice Sustainable Fashion Forum is undertaken with the contribution of the Venice Rovigo Chamber of Commerce and numerous partners: Alperia, Fondazione Leaf, Consorzio Physis S.B., D.B. Group, DNV – Supply Chain & Product Assurance, Give Back Beauty, Greenberg Traurig Santa Maria, Samsung Galaxy, Sopra Steria, UniCredit, Mastrotto Group, Florence Group, Acimit, Assomac, Carbonsink, Chargeurs PCC, Clerici Tessuto, FGL International, Fiorini International, Guess Europe, Pattern Group, Unisalute.*

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**SMI (Sistema Moda Italia)** is one of the world's largest organizations representing textile and fashion industrialists. The Federation represents an industry that, with just under 400,000 employees and just under 50,000 companies, is a key component of Italy's economic and manufacturing base. The Federation seeks to protect and promote the interests of the industry and its members and exclusively represents the entire supply chain, domestically and internationally, in dealings with institutions, government departments and economic, political, trade union and social organizations. SMI's activities contribute to making textiles and fashion one of the most economically important sectors of Italian industry. SMI represents industries in the entire supply chain and is the official mediator of national and international institutions and organizations. It is the national trade federation, a mixed organization, strongly focused on integration with the community. In addition to businesses, Associations may be members of the Federation. It belongs to Confindustria and Confindustria Moda and is the most representative founding member of Euratex, the European Apparel and Textile Confederation.

**The European House - Ambrosetti** is a professional Group of about 300 professionals operating since 1965 and has grown significantly over the years thanks to the contribution of many Partners, with numerous activities in Italy, Europe and globally. The Group has three offices in Italy and a

number of overseas offices, in addition to other partnerships around the world. Its main role is to support companies in the integrated and synergistic management of the four critical dynamics of value generation processes: See, Design, Produce, and Enhance. For more than 50 years we have supported Italian businesses, providing Consultancy to about 1,300 clients every year by carrying out more than 250 Strategic Studies and Scenarios for Italian and European institutions and companies, and about 120 projects for entrepreneurial families. Alongside these numbers, about 3,000 Italian and international experts are involved each year in the 550 events held for the more than 17,000 managers accompanied on their growth trajectories. The Group benefits from an invaluable wealth of international relationships at the highest level in its various business sectors, including with the heads of major international institutions and individual countries. Since 2013, The European House - Ambrosetti has been named in the "Best Private Think Tanks" category - 1st Think Tank in Italy, 4th in the European Union and is among the world's most respected independent think tanks out of 11,175 globally (source: "Global Go To Think Tanks Report" by the University of Pennsylvania). The European House - Ambrosetti has been recognized by the Top Employers Institute as one of the 141 Top Employer 2023 entities in Italy. For further information, please visit [www.ambrosetti.eu](http://www.ambrosetti.eu)

**Confindustria Veneto Est - Venice Padua Rovigo Treviso Metropolitan Area (CVE)** is the association of industrial companies and innovative and technological services operating in the provinces of Venice, Padua, Rovigo, and Treviso, founded on a network organization of offices. In terms of size and representation, it is the second largest association in the Confindustria System, with 5,000 member companies of all sizes, producing goods and services in twenty-one product sectors, employing 270,000 people. It operates in a key region for Italy's business culture and economy, with a vocation for advanced manufacturing, international projection, technological innovation and tourism, with an aggregate GDP of Euro 86 million, 1.1 million employees (410 thousand in industry) and exports of Euro 38.3 billion in 2022. CVE is committed to the action of representing and protecting the interests of member companies in dealings with institutions and local, national and international government, economic and trade union organizations, the world of education, universities and research, and finance. It provides specialized services and consulting for labor relations, digital and sustainable transition, training and the attraction of qualified human capital, business-to-business collaborations, opening capital to third parties, credit relations, international expansion, energy, environment and safety. The goal is to help support the system of small, medium and large enterprises and supply chains in the challenge of the Fourth Industrial Revolution, developing the region as an extensive integrated area. The mission is both to work alongside companies in this major transformation and to press for an industrial, regional, national and European policy that can effectively support them. CVE is available to members with 140 professionals and its own specialized business units.

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