

Sustainable Raw Materials Will Drive Profitability for Fashion and Apparel Brands



Presenting today



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Sustainable Raw Materials Will Drive Profitability for Fashion and Apparel Brands



Sustainable materials refer to

Sustainable-sourced **Recycled raw materials**

Sustainably-sourced **Renewable materials**

Leading to reduced climate impacts

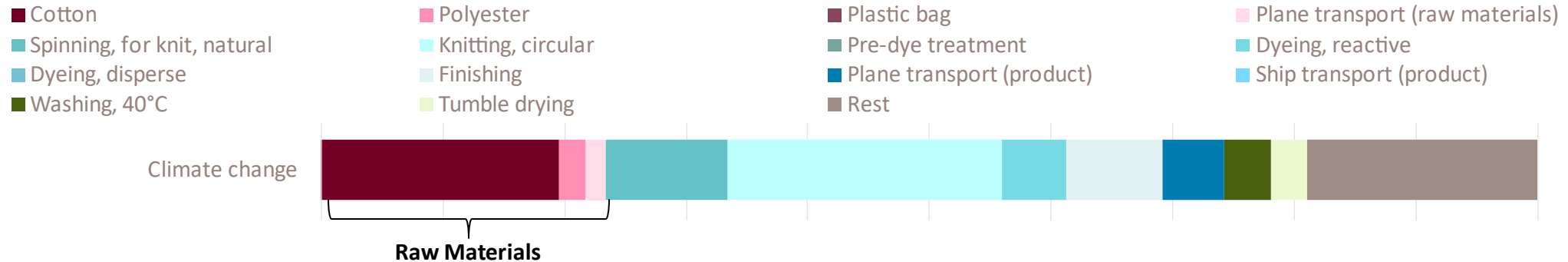
Up to two thirds...

...of a brand's climate
impact comes from **raw
materials**

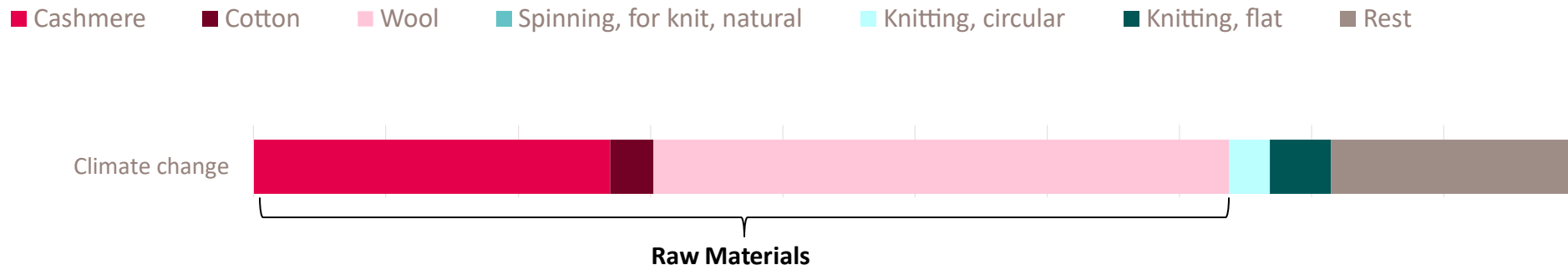
...and transforming raw
materials sourcing is a
massive change in brands
organizations that can lead
to increased profitability &
attractivity

Relative importance of raw materials depend on the type of materials

T-Shirt with a high share of cotton



Sweater with a high share of wool

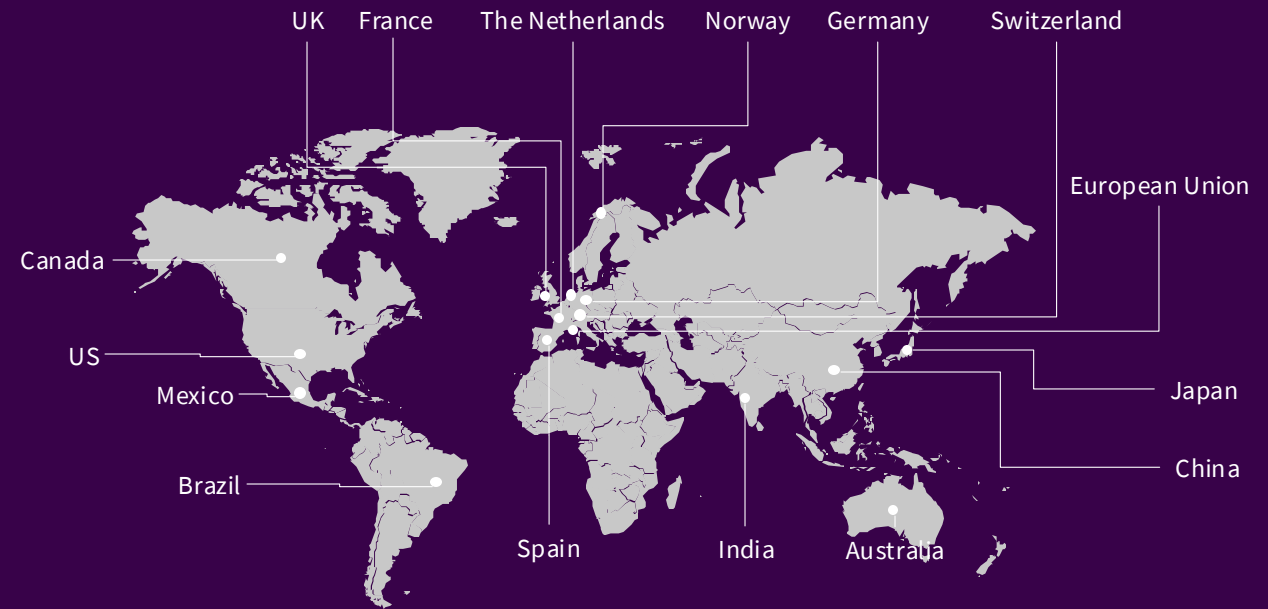


85%

of leading fashion & apparel brands are committed to **Scope 3 decarbonization targets**

...and getting raw materials right is a key factor to regulatory compliance and can contribute to increased trust from investors.

Fashion & apparel brands will contend with >35 regulations in the next 2 to 4 years.



Only **15%** of Luxury brands currently comply with all the guidelines of a flagship sustainability-linked regulation

Upcoming regulations are expected to cover every aspect of the operations of manufacturers, brands, and retailers



The way products are **sourced**

Human Rights



The way products are **designed**

EU ESPR



The way products are **marketed**

*EU Green Claims Directive,
French Lois Climat*



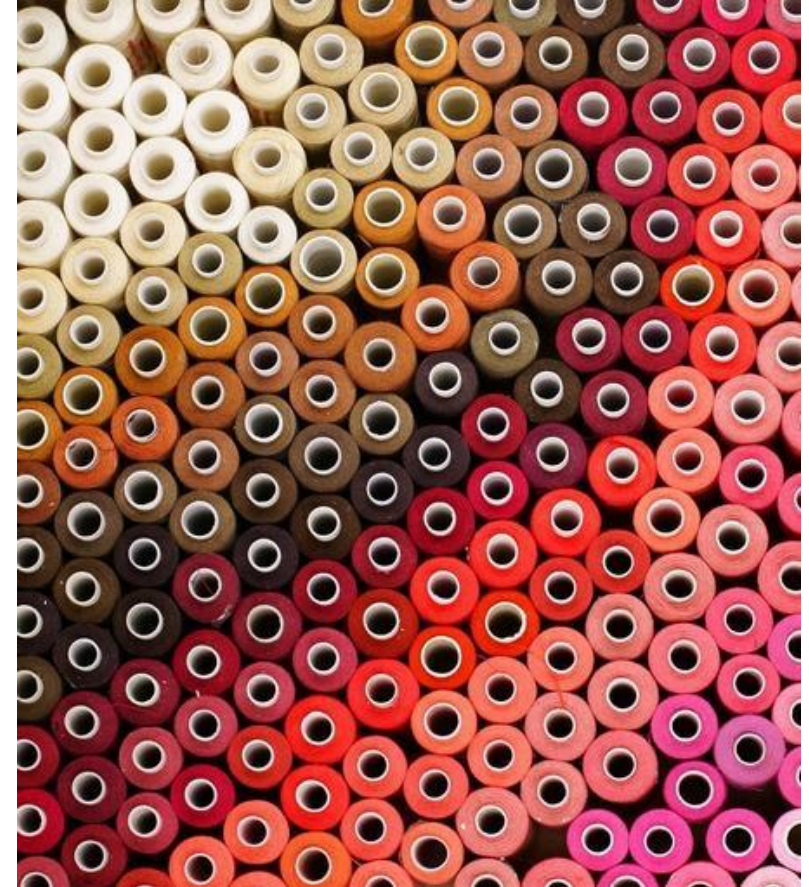
The way products are **discarded**

*EU's Waste Framework
Directive & Extended Producer
Responsibility*

8% of EBIT at risk

Failure to comply poses a **real threat to a brand's bottom line, and reputation**

Products may be denied entry to markets until brands can satisfy new requirements and labeling laws or suffer from lawsuits

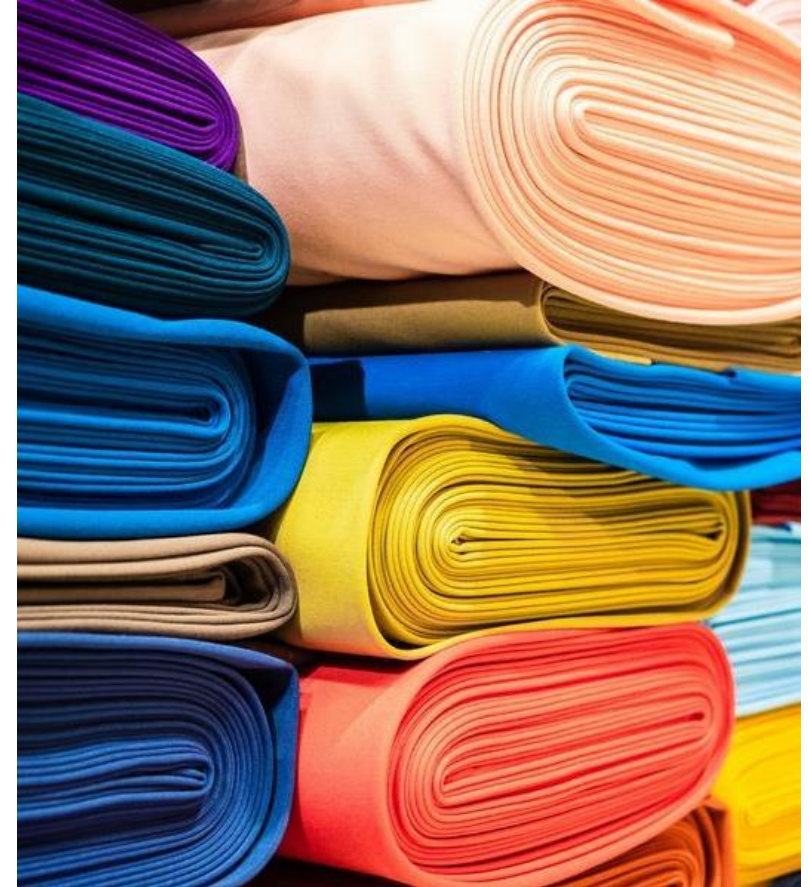


A close-up photograph of several rolls of fabric in various colors, including teal, grey, yellow, red, and orange. The fabrics are stacked and slightly overlapping, showing a fine, woven texture. The lighting is soft, highlighting the individual threads and the slight undulations of the fabric rolls.

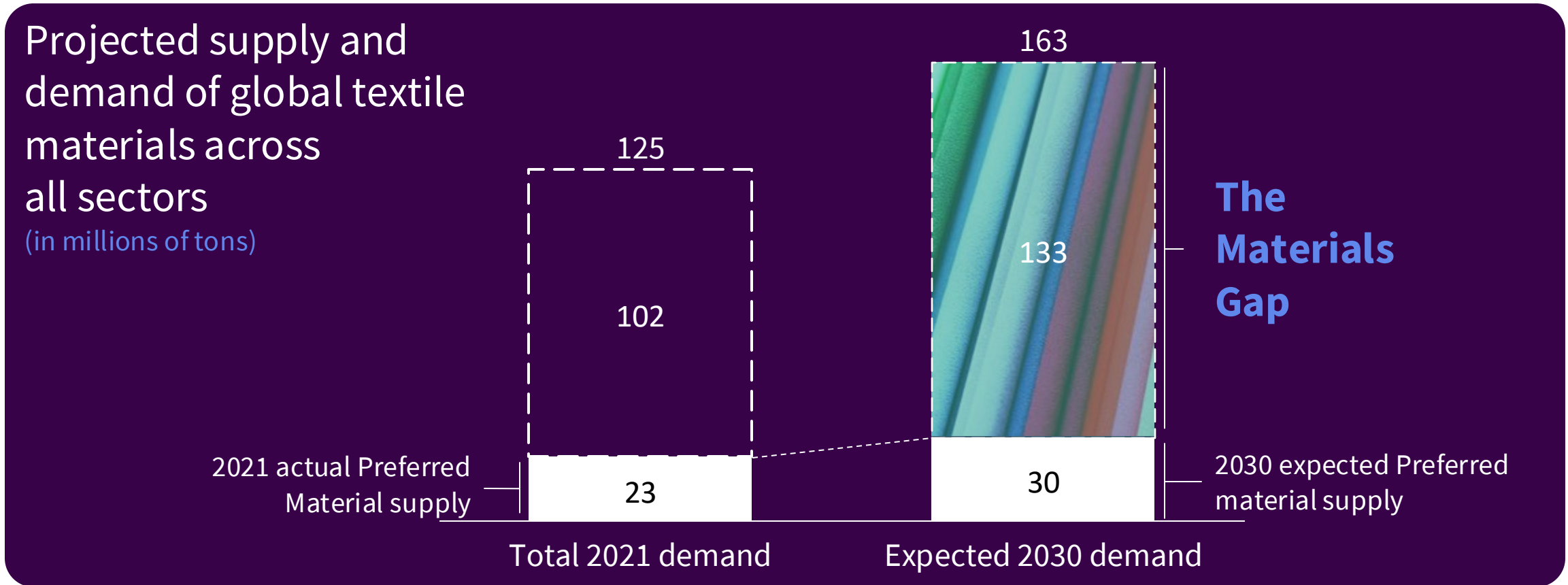
Fashion & apparel brands **cannot afford to underinvest in their raw-materials strategies any longer**

6%

Average **net profit opportunity by Year 5** driven by substantial reduction of virgin conventional raw materials in material portfolio



The Preferred-Raw-Materials gap will reach 133 million tons by 2030 without investment & focus



Source: Textile Exchange and BCG analysis.

Note: See Textile Exchange, "Preferred Fiber & Materials Market Report," October 2022, for more information. The exhibit shows the global production (all sectors) of leather, plant fibers, animal fibers, manmade cellulosic fibers, and synthetic fibers. It does not differentiate between their usages (that is, it covers apparel, home, and footwear uses). Recycled leather and alternative leathers are not included.

Tier 4 suppliers have yet to receive a strong enough signal that brands will commit to and invest in preferred raw materials



Lack of united front
within the industry



Absence of incentives
for raw-materials
producers



Climate-change related
supply issues

The Materials Manifesto



01

Full
end-to-end
traceability



02

Science-based
approach



03

Diverse
material
portfolio



04

Triple win
business
case

Brands, Suppliers, Nature



05

Strong
supply chain
relationships



06

Knowledge,
tools and
incentives

GET IN TOUCH



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