

**strategy&**

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# Sustaining values

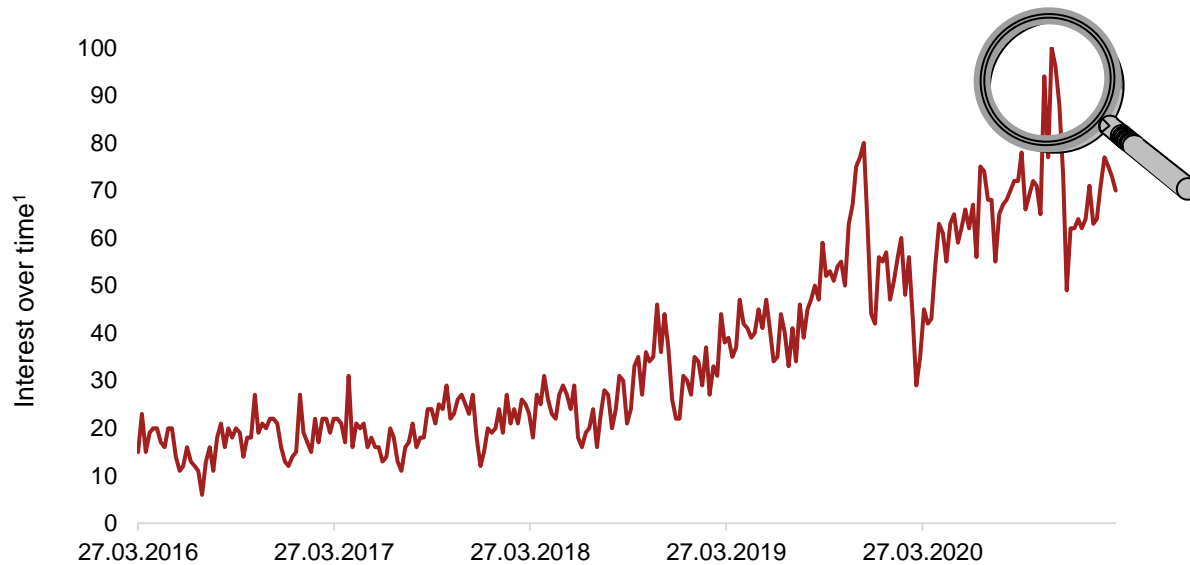
## Driving the sustainability agenda in Fashion

2021

# Social consciousness for sustainability topics is growing among consumers and increasingly guiding their purchasing decisions

## Relevance of sustainability

**Sustainability** has become a **popular search term** in the context of (online) shopping...



...and plays a very **influential role** for consumers making **purchasing decisions**.

**41%** of consumers **favor items with less packaging**

**45%** of consumers **avoid the use of plastic** whenever possible

**34%** of consumers actively look for **environmentally-friendly products**



# We see six questions that need to be addressed in order to jump-start the sustainability agenda in the fashion industry

## Key sustainability questions in fashion

1



### STRATEGY

Do you have a sustainability agenda in place that is integrated into your core corporate strategy?

2



### CIRCULARITY

Have you adopted circular economy strategies to make your business model more sustainable?

3



### SUPPLY CHAIN

Do you have a comprehensive framework in place to enhance supply chain transparency?

4



### MATERIALS

Can you follow your product trail to its source to verify supplier claims of sustainable raw materials?

5



### ETHICS

Are you taking sufficient action to ensure that your products are responsibly and ethically sourced?

6

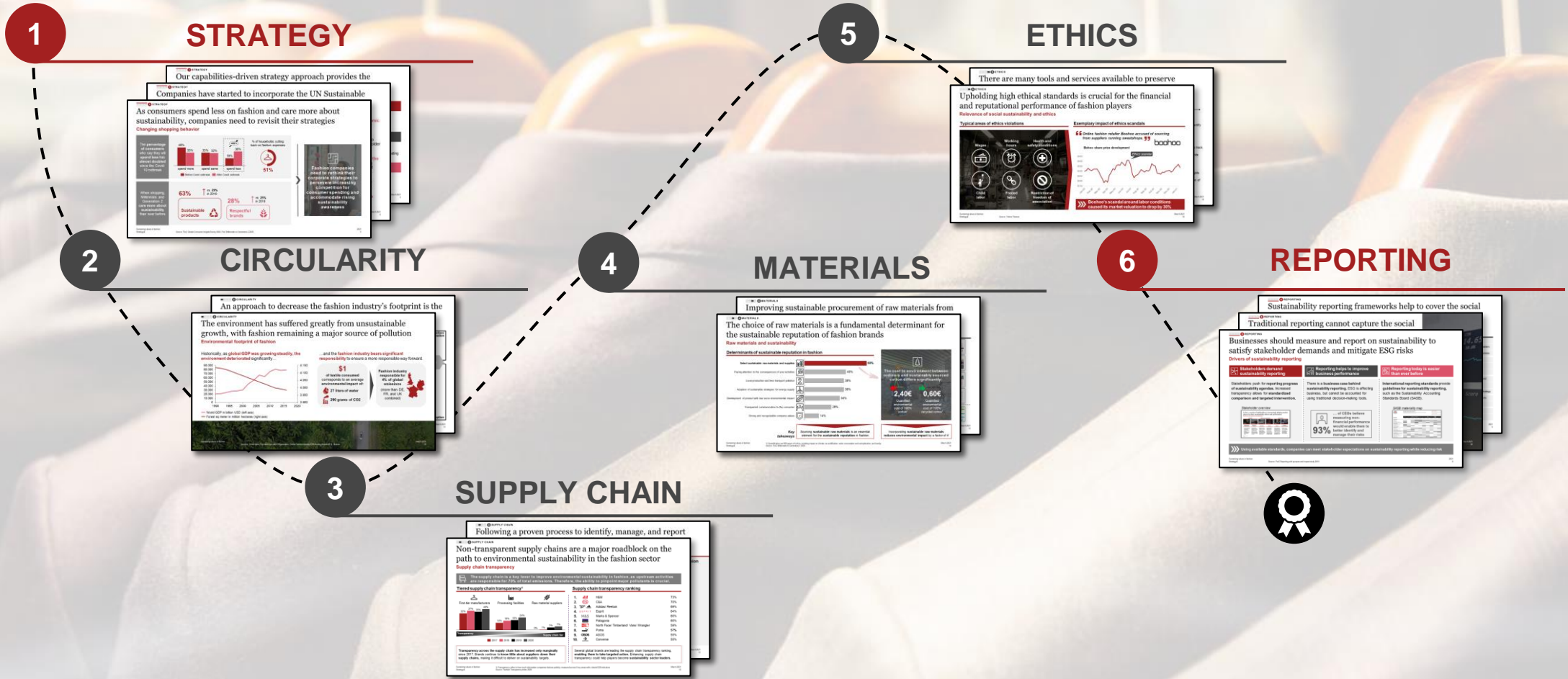


### REPORTING

Do you measure sustainability indicators and report on your performance in a transparent way?

# Combining deep functional and industry expertise, Strategy& provides a holistic view on how to create sustainable value

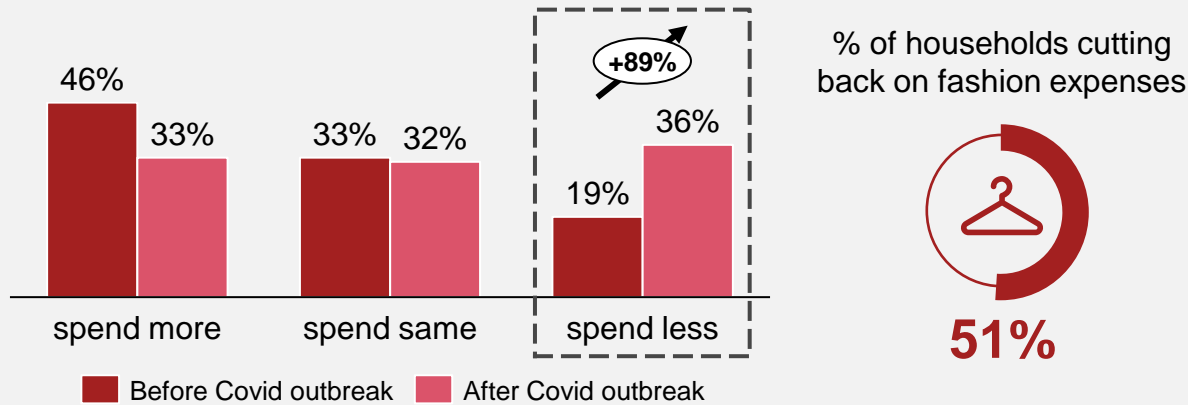
## Overview of Strategy& perspective



# As consumers spend less on fashion and care more about sustainability, companies need to revisit their strategies

## Changing shopping behavior

The percentage of consumers who say they will spend less has almost doubled since the Covid-19 outbreak



When shopping, Millennials and Generation Z care more about sustainability than ever before

**63%** ↑ vs. 29% in 2019

**Sustainable products**



**28%** ↑ vs. 25% in 2019

**Respectful brands**



Fashion companies need to rethink their corporate strategies to persevere increasing competition for consumer spending and accommodate rising sustainability awareness



# Companies have started to incorporate the UN Sustainable Development Goals in their strategies to drive sustainability

## Sustainable Development Goals (SDGs)

72%

of companies mentioned the SDGs in their reporting

21%

of companies include references to the SDGs in their CEO or Chair Statement

25%

of companies include the SDGs in their published corporate strategy



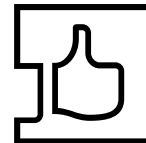
Sustainable operations contribute to **economic company goals and targets**, e.g. superior shareholder return



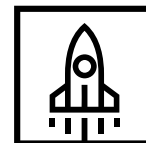
Pursuing sustainability targets contributes to **creating value for society** beyond shareholder value



Sustainability ensures **alignment between the company and its stakeholders**, e.g. rising consumer interest in reducing CO2 footprint



Setting targets on sustainability delivers **purpose to employees and staff** – people come together to jointly achieve the targets



Sustainability drives **innovation across the entire value chain, thus growing the business** through sustainable projects

# Our capabilities-driven strategy approach provides the required framework to develop a sustainable strategy

## Capabilities-driven strategy development



### Way to Play

#### How are you going to face the market?

Successful companies have a clear understanding of the way they create sustainable value for customers



### Capabilities System

#### What gives you competitive advantage?

The engine of sustainable value creation is a system of 3-6 differentiating capabilities that allow companies to deliver their value proposition



### Portfolio of Products/ Services

#### What and to whom will you sell?

Companies with products and services that leverage a similar capabilities system have superior returns

# Businesses should measure and report on sustainability to satisfy stakeholder demands and mitigate ESG risks

## Drivers of sustainability reporting



**Stakeholders demand sustainability reporting**

Stakeholders push for **reporting progress of sustainability agendas**. Increased transparency allows for **standardized comparison and targeted intervention**.

### Stakeholder overview

In fact, a variety of stakeholders is increasingly judging market players by their sustainability efforts and performance

*Awareness and requirements of stakeholders*

Upstream	Within your organization	Downstream
<b>Banks</b> Kreditanstalt für Wiederaufbau • Provides standards for decision-making with sustainability • Assesses environmental and social impact for every investment project	<b>Suppliers</b> Better Cotton Initiative • Promotes better standards in cotton farming as the largest sustainable cotton program worldwide • Influences sourcing of its 1,800 members covering 22% of global production	<b>Investors/Corporates</b> BlackRock • Considers climate change when making investment decisions • Drives climate change as a major environmental issue and believes that it will reshape the world's financial system
<b>Employees</b> Amazon • Committed \$100 to fighting climate change • Offers customers to search and filter for sustainably sourced and produced items • Drives to "empower" more ways and to explore new ways of highlighting the impact of climate change	<b>Customers</b> Zalando • Offers customers to search and filter for sustainably sourced and produced items • Drives to "empower" more ways and to explore new ways of highlighting the impact of climate change	<b>Community/Public</b> Initiative Lieferkettennetz • Establishes NGOs focused on supply chain sustainability • Aims to extend environmental and social standards along the supply chain in legislation



**Reporting helps to improve business performance**

There is a **business case behind sustainability reporting**. ESG is affecting business, but cannot be accounted for using traditional decision-making tools.

**93%** of CEOs believe measuring non-financial performance would enable them to better identify and manage their risks



**Reporting today is easier than ever before**

**International reporting standards provide guidelines for sustainability reporting**, such as the Sustainability Accounting Standards Board (SASB).

### SASB materiality map



**Using available standards, companies can meet stakeholder expectations on sustainability reporting while reducing risk**



# Sustainability reporting frameworks help to cover the social and environmental impact of business activity in fashion

## Sustainability reporting framework

? Questions	📁 Categories	🧠 Suggestions
<b>How does sustainability fit with your organization's purpose and strategy?</b>	<b>Organization overview</b>	Provide overview of organization's key activities and environment in which it operates
	<b>Purpose</b>	Communicate clear and succinct purpose that explains company's raison d'être beyond creating financial return for shareholders
	<b>Strategy</b>	Describe how sustainability strategy is integrated into corporate strategy and demonstrate how it permeates throughout business
<b>How do you consider your priorities?</b>	<b>Materiality</b>	Demonstrate understanding of sustainability issues that are most relevant to company and its stakeholders
	<b>Stakeholders</b>	Explain how company engages with principal stakeholders and how this has impacted its sustainability strategy
	<b>Risks &amp; opportunities</b>	Explain key strategic risks and opportunities for organization that arise from sustainability issues
<b>How do you monitor and manage performance?</b>	<b>KPIs &amp; targets</b>	Identify KPIs that are relevant to sustainability strategy and set challenging but realistic targets to assess performance against
	<b>Impact</b>	Provide clear explanation and quantification of social, environmental and economic impacts of business activities
	<b>Governance</b>	Explain sustainability governance structure and outline how directors and staff are incentivized to deliver on sustainability strategy
<b>How do you consider the broader viability of the business?</b>	<b>Value chain</b>	Consider relevant upstream and downstream value chain aspects of business to account for all potential ESG-related impacts
	<b>Future proofing</b>	Disclose future resource constraints affecting business, incl. non-financial capitals (e.g. natural or human capital)
<b>How do you report with transparency?</b>	<b>Balanced reporting</b>	Present information in balanced and transparent fashion and explain where and how improvements will be made
	<b>Assurance</b>	Ensure credibility by referencing independent studies, external benchmarking, expert review panels, or 3 <sup>rd</sup> party assurance

# Our team of dedicated experts is happy to discuss your opportunities for sustainable value creation in fashion



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