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

Source: Google Trends; PwC Global Consumer Insights Survey 2020

1) Index 100 stands for the highest popularity of this search term

Sustaining values in fashion

2021 2
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

1. **STRATEGY**
   - Overview of Strategy& perspective
   - Detailed further in this presentation
   - Not detailed further in this presentation

2. **CIRCULARITY**
   - Sustaining values in fashion
   - Strategy&

3. **SUPPLY CHAIN**
   - Detailed further in this presentation

4. **MATERIALS**
   - Not detailed further in this presentation

5. **ETHICS**
   - Not detailed further in this presentation

6. **REPORTING**
   - Not detailed further in this presentation

- Sustaining values in fashion
- Strategy&
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

<table>
<thead>
<tr>
<th>Spend More</th>
<th>Spend Same</th>
<th>Spend Less</th>
</tr>
</thead>
<tbody>
<tr>
<td>46%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>33%</td>
<td>32%</td>
<td>19%</td>
</tr>
</tbody>
</table>

% of households cutting back on fashion expenses

51%

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

Sustaining values in fashion

Source: PwC Global Consumer Insights Survey 2020, PwC Millennials vs Generation Z 2020
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
There is a business case behind sustainability reporting. ESG is affecting business, but cannot be accounted for using traditional decision-making tools.

Drivers of sustainability reporting

- Stakeholders demand sustainability reporting
- Reporting helps to improve business performance
- Reporting today is easier than ever before

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

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

- Stakeholder overview
- Reporting helps to improve business performance
- 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

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

Source: PwC Reporting with purpose and impact study 2019
Sustainability reporting frameworks help to cover the social and environmental impact of business activity in fashion

### Sustainability reporting framework

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

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