

# Report Snapshot

**From Catwalk to Carbon Neutral:  
Mobilising Funding for a Net  
Zero Fashion Industry**



## Quick overview

The report outlines the case for a multi-stakeholder approach to financing the fashion industries transformation to net-zero. It details why manufacturers cannot shoulder the burden alone and proposes alternative solutions to drive meaningful impact.

Get a quick overview of the key findings and action points using this handy Report Snapshot.

Want to find out more, then click the button below to download the full report.

**DOWNLOAD**  
**FULL REPORT**

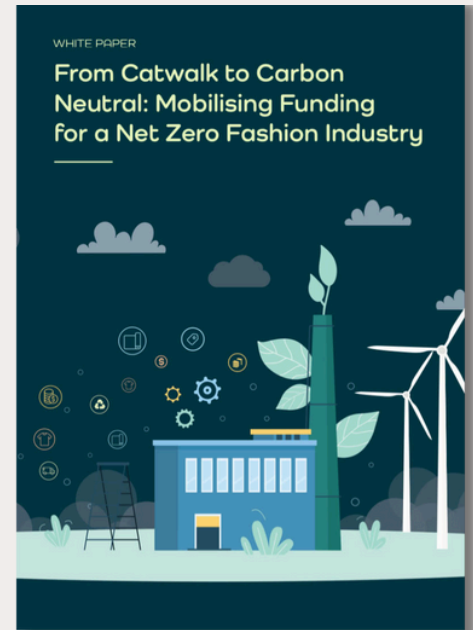


## The report offers:

- An overview of strategies for financing the transition of the fashion industry to net-zero emissions
- Sustainability challenges throughout the fashion industry, from design to production
- 7 business and financing bottlenecks faced by manufacturers
- 8 Innovative funding solutions that could meet these challenges

## It will help you to:

- Understand the obstacles faced by suppliers in financing the shift to net-zero
- Appreciate the many different ways in which these obstacles, with the right strategy and involvement of all stakeholders, can be overcome



## 7 Business and Financing Bottlenecks Faced by Manufacturers

1

### Capital expenditure

- On the one hand, the full burden and risk of capital investments tends to fall on manufacturers whilst, on the other, suppliers struggled to raise the requisite funding.





## 7 Business and Financing Bottlenecks Faced by Manufacturers

2

### Lack of solutions beyond debt

- For many manufacturers, especially SMEs their high leverage and limited company size placed debt out of reach.
- Without other (non-traditional) funding options, and the sharing of climate action risk-reward, industry-wide decarbonisation will lag and falter.



## 7 Business and Financing Bottlenecks Faced by Manufacturers

3

### Increased operating expenses not shared

- When decarbonisation projects add to their operating costs (short-term or otherwise) without the option of sharing these among value chain participants, including consumers, manufacturers worry they cannot invest without making unworkable margin cuts.



## 7 Business and Financing Bottlenecks Faced by Manufacturers

4

### Business cycle risk

- Manufacturers typically do not have much visibility into the order pipelines beyond a season. The fashion industry's cyclical nature thus reduces the span during which investment practically occurs.





## 7 Business and Financing Bottlenecks Faced by Manufacturers

5

### Debt affordability

- Lack of access to lower-cost US dollar or Euro funds keep domestic financial markets in manufacturer countries from supporting decarbonisation.
- Other obstacles were high double-digit interest rates applicable in local currencies and, to a degree, the absence of financial system transparency and depth resulting in poor local capacity and resources.



## 7 Business and Financing Bottlenecks Faced by Manufacturers

6

### Lack of tools to de-risk investment and debt

- An estimated 45% of Tier 1 businesses and nearly 30% of Tier 2 are in developing countries where adverse macroeconomic conditions have led to increased country and equity risk premiums. This makes them riskier to potential lenders.
- Some manufacturers cannot raise funds because of the risk profile of their organisation or of a given project.





## 7 Business and Financing Bottlenecks Faced by Manufacturers

7

### Lack of local policies for renewable energy and energy transition

- Some manufacturers in certain jurisdictions lamented the lack of reliable legal frameworks, the adverse impact of certain domestic energy policies and the absence of physical infrastructure to support specific decarbonisation strategies.



## 8 Innovative funding solutions that could meet these challenges

1

### Establishing a Fair Climate Fund

- Built on the principle of equity, adopting the Fairtrade model, each value chain partner diverts a portion of revenue to the fund, which is then disbursed as grants to finance supply chain decarbonisation projects.





## 8 Innovative funding solutions that could meet these challenges

2

### **Brand-supplied debt repaid via product discounts**

- The larger, more profitable brands and retailers provide funding for which repayments are through discounts on future product orders.

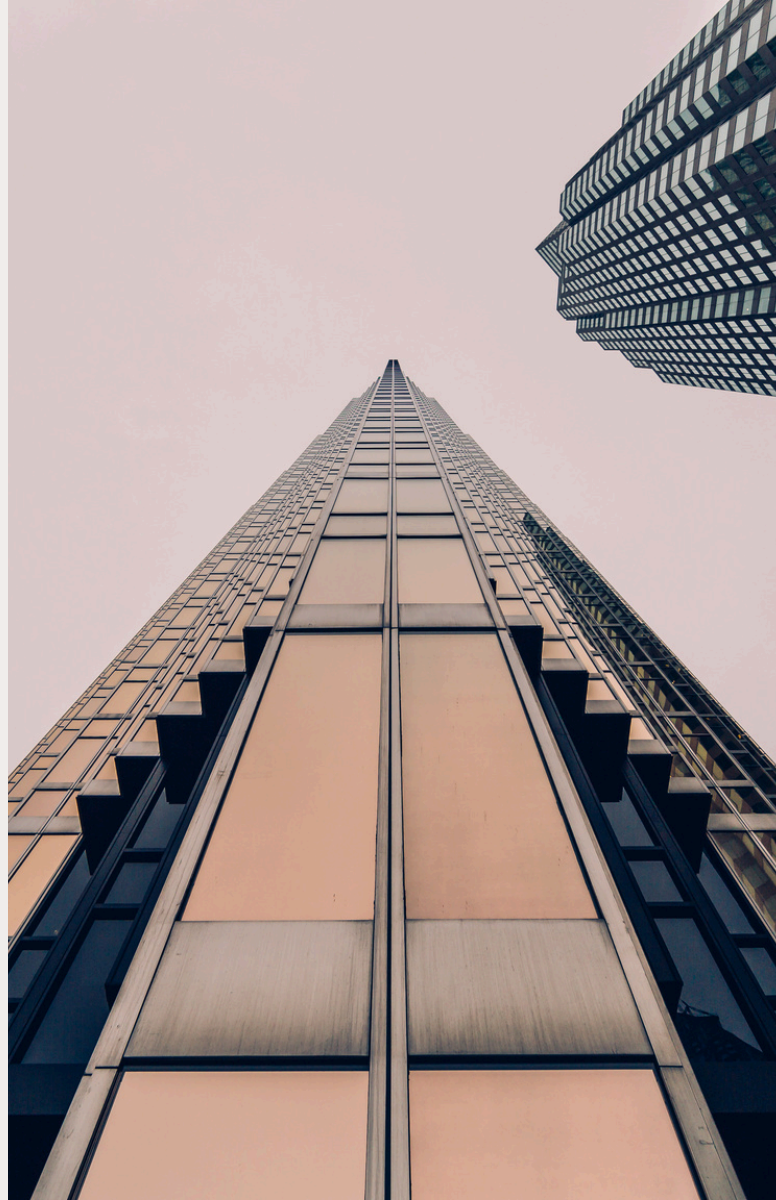


## 8 Innovative funding solutions that could meet these challenges

3

### Cost-sharing with consumers

- A clothing line priced slightly over the conventional range, with clear information to consumers that the premium—displayed as a “green tag” at the point of sale—will exclusively fund decarbonisation of the product’s supply chain.



## 8 Innovative funding solutions that could meet these challenges

4

### Green bonds and equity

- Capitalises on growing interest for green bonds and equity in an environment where investors are increasingly focused on economic, social and governance (ESG) factors.





## 8 Innovative funding solutions that could meet these challenges

5

### Islamic finance

- A project funding tool—particularly for countries with a majority of followers in the Islamic faith—that differs from regular bonds in that it is not speculative and derives revenue through direct asset ownership rather than interest-bearing debt.



## 8 Innovative funding solutions that could meet these challenges

6

### Mitigating business cycle risk

- Business cycle insurance for investment policies to cover disruptions or downturns that impact loan repayment ability.



## 8 Innovative funding solutions that could meet these challenges

7

### Credit guarantees

- Credit guarantees from governments, multilateral development banks (MDBs), development financial institutions (DFIs) or export credit agencies (ECAs).



## 8 Innovative funding solutions that could meet these challenges

8

### A Just Transition Fund

- Created through regulatory levies, it would be accessible to manufacturers in developing countries to support value chain decarbonisation.



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**FULL REPORT**



# Fashion Industry Accelerator

## Founding Partners

Our founding partners have joined forces to accelerate collective action and move the dial on ESG best practice across the fashion sector.



**Global Compact**  
Network UK

The United Nations Global Compact is the world's largest corporate responsibility initiative, represented by 72 local industry networks and 20,000 business members.



**PDS**  
Global | Collaborative | Digital | Ethical

PDS Limited (PDS) is a global manufacturing and sourcing network, uniting over 600 factories serving over 200 of the world's leading brands and retailers.

## COMMON OBJECTIVE

Common Objective (CO) is the global tech platform for sustainable fashion business, uniting 63,000+ fashion industry members, representing 28,000+ businesses.



IITL Group is a global leader in sustainable labelling products and solutions. The company caters for the world's leading brands and retailers across 21 locations.

# COMMON OBJECTIVE

Let's build a better fashion industry.

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