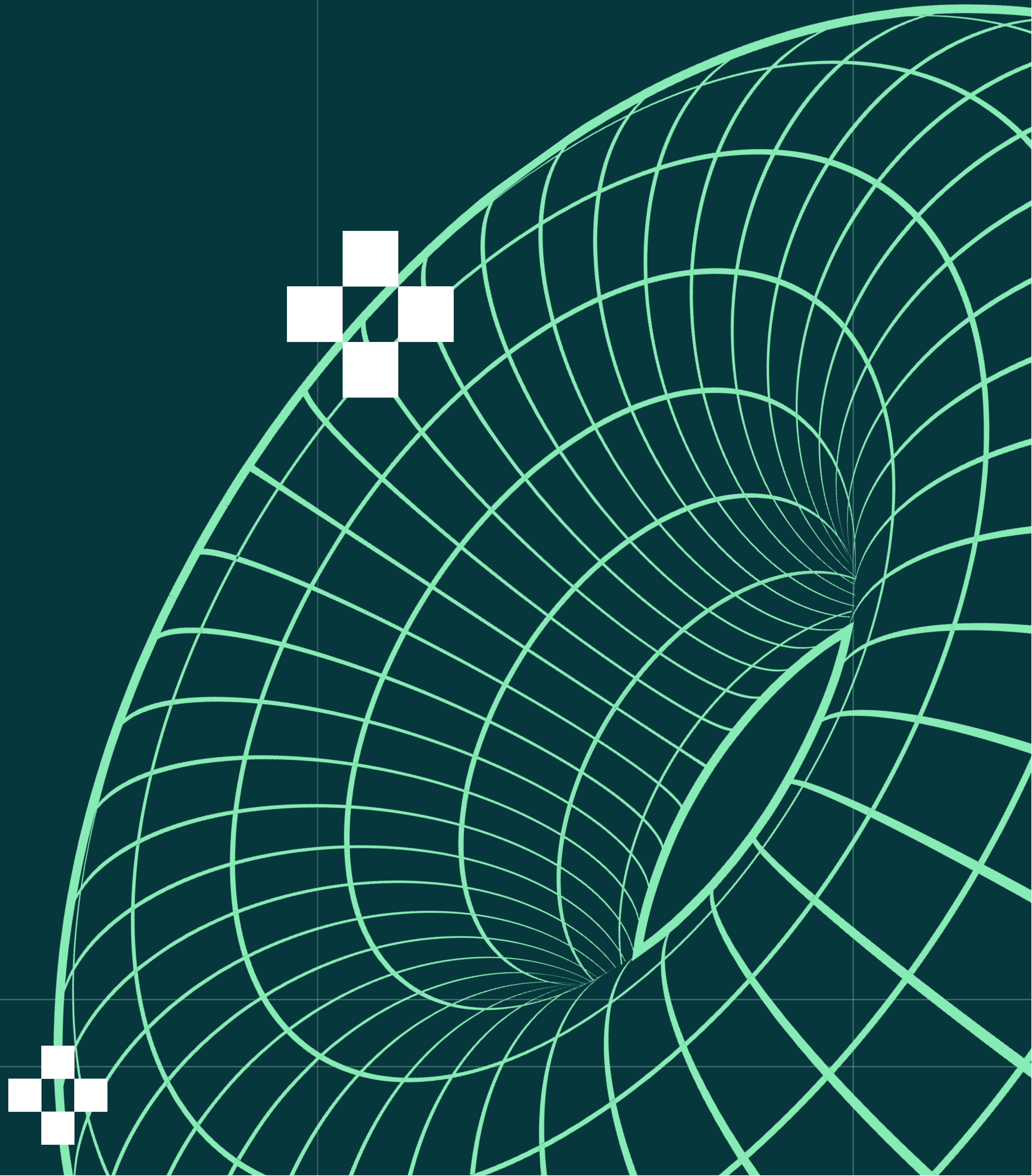
State & prospects of circular fashion in Europe



By 2030, the circular fashion market – underpinned by four key pillars – could generate €31.3 billion and create 88,500 jobs, unlocking business opportunities that supportive regulation could further accelerate.

	REINVENT *"Reinventing fashion at the design stage"*	REUSE *"Making second hand first choice"*	REPAIR *"Repairing to make fashion last longer"."*	RECYCLE *"Breathing new life into the garment"*
Environmental impact	With 80% of a product's environmental impact determined at the design phase, Reinventing design allows brands to **act upstream and significantly to reduce footprint.**	Buying a used garment extends its life by an average of **2.2 years**, reducing its carbon, water, and waste footprint by up to **73%**.	Repairing a garment instead of replacing it **reduces CO2 emissions** by **30%** and extends the **product's lifespan** by around 70%[1].	Recycling fibers avoids the reintroduction of **virgin materials** such as cotton or animal fibers which accounts for a **third of a garment's carbon footprint**, thereby significantly lowering environmental impact.
Business opportunities	Integrating circular design principles strengthens **brand positioning** in line with consumer expectations for sustainability, enhances regulatory readiness, and supports **mid-term profitability** through material-efficient eco-design	Reuse drives **additional revenue**, thought new customers, reactivation of **dormant customers**, increases **average order value**, and improves **customer retention**.	Repair contributes to client retention with **after-sales satisfaction**, reduces product returns, and offers insights into product wearability, helping brands improve design.	Investing in recycling allows brands to secure **future raw material supplies**, reduce their carbon footprint, and differentiate through innovation in fiber regeneration.
Market outlook	Given the lack of reliable data (e.g. on the number of eco-designed collections), a sizing estimate is not currently feasible. The scope of «Reinvent» sizing would ultimately encompass garments designed using eco-design principles.	The second-hand fashion market in Europe is projected to reach **€26Bn** by 2030 creating more **+75,124 jobs**, driven by both **peer-to-peer platforms** and **brand-led resale initiatives.**	The European repair market is expected to grow to **€3.7Bn** by 2030, driven by **regulatory support** and **public incentives** such as France's repair bonus, and could create nearly **+9,826 jobs**.	The textile recycling market in Europe is estimated to reach **€1.6Bn** by 2030 and create over **+3,500 jobs**, although current volumes remain low due to technical and structural barriers.
Regulatory resilience	The eco-design regulation includes **financial incentives** (e.g. eco-modulation bonuses) and upcoming requirements like the **Digital Product Passport** to promote circular product developmentto reduce footprint.	Regulations restricting the **destruction of unsold inventory and reducing VAT** encourage brands to adopt second-hand and reuse models to extend product **lifecycles** and **reduce waste.**	**Reducing VAT** on repair services would reduce the **cost barrier** for consumers and incentivize the **development of professional repair networks**.	New eco-design rules could require a **minimum percentage of recycled fibers** in textiles placed on the market, s**ecuring demand** for recycling infrastructure.

Note: 1° Data provided by "Les Racommodeurs"
Sources: Interviews; KPMG Analysis

Circular Fashion Federation (FMC) Contributors

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Circular Fashion Federation

Maxime Delavallée is co-founder & CEO of CrushON and President of the Circular Fashion Federation. He also teaches growth marketing, impact strategies and the circular economy at ESSEC Business School, CentraleSupélec, Sciences Po Paris and the Institut Français de la Mode. Before launching CrushON, Maxime worked at the World Bank as a public policy consultant and studied at HEC Montréal, McGill University, Sciences Po Paris and the University of St.Gallen.

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Ellie Dahan-Lamort is Chief Operations Officer at Circular Fashion Federation. Over the past two years, she has coordinated the advocacy and community actions of the Fédération. Before that, she studied law and sustainability at Paris 1 Panthéon-Sorbonne and had her first professional experiences at Clear Fashion and in the CSR team of Showroomprivé.com.

Hatem Sedkaoui

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Hatem Sedkaoui is a leader committed to the sustainable transformation of the textile industry. Former CEO of Suez Textile and ex-Chairman of Fédérec Textile, he played a key role in structuring the textile recycling sector in France. Today, he is continuing his commitment as a member of the Board of the Circular Fashion Federation, where he represents the challenges facing the industry and recycling. His strategic vision, operational experience and strong convictions make him a key player in the circular economy and responsible innovation.

Quentin Muret

Circular Strategist
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Quentin Muret is a Sustainability Strategy expert specializing in ESG integration and circular business models in fashion and luxury. He has led sustainability transformations for major brands, co-authored market studies on circular fashion in France, and collaborates with the Circular Fashion Federation to drive industry innovation.

KPMG Contributors

This 2025 edition of the Circular Fashion Market Study was led jointly by KPMG and FMC.
KPMG Global Strategy Group and the ESG Center of Excellence have worked together to mutualize their market and sustainability expertise

Structured around 4 strategic pillars, the study provides a forward-looking perspective on the circular transformation of the fashion sector, articulating key market trajectories, business implications and regulatory drivers shaping the industry by 2030 in Europe.

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The fashion industry is a key contributor to the global economy, but its business model remains largely incompatible with sustainability

The fashion market spans the entire value chain, from textile production to retail, secondhand trading and recycling. It includes clothing, footwear and accessories.

The fashion market is a strong contributor to the world economy…

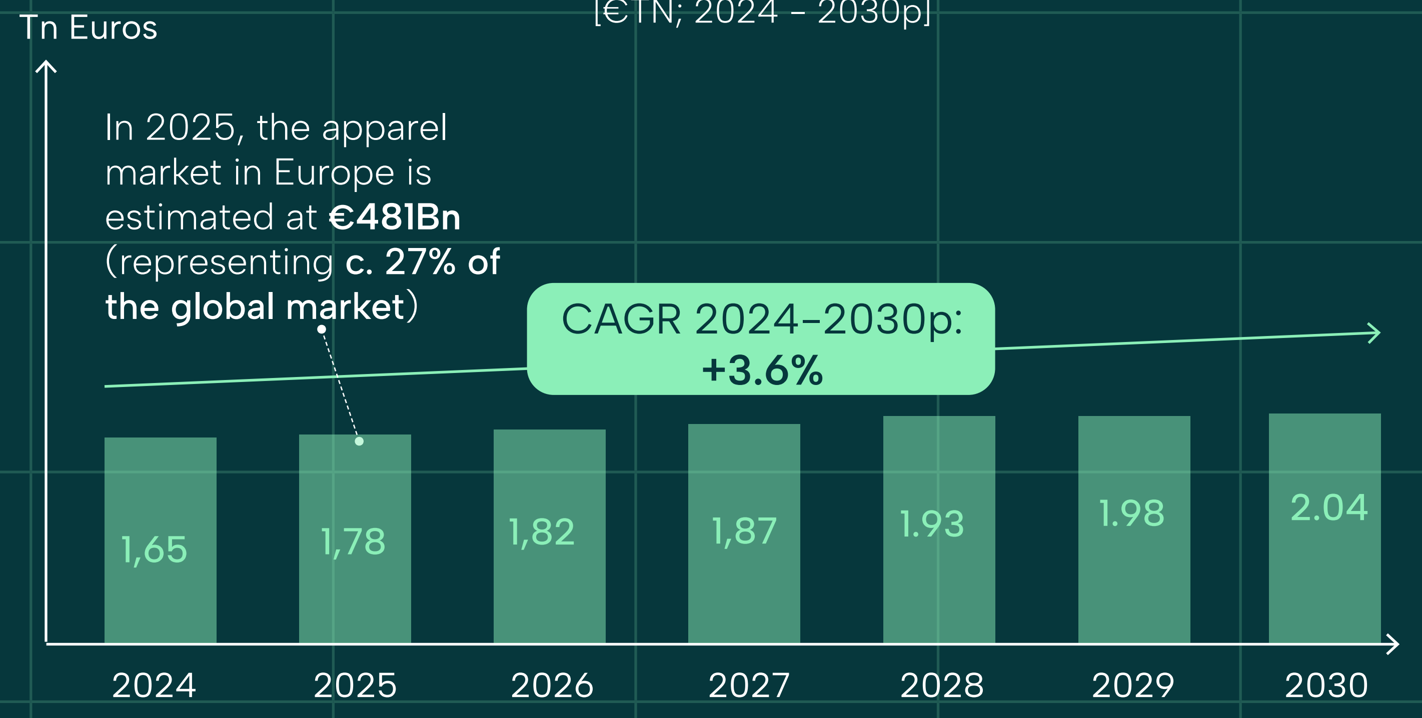
The fashion industry accounts for **2% of global GDP** and employs around 300 million people along the value chain.

The industry is facing **economic uncertainty, a dynamic market and consumers shifts**.

The market is expected to reach **$2 trillion** by 2030

In Europe, the average number of apparel pieces purchased per capita declined from **45.72 items** in **2019** to **41.77** in **2025**. However, a gradual recovery is expected, with consumption projected to reach **41.83 pieces** by **2029 (+0.24%)**, marking the seventh consecutive year of growth.

Expected evolution of the global apparel market
[€TN; 2024 – 2030p]



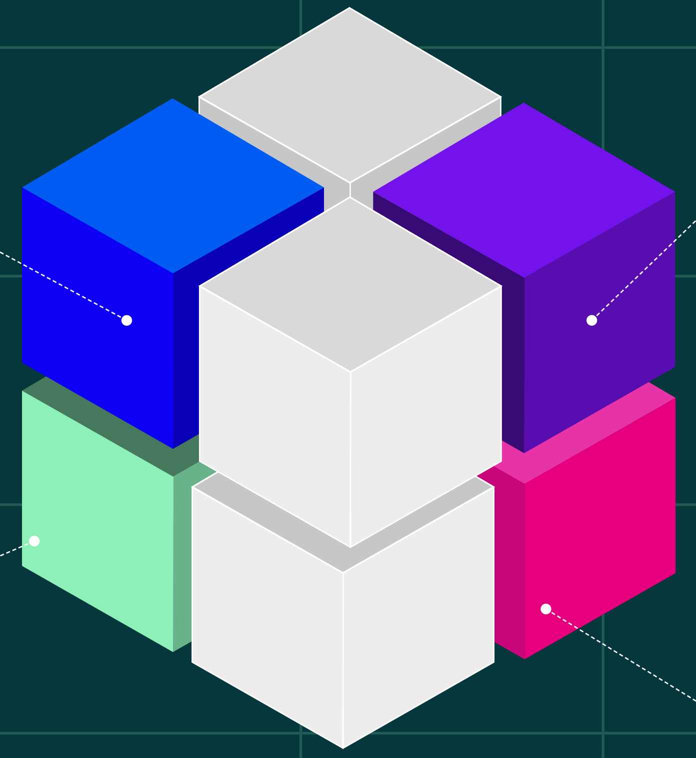
…with however social and environmental externalities that show the limits of its current practices.

GREENHOUSE GASES EMISSIONS

8% of the global CO2 emissions and impacts to the environment.

WASTE

<1% of the material used to produce clothing is recycled into new clothing, 1 garbage truck of clothes are burned or landfilled every second.



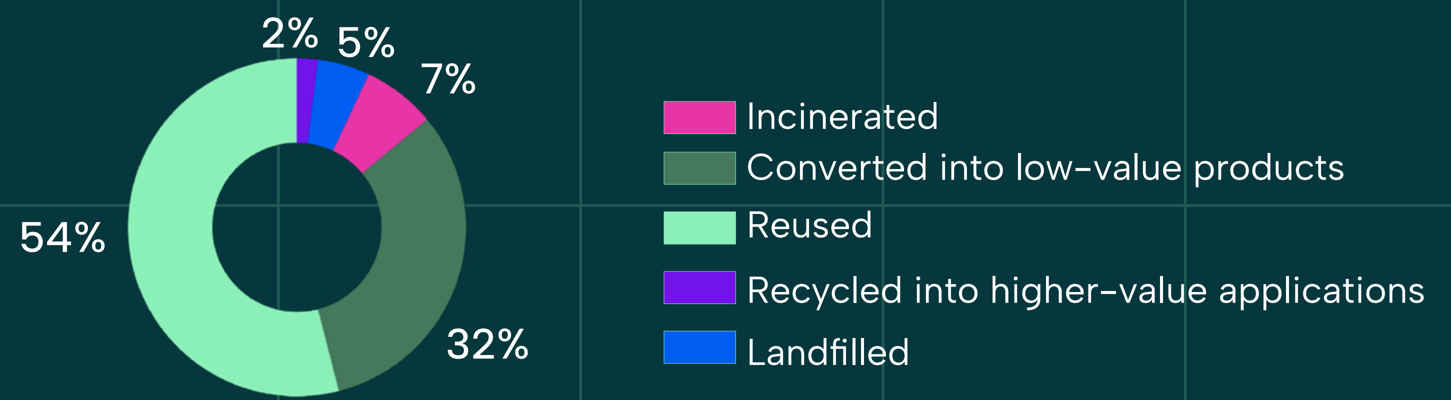
WATER

20% of global clean water is polluted by textile production, with 85% due to dying processes. The equivalent of 50 billion plastic bottles in microplastics are discharged in the ocean due to washing clothes.

LABOUR

80% of apparel is made by young women between ages of 18 and 24, with evidence of forced and child labor in the supply chain.

Split of sorted and separately collected waste in the EU



Sources: United Nations University "Garments and Apparel" (2024); EllenMcArthur Foundation, World Research Institute "By the numbers: the Economic, Social and Environmental impacts of "fast fashion" (2019), Market research; European Parliament report "The impact of textile production and waste on the environment" (2024); UNEP; CBI Ministry of Foreign Affairs of the Netherlands; KPMG Analysis

Europe stands out as both a hub for fashion brands and consumer demand, while also being shaped by a stringent regulatory landscape 1/2

The European Union has a long-standing presence in the fashion market, home to many enduring brands. Fashion accounts for 10% of all EU exports, making it a dynamic sector with both high consumption and production. However, the industry faces several challenges. Growing awareness of the fashion industry's adverse impact has led to a strong regulatory framework within the region.

This study includes all countries of the European Union, and focuses on 10 key countries

Sources: Euratex "Facts and key figures 2024 of the European Textile and clothing industry" (2024); European Commission; European Agency; KPMG analysis

Europe stands out as both a hub for fashion brands and consumer demand, while also being shaped by a stringent regulatory landscape. 2/2

Under revision

Part of the EU Strategy for Sustainable and Circular Textiles

The European Union has a long-standing presence in the fashion market, home to many enduring brands. Fashion accounts for 10% of all EU exports, making it a dynamic sector with both high consumption and production. However, the industry faces several challenges. Growing awareness of the fashion industry's adverse impact has led to a strong regulatory framework within the region.

The regulatory context regarding fashion and the environment has been strengthened :

2011

The Textile Labelling Regulation (Under revision)

Ensures that consumers in the EU are well-informed about the textile products they purchase, including their fiber content. It standardizes how product composition and fiber information are presented.

2014

EU Ecolabel criteria for textile products (Under revision)

Introduced a label based on ecological criteria to recognize textile products with a lower environmental impact throughout their lifecycle. The criteria have been regularly updated since 2014.

2020

(NEW) Circular Economy action plan (Part of the EU Strategy for Sustainable and Circular Textiles)

As part of the European Green Deal, this initiative includes 35 actions to help the EU reduce pressure on natural resources. It is essential for achieving the EU's 2050 climate neutrality target. The first circular economy action plan was adopted in 2015.

2024

Waste Shipment Regulation (Part of the EU Strategy for Sustainable and Circular Textiles)

Ensures that the EU does not export waste to third countries in ways that harm human health or the environment. It enhances waste shipment traceability and prevents illegal exports.

Directive on repair of goods

Promotes repair and reuse by encouraging manufacturers to offer repairs within a reasonable time and at a fair price. Repairability requirements are defined by product-specific legislation.

Ecodesign for Sustainable Products Regulation (Part of the EU Strategy for Sustainable and Circular Textiles)

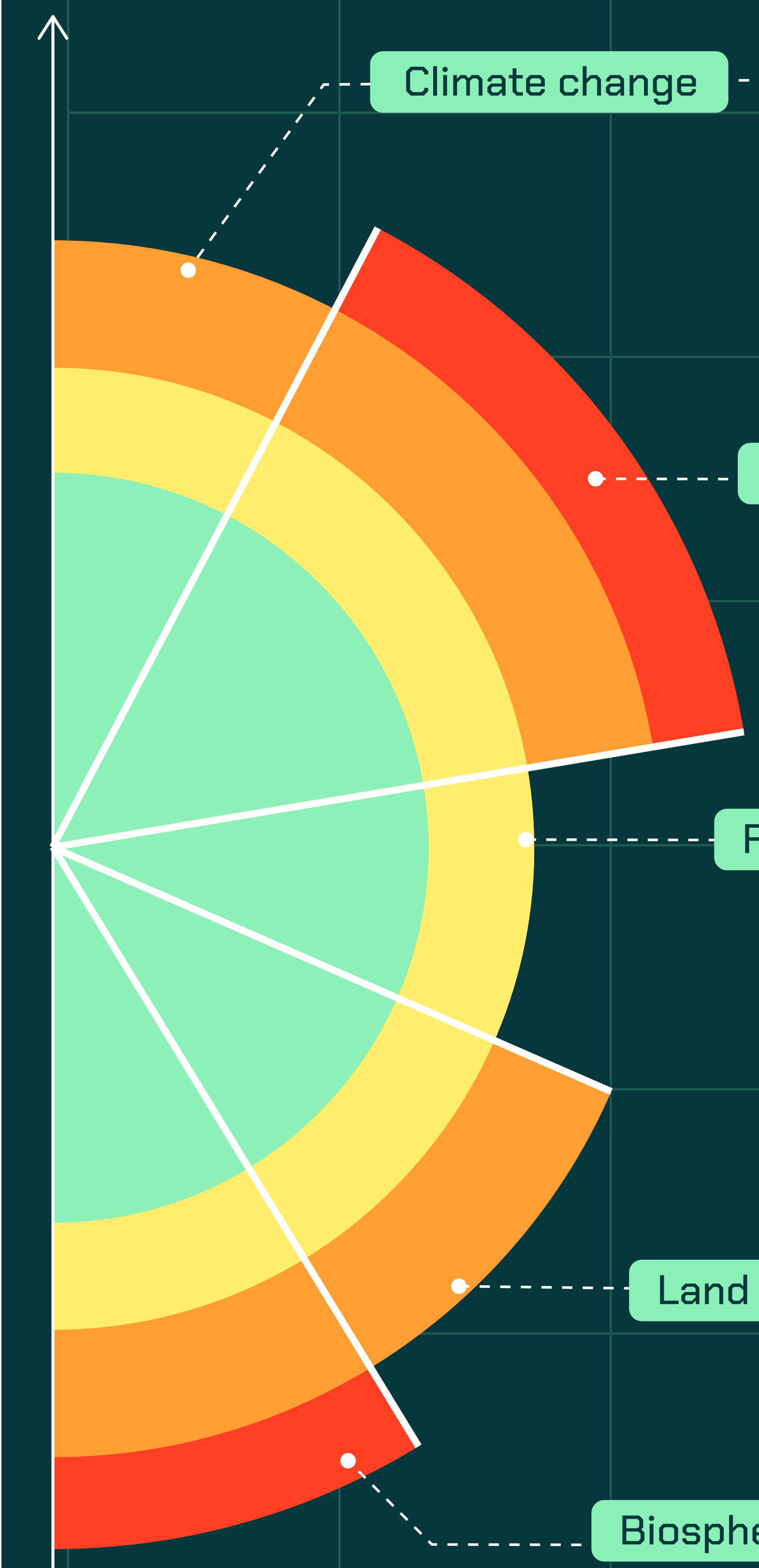
Establishes performance and information rules, known as «ecodesign requirements,» to improve product durability, reusability, reparability, and recyclability. It replaces the 2009 Ecodesign Directive.

Sources: Euratex "Facts and key figures 2024 of the European Textile and clothing industry" (2024); European Commission; European Agency KPMG analysis

The circular economy is emerging as a key lever for achieving the fashion industry's decarbonisation and sustainability goals

The fashion industry is a global and complex system with interconnected flows and diverse environmental impacts. The circular economy should be viewed as a cross-cutting pillar, integrated into the brand's broader climate, biodiversity, and resource strategies.

Implementing circular economy practices in the fashion industry can ease the pressure on some of the nine planet boundaries



Climate change

Circular fashion could cut the industry's carbon emissions by nearly half. *For example, the European fashion sector alone could save 63 million tonnes of of CO2 emissions – more than 1.5 times Switzerland's total annual emissions.*

Novel entities

Improving the sourcing of raw materials and managing end-of-life disposal of clothing could reduce chemicals pollutions of soil and water. Dyes from shoes release heavy metals, while decomposing soles emit harmful chemicals.

Fresh water

The water footprint of clothing item is very important, it takes an average 11,000 L to produce 1 kg of cotton.Implementing circularity practices can lower the water quantity needed for the fashion industry

The water use of a reused high qualitative-shirt represents 0.01% of the water use of a new t-shirt.

Land use change

Reducing virgin cotton production by 30% could free up to 89% of the land currently used for cotton cultivation.

Biosphere integrity

Circular economy :

- Supports brands' climate strategy to reach net zero by 2050: Almost 70 worldwide brands signed the Fashion Industry Charter for Climate Action and committed to net zero.
- Mitigates environmental impacts of brands throughout the value chain.
- Can serve as a key criterion in supplier selection, as calls for tenders increasingly include CSR and sustainability requirements.
- Extends the lifespan of products.
- Supports the waste management strategy and can lower waste costs.

«The aim of the circular economy is to ensure the sustainable management of resources and thus postpone the date of the exceedance day, which currently occurs at the beginning of August, until 31st of December.»

Sophie Bonnier, Head of Sustainability and Circular Economy at Kering

ZOOM: The environmental footprint methods

Our interviewee emphasized the challenges in assessing the environmental impacts of circular strategies on products and their overall footprint. They also underscored the need for a consistent and robust methodology to enable comparisons between different strategies and scenarios.

To address this issue, the European Agency introduced the Product Environmental Footprint Method, a standardized approach to measuring environmental performance based on Life Cycle Assessment analysis. This method evaluates performance across 16 impact indicators, including climate change, fine particle emissions, water resource depletion, and land use change. Sector-specific guidelines are under development.

Sources: Stockholm Resilience Center "A sustainable and resilient circular fashion and textile industry" (2021), Ellen McArthur Foundation, Kearney "Can Circularity save the fashion industry?" (2021), The fashion pact "Fashion sector future scenarios: impacts on biodiversity, land and carbon" (2023), European Environment Agency, EURIC & Norion Consult "LCA-based assessment of the management of European used textiles" (2023), Circle Economy "Rapport sur l'indice de circularité de l'économie" (2024), WRAP "Valuing our clothes, the cost of UK Fashion" (2017), UNFCC, Geneva Environment network "Environmental Sustainability in the fashion industry" (2025)

The circular economy is supported by a wide range of stakeholders across the entire fashion value chain

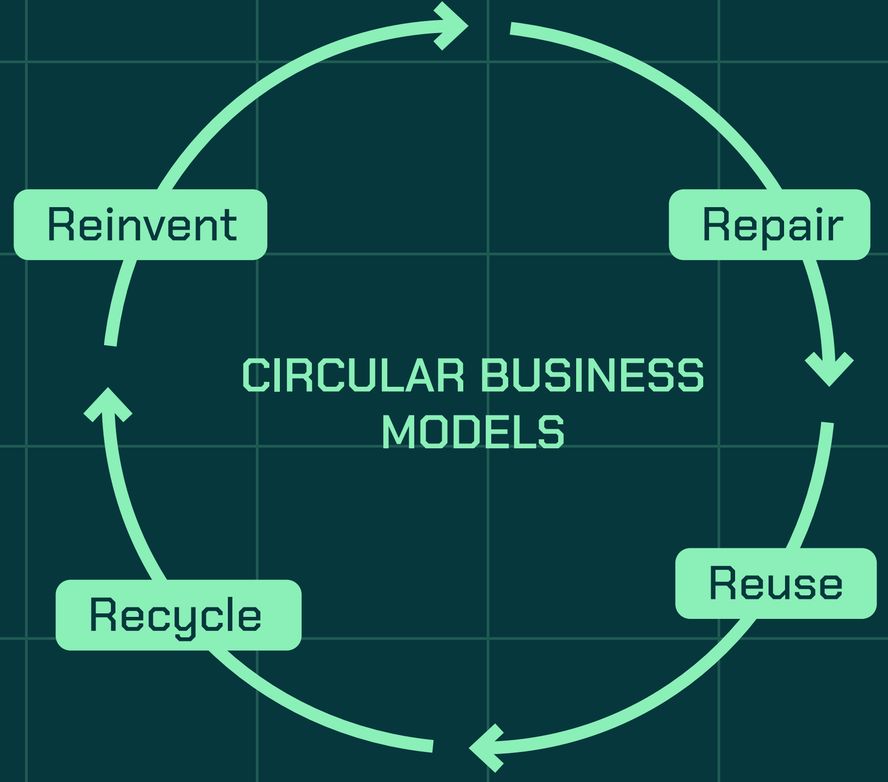
Sources: FMC x KPMG interview ; KPMG analysis

However, the key challenge remains scaling circular business models at pace and proving their profitability

From the concept of Circular Business Model for 1st hand players…

Circular Business models are an economic approach that decouple growth from resource consumption, by designing products and services that extend their lifecycle, minimize waste, and promotes continuous material loops. These models move away from the linear «take-make-dispose» model to a regenerative system towards a regenerative approach, where materials and products retain their value for as long as possible.

The 4R framework defines the core strategies brands can adopt to transition toward circularity.



… to its current road blockers.

Circular business models are not yet fully established, and fashion brands are facing key barriers in implementing them :

- Lack of proven business cases
- Lack of successful financial KPIs
- High upfront costs
- Operational shifts needed
- Lack of scalability and robustness

«Regarding circular business models, our conviction at KPMG is that a «ceteris paribus» comparison of a 2025 circular business model with a 2025 linear business model is insufficient. It is essential to incorporate a forward-looking dimension, particularly the additional costs of linearity (regulation, material uncertainty) and the evolution of consumption patterns over the medium term, while amortizing the investments in circularity. With this enriched approach, circular business models can create value and become more attractive.»

Stéphanie Grandjean Mateos
Resources & Circular Economy Director at KPMG France

How can these players capitalise on circular business models and be encouraged to adopt them, knowing that profitability will only be unlocked through bold, large-scale commitment?

Sources: OECD "Business Models for the circular Economy, opportunities and challenges for policy" (2019); Interviews; KPMG Analysis

The contribution of these stakeholders can be integrated into 4 key pillars that characterize circular economy

REINVENT

"Reinventing fashion at the design stage"

Reinventing fashion means designing products from the outset with sustainability, longevity, and recyclability in mind.

This involves selecting circular materials that are durable, recyclable, or biodegradable and rethinking production processes to minimize waste and environmental impacts.

REUSE

"Making second hand the first choice"

Reuse refers to reintegrating existing garments back into the circulation through resale or rental models.

This extends the lifecycle of products while reducing demand for new production.

REPAIRING

"Repairing to make fashion last longer"

Repairing products extends their lifespan by restoring functionality rather than discarding and replacing them.

This can be achieved through brand-operated repair services, consumer repair kits, or professional tailoring.

RECYCLE

"Breathing new life into the garment"

Recycling transforms discarded textiles into raw materials that can re-enter the production cycle, supporting a closed-loop system.
Alternatively, recycled textiles can be repurposed as raw materials for other industries, such as construction or automotive manufacturing.

Sources: Interviews; KPMG Analysis

PILLAR 1 Reinventing

Reinventing fashion at the design stage

The «Reinvent» pillar encompasses all circular actions that take place at the very beginning of the value chain 1/2

› The "Reinvent" pillar is fundamental to circular fashion, as it covers all circular actions that take place at the upstream phase of the value chain — reshaping how fashion is designed, sourced, and produced to embed circularity from the outset.

› This proactive approach is crucial, given that **80% of a product's environmental impact is determined at the design stage (ADEME)**. By addressing inefficiencies before garments even enter the market, the "Reinvent" pillar helps reduce waste, optimise resource use, and extend product lifespan — all essential steps in the transition to a truly circular economy.

› The term "Reinvent" reflects a fundamental shift away from the traditional "take–make–waste" linear model, towards a regenerative system that rethinks production itself. This includes designing products that are not only sustainable, but also emotionally durable — enhancing desirability and strengthening consumer attachment to increase longevity.

› As defined by the ISO 14006 standard, eco-design is "**a methodical approach that takes into account the environmental aspects of the design and development process, in order to reduce negative environmental impacts throughout a product's life cycle**."

› Ultimately, "Reinvent" forms the foundation upon which the other pillars — Reuse, Repair, and Recycle — can be effectively implemented.

Initiatives that can be implemented at each stage to support circularity :

Key steps	Eco-Design		Sustainable Sourcing		Responsible Production	
Possible actions to reinvent fashion	Implementing design for extending lifetime, end-of-life and repairability	Optimizing fabric utilization	Improving the sourcing of circular raw materials	Increasing transparency and Traceability	Optimizing the quantity produced	Pre-ordering and made to order

These two stages can be interchangeable, allowing design to adapt to the available materials, ensuring a more resource-efficient and circular approach

Sources: ADEME; Interviews FMC x KPMG; KPMG Analysis

«Eco-design is the basis of everything. It's what allows us to take sustainability into account and to think of products outside the logic of programmed obsolescence, with a logic of duration over time, while at the same time trying to anticipate the way in which the product can be reused and ultimately recycled.»

Pierre-Nicolas Hurstel, Founder of Arianee

The «Reinvent» pillar encompasses all circular actions that take place at the very beginning of the value chain 2/2

	From the theoretical definition of the concept …	… to its practical relevance along the value chain
Eco-Design	While designing for extended product lifetime and end-of-life is not yet a mainstream priority in fashion, circular design places growing emphasis on the following principles: • Mono-material garments (e.g. 100% cotton instead of mixed fibers) when possible, for easier recycling • Modular construction (e.g. removable zippers, easy disassembly) • Integrated repairability	• Extends product lifespan by enabling repairs, reducing the need for replacement • Facilitates closed-loop recycling, making it easier to repurpose textiles at end-of-life • Aligns with EU directive 2024/1799 on repair of goods.
	Optimising fabric use during the design phase involves strategic material planning and cutting techniques to reduce textile waste and maximise efficiency.	• Reduces fabric waste, production costs, and environmental impact (all else being equal) • Decreases raw material demand • Optimizes energy and water usage by ensuring that every fabric unit is fully utilized • Enhances profitability by improving yield per meter of fabric, reducing material procurement expenses
Sustainable Sourcing	Improving raw material sourcing means shifting towards more responsible inputs — prioritising recycled fibres over virgin materials, supporting regenerative agriculture for natural fibres, and adopting bio-based alternatives such as mushroom leather or lab-grown materials.	• Reduces dependency on virgin petroleum-based fibres (e.g. polyester) and exposure to price volatility • Promotes local production of recycled fibres, shortening supply chains • Mitigates water and pesticide use associated with conventional cotton farming
	Ensuring transparency and traceability across the entire product lifecycle — from sourcing to end-of-life — is essential. For example, Digital Product Passports (DPPs) offer visibility into material origins, carbon footprint, repairability, recycling pathways, and more.	• Empowers consumers to make informed and responsible purchasing decisions • Supports circularity by equipping repairers and recyclers with essential product information
Responsible Production	Optimising production requires accurate demand forecasting and smarter inventory management to prevent overproduction, reduce excess stock, and promote quality over quantity. Reducing the number of collections released each year can also be a powerful lever, encouraging a more intentional and sustainable production model.	• Reduces waste generation and the need for overstock disposal • Improves supply chain efficiency, cutting costs and lowering carbon emissions from storage and transport • Enables agile production models, such as pre-order and made-to-order approaches
	Pre-order and made-to-order models are effective tools to prevent overproduction, ensuring garments are only produced once a purchase has been confirmed. This approach eliminates unsold inventory and significantly reduces waste.	• Eliminates excess stock and unsold products • Reduces emissions and resource use linked to overproduction • Enables personalised orders, increasing customer engagement and loyalty

Sources: European Union reports; Interviews FMC x KPMG; KPMG Analysis

Brands' reinvention journeys can be accelerated through the support of various stakeholders across their ecosystem

First-Hand Manufacturers

Integrating eco-design, sustainable sourcing, traceability initiatives and responsible production into their production models.

VEJA, patagonia, KERING, H&M, KIABI la mode à petits prix, SMCP, STELLA McCARTNEY

Examples
Recycled / deadstock fabrics, inventory softwares, etc.

Examples
Standards, rules, guidelines, incentives, etc.

Examples
Tools, Plug & play solutions, softwares, etc.

Sustainable & circular textile suppliers

nnovating and delivering circular, low-impact textiles to promote material-level circularity.

RECOVO, WETURN, RENAISSANCE textile, NONA source, LTC

Consortium & Policymakers

Organizations accelerating the transition to a circular economy in the fashion industry.

Re_fashion, European Commission, ELLEN MACARTHUR FOUNDATION

«Enablers»

Companies or start-ups supporting brands in the implementation of impact measurement, traceability, transparency of the supply chain...

.arianee, ProductDNA, FAIRLY MADE

«The key issue in traceability is working with suppliers. I think we need to think about how to involve suppliers, how to get them to contribute, but also how to make their task easier, given that all the brands ask them for different information in different formats.»

Marie Samba, Head of Product & Customer Experience at Vaayu

"Reinvent" actions contribute to improved environmental performance while meeting evolving customer expectations

Initiatives such as eco-design can have a positive environmental impact — particularly by improving the textile mix — while also responding to the expectations of a new generation of consumers who increasingly prioritise eco-responsibility in their purchasing decisions.

The use of recycled fabrics has direct positive effects on the environment...

	Virgin polyester	Recycle polyester
Water consumtion	50 to 71 thousand liters per ton of polyester	Significantly lower water consumption (exact figures vary depending on processes)
Greenhouse gas emissions	14,2kg CO2 emissions per kg produced due to fossil fuel extraction and processing	Up to 40% lower CO2 emissions compared to virgin polyester
Energy consumtion	125 megajoules of energy per kg	Requires about 60% of the energy needed for virgin polyester production
Use of nonrenewable resources	Derived from petrochemicals contributing to fossil fuel depletion	Repurposes existing plastic waste, reducing dependence on new fossil fuel extraction
Waste reduction		Recycling plastic waste (e.g. PET bottles)

... more broadly on consumer's considerations

40%
of consumers prefer new products if the product or brand enables responsible consumption.

64%
of French women are willing to spend more to ensure their purchase comes from a socially responsible supply chain.

For ethical fashion enthusiasts, the major manufacturing criteria include :

60%
Environmental respect

60%
Decent working conditions and fair wages

54%
Reduced use of toxic substances

65%
of French consumers consider a brand's commitment to sustainable development as a key criterion when purchasing clothing.

Note: Figures show a true improvement in consumer awareness which however do not translate into the purchasing act.

Sources: Interviews FMC x KPMG; KPMG Analysis; ADEME; Textile Exchange Preferred Fiber Materials Market Report; Water Footprint Polyester and Viscose (2017); Ipsos Report "Les Français et la mode durable" (2019)

SMCP is an example of a fashion brand actively implementing a range of initiatives under the "Reinvent" pillar to advance circularity

Eco-Design

Implementing design for recycling and repairability

Enhancing designs by leveraging repairability insights, identifying recurring repair issues, and redesigning elements for modularity and replaceability.

Optimizing fabric utilization

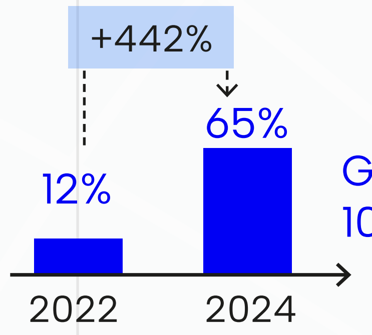
Sustainable Sourcing

Improving the sourcing of circular raw materials

Transparency and Traceability

Tracking material origin and lifecycle by partnering with Fairly Made, providing data via a DPP.

Share of SKUs providing traceability information exceeding regulatory requirements [%, 2022–23, global].



Goal of reaching 100% by 2027

Responsible Production

Optimizing the quantity produced

- Preventing overstock and minimizing unsold items through strategic inventory management and centralized stock allocation.
- Reducing financial burden from unsold inventory while maintaining revenue levels through optimized production strategies, avoiding multiple transport costs both financial and carbon-related.

Pre-ordering and made to order

SMCP - Use of recycled materials

Pain point

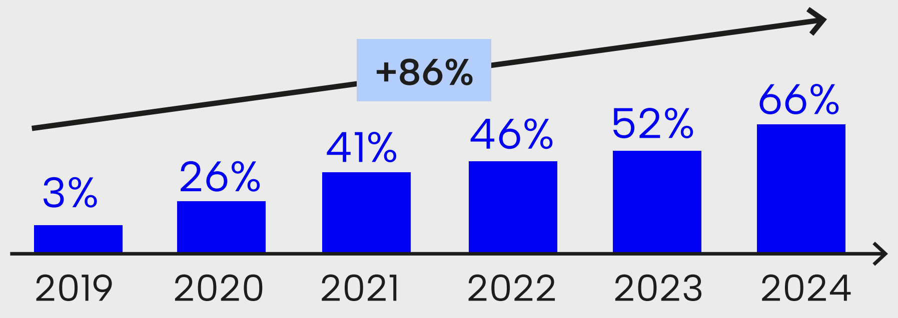
Like many fashion brands, SMCP's environmental impact is primarily driven by **the sourcing and production of raw materials**, which account for a significant portion of CO2 emissions, water consumption, and resource use.

Action

SMCP has embraced eco-design by integrating recycled materials into its collections to help reduce carbon emissions. The company focuses on **pre-consumer recycling, repurposing production waste as raw material**.

Measurable impacts

- **Product carbon footprint reduction**: compared to virgin wool, a product using recycled wool divides its carbon emissions by 10.
- **Water savings**: Recycled cotton has led to significant water use reduction, addressing one of the industry's biggest concerns.



Goal of reaching **100%** of products with a reduced environmental impact by **2030.**

Sources: SMCP website; Interviews FMC x KPMG; KPMG Analysis

Scaling eco-design solutions often requires overcoming a number of internal challenges

Despite offering strong business opportunities, scaling "Reinvent" initiatives around eco-design requires brands to undertake complex operational transformations.

Eco-Design

	Organizational challenges	Operational challenges	Financial challenges
Optimizing fabric utilization	• Lack of alignment across design, sourcing, and manufacturing teams. • Need for increased zero-waste pattern-making and digital cutting tools.	Complexity of integrating fabric optimization tools within existing manufacturing systems.	High upfront costs associated with implementing fabric optimisation tools, with potential mitigation through improved textile efficiency.
Implementing design for recycling and repairability	• A key tension in circular fashion lies in balancing creativity and recyclability — aesthetic innovation can be limited by design constraints linked to repairability or recycling, all while trying to preserve emotional desirability. • Siloed processes often prevent collaboration between designers and recyclers, making it difficult to anticipate recyclability requirements early in the design phase.	• Difficulty sourcing recyclable materials due to supply chain constraints. • Potential risk of supply chain disruptions linked to the use of new materials — to be assessed (e.g. capacity of current systems to process next-generation recycled textiles).	Potential increased production costs due to new materials or alternative production techniques compared to conventional ones.

Sources: Interviews FMC x KPMG; KPMG Analysis

«The challenge is to put a well-designed, circular product that meets specific requirements back at the heart of value creation. Creativity must come from restriction.»

Camille Le Gal Co-founder Fairly Made

Scaling sustainable sourcing solutions often requires overcoming a range of internal challenges

Despite offering significant business opportunities, scaling “Reinvent” initiatives around sustainable sourcing requires brands to undertake complex operational transformations.

Sustainable Sourcing

	Organizational challenges	Operational challenges	Financial challenges
Improving the sourcing of raw materials	• Need to establish new supplier relationships to prioritize certified sustainable materials. • Requirement for supplier audits and verification to ensure compliance.	• Limited availability of sustainable raw materials, requiring extensive supplier diversification. • In the short term, potential dependency on select suppliers may increase vulnerability and reduce bargaining power. • Complexity in diversifying the supplier base while ensuring long-term sustainability.	• Higher cost for organic or recycled materials compared to conventional ones. • Potential exposure to price volatility due to fluctuating demand for sustainable raw materials.
Transparency and Traceability	• Need to integrate traceability tools across multiple suppliers to enable comprehensive data collection and accessibility. • Cultural shift towards transparency by leveraging reliable data to enhance supply chain visibility.	• Complexity of implementing; strong data bases, blockchain or RFID-based tracking systems for supply chain monitoring. • Necessity for compliance with traceability standards across all supply chain partners.	• Necessity of an initial investment in technology infrastructure (e.g., digital products passports, AI monitoring, etc.). • Ongoing operational costs for maintaining transparent reporting systems.

Sources: Interviews FMC x KPMG; KPMG Analysis

Scaling responsible production solutions often requires overcoming a range of internal challenges

Despite presenting several business opportunities, scaling up "Reinvent" initiatives around responsible production pushes brands to engage in a transformation with many challenges within their own operations.

Responsible Production

	Organizational challenges	Operational challenges	Financial challenges
Optimizing the quantity produced	• Complex integration of precise metrics and predictive tools to determine the optimal production quantity for sales forecasting, minimizing waste and overstock.	• Need for seamless internal reporting between sales and production teams. • Need for a sufficiently extensive stock history to perform predictive analysis on production, storage and distribution mix for future collections (and thus need for AI-based predictive tools). →	• Implementation costs for the purchase and deployment of sales and trends predictive tools.
Pre-ordering and made to order	• Fundamental shift in business mindset from "produce first, sell later" to "sell first, produce later", requiring internal process adaptation. • Adaptation of marketing strategies to secure consumer buy-in for delayed product delivery — particularly relevant for certain brand categories depending on their positioning	• Requirement for an agile and responsive production chain to fulfill orders efficiently while maintaining flexibility.	• Risk of higher per-unit costs if economies of scale are not achieved. • Longer delivery times may deter potential buyers, making instant purchasing options more appealing.

Sources: Interviews FMC x KPMG; KPMG Analysis

Some players from the value chain have been experimenting with best practices to address these challenges

		Examples of actions
Eco-Design	Implementing design for recycling and repairability	› Advocating for eco-design guidelines tailored to specific sectors, products, or materials › Integrating feedback from after-sales services and repairers to improve upstream design and reduce repair costs › Monetising repair services and offering extended warranties as added-value propositions
	Optimizing fabric utilization	› Rethinking the collaboration process between design and procurement departments › Training on zero-waste pattern-making
Sustainable Sourcing	Improving the sourcing of circular raw materials	› Diversifying material portfolios to include recycled and innovative materials › Investing in material innovation (e.g. mushroom leather, lab-grown silks) › Consolidating supply chains and integrating strategic actors
	Transparency and Traceability	› Consolidating traceability information in light of the upcoming Digital Product Passports requirements › Partnering with technological enablers to facilitate supplier relationship and gathering of information
Responsible Production	Optimizing the quantity produced	› Implementing AI-powered forecasting tools to better predict sales-through and production needs
	Pre-ordering and made to order	› Educating consumers on the benefits of pre-ordering to reduce waste › Developing partnerships with manufacturers to ensure custom order sizes

Embedding sustainability in fashion education is key to equipping future designers and product teams with the capabilities to rethink legacy models. This shift directly supports the 'Reinvent' pillar by building a pipeline of talent aligned with circular transformation goals.

Sources: Interviews FMC x KPMG; KPMG Analysis

Moreover, the development of the "Reinvent" pillar can unlock a range of long-term opportunities for brands

While the implementation of circular initiatives requires technical investment, scalability, financial viability, and consumer engagement, it also represents the possibility to generate a strong competitive advantage at various levels:

Competitive and market advantage

- A **brand image advantage** that not only sets the brand apart from its competitors, but also **enhances its standing with customers** who are sensitive to environmental issues, **generating greater customer loyalty in the process**.
- An **opportunity to set the example and lead the way** for other brands to implement circular initiatives and to **drive consumer habits**.

Regulatory advantage

- **A first-mover advantage** for brands implementing initiatives under the "Reinvent" pillar — enabling them to **anticipate upcoming regulatory frameworks** in the textile sector, particularly in Europe (e.g. Digital Product Passports, Product Environmental Footprint method).
- Although initial costs may be high, future regulation — particularly targeting fast-fashion brands — is likely to create a **catch-up effect, reinforcing the long-term value of early adoption**.
- An opportunity to **become a key stakeholder** in shaping industry regulations, for example by participating in regulatory think tanks and working groups.

Business model advantage

- An advantage in **performance improvement** through the optimization of raw material usage, allowing for a potential reduction in procurement costs and thus creating a **medium-term margin protection tool**.
- Through the implementation of new circular KPIs, brands can **redefine success based on extra-financial KPIs** such as lifecycle durability, recyclability rates, and resource efficiency.
- A first mover advantage in **building long-term relationships with sustainable suppliers** who will be increasingly in demand and in **strengthening the brand's bargaining power**.

« 3 pieces of advices:
① Make smaller collections but make higher quality collections. ② Be in control of your total supply chain. Know exactly where each fibre and each button, and each detail of your garment comes from, because the total defines the quality of your end product. ③ Make sure that you find the right way, the right tone of voice to communicate what the efforts you do on shared clarity towards the consumer in an understandable language.»

Tony Tonnaer, Business development manager at Product DNA

Sources: carbonfact.com; Interviews FMC x KPMG; KPMG Analysis

PILLAR 2 Reuse

Make second hand the first choice

Reuse, encompassing second hand and rental markets, aims to extending a garment's lifetime

2nd hand clothing market

- The second-hand clothing and footwear market refers to **the buying and selling of pre-owned garments, leather goods and accessories**. This market includes various platforms such as **thrift stores, vintage shops, online marketplaces, and specialized second-hand stores.**
- The primary drivers for this market are **sustainability, affordability, andthe unique appeal of vintage fashion**.
- Consumers are increasingly aware of the environmental impact of fast fashion and are **turning to second-hand options to reduce waste and promote a circular economy**.

Second-hand business models

Peer-to-peer platforms	Resale stores	Consignement shops
Websites allowing individuals to buy and sell pre-owned items directly from each other.	Retailers buying, inspecting, and reselling second-hand items.	Stores selling items on behalf of the owner and taking a commission on the sale.

Clothing rental market

- The clothing rental market involves **renting garments for a specific period instead of purchasing them**. This market is **particularly popular for formal wear, and event-driven fashion** such as weddings and galas.
- The rental model is **gaining traction due to its convenience, affordability, and sustainability benefits**, allowing consumers to access trendy outfits **without the commitment of ownership** and to borrow high-end designer outfits at a fraction of the retail price.

Rental market business models

Subscription model	Standalone model
Customers pay a monthly fee to access a rotating selection of garments.	Customers rent individual items for a specific event or period, a common model for formal wear and specific occasions like weddings and galas.

Sources: Thestylecycle; Interviews FMC x KPMG; KPMG Analysis

By reducing the need for new production, the "Reuse" pillar reduces textiles carbon, waste and water footprint

A strong contribution of the second-hand market...

Impact of lifetime extension	**Extending the life** of a garment by just **nine months** can reduce its carbon, water, and waste footprints by around **20-30%**. Buying a **used garment extends its life on average by 2.2 year**s, which reduces its carbon, waste and water footprint by **73 percent**.
Impact of buying used vs. new clothing items	The **environmental impact of reusing textiles is 70 times lower**, even when accounting for global exports for reuse, including transport emissions. More specifically, **3 kg of CO_2 are saved** for each high or medium-quality clothing that is reused, **reuse requires only 0.01 per cent of the water used in the production of new clothing**.

...coupled with promising impacts of the clothing rental market.

Rent the Runway (RTR), an online fashion rental brand, conducted a study on the sustainability of clothing rental. Their straightforward research involved surveying users and comparing the life cycle of purchased versus rented clothes. The results were promising, indicating that **clothing rental can significantly reduce environmental impact:**

Resource use and emissions of rented vs. purchased clothes

		CO2
-24%	-6%	-3%

!

Special attention should be given to the rebound effects associated with second-hand fashion. These occur when the environmental benefits of resale are offset by increased consumption — particularly when fast fashion continues to feed the market with short-lived trends. Lower prices can encourage overbuying, and if second-hand purchases do not replace new ones, the potential for resource savings is minimal. Additionally, logistics and resale operations generate emissions, further limiting the net sustainability gains.

The second-hand clothing market helps lower the carbon footprint by reducing the need for new production. In 2022, the reuse of textiles in the EU saved approximately 3.5 million tons of CO_2 equivalent.

Sources: European Environment Agency; Recycling magazine for European textile reuse and recycling industry; Patagonia institutional website; Rent the Runway study; KPMG Analysis

«Caring for the planet has become the ultimate luxury—and indifference is simply out of style. With luxury fashion prices on the rise and economic pressures mounting, embracing second-hand represents a meaningful opportunity for brands to offer more inclusive pricing—profitably, sustainably, and at scale—while remaining true to their unique identity and style. Circularity is no longer optional; it's fundamentally about reconnecting brands, their customers, and the planet.»

Daniela Ott, Founder, Agape Consulting

Certain second-hand market players have successfully measured these positive impacts and introduced new monitoring KPIs

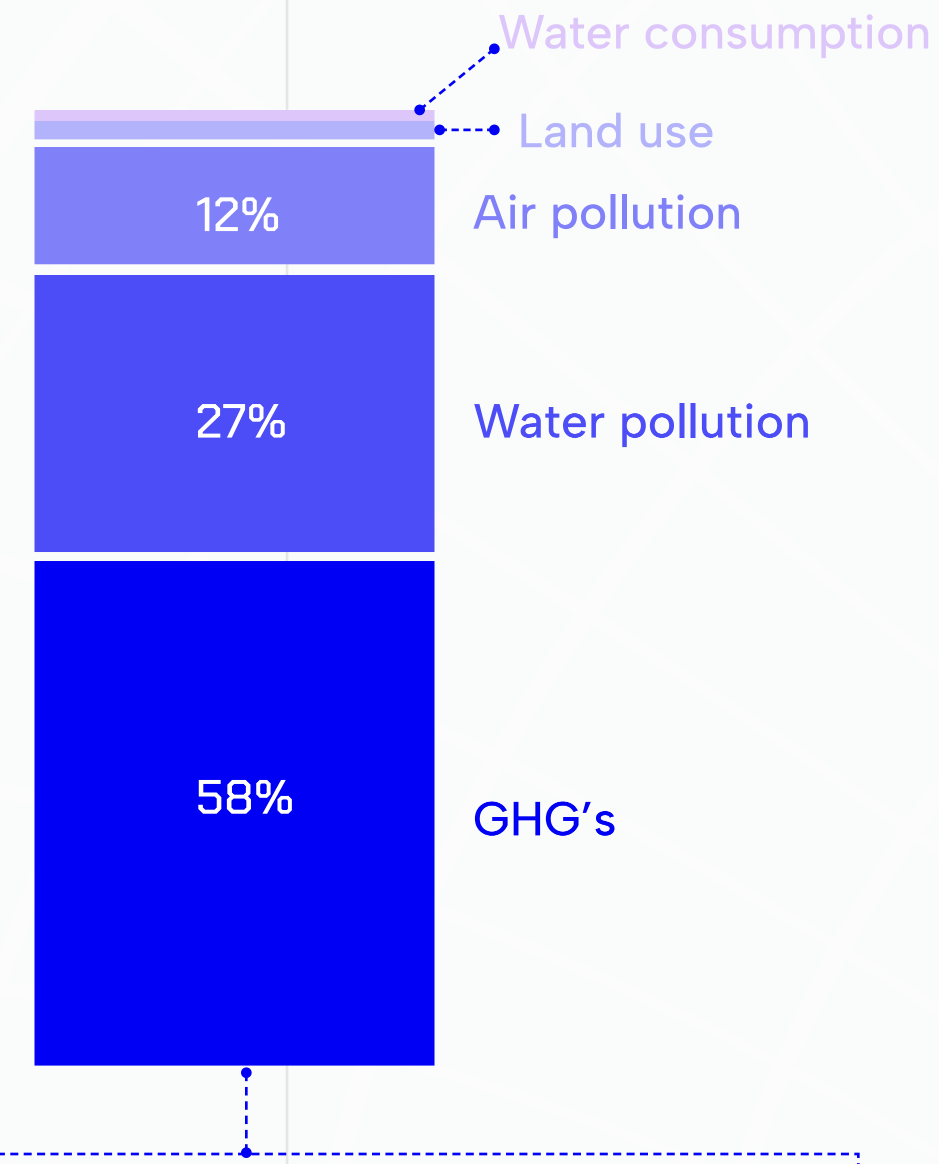
Vestiaire Collective

Vestiaire Collective is deeply embedded in the **reuse pillar of fashion circularity**, facilitating **the resale of premium and luxury fashion items between individuals and professionals**. Operating on a global scale—primarily in Europe, the U.S., and Asia—the platform differentiates itself through **high authentication standards, a strong fashioWn-centric identity, and a highly engaged community**. In 2023, the platform generated a GMV of **$168 million** in Europe.

A positive environmental impact

Localized Shipping	Warehouses in France, the UK, the US, and Hong Kong enable **local-to-local transactions**, reducing shipping distances.
Lower Air Transport Use	Air shipping dropped from **50%** in 2020 to **30%** in 2023, replaced by more **sustainable road transport**.
Direct Shipping Growth	**65%** of items are now shipped **directly** between buyers and sellers (vs. **48%** in 2020), cutting emissions from extra logistics steps.
Reusable Packaging	Multi-use cardboard boxes and minimal excess packaging help cut waste—only **10%** of shipments require additional pouches (down from **50%** in 2019).
No Virgin Plastic	Since 2021, packaging is **98% recyclable**, with **63%** made from recycled, organic, or bio-sourced materials.

Breakdown of the environmental impact

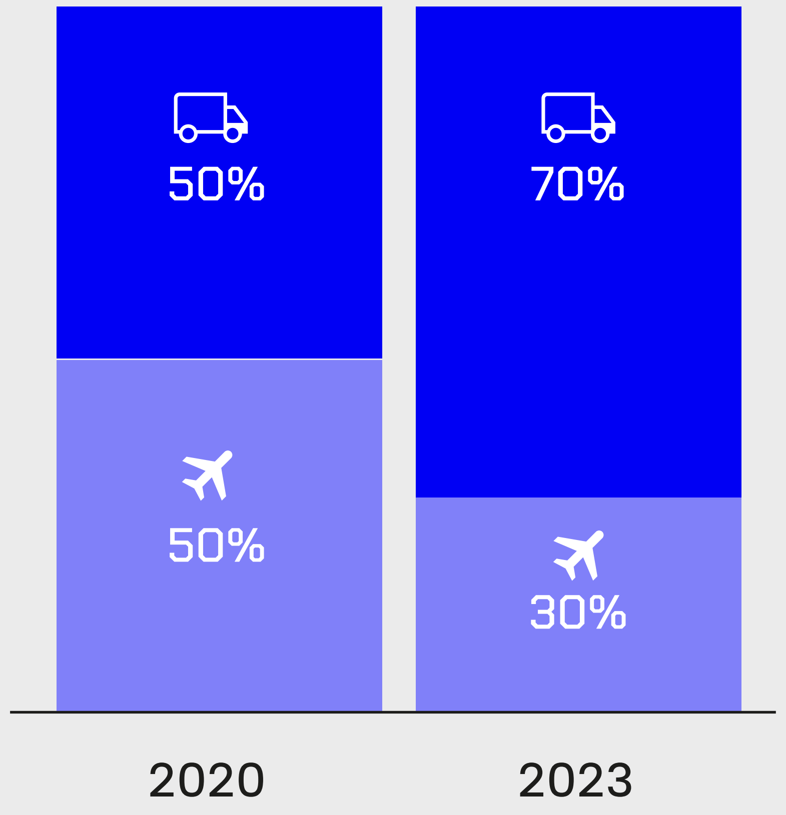


Shopping on the platform **reduces environmental impact by 90% compared to buying new**, as it avoids the significant environmental costs associated with production, such as water consumption, pollution, and greenhouse gas emissions.

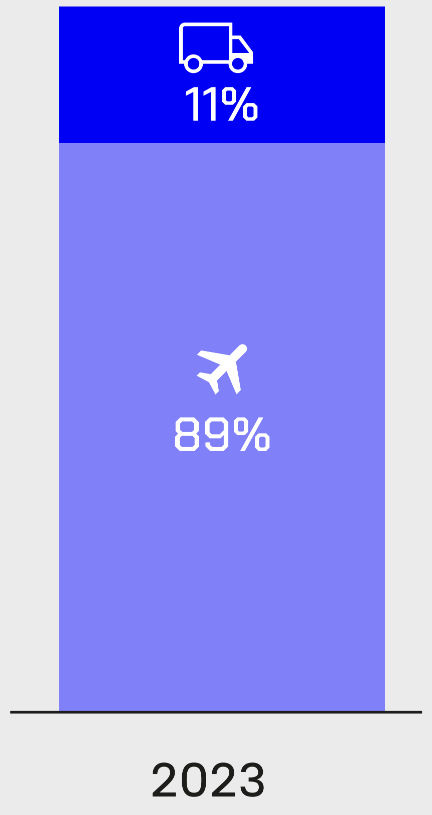
«Vestiaire Collective acknowledges the environmental impact of logistics, particularly due to double transportation for authentication. However, even considering these impacts, second-hand fashion still reduces CO2 emissions by approximately 90% compared to new production.»

Hortense Pruvost, Head of impact of vestiaire collective

Share of air vs. road shipments



Share of air vs. road transport CO2 emissions



Players in the "Reuse" ecosystem are diverse and can be found at several stages of the value chain

Second-hand market

Individual wishing to dispose of a garment

Sale of the garment by the individual

C2C[1]

Item directly sold from consumer to consumer through an online platform not involved in the delivery or management of the item.

leboncoin
depop
Vinted

C2B2B[2]

Item sold through or to an online platform which receives a commission in exchange for listing the item, authenticating it or managing its delivery.

Vestiaire Collective
THREDUP
prêt·à·changer

Consignment stores

C2B2C[2]

Item sold through a brand's online platform or directly to the brand in exchange for a voucher or cash. The brand then manages the reconditioning and resale of the product.

PETIT BATEAU
ZARA
H&M
KIABI la mode à petits prix
SMCP

CrushON connect

Players connecting collectors to brands for 2nd hand use

Disposal or donation of the garment

Collection & sorting

Recycling or sorting centers, economic integration structures, etc..

Stores

Community stores, thrift stores, recycled goods stores, etc..

labelemmaüs e-shop militant
LE RELAIS
GUERRISOL
EMMAÜS FRANCE
KILO SHOP

Individual wishing to purchase a second-hand garment

Rental market

B2C[3] Subscription based model

Platforms providing a subscription for clothing rental with a monthly rotation and the possibility of purchasing items. These platforms usually address either standard clothing needs with a regular wardrobe rotation or specific moments in a customer's life (e.g. pregnancy, children, etc.).

closet
BOOMERANG
magicmaman
RENT THE RUNWAY

B2C[3] Standalone rental model

Platforms offering event-specific clothing for spot rentals (e.g. weddings, galas, cocktails) or access to more premium or luxury brand items.

H&M
RENT THE RUNWAY
UNE ROBE · UN SOIR PARIS
THREDUP

Diversifying their wardrobe

Addressing the needs of a moment in life

Addressing a specific need

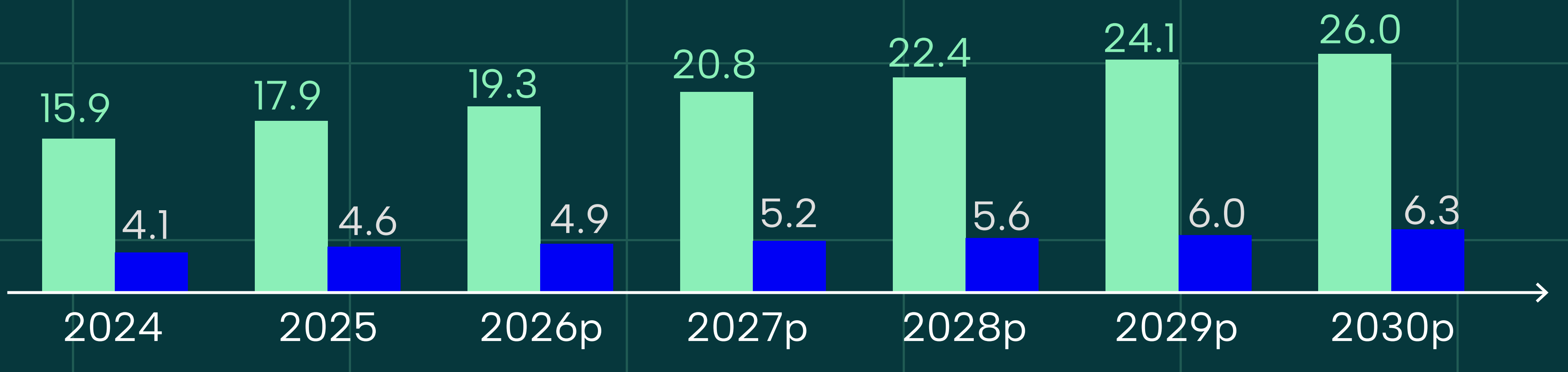
Individual wishing to rent a (or several) clothing item(s)

Notes: (1) C2C: Consumer to Consumer, (2) C2B2C: Consumer to Business to Consumer, (3) B2C: Business to Consumer // Sources: ess-France.org; Interviews FMC x KPMG; KPMG Analysis

KPMG FÉDÉRATION de la MODE CIRCULAIRE

Overall, the European second-hand market is expected to grow at an 8.5% p.a. rate, reaching ~€26Bn by 2030

Estimated evolution of the apparel second-hand market in Europe [€Bn; 2024 – 2030p] :



	2024	2025	2026p	2027p	2028p	2029p	2030p
Share of France in European market	26%	26%	25%	25%	25%	25%	25%

This sizing has been carried out with the following assumptions:

- European second-hand market estimated at €16.9Bn in 2024 and expected CAGR of 8.5% to 2030.
- As of 2024, the French apparel second-hand market holds a share of 8% of the global market, which leads to a share of 26% when compared to Europe.

European country-specific 2nd hand perspectives

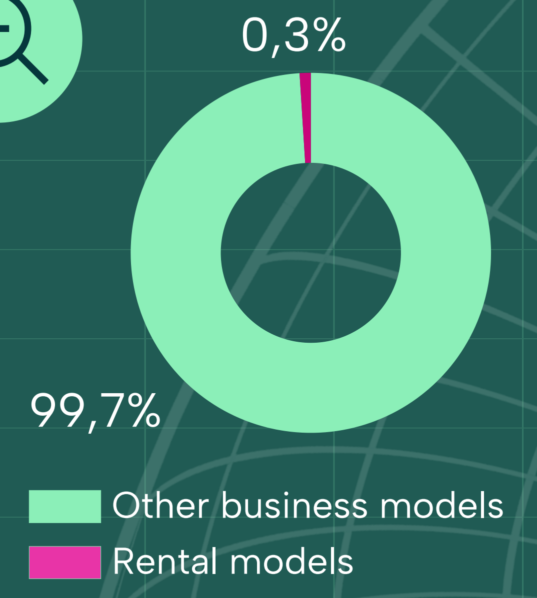
Italy displays a **projected CAGR of 7.4% from 2024 to 2034.** Sustainability focus and strong eCommerce infrastructures boost the market. Italy's fashion and tourism reputation supports its growth.

Germany has an **expected CAGR of 5.4% by 2034**. Eco-conscious consumers and robust digital infrastructures drive the market. Germans invest in high-quality pre-owned clothing.

Spain is poised for explosive growth with a **projected CAGR of 8.1% through 2034**. Young population and thriving e-commerce make second-hand clothing accessible while Spanish consumers value vintage authenticity.

France is **set to expand at a CAGR of 6.6% through 2034**. Government initiatives and the sharing economy support its growth. Millennials and Gen Z drive demand for sustainable, unique fashion.

Best in class country



Zoom on the rental market

› In the vast $2 trillion global apparel market, rentals represent just a small fraction. However, rental-based business models provide brands with a chance to attract new customers and serve as a valuable tool for advancing sustainability in the fashion industry.

› Drivers of the clothing rental market include: the rise in e-commerce, financial savings, sustainability, the "decluttering" trend, the rise of the sharing economy and the fact that it is seen as a perfect solution for one-off needs

Sources: Europe Second-Hand Apparel market study; Twice commerce study on online rental market; Statista; KPMG Analysis

«Reuse» is driven by evolving consumption habits, especially among new generations, and regulatory changes

Economic	› Consumers are driven by the financial benefits of second-hand, seeking affordable prices and value for money to maximize their purchasing power.	Positive	› High economic motivation leads to favorable attitudes towards second-hand clothing. › Ability to stretch their budget and shop at lower prices.
Hedonic (treasure hunting)	› Excitement of finding rare, unique, or vintage pieces drives buyers. › Thrill of hunting for treasures provides emotional satisfaction, making shopping fulfilling.	Strong Positive	› Treasure-hunting thrill enhances positive attitudes more than economic and ethical considerations.
Ethical motivations	› Environmentally responsible consumers buy second-hand to reduce waste/conserve resources. › Concerns about labor rights and ethical production lead to choose second-hand over fast fashion.	Positive	› Consumers feel they are contributing to larger environmental and social good, connecting with individuals seeking to align their consumption with their values.
Fashion Interest	› Fashion-forward consumers are drawn to second-hand stores for vintage or unique items. › Fashion-conscious consumers prefer second-hand clothing as a sustainable alternative.	Mixed	› While interest in unique fashion can be a positive driver, strong materialistic values and a preference for new or trendy items can have a negative impact.
Political views	› Consumers favor Second-hand when supporting government intervention in environmental issues. › Those who prioritize personal freedoms may prefer individual choice.	Divergent	› Belief in government responsibility for environmental issues. › Individual liberty reflecting a preference for personal choice over communal responsibility.

Zoom on regulatory framework

The EU's Strategy for Sustainable and Circular Textiles aims to ensure textile products are durable, repairable, and recyclable. Key measures include:

- Design requirements
- Digital product passports
- Extended producer responsibility (EPR) for waste management

The Commission proposes mandatory EPR schemes for textiles in all EU member states.

France's Anti-Waste and Circular Economy Law (AGEC, 2020) includes environmental labeling, prohibition of destroying unsold goods, and extended EPR for the lifecycle of other products.

Germany's Circular Economy Roadmap emphasizes resource efficiency, supply chain due diligence, closed-loop systems, and compliance for textile production and sale.

Sources: "Sustainable Fashion Choices: Exploring European Consumer Motivations behind Second-Hand Clothing Purchases" study (2024); European Commission; KPMG Analysis

The implementation of “Reuse” initiativesrelies on a set of prerequisites that brands need to secure

1 Differentiated pricing and value proposition

Leveraging **price as an indicator of brand desirability** on second-hand platforms. Appropriate pricing and differentiated value proposition helps to maintain the value required to make the model profitable.

«For brands that produce their own collections, resale raises legitimate concerns: risk of brand dilution, loss of control over the narrative, or confusion in positioning. For these players, the key lies in building strong, trusted partnerships with second-hand professionals — to ensure not just access to product, but coherence in experience and brand integrity.»

Maxime Delavalle, Founder and CEO of CrushOn

2 Secured desirability

Ensuring desirability via the brand’s engagement on social networks (e.g.,TikTok, Instagram, Facebook - groups) and including CSR, circularity and second-hand aspects in communication planning.

«For second-hand to be a real alternative, it needs to have the sameease of use, supply and affordability as new fashion.»

Marianne Gybels, Senior Sustainability Director at Vinted

3 Omnichannel maturity

Achieving digital and e-commerce maturity as a first stage, then developing the physical in-store channel (e.g., Petit Bateau, Kiabi, Galeries Lafayette, H&M, Selfridges).

4 Optimized warehousing

Ensuring sufficient storage space in the boutiques network and warehouse for second-hand stock, **as well as the necessary logistical platforms**.

5 Trained salespeople

Train sales staff in the second-hand speech, as well as in the process of receiving and checking garments on deposit.

6 Controlled environmental impact

Ensuring a **limited rebound effect** on sales to avoid additional environmental impact from second-hand sales.

Sources: Interviews FMC x KPMG; KPMG Analysis

Market experiences incorporating "Reuse" initiatives can offer numerous business benefits

2nd hand clothing market

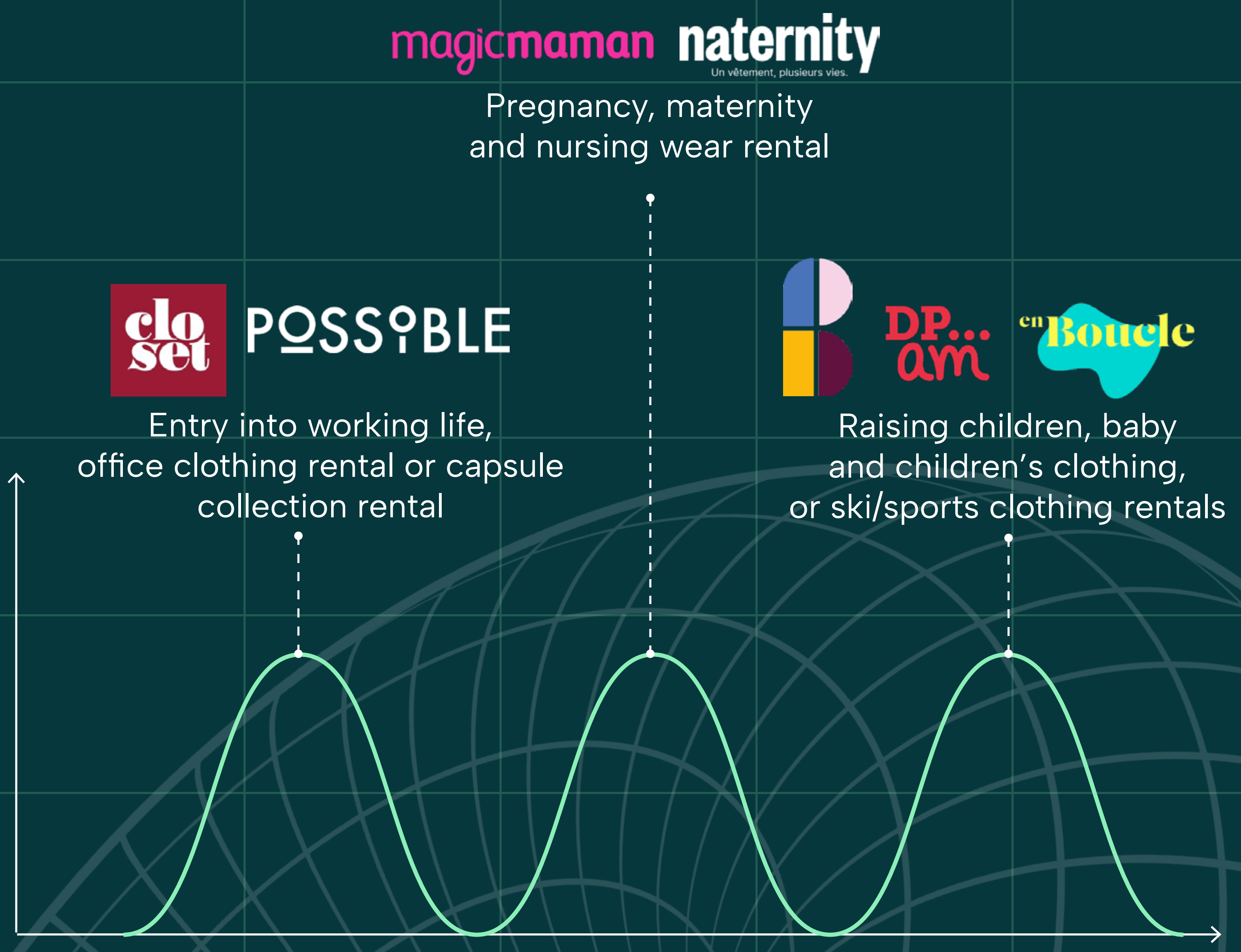
- Generation of an **additional in-store purchases** through vouchers, as seen with several brands that have set up a second-hand segment, with a very large proportion of vouchers used quickly and driving a **boost of the customer's basket average value**.
- **Reactivation of existing non-active customers or new customers who do not initially belong to the brand's core target segment** (i.e., segments for whom 'first-hand' products' pricing is perceived as too expensive, for example).
- In the short term, creation of a "**defensive approach**", meaning it might not drive immediate additional client acquisition, but it can contribute to churn reduction.
- **Better control of brand's prices on the 2nd hand market**, considering the brand's value on the 2nd hand market is a true **reflection of brand perception and popularity among customers**.
- Reduced acquisition costs and improved. customer loyalty.

«With the trade-in of second-hand products by brands, we have seen sales generated at a margin of 40% year-on-year and we are on track to reach 50% in the next few years.»

Aymeric Déchin, Co-founder & CEO of Faume

Clothing rental market

- The rental model has the potential to drive progress in the circular fashion economy, but its **success is highly dependent on shifting consumer habits.**
- While rental is gaining traction in Europe, **cultural barriers and usage patterns still limit its widespread adoption**. Unlike in the US, where event-driven fashion rental (e.g., weddings, galas, formal events) is deeply embedded in consumer habits, European consumers are less accustomed to renting clothing for specific occasions.
- To make rental a scalable and profitable business model, **companies must align offerings with cultural habits in each geography, but also with key life moments** as shown with examples of players operating on the French rental clothing market today:



Example of client lifecycle

«Second-hand is no longer a trend — it's a strategic lever for growth and circular profitability. The key is to rely on historical professional resellers to source coherent assortments at scale.»

Ihem Jaï, Co-Founder & COO of CrushON

Sources: Company websites; Interviews FMC x KPMG; KPMG Analysis

Zoom on "Reuse" initiatives of first hand players facing challenges on the second hand market

- Since 2017, Petit Bateau has embraced circular fashion, starting with a **resale app and expanding in 2021 with the «Changer (De)main» trade-in program**. The initiative has already processed **200,000+ items per year**, with **second-hand sales representing 10% of revenue in stores with resale corners in 2023**.
- After expanding to over **20+ resale corners** in 2023, Petit Bateau ended its in-store second-hand sales in June 2024 and the program has been fully integrated into its **e-commerce site**, offering both new and pre-owned products in a single shopping cart. The initiative boasts an NPS (Net Promoter Score) of 60+, reinforcing strong customer engagement.
- **75%** of online shopping carts at Petit Bateau contain both new and 2nd hand items, and the brand aims for **one-third** of its volume to come from circularity by 2030.

Strengths of Petit Bateau's approach

Circularity Commitment

Petit Bateau successfully integrated second-hand resale into its strategy, aligning with eco-responsibility goals.

Strong Customer Engagement

The 10% of store revenue from second-hand sales and the NPS of 60+ highlight positive customer reception.

Expansion

The opening of 22 resale corners and the introduction of second-hand sales on the e-commerce platform was a significant success.

Brand loyalty

The brand offers the same after-sale services for both new and second-hand products building trust and loyalty.

2nd Hand prerequisites highlighted by Petit Bateau's Strategy

Proper pricing

- Properly differentiating the pricing of second-hand items from new ones is crucial to maintaining **brand desirability**.
- A key lesson here is the importance of aligning prices with operational costs, including cleaning, treatment, and merchandising to **ensure profitability** while **reinforcing the brand's value across both product categories**.

Differentiated value proposition

- Integrating new and second-hand items into a **single shopping experience** (same website and card) could diminish the perceived premium value of new products, particularly in a brand like Petit Bateau, known for its **strong permanent collection**.
- This approach could make second-hand items seem like **viable alternatives**, weakening the appeal and exclusivity of new offerings.

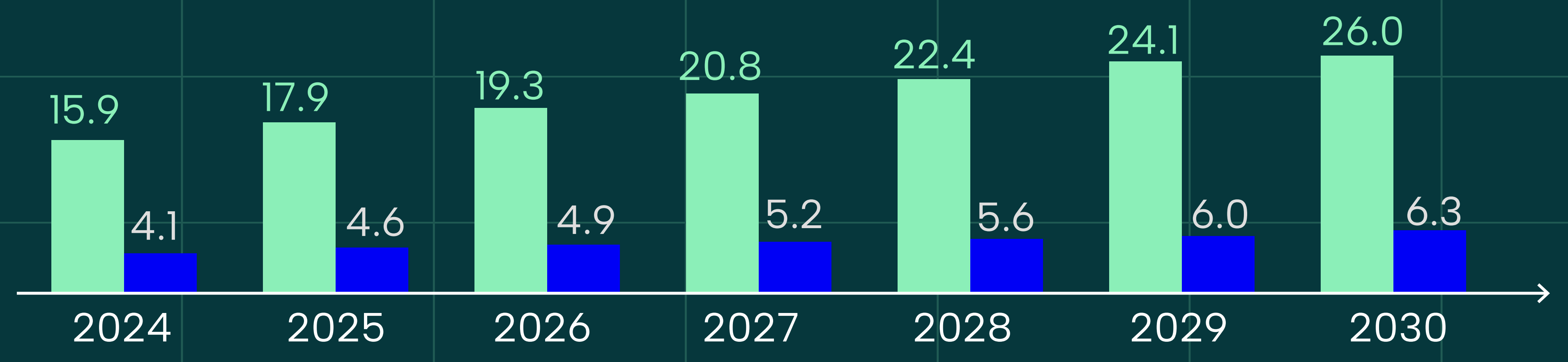
Optimized warehousing

- Managing and storing second-hand stock effectively across multiple stores where secondhand items are collected remains a **logistical challenge**.
- An **efficient warehousing system is essential** to mitigate the risk of operational costs **overwhelming the profitability of second-hand sales**.

Sources: Petit Bateau website; Press articles; KPMG Analysis

The European second-hand apparel market is expected to reach €26Bn and generate 66+ thousand jobs by 2030

Projection of the second-hand market size
[€Bn; Europe incl. France and France; 2024-2030p]



Share of France 26% → 24%

Europe (CAGR 2024-2030p : +8,5%) France (CAGR 2024-2030p : +7,4%)

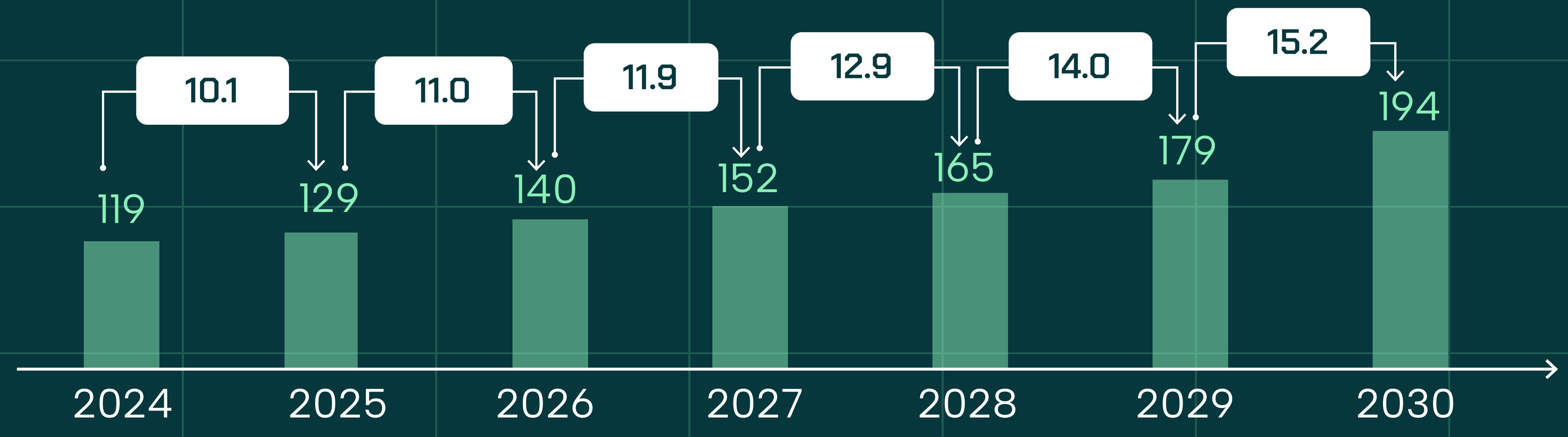
This sizing has been carried out with the following assumptions:

- European second-hand market estimated at €15.9Bn in 2024 and expected **CAGR of 8.5%** to 2030.
- French second-hand apparel market expected **CAGR of 7.4%** by 2030. The French market is supported by governmental incentives to promote second-hand.
- As of 2024, the French apparel second-hand market holds a share of **8%** of the global market, which leads to a share of 26% when compared to Europe. As of 2030, France will represent **24%** of the European second-hand apparel market.

Limits of the assumptions:

- The study includes the UK, a mature market with an expected CAGR at ~4%.

Projection of the number of employees generated in the second-hand market
[Thousand jobs; 2024-2030p]



Europe

Expected cumulative jobs created between 2024 and 2030 In Europe: **+75,124**

This sizing has been carried out with the following assumptions:

- Job creations follow the same growth as the European second-hand apparel market with an expected CAGR at **8.5%**.
- It is estimated that in Europe **19%** of the second-hand revenue comes from online purchases, while **81% occur offline** (ex. Vintage stores).
- Existing jobs in the European second-hand apparel market in 2023 were estimated **at 110, 000 in the EU27** (150,000 including the UK).

Limits of the assumptions:

- The French market was not sized because of the **lack of reliable data**.
- The European apparel rental market was not included due to the lack of data.

Sources: Future Market Insights Inc. "Second-hand Apparel Marget Growth – Trends & Forecast 2024-2034" (2024); Roland Berger; KPMG "La seconde main au premier plan" (2022); Oxford Economics "The socio-economic impact of second-hand clothes in Africa and the EU27+" (2024) ; KPMG Analysis

PILLAR 3 Repair

For a longer lasting fashion

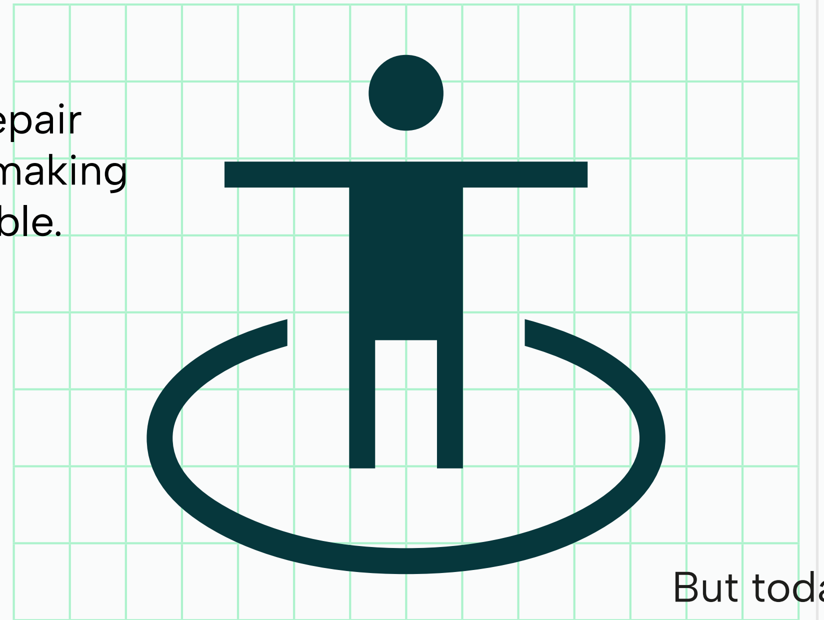
Repair is a powerful tool that can be used by industry players to further increase an item's lifespan

As regulations evolve to limit the environmental impact of fashion, a growing category of consumers are changing their habits and turning towards more sustainable practices. **Repairing garments is emerging as a solution to extend the lifespan of textile pieces and reduce the need for a new purchase.**

Historically based on artisan shoemakers or dressmakers/tailors, **repairs are today increasingly carried out by fashion brands**, mobilizing to meet a growing demand for repair and to improve their image. By setting up **Repair services, through internal capabilities or external partnerships with craftsmen or platforms**, brands also seek to capture the value of a growing market while creating a new ecosystem around repair of clothing items, footwear or leather goods.

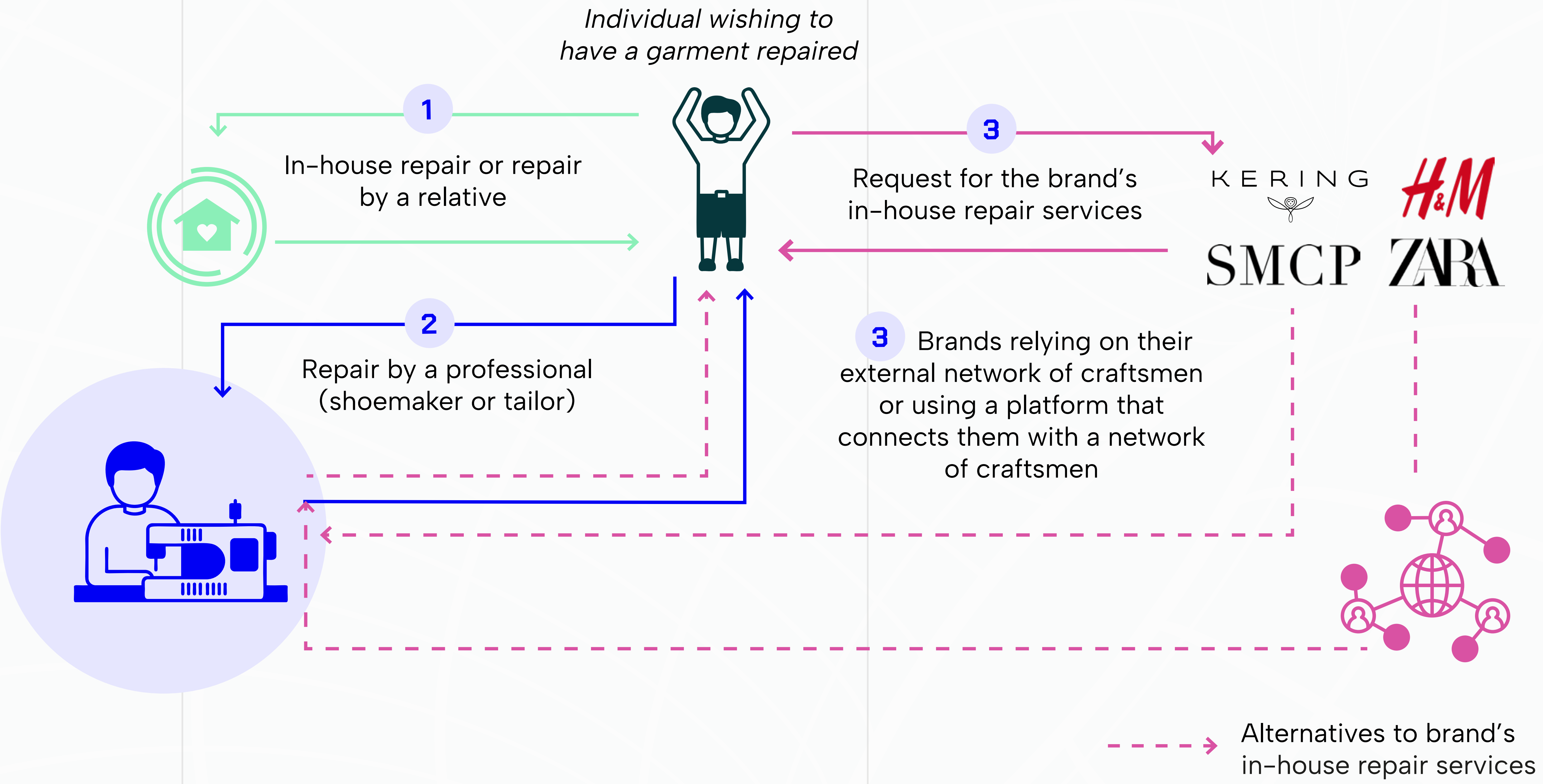
From consumer habits evolving at a slow pace…

55%
of consumers already considered clothing repair as one of the keys to making fashion more sustainable.
(EU study, March 2022)



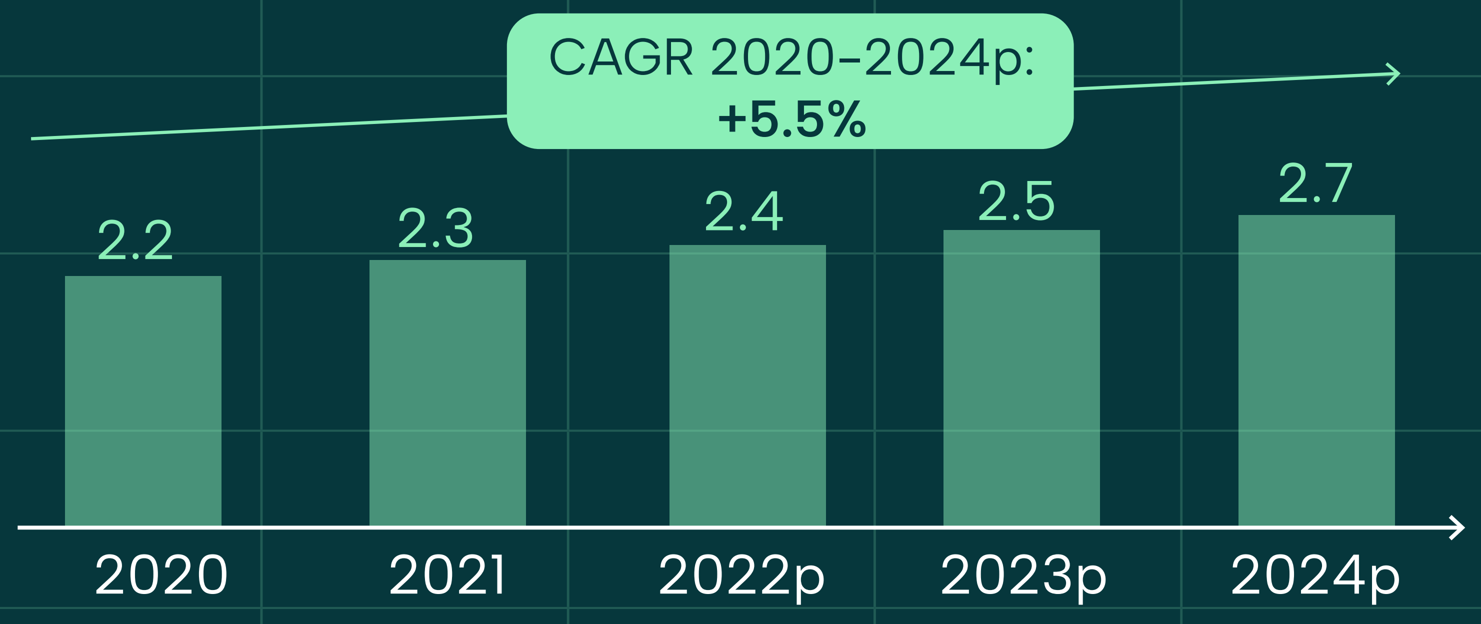
But today, only
36%
of French people report sometimes or often repairing or adapting clothes for a new use.
(IPSOS, 2023)

…to a changing ecosystem and a diversifying competitive landscape



Overall, the current market size for the repair of apparel amounts to a total of €2.7Bn globally in 2024

Estimated historical evolution of the European clothing and footwear repair market size [€Bn; 2020 – 2024p]



Methodology disclaimer

<u>This sizing has been carried out on the following assumptions:</u>

- European repair market (all categories) of **21.5 billion euros in 2020.**
- **Global market CAGR of 5.5%** observed historically for garment and footwear repair.
- Garment and footwear **repair represent 10% of the total repair market**, based on the ratio between the garment repair market in France (€960Mn) and the total repair market in France (€9.6Bn) in 2023.

Zoom on contribution of France and its market drivers

- In 2019, ADEME estimated that **16 million clothing items and shoes were repaired in France**, demonstrating France's major contribution to Europe's share of the global repair market.
- In addition, a **"repair bonus" has been introduced in France** to encourage the repair of textiles and shoes. With a budget of **154 million euros for the period 2023-2028**, this initiative aims to increase the volume of repaired products by 37% by 2028.
- By 2025, the **bonus repair scheme should include 1,500+ repairers, with many certified repairers** having reported a 20 to 30% increase in their revenue, without raising the prices they charge.
- The bonus, which ranges **from 6 to 25 euros for clothing and 7 to 25 euros for shoes**, is applied as a discount at the time of payment. Over the first year of application of this bonus scheme, an **average bonus of 8€ was applied on a total of 826,000 repaired item.**

Best in class country

- The global clothing and footwear repair market mainly comprises **metal clothing repair**[1] with 40% of the total revenue, followed by footwear repair at 35%, and other repair types at 25%, with footwear repair expected to grow the fastest
- In particular, zipper repairs were **the largest sub-segment**, holding 50% of the metal clothing share, while **sneaker repairs** are dominating the footwear segment.

Notes: (1) includes metallic components of clothing such as zippers, buttons, rivets, etc. // Sources: European Environment Agency; ADEME; Market Reports; INSEE; FashionNetwork articles; Interviews FMC x KPMG; KPMG Analysis

The repair market appears to be highly sensitive to consumer habits among various external factors

	Consumer habits	Workforce availability	Regulatory landscape	Service integration
Key dynamics	• A change in consumer habits that has yet to take hold among consumers, with a **tendency to replace rather than repair**. • A **cost of repair perceived as still too high compared to the purchase price** of certain mass-market or fast-fashion garments, where repair also comes up against the consumer's perception of the garment's value.	• A **skilled workforce that is becoming increasingly scarce in Europe**, with a high concentration in big cities and a low job attractiveness. • A **profession that remains highly traditional**, with little digitalization, and businesses that are often managed individually, preventing them from scaling up their activity and gaining visibility.	• Several European countries have introduced **regulations on garment repairs as part of broader legislation to promote circularity**. • France is a case in point, with the introduction of the **Waste & Circular Economy Law** (AGEC) and in particular the **repair bonus**. • Sweden has also introduced a **reduction in VAT on repair services from 25% to 12%**.	• **Lack of integration of repair services within brands**, facing implementation difficulties (e.g., difficulty in building up a network of artisan repairers, difficulty in defining **common repair standards**, difficulty in integrating the repair service into the brands' after-sales service, but also into **internal systems** such as CRM systems etc.).
Supporting data	• The French buy an **average of 48 new clothing items a year**[1] **vs. the Paris Agreement target of 5**, a gap highlighting the need to promote sustainable alternatives like repairing.	• Number of **cobblers in France went from 45,000** in the 60s to 3,500 today, while **alteration employs around 5,600 workers**.	• In 2024, repairs carried out in France have **saved French consumers a total potential spending of 6.8 million euros**.	*"Brands see it (repair) as a real business challenge: there are issues of purchasing power, optimizing after-sales service costs."* Pauline Jaillant, Co-founder of Les Raccommodeurs

Expected driver impact on the market: Consumer habits →; Workforce availability ↘; Regulatory landscape ↗; Service integration →

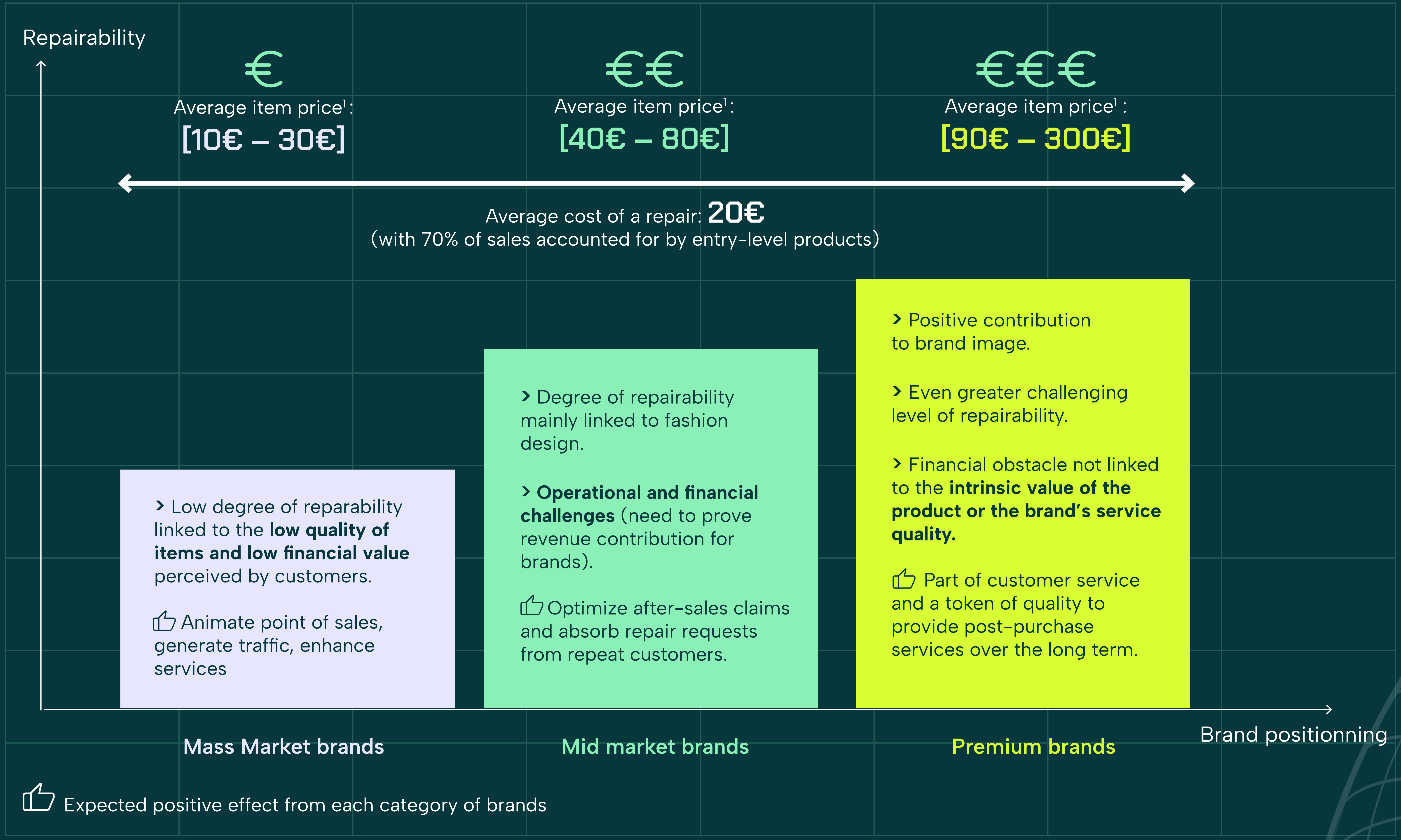
Notes: (1) by 2022 // Sources: Chambre de Métiers et de l'Artisanat; Institut supérieur des Métiers; Sustainable brand platform; ReFashion; Interviews FMC x KPMG; KPMG Analysis

The main obstacle to setting up our repair service has not been necessarily the cost. It's the workforce: it has become very difficult to recruit shoemakers from the other side of the world. Whether in France or anywhere else in the world, the business is in decline, also because shoemakers haven't necessarily kept up with market trends and the growing importance of sneakers.

Daniel Schmitt, Head of repair operations at Veja

1st hand manufacturers face financial and operational challenges for integrating repair depending on their positioning

The repair market mainly depends on a key criterion: the gap between the purchase price and the repair price. The level of integration of repair depends on the brands' positioning, among which some might therefore face a bigger operational challenge in integrating Repair-as-a-service:



The luxury sector nevertheless contrasts with this comparison of repair costs with purchase costs, for reasons of product desirability and attachment to intrinsic qualities of materials and high level of design.

«Today, customers no longer part with their clothes because they are worn out, but because they are emotionally detached from them. This is what we call marketing obsolescence, or even programmed obsolescence. At Kering, an important lever for moving from a linear economy to a circular economy is to increase the extrinsic or emotional durability of products. In particular, this involves making our Houses more desirable, in order to strengthen attachment to our creations.»

Sophie Bonnier, Head of Sustainability and Circular Economy at Kering

Note: 1) Price range observed within a collection of items depending on the brand's positioning
Sources: Kantar study; Interviews FMC x KPMG; KPMG Analysis

Focus on "Repair" initiatives: Case Studies of first hand players illustrating the development of repair as a service

Examples of a success story for "Repair" initiatives

Veja's sneakers repair service

Key findings

- Many sneakers were returned or discarded, even though they were **largely repairable.**
- Repairing them could have a **significant environmental impact**, while also offering business benefits.
- The repair of sneakers had **not yet been fully mastered** by cobblers.

Actions

- Launched in 2020, the **"Clean, Repair, Collect" project**, focuses on collecting worn-out shoes from consumers, repairing them, and reintegrating them into the traditional sales cycle for products with minor defects or reselling them through dedicated second-hand channels.
- Creation of a **repair school to open in September 2025.**

Measurable impacts

- Number of shoes repaired since 2020: **+23,000.**
- **8 Veja shoe repair centers** are active today, mainly in Europe, including one in the United States.
- In 2025, **3 new shoe repair centers planned:** one in the United States, one in South America and one in France.

Les Raccommodeurs's Repair-as-a-Service platform for brands

- **Les Raccommodeurs** is a **platform enabling brands to incorporate repair and maintenance into both their after-sales and the pre-sales services** (e.g. defective stocks to be repaired at point of sales).
- Operations can be articulated around **3 distinct business cases**:

Repair as an after-sales service

- Objective : Offer **repair as an after-sales** service, **benefit from the repair bonus** and offer **omnichannel repair services.**
- Configure a repair platform with **logistics planning** tailored to dispatch the right products to the appropriate craftsmen based on product type and required expertise.

Repair as a centralized platform

- Objective : **Ensure the garment is repaired by their network of craftsmen** and centralize repair regardless of sales channel[1].
- **Integrate requests from all channels** into a centralized ticketing platform, automating exchanges between end-customers, resellers and craftsmen to enhance team efficiency and reduce existing after-sales service costs.

Repair for multi-brand retailers

- Objective : **Enrich retail spaces with circular services** (i.e. through in-store repair services to their customers for instance).
- Les Raccommodeurs **provides the tools needed to offer in-store, multi-brand repair services** (e.g. diagnosis tool, interface, etc.).

Notes: (1) Meaning whether sold in stores, online or through external resellers. // Sources: Company websites; Interviews FMC x KPMG; KPMG Analysis

Repair opportunities primarily lie in the operational integration of repair services and the enhancement of product reparability

A two-fold strategy for brands...

Develop a fully integrated repair service

- **Integrate repair within a broader ecosystem of after-sale care services** contributing to the extension of product lifetimes (e.g. alterations, repair, customization, upcycling).
- **Provide an omnichannel repair solution**, not only limited to boutiques, but also accessible via the online site and even via resellers.
- **Set up a de dicated team** to engage sales, operations and finance teams in priority.
- **Provide in-store sales staff** with the right **narrative and arguments** around circularity and clothing alteration to offer a complete, high-quality service.
- **Establish a partnership** when internalizing the solution is not feasible.

Contribute to increasing the reparability of its garments

- **Integrate repairability requirements into product specifications** right at the design stage.
- **Limit the use of components** (e.g. buttons, zippers) **that are too diverse or rare**, favoring easily replaceable components and working with suppliers to ensure a continuous supply of these components.
- **Provide support for home-repairs to customers**, encouraging repair rather than discard. For instance, offer repair kits with purchases, including matching threads, spare buttons, and patches, educational resource s online (e.g. tutorials and guides).

... providing a wide range of positive outcomes

- **Increases data collection on product quality and repairability**, key for production and quality control teams to reduce the proportion of defective products in stock.
- Provides immediate **economic savings** when logistical challenges are overcome: **"1,000 hours of management time saved** per year, as well as savings in after-sales costs and a **50% reduction in the time taken to process requests**" for a use case mentioned by Les Raccommodeurs.
- Generates ecological benefits: "On average, for a garment that is repaired and not replaced, **repairing saves 30% in CO2 emissions and extends the product's lifespan by around 70%**" as mentioned by Les Raccommodeurs.
- **Improves customer commitment and loyalty**, by capitalizing on repair as a guarantee of quality and the brand's commitment to the circularity of its products.

«Today, brands are faced with the challenge of reducing costs to maintain positive margins, operational efficiency and to build customer loyalty. The topic of after-sales and care and repair is a way of generating new revenue, reducing costs while optimizing flows, and continue building customer loyalty.»

Tanguy Frecon, CEO and co-founder of Prolong

Sources: Interviews FMC x KPMG; KPMG Analysis

Integrating repair services at the very start of the customer's purchasing experience can also be leveraged for growth

Garment repair appears to be an increasingly crucial element which positively contributes to the customer experience.
When addressed directly by brands, repair can demonstrate a strong commitment to sustainability, offering cost-saving benefits to customer, while enhancing brand positioning.
In this context, a question that arises is:

Why shouldn't repair be addressed right from the start of the customer experience?
How can repair be approached so that it is no longer confined to after-sale care?

«56% of customers who have experienced a failed post-purchase experience, particularly when it comes to repairs, will revert to competition.»

Tanguy Frecon, CEO of Prolong

Repair as a customer reactivation tool

Today, **repair can serve as a powerful CRM and communication tool**, playing a key role in customers **reactivation when strategically leveraged**.

Key moments such as the end of the ski season, the holiday season, or back-to-school transitions **present opportunities to re-engage customers by offering repair or refurbishment services** for ski apparel, evening wear, or sports and hiking gear, reinforcing brand loyalty while maintaining customer relationships.

«Repair is seen as a strategic lever by brands, [...] Today, maintaining the link with the customer after the purchase is the black gold of retail.»

Pauline Jaillant, Co-founder of Les Raccommodeurs

Repair as a pre-sale lifetime extension

Taking this further, **brands can reposition repair as an upselling strategy to extend a product's lifespan**.

Similarly to what can be observed in the cell phone and household appliance industries, fashion brands could introduce **subscription-based repair programs or lifetime warranties**, integrating repair into the purchasing experience from the outset. This approach not only strengthens consumer trust but also enhances product longevity and circularity.

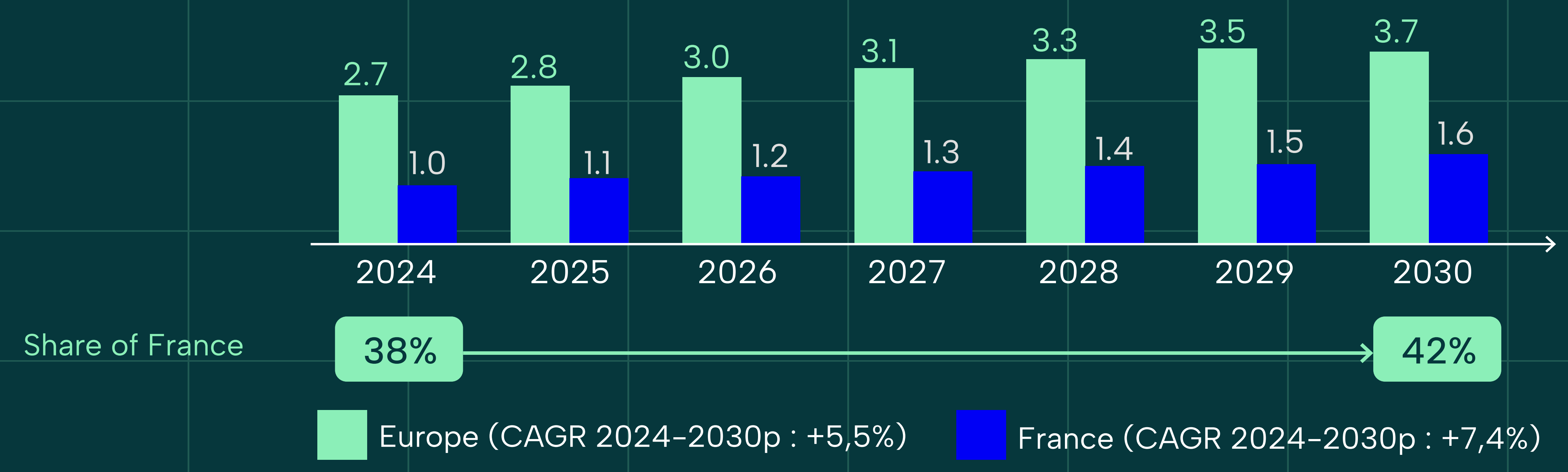
DARTY MAX

Subscription of €9.99 per month, covering:

> **Advice** on use and maintenance, home **assistance** for all major household appliances.
> **100% repair coverage** (parts and labor) for a minimum of 7 years and for as long as spare parts are available.
> **Gift card refund** if the product cannot be repaired.

The European clothing & footwear repair market is expected to reach €3.7Bn and generate over 12,800 jobs in Europe by 2030

Projection of the clothing & footwear repair market size
[€Bn; Europe incl. France and France; 2024–



This sizing has been carried out with the following assumptions:

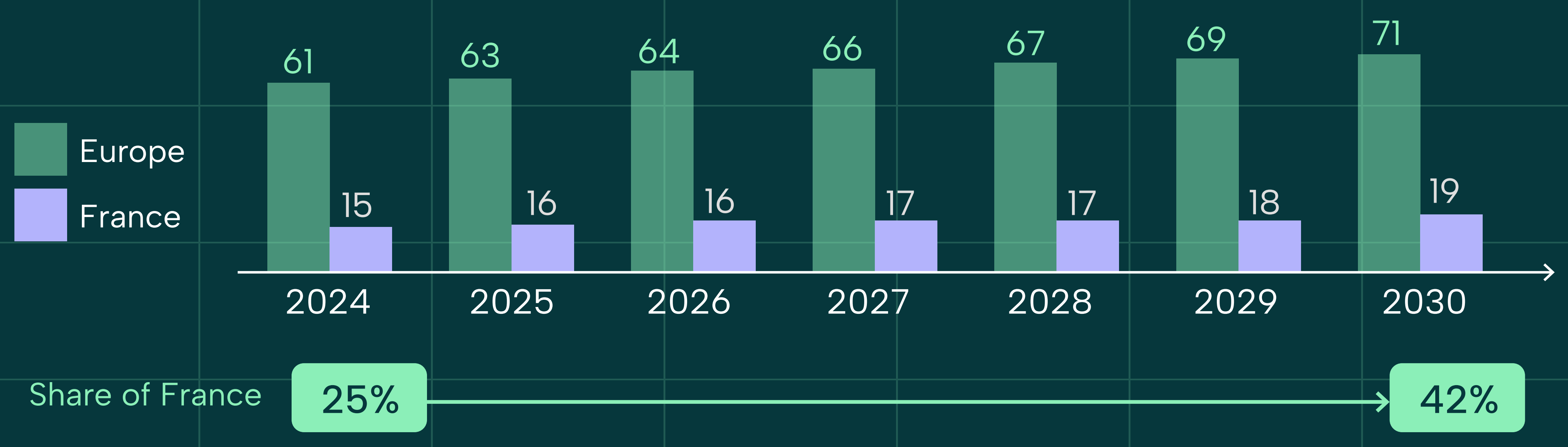
- European repair market estimated at €21.5Bn in 2020 and expected **CAGR of 5.5%** to 2030.
- The share of apparel repair market over total repair market of **10% observed in France in 2023 has also been applied to the European repair market to determine the size of apparel repair**.
- French repair market estimated at €960Mn in 2023 and expected **CAGR of 7.4%** to 2030, notably linked to the recent introduction of the repair bonus in France.

Limits of the assumptions:

› The base year of 2020 used for Europe is a particular year due to COVID effect, leading to a potential underestimation of the market.

› With our estimations, the French market would account for **42%** of the projected EU market. While the French repair sector benefits from consistent monitoring by ADEME, ensuring reliable data, there is a lack of comprehensive information on the European repair market and other national markets. As a result, we believe the European repair market is underestimated, as many repair activities in small local shops go **unreported**.

Projection of the number of employees in the clothing & footwear repair market
[Thousand jobs; 2024-2030p]



Expected cumulative jobs created between 2024 and 2030 :

In Europe: **+9,826 jobs** In France: **+3,052 jobs**

This sizing has been carried out with the following assumptions:

- European repair footwear & leather goods workforce estimated at 23,805 in 2023 with an expected **CAGR of 2.52%** to 2030 applied to overall repair jobs in Europe.
- Total jobs in France for clothing and footwear repair services estimated at **15,000**.
- Repair is divided into clothing repair accounting for 60% and footwear and leather goods repair at 40%.
- We assume that the CAGR of jobs is proportional to the sales growth in Europe and France. Therefore, with a CAGR of **2.52%** in Europe and a market growing at 5.5%, we estimate a CAGR of **3.4%** in France, where the market is evolving at 7.4%.
- The discrepancy between projected market size and jobs created can be explained by a growth absorbed by existing craftsmen (e.g. brands starting to offer repair services but relying on an existing network of craftsmen).

Sources: Business Research Insight; IBIS World "Footwear & Leather Goods Repair in Europe - Market Size, Industry Analysis, Trends and Forecasts (2024-2029)" (2024); European Environment Agency "Turnover of the repair sector" (2025); ADEME; Refashion; KPMG Analysis

PILLAR 4 Recycle

Breathe new life into the garment

Textile recycling can be defined as the process of converting used or discarded textiles into new materials or products

Value chain steps	Collection	Sorting	Destruction/ Landfilling Recycling
Definition	Post consumer textile waste is put in a separated bin and collected.	Collected textiles are sorted by type of products, quality, fabric and color for recycling.	The recycling process consists in separating the different components of the products to retrieve the textile fiber or material. Two processes for recycling exist.
Key figures in Europe	In Europe the average collection rate for textile towards recycling is **12%.**	It is estimated that the EU has the capacity to sort **1.5 million tons** of used and waste textile **annually**.	**11%** of textile waste was landfilled in 2020, **16%** was incinerated with energy recovery, **and 73% was recycled with only less than 2% of textile-to-textile recycling**.
Key countries in the EU (existing capacity)	Luxembourg, Belgium, The Netherlands	The Netherlands, Poland, France, Germany	Spain, Finland, France, Italy, The Netherlands, Germany

Mechanical recycling

Description of the process
Involves breaking down garments by chopping them into shredded fragments, pulling apart the fibers and then disentangling and aligning them using a carding process.

Type of fabric
High purity, long staple fibers such as wool, cashmere, cotton (no mix).

Fiber use
Yarn, materials for isolation, automotive, towels

Chemical recycling

Description of the process
Involves breaking down textile waste to a molecular level using chemical processes. Once separated, the molecules, known as monomers, can be reassembled to form new textile fibres or other products.

Type of fabric
All types of fibers: natural, synthetic, artificial.

Fiber use
Mainly for new textile fibers.

Mechanical recycling is a well-established and widely used method for textile recycling. In contrast, it shortens the fibers and makes them more fragile. In contrast, chemical recycling offers greater versatility and the potential to produce higher-quality fibers. However, it remains in the development phase, with technologies yet to be scaled up and currently limited to specific fiber types.

Sources: European Environmental Agency "Management of used and waste textiles in Europe's circular economy" (2024) ; Refashion "Chemical Recycling of textiles" (2024); Fashion for good "Coming full circle: innovating towards sustainable man-made cellulosic fibres" (2020); EcoWatch; WRAP "Textile Sorting and Recycling" data base, KPMG Analysis

The gradual increase in recycled textile volumes supports a cautious but positive outlook on recycling's role in the circular fashion economy

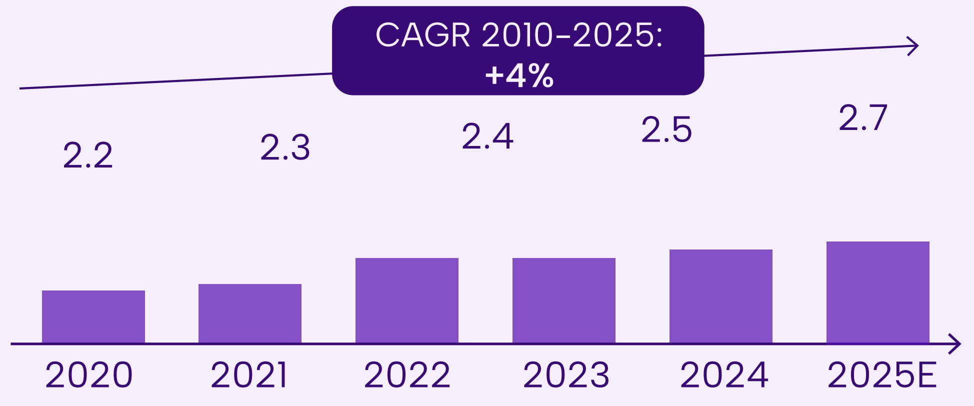
Increase in recycled volumes

Key dynamics

- The growing regulatory pressure is pushing countries to invest in textile waste treatment infrastructure, as mandatory textile waste sorting has been in force across the EU since 2024. The 2022 European sorting capacity was estimated at 1.5Mt, with volumes sorted and recycled being lower than the existing capacity.
- Consumers are increasingly concerned over textile waste and fast-fashion, therefore pressuring for recycling.
- In the EU, the volume of textile waste treated increased by nearly 40% between 2010 (0.73 Mt) and 2018 (1.22 Mt) since then, recycled volumes have grown at a lower pace.

Supporting data

Evolution of the treatment of recycling and backfilling[1] in the EU [Million Tons; 2010 – 2025E]



Regulatory landscape

Key dynamics

- Brands are integrating recycled materials into their collections to reach their sustainability goals and at the same time, build stronger relations with environmentally conscious consumers.
- The upcoming EU strategy for sustainable and circular textiles will likely be in favor of design for recyclability and minimum recycled content.

Supporting data

- **32%[2] of the textile SMEs surveyed by Euratex indicated the use of recycled materials.**
- **80%** of the nylon and polyester used by **Prada** will be **recycled or bio-based by 2026**, according to the company's targets.

Workforce availability

Key dynamics

- Recycled yarn often comes from small, fragmented supply chains that lack the volume efficiency of virgin material suppliers leading to unfavorable economies of scale.
- Prices of recycled materials may vary significantly depending on feedstock quality and demand making it difficult for brands to forecast and budget reliably.

Supporting data

- The share of all **recycled fibers** decreased from around **8.5% in 2021** to **7.9% in 2022** mainly due to an increase in production of **fossil-based polyester** which was more cost-effective than **recycled polyester**.

Prato in Italy is a flagship model of **closed-loop recycling**, capitalizing on its **knowledge** of **mechanical recycling of wool** creating **high-quality** regenerated wool from pre and post-consumer textile waste.

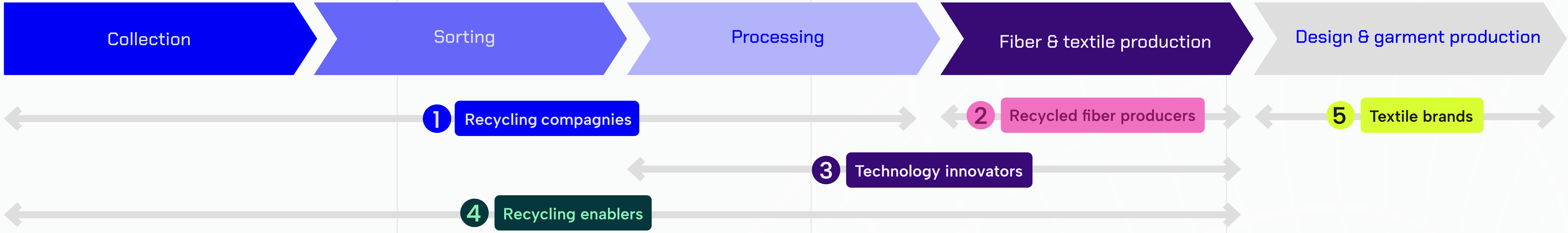
Given the limited recycling capacity in Europe, a significant portion of discarded and donated clothing is exported to Africa and Asia where products feed the second-hand markets or is discarded in landfills.

Best in class country

Expected driver impact on the market

Notes: (1) Backfilling involves using textile waste, often in the form of shredded or compacted materials, to fill empty spaces or voids in the ground, such as abandoned mines or excavations (*) ; (2) Results of the EMI survey conducted with 326 textiles companies \\ Sources: European Environmental Agency adapted from Eurostat (2023) ; cbi.eu, Euratex "Facts and key figures", Materials Market Report 2023; KPMG Analysis

Various players are involved in textile-to-textile recycling, including facilitators who help overcome technical and operational barriers



1. Companies specializing in **collecting, sorting, and processing textile waste into reusable fibers and materials**:
   - **Collection**: companies that gather used clothing and textiles from various sources, including collection points and donations.
   - **Sorting**: facilities that manually sort garments based on their condition and material type, separating them into various categories.
   - **Processing**: companies that use mechanical or chemical processes to transform sorted garments into new materials, such as fibers for new yarn or other products.

4. **Solution providers** for the facilitation and management of textile waste and textile-to-textile recycling.

PISTONI SRL · BLS ECOTECH LIMITED · Boer Group Recycling Solutions · WETURN

2. Companies that focus on **producing recycled fibers from textile waste.**

3. Companies that develop **advanced recycling technologies to improve the efficiency and effectiveness of textile recycling** (e.g. enzymatic recycling solutions that break down polyester textiles into monomers for re-polymerization) or **software platforms** to help brands manage and optimize their recycling processes.

MARTEXFIBER · RUBICON · CARBIOS · refiberd

5. Brands or companies promoting circular fashion by **integrating recycled materials into their products and encouraging sustainable practices**.

patagonia · Levi's · GIRLFRIEND COLLECTIVE · Reformation

Sources: company websites; Interviews FMC x KPMG; KPMG Analysis

Eco-design is the cornerstone to overcoming technical recycling challenges, linking the value chain's up and downstream stages

Integrating recycled material at the different stages of the value chain is possible but involves the challenge of aligning stakeholders' interest

Recycled fibers

Eco-Design

- Integration of recyclability criteria at the design stage
- Increase of the share of recycled material in garments
- Collaboration with recyclers to anticipate technical constraints
- Standardization of components (buttons, zippers) to facilitate disassembly

Sustainable Sourcing

- Integration of recycled fibers or material in the sourcing of raw material
- Optimization of manufacturing processes to accommodate recycled fibers
- Encouragement of closed-loop systems where production waste is reintegrated into new textiles

Responsible Production

- Integration of recycled fibers or materials during repair
- Use of recycled textiles for reinforcement and patching in repair processes
- Brand-led repair services incorporating recycled materials

Ecodesign for recycling is a solution to align interest and close the loop

› The success of eco-design relies on a **continuous exchange of data** between **designers** and **recyclers**: recyclers provide insights on fiber recyclability to guide **material choices**, while designers share **constraints**, and **performance needs** to **ensure sustainable materials meet functional and aesthetic requirements**.

› Currently, fashion design overlooks **end-of-life considerations**, complicating recycling. Brands must adopt «**design for recycling**» strategies, prioritizing **recyclable fibers** over blended or non-recyclable materials.

› **A closed-loop approach**, where recyclers provide data on fiber recyclability and designers share feedback on material performance, **will optimize material selection and garment construction for improved circularity**.

«It is essential to plan both the beginning and the end of a product from the design phase, taking into account costs and operational flows. The product's entire life cycle must be considered as a whole.»

Laia Moya Martinez, Head of Clearance Offline – Second Choice – Stock Quality at Veepee

«I think the discussion on circularity needs to start at the design stage. This discussion is essential for a circular textile chain because the companies that are dealing with the textiles when they become end of life need to be in contact with the manufacturing industry starting with designers to understand recyclability requirements of items for instance but also the potential and desired recycled content.»

Mariska Boer, President of EuRIC Textiles (Textiles Branch of the European Recycling Industries Confederation EuRIC)

However, a closed-loop textile recycling system can present challenges and obstacles for brands involved in recycling...

	1st hand players	
	Use of recycled materials	**Integration of recycling**
Opportunities	• **Environmental Benefits** : helps reduce the environmental impact at the production stage (decreases the need for virgin resources, reduces waste, and lowers greenhouse gas emissions). • **Consumer Appeal** : Brands using recycled materials can attract eco-conscious consumers increasingly seeking sustainable products and enhance their brand image. • **Innovation** : Advancements in technology are pushing the creation of quality textiles from recycled materials (e.g. enzymatic recycling).	• **Brand Differentiation** : Brands that integrate recycling capabilities can differentiate themselves in the market by showcasing their commitment to sustainability. • **Regulatory Compliance** : Integrating recycling capabilities can help brands comply with increasingly stringent environmental regulations and potentially anticipate them. • **Environmental impact** : Recycling capabilities enable brands to participate in the circular economy, reducing waste and promoting the reuse of materials. • **Cost Reduction** : Recycling can reduce waste disposal costs and create new revenue streams from recycled materials. • **Vertical integration strategy** : Fashion groups are increasingly investing in recycling infrastructure to secure access to high-quality recycled materials, reduce supply chain dependency and support long-term circular ambitions.
Challenges	• **Quality and Performance** : Ensuring that recycled materials meet the same quality and performance standards as virgin materials can be challenging. • **Supply Chain Complexity** : Integrating recycled materials into a supply chain requires coordination with suppliers and manufacturers, and might lead to supplier dependency. • **Consumer Perception** : Some consumers may perceive recycled materials as inferior to virgin materials, which can affect their purchasing decisions. • **Limited Availability** : The availability of high-quality recycled materials can be limited, especially for specific types of textiles.	• **Infrastructure Investment** : Setting up recycling capabilities requires significant investment in infrastructure and technology. • **Operational Complexity** : Managing recycling processes can add complexity to operations, requiring specialized knowledge and resources. • **Creative challenge** : adapting design in line with recyclability challenges with intrinsic limitations of fashion can create a conflict between creativity and recyclability. • **Market Demand** : The demand for recycled textile content can be inconsistent, affecting the viability of recycling initiatives.
Solutions	• Promoting design for recyclability and leveraging design to enhance the use of recycled materials. • Collaborating with recycling companies. • Implementing a regulatory framework with best practices in textile recycling, such as the implementation of mandatory minimums for recycled fiber content.	

Sources: Interviews FMC x KPMG; KPMG Analysis

…as well as for recycling companies active in the textile recycling industry

Recyclers

Recycling textile materials

Opportunities

- Economic Benefits: The global textile recycling market is expected to grow, with an opportunity to resell recycled textiles to other industries (construction, automotive, etc.).
- Innovation and Technology: Advancements in recycling technologies, such as chemical recycling, offer new ways to process textile waste and create high-quality recycled fibers.
- Regulatory Support: Governments are introducing policies and regulations to encourage textile recycling and discourage textile waste.

Challenges

- Quality and Performance: Ensuring that recycled textiles meet the same quality and performance standards as virgin materials can be challenging as the recycling process can degrade the quality of fibers.
- Supply Chain Complexity: Integrating recycled textiles into the supply chain requires coordination with suppliers and manufacturers. This can add complexity and increase costs for recycling companies.
- Market Demand: The demand for recycled textile content can be inconsistent, affecting the viability of recycling initiatives.
- Technological Limitations: While advancements in recycling technologies are promising, there are still some limitations mainly for blended materials in textile-to-textile recycling.
- Economic Viability: The cost of recycling textiles can be high, and companies may struggle to achieve economic viability. The lack of volume presents economic challenges, for example

«There should be a European-level obligation to integrate recycled materials into new textiles put on the market to make the business sufficiently attractive, enabling economies of scale and competitive pricing.»

Hatem Sedkaoui, Executive Board Member of the Circular Fashion Federation

Solutions

- Benefitting from a regulatory framework with best practices in textile recycling, such as the implementation of mandatory minimums for recycled fiber content.
- Encouraging innovation (only a small proportion of textile recycling patents are held by European players).
- Investing in advanced technologies such as chemical and mechanical recycling to improve the efficiency and effectiveness of textile recycling.
- Creating and identifying additional end-markets for recycled textiles (e.g. new industries, geographies, etc.)

Sources: Interviews FMC x KPMG; KPMG Analysis

Beyond textile-to-textile use, recycling can also serve other industries, presenting major opportunities for recyclers

DECATHLON

Decathlon has integrated recycled cotton in its manufacturing in a textile-to-textile approach

> For a few years now, Decathlon has improved its cotton sourcing. The brand sources cotton from **biological agriculture, cotton certified Better Coton Initiative and recycled cotton**.

Sources of recycled cotton

	Production off-cuts Integration of Decathon's own production off-cuts to create recycled yarns	Post consumer Integration of recycled fibres from end-of-life cotton waste
Advantages	> Reduction of the use of virgin resources and raw materials. > Optimization of flows of materials. > Optimisation of waste management and reduction of production waste.	> **Reduction of environmental impacts**: reduction of transportation, use of raw materials, water and chemical.
Drawbacks	> **Potential change in aspects**: Visual aspect and physical touch can sometimes be different from conventional cotton. > **Continuance dependence on Virgin Cotton**: proportion of recycled cotton in textiles capped at 30%.	> **Continuous dependence on Virgin Cotton**: proportion of recycled cotton in textiles capped at 30%. > **Variability in Coloration**: final coloration reliant on the quality of the recycled fibre. > **Sorting Limitations**: lack of automated sorting limiting volumes and slowing the development of upscaling technologies. > **Higher Production Costs**: Recycling processes take place in Europe, leading to increased production expenses. > **Limited sourcing options**: only one supplier providing this specific type of recycled textile.

14% Reduction of CO2 emissions linked to the production of yarn by using recycled cotton instead of virgin cotton.

LE RELAIS

Le Relais[1] provides recycled cotton to the construction sector in an «textile-to-other industries» approach

> In 2007, Le Relais launched MetisseR, a range of **thermal and acoustic insulation products for the building industry**. **Textiles that cannot be re-used** are defibred, and processed to make high-quality, high-performance **insulation wools**.

> MetisseR insolation product is composed of 85% recycled jeans and 15% polyester.

Business Opportunities of this Open-Loop Approach

> **Reduced environmental impact**
The lifecycle of textile waste can be extended. The insulation of a building lasts between **20 to 30 years.**

> **Performance stability**
The quality of recycled textiles does not affect their thermal and acoustic efficiency. Non-reusable, and low-quality fibers that cannot be reintegrated into a textile-to-textile process are the perfect fit for this process.

> **Strong Market Demand**
The construction industry has a high demand for insulation materials linked to **regulatory support and available incentives**. In Europe, existing energy standards, such as the Energy Performance of Building Directive, depend on the quality and availability of insulation products. French regulations promote building renovation and insulation, with public subsidies available (e.g. MaPrimeRenov').

Prerequisite for the profitability vof the business model

> **The key success factor of volumes**
A prerequisite to the profitability of this business model is **volumes** because the margin is lower than a textile-to textile approach.

x 3,29

Le Relay Métisse estimated recycled coton fiber price	Recycled coton fiber price for textile
6,40€/kg	21€/kg

> **Beyond the building sector**
Other industries serve as outputs for recycled textiles (e.g. automative, furniture, etc).

Notes: (1) Le Relais: Le Relais is a cooperative and participative company grouping companies with socio-economic aims dedicated to collecting, reusing and recycling textiles. It is part of the social economy branch of the Emmaus movement. In France, it is the leader in textile collection. // Sources: H2R Equipments; Le Relais, Green Tailor, Decathlon, FMC x KPMG interviews, KPMG Analysis

Despite not currently reaching its full potential, the European recycling sector is pushed by several regulatory incentives…

Overview of the expected evolution of the European regulatory framework around textile recycling

The REACH Regulation (2007)

This regulation, regularly updated, restricts the use of a set of **dangerous substances** to human health and the environment. Forbidden substances may be found in clothes at recycling facilities, which restricts the recycling processes. Recyclers will need to obtain authorization for these substances.

The Textile Labelling Regulation (2011)

This regulation ensures clear and **standardized fibre composition labelling in the EU**. It regulates textile fibre names, labelling requirements, multi-fibre product disclosures, and non-textile parts of animal origin to enhance consumer transparency.

The EU Ecolabel for textile products (2014)

This label certifies **eco-friendly products** by promoting sustainable fibers, low-impact production, chemical restrictions, and durability, **guiding consumers toward greener choices**.

Strategy for Sustainable and Circular Textiles (2022)

This strategy **mandates durable, repairable, and recyclable textiles** through design standards, a Digital Product Passport, and Extended Producer Responsibility (EPR), making producers accountable for waste management.

EU right-to-repair legislation (2024 - applicable by 2026)

This legislation **enforces repair obligations, bans repair restrictions, ensures spare part availability,** and **mandates consumer transparency** to extend product lifecycles and reduce waste, supporting the circular economy.

Ecodesign for sustainable products regulation (ESPR) (2024)[1]

This regulation sets **lifecycle standards for sustainability, recyclability, and durability**, requiring manufacturers, importers, and retailers to comply with **strict environmental performance criteria**.

Digital product passport (2024 -applicable by 2030)

This standard improves **product transparency**, offering key details like materials and disposal guidelines. **It supports open data, enhancing sustainability and industry collaboration**.

Extended producer responsibility rules (broad adoption expected by 2025)

These rules oblige large companies to **publicly disclose discarded or destroyed garments**.
This will be reinforced by the 2023 waste framework directive.

Waste Framework Directive (2020 – revised in 2025)

The European council and European Parliament reached a provisional agreement to enhance collection, sorting, reuse and recycling. It **requires separate textile collection** to support circularity.

EU Waste shipments regulation (2024 - applicable by 2026)

This regulation **strengthens waste export rules, mandates digital tracking, bans plastic waste exports to non-OECD countries** (2026).

Notes: (1) Including Digital Product Passport implementation // Sources: European commission, European union data, Euric; KPMG Analysis

… presenting both challenges and opportunities for the textile recycling indutry (1/3)

Snapshot of potential challenges and opportunities tied to forthcoming EU regulatory initiatives

	Challenges	Opportunities
The REACH Regulation (2007)	› **Increased regulatory and administrative burden**: Since the textiles entering recycling streams today were often manufactured years ago, they may contain substances currently restricted or banned under the REACH regulation. As a result, textile recyclers must assess the chemical composition of incoming materials and, if these substances are present, apply for specific authorizations or exemptions. › **Restricted access to certain markets** due to the presence of chemicals. › **Increased process costs** to process the substances limiting the viability of textile-to-textile recycling initiatives.	› Limiting the quantity on dangerous substances put on the market. › Increasing the health of workers along the value chain.
The Textile Labelling Regulation (2011) The EU Ecolabel for textile products (2014)	› **Increased operational costs**: missing or inaccurate information on garments could require investment in material analysis and training at the recycling stage. › **Increased risk of non-compliance**: without reliable access to composition data, companies risk processing non-compliant garments, leading to legal or market restrictions. › **Increased competitiveness on recycled fibers**: the rise of labels focused on durability and sustainability could increase the number of players in the market.	› Improving the identification of reusable and recyclable textiles, leading to reduced landfilling and destruction. › Accelerating sorting recycling processes by fast identification of composition.
Strategy for Sustainable and Circular Textiles (2022)	› **Increased pressure on sorting accuracy** and pre-processing methods to ensure consistent, high-quality outputs. › **Required dual systems** to handle both legacy and eco-designed textiles during the transition period.v › **Increased upfront investments** to scale up infrastructure and technology.	› Delivering cleaner, more homogenous outputs. › Fostering collaboration to ensure closed-loop system.

Notes: (1) Including Digital Product Passport implementation // Sources: European commission, European union data, Euric; KPMG Analysis

… presenting both challenges and opportunities for the textile recycling industry (2/3)

Snapshot of potential challenges and opportunities tied to forthcoming EU regulatory initiatives

	Challenges	Opportunities
EU right-to-repair legislation (2024 - applicable by 2026)	› **Diversified business** models by transitioning from traditional recycling to reuse, refurbishment, or resale services, as longer product lifespans may reduce material volumes. › **Complexified operations** as repaired items may be more difficult to sort or recycle due to mixed conditions or alterations.	› **Integrating recycled fibers** into repaired items leading to new revenue stream. › **Unlocking funding** by participating in repair system and closed-loop models.
Ecodesign for sustainable products regulation (ESPR) (2024)[1]	› **Required dual systems** to handle both legacy and eco-designed textiles during the transition period.	› **Increasing partnerships** between designers and recyclers to simplify garment processing. › **Increasing available data** to improve textile end-of-life. › **Promoting** eco-design for recyclability and reducing operational costs.
Digital product passport (2024 -applicable by 2030)	› **Upgraded technology:** industrial will have to adapt and integrate DPPs into their processes which require new technologies, specific training.	› Simplifying sorting, repair and recycling processes. › Securing the upstream supply chain by ensuring **end-to-end traceability**.
Extended producer responsibility rules (broad adoption expected by 2025)	› **Increased administrative and reporting burden** to track and report the data on processed and destroyed textiles to the producers. › **Heightened pressure from stakeholders and producers** to reduce the percentage of garments discarded and boost recycling efforts.	› Increasing **financial support** to recyclers. › Strengthening partnerships between producers and recyclers. › Improving material quality and supply as producers are required to design products with recyclability in mind.

Notes: (1) Including Digital Product Passport implementation // Sources: European commission, European union data, Euric; KPMG Analysis

… presenting both challenges and opportunities for the textile recycling indutryv (3/3)

Snapshot of potential challenges and opportunities tied to forthcoming EU regulatory initiatives

	Challenges	Opportunities
Waste Framework Directive (2020 – revised in 2025)	› **Increased pressure** from stakeholders and municipalities on recyclers to meet the targets. › **Required upfront investments** to scale up . › **Increased compliance and reporting** to track material flows and recycling rates, adding to administrative workloads.	› Providing recyclers with **financial incentives and growing attention**. › Creating a **larger market for recycling textile**. › Simplifying sorting by separating textile from typical waste . › Boosting recycled volumes by restraining landfilling
EU Waste shipments regulation (2024 - applicable by 2026)	› **Increased compliance and operational costs** due to stringent requirements for exporting textile waste, including certification and transport arrangements for non-EU shipments, could deter recyclers from recycling textiles. › **Raised administrative burden,** leading to more complex and time-consuming processes. › **Hindered the global recycling market as increased export controls** to non-OECD countries, where recycling infrastructures are being developed to process EU textile waste, could reduce income in those countries and block access to markets with high demand for recycled materials. › **Disrupted established recycling networks** between countries, potentially resulting in higher costs and delays.	› **Expanding the textile recycling** market within the European Union. › **Legitimating export channels** by establishing long-term partnerships with buyers seeking high-quality recycled textile. › **Boosting innovation** and collaboration between member states. › Increasing traceability.

Sources: European commission, European union data, Euric, EFTA Surveillance Authority, KPMG Analysis

«Without textiles, there is no fashion. But textile manufacturing is highly polluting and there is an urgent need to make it sustainable. The industry and EU policymakers must work together on harmonizing different national rules to turn Europe's catwalks green.»

Pernille Weiss, MEP from Danemark

Textile-to-textile recycling can present challenges for brands involved in recycling as well as for recycling companies

	1st hand players		Recyclers
	Use of recycled materials	**Integration of recycling**	**Recycling textile materials**
Opportunities	• Environmental Benefits • Consumer Appeal • Innovation	• Brand Differentiation • Regulatory Compliance • Environmental impact • Cost Reduction	• Economic Benefits • Innovation and Technology • Regulatory Support
Challenges	• Quality and Performance • Supply Chain Complexity • Consumer Perception • Limited Availability	• Infrastructure Investment • Operational Complexity • Creative challenge • Market Demand	• Quality and Performance • Supply Chain Complexity • Market Demand • Technological Limitations • Economic Viability
Solutions	› Encouraging design for recyclability and putting design at the service of recycled materials. › Collaborating with recycling companies. › Implementing a regulatory framework with best practices in textile recycling, such as the implementation of mandatory minimums for recycled fiber content.		› Benefitting from a regulatory framework with best practices in textile recycling, such as the implementation of mandatory minimums for recycled fiber content. › Encouraging innovation (Only a small proportion of textile recycling patents are held by European players). › Investing in advanced Technologies such as chemical and mechanical recycling to improve the efficiency and effectiveness of textile recycling Creating and identifying additional End-Markets for recycled textiles (e.g., new industries, geographies, etc.).

Sources: Interviews FMC x KPMG; KPMG Analysis

The future of textile recycling thus relies on a set of prerequisites allowing the industry to structure and scale up

Introducing a clear and dissuasive regulatory framework

> Establish **regulations with clearly defined collection and recycling targets**.

> Ensure that regulations introduce **dissuasive sanctions in the event of non-compliance with set targets**.

> **Expected benefit**
Strengthens the impact of textile recycling initiatives while allowing brands to **implement a truly sustainable long-term circularity strategy**.

Lifting technological barriers

> **Develop innovative technologies** that enable a better understanding of the recycling phase, **allowing materials to be handled at a competitive price and with limited environmental impact** (e.g., technologies that improve the sorting or recognition of textile fibers, particularly when they are blended).

> **Expected benefit**
Optimized sorting of products for a qualitative recycling, no matter the application.

Establishing a more collaborative industry organization

> Work towards **more collaboration between brands and downstream players** mainly on improving **designs for recycling**.

> Increase industry efforts to **improve communication on recycling and integrate consumer's point of view**.

> Introduce **circular KPIs** to better measure, track and act on the sectors impact (e.g. the Circular Transition Indicator – CTI).

> **Expected benefit**
A more efficient value chain which will benefit consumers.

«We will not be able to move forward in a structured and coherent manner on these textile circularity issues without having removed the technological barrier of automated sorting for recycling.»

Stephan Arino, Vice-President Public Affairs Western Europe at TOMRA

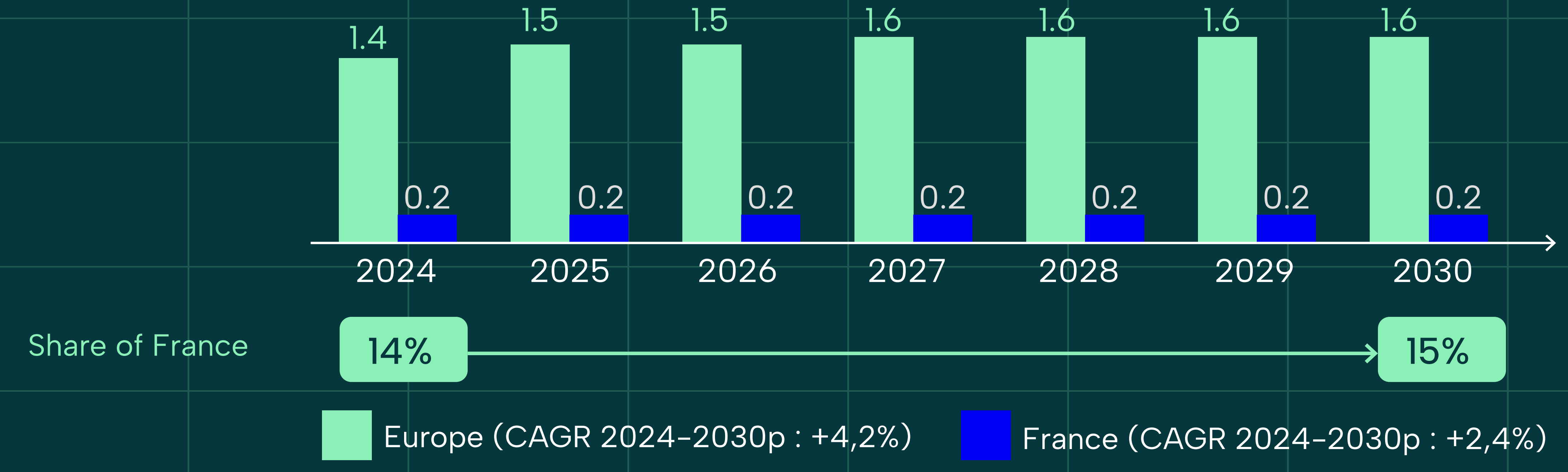
«If producers/brands have to put recycled content from post-consumer textiles into their new garments, then you are creating a business model for recyclers. That business model is lacking at the moment. Not because technology is well developed, it is just not upscaled. So, it is not as cost efficient as it potentially could be.»

Mariska Boer, President of EuRIC Textiles (Textiles Branch of the European Recycling Industries Confederation EuRIC)

Sources: Interviews FMC x KPMG; KPMG Analysis

Without strong incentives, the recycling market is expected to show limited growth reaching €1.6Bn and create 3,500+ jobs by 2030

Projection of the textile recycling market size
[€Bn; Europe incl. France and France; 2024-2030p] 2030p]



This sizing has been carried out on the following assumptions:

- European recycling apparel market estimated at **€1.4Bn** in 2024 and expected **CAGR of 2.4%** to 2030.
- French textile recycling market size estimated at **€249Mn** by 2030 with an expected CAGR at **4.2%** from 2024.

Limits of the assumptions:

- The European study includes the United Kingdom.
- The French study only considers textile recycling. Shoes are not included.
- Market growth assumptions remain cautious, reflecting the absence of clear EU targets and the still-limited scale of committed investments in textile recycling infrastructure

Projection of the of employees generated in the textile recycling market
[France-Europe; 2024-2030p]

Focus on the French textile recycling market

1 Number of jobs sourced from the French Government study on the 2022- 29 period

Textile sorting	Prepair	Recycling	Spinning, weaving, garment manufacturing
Included in reuse – out of recycling scope to avoid double counting.	*Perimeter retained in our study for recycling jobs*		*Perimeter retained in our study for recycling jobs*
+5,350	+1,150		+1,770

2 Calculation of the required volume of jobs to realize revenues projections

Additional revenues

- 2022: 186
- 2029: 240
- +€54m

Additional jobs

+1,150

Jobs created while revenues growth is +54M€ over the same period

1 job for **€47k** of additional revenue

Ratio applied to 2025 – 30 growth

Expected cumulative jobs created between 2022 and 2030 in France: **+1,160** for the **recycling process**

Estimations for the job creation in Europe:

Expected cumulative jobs created between 2022 and 2030 in Europe: **+3,500** for prepair and recycling processes.

Due to the lack of reliable data, the following assumptions were used for the projection:

› Average ratio of 1 jobs created for €47k of turnover generated based on French data applied to the yearly evolution of the EU projected revenue.

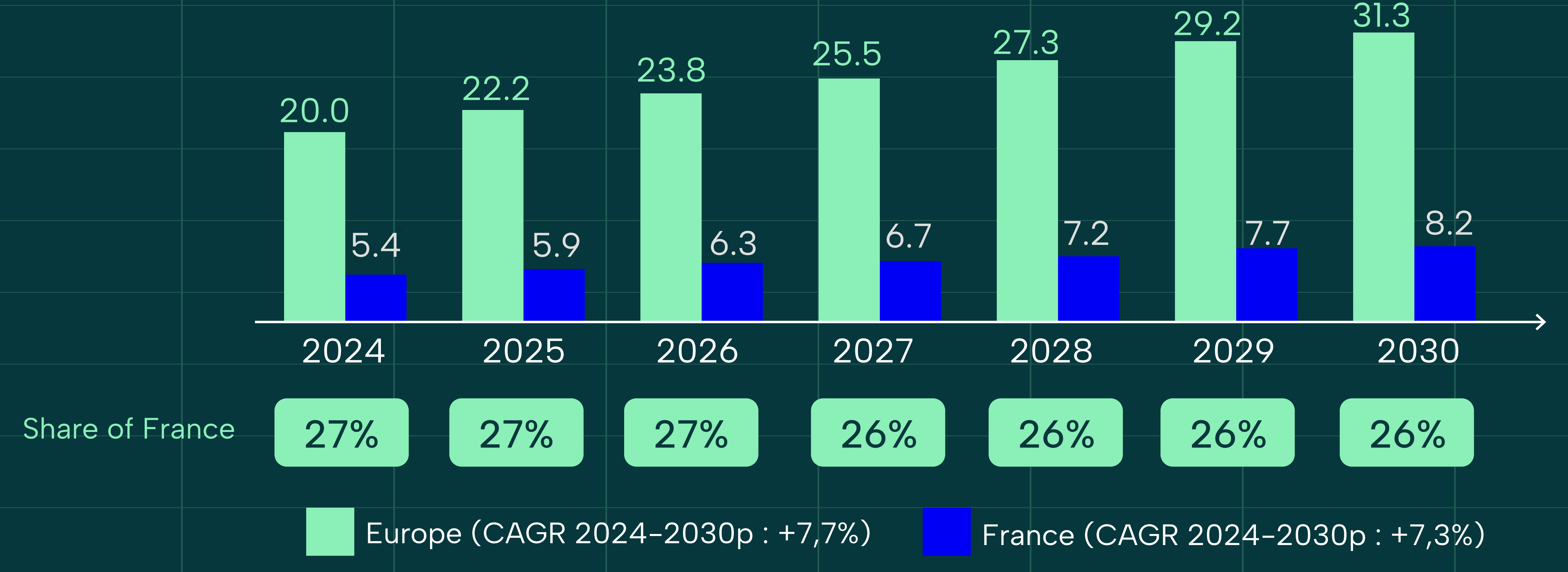
Sources: France 2030 "Perfect'R Impact du recyclage sur les besoins en emplois et competence des industries textiles" (2023) ; IMARC "Europe Textile Recycling Market Report by Product Type" (2024) ; Horizon Grand-viewResearch "France Textile Recycling Market Size & Outlook, 2024-2030" (2024); Union des Industries Textiles "Rapport d'activité 2020 – 2021" (2021); European Environmental Agency; KPMG Analysis

CONCLUSION

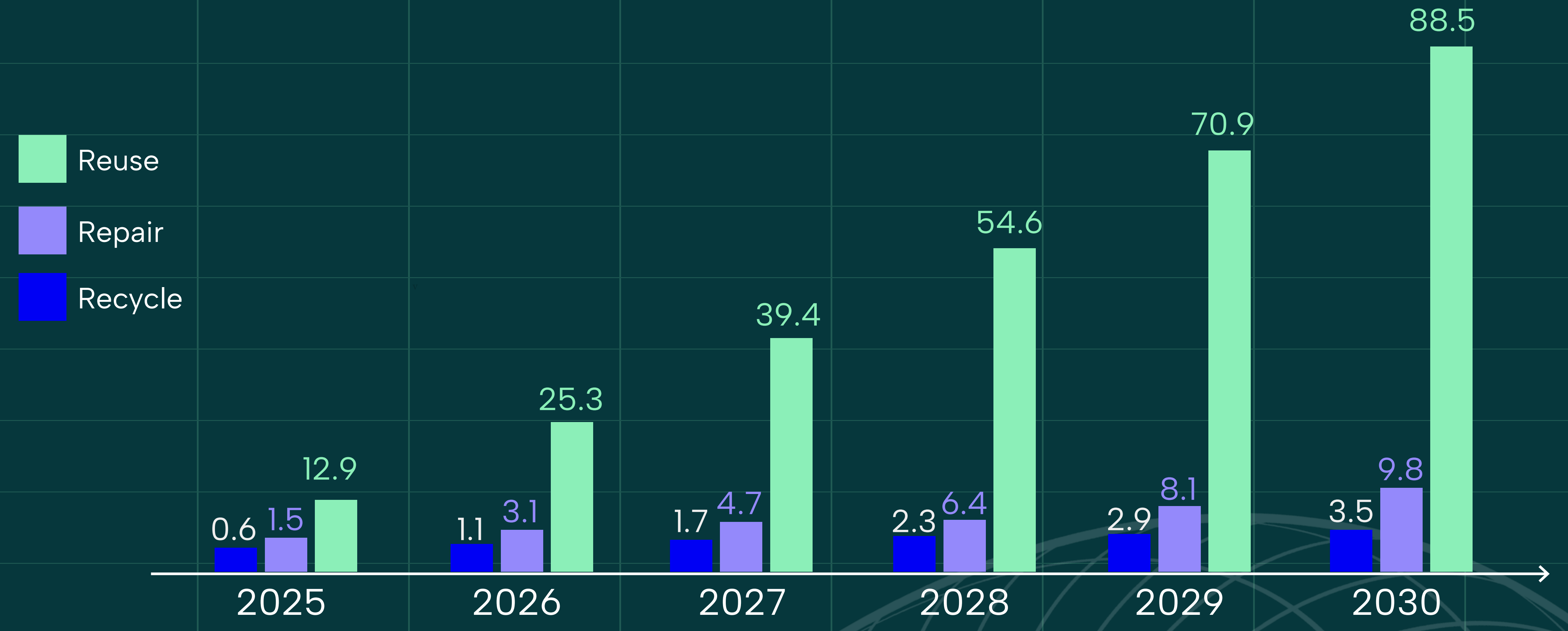
Perspectives

"Circular Fashion" pillars are expected to generate a total of €31Bn by 2030, and create 88,500+ jobs between 2025 and 2030

Projection of the «Circular Fashion» market size
[€Bn; Europe incl. France and France; 2024-2030p]



Projection of the cumulative job creation generated in the "Circular Fashion" market in Europe [Thousand jobs; 2024-2030p]



Limits of the assumptions:

- Reinvent initiatives are excluded from this consolidated view, as they have not been sized due to a lack of data.
- To minimise potential overlap in job creation between the "Reuse" and "Recycle" pillars, particularly in collection and sorting activities, two activities were exclusively assigned to the "Reuse" pillar. Of the 110,000 existing jobs in the European second-hand apparel market in 2023, 31% are in sorting facilities and 9% are in the operation of collection sites.
- This sizing may also exclude indirect revenue generation or job creation for each pillar.

Sources: KPMG Analysis

Three key challenges are identified as crucial for the development of the circular fashion industry

Implementing "Design for circularity"

- Players in the garment production cycle are not yet prioritizing the **anticipating of a garment's extended lifespan, second-life, or end-of-life.**
- The introduction of **eco-design would move beyond reactive approaches like repair, reuse, and recycling** by addressing root causes—**creating garments designed for longevity**.
- Since raw material usage accounts for the majority of the industry's carbon impact, **implementing eco-design initiatives at the production stage is of the most effective levers for change.**

Fostering data circulation and traceability

- The fashion industry has yet to fully leverage the wealth of data that its value chain can generate, data that could significantly enhance all pillars of circularity:
  - **Repair**: provides a deeper understanding of products strengths and weaknesses enabling to rethink manufacturing methods.
  - **Reuse**: provides insights into stock management, evolving demand, and second-hand market trends help assess perceived brand value.
  - **Recycle**: advises on most easily recyclable materials and insights on designing for recyclability.
  - In addition, actions under the **"Reinvent"** pillar can capitalize on these learnings to improve **eco-design, stock optimization** and the **use of recyclable materials**.

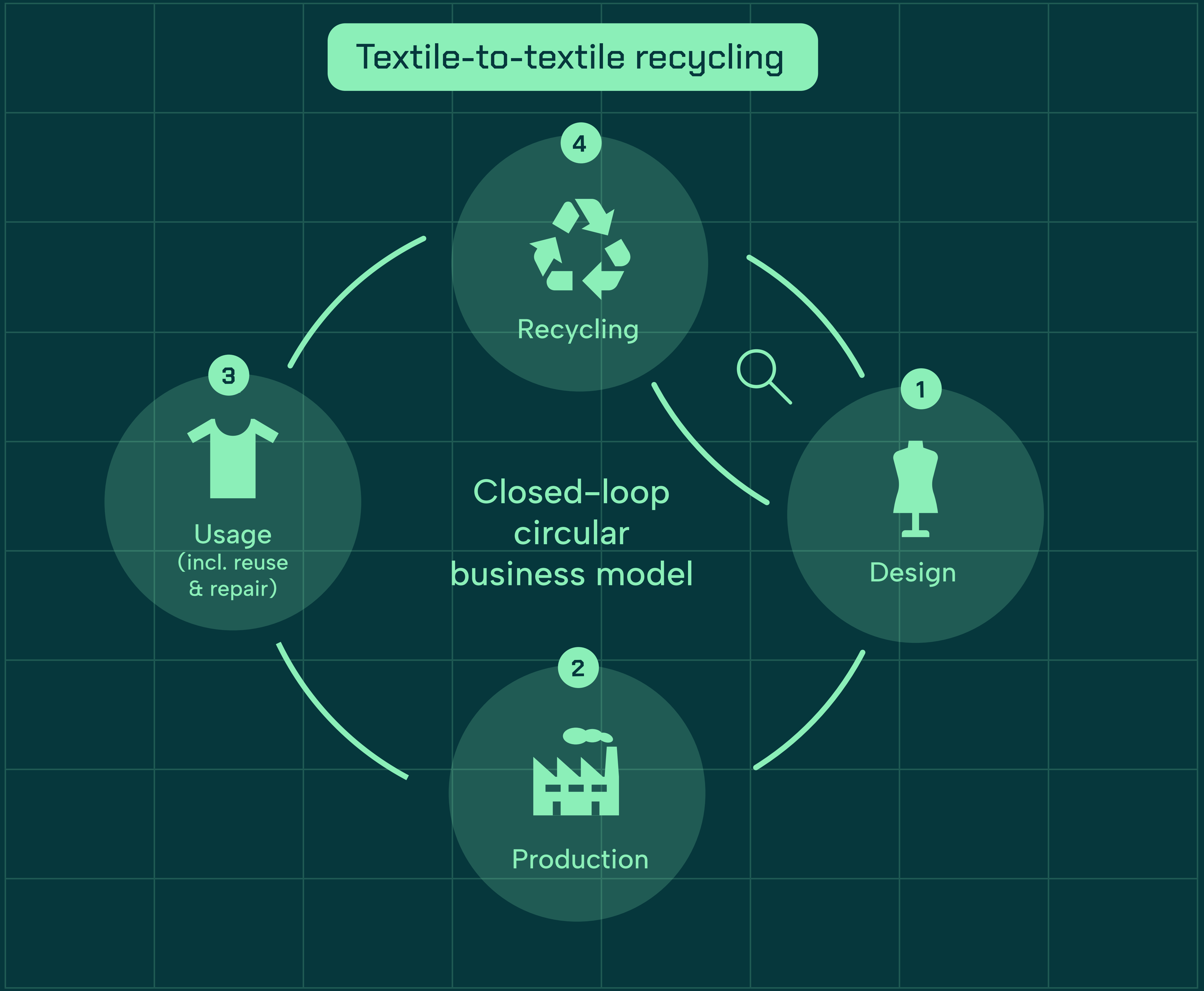
Enabling scale to develop a viable and profitable circular business model

- Players in the fashion industry are often faced with the challenge of setting up a circular business model and achieving profitability when integrating circularity (e.g. repair, second-hand, etc.) into their current business.
- Many business cases are currently in a testing phase, with **very little perspective**, but this lack of foresight and understanding of circular business models is mainly due to the following:
  - **Failing to anticipate the long-term financial and extra-financial benefits** of the business model.
  - **Developing a model overly focused on traditional financial KPIs**, often failing to account for the impacts of a circular model.
  - **Lacking internal buy-in**, hindering the scaling-up process necessary for deploying the business model effectively.

«The key is the conviction of leaders in the circular economy. Without that, we won't succeed.»

Anna Balez, Co-founder of Lizee

Eco-design in a closed-loop is based on reciprocal actions and information exchange between designers and recyclers



The **Digital Product Passports** (DPP) can enable full transparency throughout a product's lifecycle, **providing crucial data at multiple stages** including key information at design and recycling phases.

Zoom on eco-design for circularity

› **Current fashion design do not fully integrate end-of-life considerations**, making repairing, and recycling difficult.

› **Implementing eco-design** or 'design for circularity' would provide brands and fashion stakeholders with benefits at each stage of the value chain and **simplify repair, reuse and recycling**.

› The success of eco-design rests on the efficiency of the **collaboration between designers and recyclers** to ensure clothes are built for circularity from the start. A closed-loop approach, where recyclers and repairers provide feedback to designers, will optimize material selection and garment construction for better circularity.

Designers

Key actions:

› Prioritizing mono-material garments
Implementing modular construction

› Anticipating disassembly

Key information:

› Material specifications (mix of materials, source, etc.)

› Garment construction and assembly methods.

Recyclers

Key actions:

› Adapting disassembling and recycling techniques to design requirements

›Investing and innovating on sorting and processing techniques

Key information:

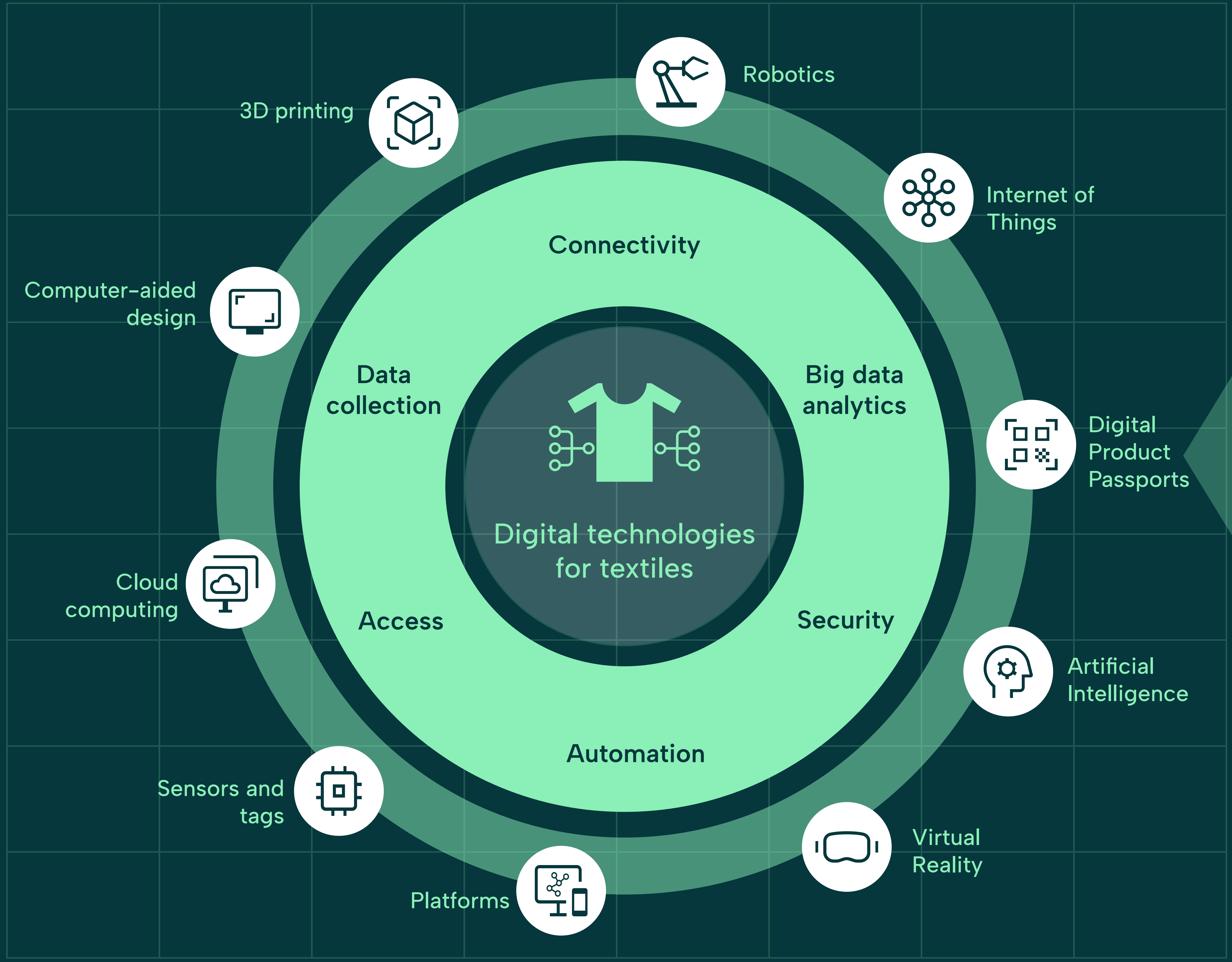
› Insights on recyclability of different materials

› Feedback on design choices that help better optimize recyclability

Sources: FMC x KPMG interviews; KPMG Analysis

At every stage of a product's lifecycle, Digital technologies and Digital Passports in particular act as a circularity enabler

Among all digital technologies presenting efficiency, productivity and competitiveness opportunities for the textile sector…



…the Digital Product Passport (DPP) is a true game-changer, providing crucial data at multiple stages of the garment's lifecycle

	REINVENT	REPAIR	REUSE	RECYCLE
First and second –hand consumers	Verifying sustainable sourcing, garment composition	› Identifying previous repairs › Getting information on care requirements	Verifying previous ownership info and product lifetime	
Second-hand sellers	Verifying sustainable sourcing, material composition	Getting information on reparability and Care requirements	Obtaining information for product sales sheet	
Repairers, cobblers		Optimizing time and costs through a better understanding of composition		
Recyclers				Optimizing fiber sorting and reprocessing

«Early adoption of DPPs ahead of regulatory mandates allows brands to gain a competitive edge by leveraging the mandate to align with consumer expectations, building greater trust, and building stronger storytelling by showcasing end-to-end product stories.»

Romain Carrere, Aura Blockchain Consortium CEO

Sources: European Environmental Agency; FMC x KPMG interviews ; KPMG Analysis

Circular business models provide various benefits beyond financial gains, but need specific conditions to be fulfilled

Circular models create mid to long-term business value by strengthening resilience, optimizing resources, and unlocking new potential

Benefits of circular Business Models

Operational efficiency

Circular models (e.g. optimized inventory, pre-ordering) help reduce overproduction, lower waste management costs, and fuel demand forecasting.

Carbon and environmental footprint reduction

Reducing virgin material use, improving recyclability, or extending product lifespan positively impact the environmental footprint.

Securing supply chain

Diversification of raw materials portfolios mitigate sourcing risks linked to climate change or geopolitical conflicts.

Market differentiation and new customers

Circular services (rental, resale) help brands reach price-sensitive or sustainability-first consumers, opening new demand pockets in the saturated / slow-growing market of fashion.

Product development insights

Circular services (rental, resale) help brands reach price-sensitive or sustainability-first consumers, opening new demand pockets in the saturated / slow-growing market of fashion.

Regulatory resilience

Returns, repairs, and second-hand data reveal quality insights or customer preferences, which can inform better design choices and durability enhancement.

Customer loyalty and brand image

Fostering emotional attachment to the brand, increasing repeat purchases and reducing churn, which is more cost-efficient than acquiring new customers. Additionally, circular strategies visibly demonstrate a commitment to sustainability, enhancing brand credibility.

Developing a viable and profitable circular business model is based on a set of prerequisites that must be secured right from the beginning

- **Increase volumes of the three Rs** to achieve scalability and profitability.
- **Define right pricing and have a clear value proposition** (as taught by 2nd hand use cases).
- **Get buy-in internally**, not just from CSR teams, but also from finance, operations and sales functions (equip sales with the right narrative, arguments and training).
- Communicate around the circular business, and **make it as appealing as 1st hand shopping** and **engage new audiences**, especially young consumers.
- **Invest** in the business model, **not just in capabilities but also in training** (e.g., repairs, relying heavily on training shoemakers and menders).
- **Surround yourself with external partners**, if only to get started and achieve scalability.
- **Be open to collaboration** with **other players along the value chain** to join forces, or with **other industries** that can benefit from the positive externalities of textile activity (e.g., industries using recycled textiles).

Sources: Interviews FMC x KPMG; KPMG Analysis

All efforts required to meet these challenges take place in a fast-paced regulatory context…

Upcoming regulations at the European level

Waste framework directive (2025)
Harmonizes the **Extended Producer Responsibility** in use across member states and facilitates the **management of textile waste** (separate collection of textile).

ESPR Working plans (2025)
- Produces a list of **eco-design requirements** with key guidelines and rules. The preparatory work for textiles has already begun.
- Establishes implementation rules for the **Digital Product Passport**.

Green claims (2025)
Empowers consumers by **harmonizing green claims that will need to be independently verified by a third party**.

Circular Economy Act (2026)
Harmonizes circular economy policies across members states to reduce regulatory fragmentation by aligning with existing regulations.
Key topics addressed:
- **Incentivizing the use of secondary** materials in manufacturing.
- Creating a **single market for waste and secondary raw material**s.

Textile Labelling regulation (2026)
Introduces a single and **uniform set of rules on labelling requirements** for textile and related products.

Revision of an existing

Member states legislations recently adopted or debated

France's anti fast fashion law has been adopted by the General Assembly early 2025 and is yet to be discussed by the senate in May 2025. It aims at **defining fast fashion practices**, increasing consumers' information on the environmental impacts and implementing an ecological malus on the price of fast fashion items.

Germany adopted a **National Circular Economy Strategy**. It will implement a circular economy platform, a roadmap to 2030 with concrete circular practices.

Denmark introduced an **EPR[1] system** for packaging as of 2025, in line with the current **EU Packaging Directive**.

Hungary's EPR system established in 2023 has been revised. Effective from April 1st, 2025, if a producer fails to meet its reporting and fee payment obligations, or if false data is provided leading to a lower fee payment, the competent waste management authority may impose a fine.

The Netherland recently adopted its **National Circular Economy Program 2025–2030**. Its aims at implementing **circular practices** within the country on different sectors including textile with targets for 2030.

Notes: (1) EPR: Extended Producer Responsibility // Sources: European Commission, OECD "Economic instruments for the circular economy in Italy" (2024) ;

...with external factors affecting the industry, while also offering opportunities for players to capitalise on

	Several external factors impact the circular fashion value chain...	... yet they offer opportunities for industry development
Climate impact	**Unpredictable Fiber Supply & Rising Price** Water scarcity and extreme weather events in producing regions impact fiber farming, **limiting the availability** of virgin fibers and **increasing prices**. **Higher Energy Costs for Recycling** Climate-related disruptions in energy supply (e.g. power outages, fossil fuel phase-outs) increase **energy prices**, making textile recycling **more costly** and **less competitive** against virgin fiber production.	**Increased use of Recycled Fibers** Compensates climate-induced shortages of virgin materials, fostering a shift to more sustainable sourcing. **Optimizing Fiber Selection at the Design Stage** Ensure compatibility with future recycling processes **Rationalize its supply chain** Supply chain verticalization to anticipate medium- and long-term supply disruption linked to climate change.
Regulatory impact	**Weak Enforcement of Circularity Standards** Weak enforcement of **environmental laws** allows manufacturers to prioritize virgin fibers over recycled ones due to **cost** and **availability**. **Export Bans on Textile Waste** Restrictions on **waste imports/export** policies can **limit the flow of recyclable materials**, reducing the supply of high-quality recycled fibers for production.	**Regulatory Incentives for Circular Fashion in the EU** Pushes for regulatory changes can open the door to **tax incentives or subsidies** for recycled material usage, making circular fashion **more financially viable**, especially in the EU, home of a large share of textile consumption.
Geopolitical impact	**Dependency on unstable Supply Chains** Political instability or trade restrictions can lead to **disruptions in waste logistics** (due to damaged transport networks) reduce the efficiency of **circular supply chains**, leading to **material shortages**. **Rise of Protectionist Policies** Protectionist policies in some regions (e.g. banning second-hand clothing imports) can **reduce the reuse** and **resale** potential of garments.	**Localized Circular Systems** Drives brands **to shorten supply chains** by investing in **localized closed-loop systems** enhancing sustainability and operational efficiency, reducing reliance on **long-distance logistics** and promoting local circular economies.
Economic impact	**Exchange rates** Fluctuations can raise the cost of importing recycled materials, affecting the affordability of sustainable practices. **Inflation** Rising costs of materials, transport, and processing make recycled fibres more competitive, but this is not easily reflected in final prices, ultimately reducing profit margins. **Cost of textile fibers** The cost of textile fibers is linked to raw materials (e.g. petroleum, wood), with rising prices increasing the cost of virgin fibers.	**Circular Business Models to Reduce Dependency** High Inflation and textile fibers costs encourage **the development of circular business models**, driving opportunities for **reuse** (second-hand, rental), and garment **repair** and **recycling**, helping brands reduce their reliance on virgin material.

Sources: European Environment Agency; FMC x KPMG interviews; KPMG Analysis

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- MCHUGH Rachel, Communications and Marketing Specialist at Aura Blockchain Consortium
- MINVIELLE Gildas, Economist and professor at IFM Paris
- MOYA MARTINEZ Laia, Head of Clearance offline – Second choice – stock quality at Venteprivee.com
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