

## Fleece Navidad – Falling out of fast fashion

by Gabby Byron, Investment Services Executive

As we approach Christmas Jumper Day this week in the UK, I find myself sifting through the depths of my wardrobe, searching for festive knitwear to raise money for Save the Children. The promise of chilly winter evenings and cosy Christmas gatherings tempts me to add yet another festive jumper to my collection, despite the fact that I already own enough to dress a small woolly army.

Sound familiar? It's a scenario many of us face as Christmas approaches. The appeal of new clothes, especially warm and comfy ones for the winter season, is undeniable. Fast fashion retailers exploit this, tempting us with endless options that won't break the bank due to their ability to quickly produce inexpensive, on-trend clothing that appeals to the masses. These companies churn out new collections at a rapid pace, allowing consumers to stay up to date with the latest styles without burning a hole in one's pocket. However, this convenience comes at a cost to our environment and society.

From an environmental perspective, fast fashion falls short in several ways. The rise of ultrafast online retailers has flooded the market with cheap, poor-quality clothes made from environmentally harmful materials. The production processes, involving copious amounts of water, chemicals, and energy, contribute to pollution and the overuse of natural resources. Additionally, the global supply chain dynamics of fast fashion play a significant role in exacerbating its environmental impact as many of these clothes are produced in countries with low labour costs. This geographical dispersion requires long-distance transportation, resulting in a substantial carbon footprint associated with shipping these goods around the world. The environmental toll extends beyond just the production phase. With many of the items from some fast fashion brands being priced ridiculously cheaply, it becomes more convenient for consumers to buy new than to repair existing clothing or buy second-hand. These items have little to no resale value and end up being incinerated or left to decompose for hundreds of years in landfills, usually in developing countries.

The social aspect is equally as distressing. Many fast fashion brands outsource their production to low-wage countries, where labour regulations are less stringent. This can lead to poor working conditions, low wages, and a lack of workers' rights.

This raises ethical concerns about the treatment of workers and the lack of accountability in these global supply chains. Exploitative labour practices have been widely reported in the industry in order to maintain the low prices customers expect.

Fast fashion also raises red flags from a governance perspective. Fast fashion companies aren't always known for their transparency and often management and boards do not scrutinise their supply chain in search of best practices. To make informed investment decisions, one should consider whether a company commits to good governance principles, such as transparent financial reporting and ethical leadership.

Fast fashion may offer cheap and trendy clothing, but at a significant cost to society, the environment and ethical governance. As investors, we can choose to support companies that actively work to reduce their carbon footprint, minimise waste and prioritise fair labour practices. These companies are more likely to make responsible decisions and contribute positively to society and the environment. Many sustainable fashion brands are emerging, with a focus on eco-friendly materials, fair labour practices and transparent governance. Investing in these companies can be financially rewarding while also contributing to a more sustainable and equitable future. Moreover, growth in the market for second-hand clothing might outpace fast fashion as consumers become more aware of the environmental, social and economic benefits of preloved shopping.

As the fashion industry continues to adapt to the climate emergency and resulting consumer demands, it is clear that investors and consumers have a significant role to play in bringing sustainable fashion brands to the fore. At Momentum, we manage three Sustainable Model Portfolios, which align closely with the responsible investing principles of our investment philosophy, offering diversified multi-asset exposure that cater for various risk and return objectives while enhancing the sustainable investment footprint. Our sustainable approach extends beyond fashion retailers, encompassing a comprehensive strategy that considers environmental impact, social responsibility, and ethical governance.

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