

Investment in Circular Fashion: Opportunities and Success Stories

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Introduction

The global fashion industry stands at an inflection point. **What many investors still perceive as a niche sustainability movement, represents the early stages of a fundamental transformation in one of the world's largest industries.** With fashion contributing 2-8% of global carbon emissions and facing mounting regulatory pressure, the sector must reinvent itself - creating unprecedented opportunities for forward-thinking investors.

This report examines **five key investment myths** that have **limited investment** in sustainable fashion, while showcasing success stories that demonstrate the sector's transformation and growth trajectory. Drawing on insights from investors and innovators at the forefront of sustainable fashion and adjacent sectors like clean beauty, organic food, and cleantech, we illustrate how investors who develop the right expertise, partnerships, and conviction for sustainable fashion can gain significant advantages in one of our decade's most promising investment areas.

Foreword by the Author

When I tell people I invest in sustainable fashion, I often encounter scepticism. *"Fashion? Isn't this quite a niche market?"*. These reactions reveal a fundamental misunderstanding of what fashion truly is - and why it represents one of the most compelling investment opportunities of the decade.

My journey began incubating and accelerating 100+ cleantech start-ups, and investing in 40 Climatech companies across multiple sectors, including two exits. My first fashion investment, Petit Pli in 2019, opened my eyes: here was a company using aerospace engineering to create wearable technology - clothes that grow with children - solving real inefficiencies in a \$2 trillion industry.

Since then, I've backed 16 companies revolutionising how textiles are made, dyed, recycled, and sold. Through operational roles at Mattered - scaling regenerative cotton to commercial offtake agreements with brands like Mango - and DyeRecycle, where I serve as Non-Executive Director and Chief Commercial Officer, I've witnessed firsthand how innovations move from laboratory to commercial scale. This dual perspective - investor and start-up operator - has shown me fashion's true nature: one of the world's largest chemical, manufacturing and logistic industries, ripe for technological disruption.

Having witnessed renewable energy and electric vehicles transform from "uninvestable" to mainstream during my 15-year cleantech career, I recognise the same patterns in textiles today. The sustainable fashion revolution isn't coming, it's already underway, creating pathways for significant returns, while addressing critical environmental challenges.

Irene Maffini

Founder, Fashion Reimagined and Co-Founder Sustainable Fashion Syndicate

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Interview Contributors

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Investors:

- Adrian Horotan, Partner, Safer Made
- Alexander Shapiro, Investment Manager, Conduit Connect
- Eva Tarasova, Investment Director, Wharton Asset Management
- Jamie Rowles, Partner, Regeneration.VC
- Laura Coppen, H&M Group Ventures
- Mary McCarthy, Partner, Sofinnova Partners
- Veronica Chou, Director, Novel Fashion Holdings
- Yoobin Jun, Investor, Plug and Play

Company Founders and Executives:

- Christopher Hunter, COO, Colorifix
- Edward Brial, Founder and CEO, Mattered
- Jacob Nathan, Founder and CEO, Epoch Biodesign
- Yudi Ding, Founder and CEO, PACT

Additional Contributors: Our appreciation extends to the investment professionals and industry experts who provided insights while preferring to remain anonymous.

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- [CFIN teams at UKFT and BFC](#) for providing the platform and resources that made this research possible.
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Final Note

While every effort has been made to acknowledge all contributors, any omissions are unintentional. The views expressed in this report are those of the author and do not necessarily reflect the positions of the individuals or organisations acknowledged here.

This report is dedicated to the innovators, investors, and advocates working to reimagine fashion for a sustainable future. May this research contribute to accelerating the transformation we urgently need.

Executive Summary

This report examines **five persistent myths** that have limited investment in sustainable fashion despite its potential to transform a \$2 trillion global industry¹. Our research, drawing on market data, case studies, and expert interviews, reveals sustainable fashion as a rapidly growing sector with significant commercial potential.

Key Findings by Myth

MYTH 1: Sustainable Fashion is Just a Niche Market	MYTH 2: Fashion is About Design, Not Technology	MYTH 3: Sustainable Materials Can't Scale and Circular Business Models are too Complex	MYTH 4: There Are No Clear Exit Pathways and Brands Won't Acquire Innovators	MYTH 5: Traditional VCs Always Spot The Next Big Thing
REALITY: Fashion is a \$2 trillion global industry undergoing fundamental transformation	REALITY: Fashion is fundamentally a chemicals and materials industry ripe for tech disruption	REALITY: Major brands are rapidly adopting and scaling sustainable and circular solutions	REALITY: Exit opportunities span fashion brands, supply chain & chemical companies, private equity, and public markets	REALITY: Specialised investors are leading while traditional VCs miss the opportunity
MARKET TRENDS: • Second-hand market: \$100-120B in 2022 → \$367B (2028) • 163 brands now operate resale programs (+31% YoY) • Materials innovation attracted \$500 million funding in 2023 • Major retailers targeting 100% sustainable materials by 2030	MARKET TRENDS: • 67% of textiles are synthetic (fossil fuel-based) • 90% of dyes are petroleum-based • 650+ material innovations now available (↑400% since 2017) • UK leads in biotech/materials science innovation	MARKET TRENDS: • Major brands have decarbonisation targets • Leading brands increased their sustainable material use to 57% in 2023 • Regulatory pressure: 35+ laws coming by 2027 • 25% of innovations already at commercial scale and 44% at validation scale	SUCCESSFUL EXITS: • IPOs: ThredUp, The RealReal, Rent the Runway, Allbirds, Spinnova, HeiQ • M&A: Depop (£1.6B), Poshmark (\$1.2B), Textile Genesis, Quantis, Zigzag • PE: Carlyle → Jeanologia, Spiber • Strategic: H&M → Sellpy	WHO'S INVESTING: • Brand VCs: H&M Group Ventures, Inditex, Kering, LVMH • Supply Chain: PDS Ventures, MAS Holdings, Indorama • Specialised Funds: Alante Capital, Bombyx, Mills Fabrica, Regeneration.VC • Family Offices: Novel Fashion Holdings, Sagana • Foundations: H&M Foundation, Laudes, Evenlode
PROOF: Depop sold for £1.6B H&M, Inditex, Kering investing heavily INDUSTRY PARALLEL: Organic food and clean beauty evolution from niche to mainstream	PROOF: Colorifix (bio-dyes) raised £41M Jeanologia tech in 35% of global denim	PROOF: Lenzing £2.2B revenue ECONYL = 55% of Aquafil sales Inditex investment in Sustainability Innovation Hub, offtakes and CVC Materra in Mango and COS stores Sojo x M&S	PROOF: Involvement of: Energy majors (Fortum) Chemical giants (Evonik, Sulzer Chemtech, BASF, Dupont) Supply chain companies (RGE, Marubeni, Indorama) INDUSTRY PARALLEL: Cleantech → climate tech evolution	PROOF: Brand CVC and strategic leading INDUSTRY PARALLEL: Cleantech → climate tech evolution Organic food and clean beauty

¹ Fashion United and Euromonitor 2022. Global Fashion Industry Statistics. [online] Available at: <https://fashionunited.com/statistics/global-fashion-industry-statistics>

Myth 1: "Sustainable Fashion is Just a Niche Market"

While market projections vary significantly², documented investment activity reveals substantial commercial interest across multiple distinct segments. Materials innovation (bio-based alternatives, clean chemistry) attracted over \$500 million in funding in 2023³, while circular economy platforms businesses like Depop⁴ achieved multi-billion-dollar valuations. Second-hand apparel reached \$100-120 billion in 2022⁵, demonstrating existing market scale. Strategic corporate investment from H&M Group Ventures, Inditex, and Kering, alongside the diversity of investment approaches - from specialised funds to family offices - demonstrates broad recognition of transformation opportunities regardless of market size debates.

Myth 2: "Fashion is About Design, Not Technology"

Fashion is fundamentally a materials and chemicals industry - 67% of textiles are made from synthetic fibres derived from fossil fuels⁶, and 90% of dyes are petroleum-based⁷. The sector is experiencing a technological revolution, with over 650 material innovations now available (up 400% since 2017)⁸. In 2023 alone, sustainable materials startups raised over \$500 million from 88 unique investors⁹. UK-based innovators like Colorifix and Pact demonstrate how advanced technology in biotechnology and materials science is creating IP-protected solutions for the industry's most significant environmental challenges.

Myth 3: "Sustainable Materials Can't Scale and Circular Models Are Too Complex"

Corporate adoption demonstrates scaling momentum across both material innovation and circular business model experimentation. More than 85%¹⁰ of leading brands (by sales) have publicly declared decarbonisation targets for their supply chains. A sample of 53 leading brands tracked by Textile Exchange reported sustainable material use jumping from 15.8% in 2020 to 57% in 2023¹¹, while major retailers like H&M, Zara, and Uniqlo have committed to near 100% sustainable materials within this decade, with corresponding capital investments. Circular business model innovation is also advancing, with 163 brands operating resale programs (up 31% from 2022)¹² and strategic acquisitions like H&M's majority stake in Sellpy demonstrating corporate commitment to circular strategies.

² While market sizing estimates vary considerably across sources - with projections ranging from negligible amounts to \$700 billion (EMF) by 2030 - this report focuses primarily on demonstrating investment viability through documented growth trends, successful exits, and emerging opportunities, rather than debating absolute market size.

³ BOF and MII 2023. Investment in Next-Gen Materials Rebounded to \$500 Million in 2023 [online] Available at:

<https://www.businessoffashion.com/news/sustainability/investment-in-next-gen-materials-rebounded-to-500-million-in-2023/>

⁴ Reuters 2021. Etsy courts Gen-Z with \$1.6bln deal for fashion reseller Depop [online] Available at: <https://www.reuters.com/business/etsy-buy-gen-z-focused-fashion-marketplace-depop-163-billion-2021-06-02/#:~:text=June%20%20%28Reuters%29%20,in%20vintage%20or%20used%20clothing>

⁵ Boston Consulting Group and Vestiare Collective 2022. What an Accelerating Secondhand Market Means for Fashion Brands and Retailers' [online] Available at: <https://www.bcg.com/publications/2022/the-impact-of-secondhand-market-on-fashion-retailers>

⁶ Textile Exchange 2024. Materials Market Report. [online] Available at: <https://textileexchange.org/app/uploads/2024/09/Materials-Market-Report-2024.pdf>

⁷ Plug and Play 2023. How Sustainable Dyeing is Challenging the Textile Industry. [online] Available at:

<https://www.pluginandplaytechcenter.com/insights/how-sustainable-dyeing-changing-textile-industry>

⁸ Sustainable Advisory Service 2024. Next Gen to This Gen: Scaling Materials Innovations in the Fashion Industry [online] available at:

<https://drive.google.com/file/d/1DZ18qNL5h3ieTsIEA55VgkYaQhbbIA5N/view>

⁹ BOF and MII 2023. Investment in Next-Gen Materials Rebounded to \$500 Million in 2023 [online] Available at:

<https://www.businessoffashion.com/news/sustainability/investment-in-next-gen-materials-rebounded-to-500-million-in-2023/>

¹⁰ BCG analysis based on 36 fashion and apparel organisations, including brands and parent organizations, representing more than 10% of the industry's revenues. [online] Available at: <https://www.bcg.com/press/25october2023-sustainable-raw-materials-133-million-tons-2030>

¹¹ Textile Exchange 2024. Materials Benchmark Insights and Trends. [online] Available at: <https://textileexchange.org/knowledge-center/reports/materials-benchmark-insights-and-trends-2024/>

¹² ThredUp 2024. ThredUp 12th Annual Resale Report [online] Available at: <https://ir.thredup.com/news-releases/news-release-details/thredups-12th-annual-resale-report-reveals-resale-grew-15x>

Myth 4: "There are No Clear Exit Pathways and Brands Won't Acquire Sustainable Fashion Innovators"

The exit landscape is diversifying beyond traditional fashion acquisitions to include chemical companies, supply chain companies, industrial conglomerates, private equity, and public markets. Documented successful exits include Depop's \$1.63 billion acquisition by Etsy¹³ and several trade sales (Quantis, Poshmark, Textile Genesis, Zigzag), multiple IPOs (The RealReal¹⁴, ThredUp¹⁵, Rent the Runway¹⁶, Allbirds¹⁷, Spinnova¹⁸, HeiQ AeonIQ¹⁹, Renewcell²⁰), and significant private equity investments like Carlyle Group's stake in Jeanologia²¹ and Spiber²² and TPG stake in Vinted²³. This expanding landscape of potential acquirers creates multiple proven exit pathways for sustainable fashion innovators.

Myth 5: "Traditional VCs Always Spot the Next Big Thing"

While mainstream venture capital has been slow to recognise the potential in sustainable fashion, a diverse ecosystem of forward-thinking investors is emerging. Brand investors (H&M Group Ventures, Inditex, Bestseller), supply chain partners (PDS Ventures, Indorama, Toyoshima, MAS Holding), specialised funds (Alante, Bombyx, Mills Fabrica, Regeneration.VC), family offices (Novel Fashion Holdings), accelerators (Fashion for Good), impact investors (Laudes) are leading the way. The evolution mirrors early cleantech, which progressed into today's thriving climate tech ecosystem. Strategic investors are providing not just capital but also market access, technical validation, and supply chain knowledge needed to help these innovations scale.

Investment Recommendations

Priority Action: Establish UK Sustainable Fashion Investment Fund

Establish a **£500 million dedicated sustainable fashion fund** within 12 months to:

- Bridge the "valley of death" with £5-50 million investments.
- Deploy specialised expertise combining fashion and deep tech knowledge.
- Catalyse £2 billion in co-investment.
- Generate returns while driving systemic change.

¹³ Reuters 2021. Etsy courts Gen-Z with \$1.6bln deal for fashion reseller Depop [online] Available at: <https://www.reuters.com/business/etsy-buy-gen-z-focused-fashion-marketplace-depop-163-billion-2021-06-02/#:~:text=June%20%20%28Reuters%29%20,in%20vintage%20or%20used%20clothing>

¹⁴ Forbes 2019. The Real Real IP: first startup from resale's new wave to go public sees shares soar [online] Available at:

<https://www.forbes.com/sites/glendatoma/2019/06/28/the-realreal-ipo-luxury-reseller-latest-retailer-to-go-public/>

¹⁵ Forbes 2021. ThredUp chases sizzling demand for used clothing in \$1.3 billion IPO [online] Available at:

<https://www.forbes.com/sites/laurendebter/2021/03/26/thredup-chases-sizzling-demand-for-used-clothing-in-13-billion-ipo/>

¹⁶ TechCrunch 2021. Renttherunway IPO pricing indicates bullish market for unicorns of all stripes [online] Available from:

<https://techcrunch.com/2021/10/27/rent-the-runways-ipo-pricing-indicates-bullish-market-for-unicorns-of-all-stripes/>

¹⁷ Forbes 2021. Allbirds valued at over \$4 billion after stock surges in IPO. [online] Available at:

<https://www.forbes.com/sites/laurendebter/2021/11/03/allbirds-shares-soar-after-shoemaker-raises-over-300-million-in-ipo/>

¹⁸ Spinnova 2021. Spinnova announces final results of IPO [online] Available at: <https://spinnovagroup.com/spinnova-announces-the-final-results-of-its-initial-public-offering-the-listing-will-be-completed-as-planned-and-the-trading-in-the-shares-is-expected-to-commence-on-24-june-2021/>

¹⁹ London Stock Exchange 2024. Restructuring and Delisting [online] Available at: <https://www.londonstockexchange.com/news-article/HEIQ/restructuring-and-delisting/16725253>

²⁰ Renewcell 2020. First day of trading in Renewcell's shared on Nasdaq [online] Available at: <https://www.renewcell.com/en/first-day-of-trading-in-renewcells-shares-on-nasdaq-first-north-premier-growth-market/#:~:text=The%20Offering%20in%20brief&text=The%20Offering%20comprised%2010%2C526%2C316%20new,the%20Offering%20amounts%20to%2030%2C799%2C426>

²¹ Carlyle 2018. Jeanologia Case Study. [online] Available at: <https://www.carlyle.com/esg/jeanologia>

²² Carlyle 2021. Carlyle Forms Strategic Partnership with New-Generation Biomaterial Developer Spiber [online] Available at: <https://www.carlyle.com/media-room/news-release-archive/carlyle-forms-strategic-partnership-new-generation-biomaterial>

²³ TPG 2024. Vinted - Secures TPG-led secondary investment at valuation of €5B, reflecting profitable growth [online] Available at: <https://www.tpg.com/news-and-insights/vinted-secures-tpg-led-secondary-investment-at-valuation-of-e5b-reflecting-profitable-growth>

Supporting Initiatives

1. **Investor Coalition:** Form a Sustainable Fashion Investor Group to coordinate strategic investors, share due diligence, and advocate for supportive policies.
2. **Innovation Strategy:** Develop national strategy aligning research funding, investment incentives, and skills development.
3. **Investment Readiness:** Expand programs preparing sustainable fashion startups for investment.
4. **International Showcase:** Leverage London Fashion Week to spotlight UK innovations globally.

Conclusion

The transformation of the fashion industry represents one of the most significant untapped investment opportunities of our decade. As regulatory pressures increase and consumer preferences continue to evolve, investors who develop the right expertise, partnerships, and conviction for sustainable fashion will gain significant advantages. The UK, with its rich fashion heritage, technological innovation ecosystem, and world-leading universities, is uniquely positioned to lead this transformation-creating economic, social, and environmental value.

Research Methodology

Study Design	This report employs mixed-methods research combining quantitative market analysis with qualitative insights from industry leaders.
Data Collection	• Primary Research: 15 semi-structured interviews (March-April 2025). ◦ 11 investors (corporate VCs, specialised funds, family offices). ◦ 4 company founders/executives. • Secondary Research: Analysis of 100+ sources including market reports, financial data, and regulatory documents.
Market Definition	For this analysis, "sustainable & circular fashion" encompasses: • Circular Business Models: Resale, rental, repair services and recycling technologies. • Materials Innovation: Bio-based and sustainable alternatives, recycled fibre and clean chemistry. • Supply Chain Transformation: Traceability, sustainable manufacturing, AI-powered retail, manufacturing and supply chain innovation.

Note: Full methodology and research limitations details available in Appendix A.

Risk Warning: This report is for informational purposes only. Sustainable fashion investments carry significant risks including long development timelines and scaling challenges. Consult professional advisors.

Myth 1: "Sustainable Fashion is Just a Niche Market"

The Myth

Many investors continue to view sustainable fashion as a fringe movement rather than recognising it as a fundamental industry shift. They question whether the market size is big enough and whether these businesses can achieve meaningful scale to provide viable exit opportunities.

The Reality

Looking at the broader context, "fashion" looks like a serious business. The global apparel and textile industry is a massive multi-trillion-dollar market, valued a little shy of \$2 trillion in 2023²⁴. Europe is a major contributor, and the UK ranks among the top retail markets²⁵. Within this ecosystem, sustainable fashion segments are experiencing extraordinary growth.

"There's a lack of acknowledgment of how important fashion is. This thinking that fashion is not a scalable or large market opportunity is kind of crazy because textiles drive economies and are foundational to the wealth of nations." - Edward Brial, Founder and CEO, Materra

"I'm not saying it's niche, it's not niche at all. I think it's just the consumer who is not educated enough [to drive the change]." - Eva Tarasova, Investment Director, Wharton Asset Management

²⁴ Fashion United and Euromonitor 2022. Global Fashion Industry Statistics. [online] Available at: <https://fashionunited.com/statistics/global-fashion-industry-statistics>

²⁵ Fashion United and Euromonitor 2022. Global Fashion Industry Statistics. [online] Available at: <https://fashionunited.com/statistics/global-fashion-industry-statistics>

Market Size and Projections by Sustainable Fashion Market Segment

Segment (Global)	Market Size (Latest)	Projected Size (Future)	CAGR (Period)	Trends
Conventional Apparel Market	~\$1.9 trillion (2023) ²⁶		~5-6% (annual) ²⁷	Europe ~25-30% share of sales ²⁸
Second-hand Apparel (Resale)	~\$100-120 billion (2022) ²⁹	~\$367 billion (2028-2029) ³⁰	10% (2023-2029) ³¹	~3-5% of apparel market now, could reach >10-40% by 2030 ³² . Fastest-growing segment ³³
Rental Fashion	~\$6.3 billion (2023) ³⁴	~\$7-8 billion (2026) ³⁵	~11% (2023-2027) ³⁶	Online rental ~\$2.0 billion in 2022 to \$3.5 billion by 2028 ³⁷
Repair & Alteration	~\$1.5 billion (2023) ³⁸	~\$2.6 billion (2032) ³⁹	~6.4% (2024-2032) ⁴⁰	Smaller but growing; boosted by policy incentives (e.g. France's repair bonus) ⁴¹
Textile Recycling	~\$5-7 billion (2023) ⁴²	~\$7-11 billion (2030) ⁴³	~3-7% (2023-2030) ⁴⁴	Low base; <1% of fibres recycled into new textiles (huge growth potential).
Innovative Materials	~\$18-26 billion (2022-2023) ^{45 46}	~\$28-92 billion (2029-2032) ^{47 48}	~8-13% (through 2030) ^{49 50}	Includes organic/recycled fabrics, bio-based and lab-grown materials (high innovation).
Innovative dyes and processing	\$11.9 billion (2023) ⁵¹	\$12.3 billion (2030) ⁵²	6.3% CAGR (2023-2030) ⁵³	Significantly outpacing the conventional textile dyes market (estimated at \$12.8 billion in 2023, CAGR ~3.4% to 2033) ⁵⁴

²⁶ Fashion United and Euromonitor 2022. Global Fashion Industry Statistics. [online] Available at: <https://fashionunited.com/statistics/global-fashion-industry-statistics>

²⁷ Fashion United and Euromonitor 2022. Global Fashion Industry Statistics. [online] Available at: <https://fashionunited.com/statistics/global-fashion-industry-statistics>

²⁸ Fashion United and Euromonitor 2022. Global Fashion Industry Statistics. [online] Available at: <https://fashionunited.com/statistics/global-fashion-industry-statistics>

²⁹ Boston Consulting Group and Vestiare Collective 2022. What an Accelerating Secondhand Market Means for Fashion Brands and Retailers' [online] Available at: <https://www.bcg.com/publications/2022/the-impact-of-secondhand-market-on-fashion-retailers>

³⁰ ThredUp and GlobalData (2025). ThredUp Newsroom, 23th Resale report. [online] Available at: <https://newsroom.thredup.com/news/thredup-13th-resale-report#:~:text=CAGR%29%20of%2010>

³¹ ThredUp and GlobalData (2025). ThredUp Newsroom, 23th Resale report. [online] Available at: <https://newsroom.thredup.com/news/thredup-13th-resale-report#:~:text=CAGR%29%20of%2010>

³² Boston Consulting Group and Vestiare Collective 2022. What an Accelerating Secondhand Market Means for Fashion Brands and Retailers' [online] Available at: <https://www.bcg.com/publications/2022/the-impact-of-secondhand-market-on-fashion-retailers>

³³ ThredUp and GlobalData (2025). ThredUp Newsroom, 23th Resale report. [online] Available at: <https://newsroom.thredup.com/news/thredup-13th-resale-report#:~:text=CAGR%29%20of%2010>

³⁴ Yo!rent 2023. Online Clothing Rental Industry: Growth, Trends and Future Scope [online] Available at: <https://www.yo-rent.com/blog/clothing-rental-industry-growth-trends-and-opportunities/#:~:text=2027>

³⁵ Yo!rent 2023. Online Clothing Rental Industry: Growth, Trends and Future Scope [online] Available at: <https://www.yo-rent.com/blog/clothing-rental-industry-growth-trends-and-opportunities/#:~:text=2027>

³⁶ Yo!rent 2023. Online Clothing Rental Industry: Growth, Trends and Future Scope [online] Available at: <https://www.yo-rent.com/blog/clothing-rental-industry-growth-trends-and-opportunities/#:~:text=2027>

³⁷ Business Wire 2022. Global Online Clothing Rental Market Report 2023 [online] Available at: <https://www.businesswire.com/news/home/20230424005479/en/Global-Online-Clothing-Rental-Market-Report-2023-Sector-is-Expected-to-Reach-%243.5-Billion-by-2028-at-a-CAGR-of-9.78---ResearchAndMarkets.com>

³⁸ DataIntelto 2025. Clothing Alteration Services Market Outlook. [online] Available at: <https://dataintelto.com/report/global-clothing-alterations-services-market#:~:text=Clothing%20Alterations%20Services%20Market%20Outlook>

³⁹ DataIntelto 2025. Clothing Alteration Services Market Outlook. [online] Available at: <https://dataintelto.com/report/global-clothing-alterations-services-market#:~:text=Clothing%20Alterations%20Services%20Market%20Outlook>

⁴⁰ DataIntelto 2025. Clothing Alteration Services Market Outlook. [online] Available at: <https://dataintelto.com/report/global-clothing-alterations-services-market#:~:text=Clothing%20Alterations%20Services%20Market%20Outlook>

⁴¹ France launched a nationwide "repair bonus" in late 2023: consumers can get €6-€25 reimbursed for repairing clothes or shoes (Source: Guardian 2024. Stich in time: France to help pay for clothes to be mended to cut waste [online] Available at: <https://www.theguardian.com/environment/2023/jul/12/stich-in-time-france-to-help-pay-for-clothes-to-be-mended-to-cut-waste#:~:text=From%20October%2C%20people%20will%20be,that%20have%20joined%20the%20scheme>)

⁴² Grand View research 2022. Textile Recycling Market Size and Trends. [online] Available at: <https://www.grandviewresearch.com/industry-analysis/textile-recycling-market-report#:~:text=The%20global%20textile%20recycling%20market,the%20demand%20for%20textile%20recycling>

⁴³ GlobeNewswire and Market Digits 2024. Textile Recycling Market. [online] Available at: <https://www.globenewswire.com/news-release/2024/03/05/2840643/0/en/Textile-Recycling-Market-projected-to-reach-USD-11-3-Billion-by-2030-growing-at-a-CAGR-of-6-5-during-the-forecast-period-of-2023-2030-pronounced-by-MarketDigits-in-its-recent-study.html#:~:text=Textile%20Recycling%20Market%20projected%20to,5>

⁴⁴ GlobeNewswire and Market Digits 2024. Textile Recycling Market. [online] Available at: <https://www.globenewswire.com/news-release/2024/03/05/2840643/0/en/Textile-Recycling-Market-projected-to-reach-USD-11-3-Billion-by-2030-growing-at-a-CAGR-of-6-5-during-the-forecast-period-of-2023-2030-pronounced-by-MarketDigits-in-its-recent-study.html#:~:text=Textile%20Recycling%20Market%20projected%20to,5>

Key Trends

Circular Ecosystem	These segments reinforce one another - a strong resale market encourages brands to design durable clothes; robust recycling technology can transform end-of-life scraps into new high-quality fibres. Companies are increasingly exploring integrated circular models.
Digital Platforms & Technology	Digital innovation underpins much of this growth. Online marketplaces drastically widen consumer access to circular fashion, while advancements in sorting technology, material science, and AI are making these models more viable at scale.
Brand Engagement	Major brands are partnering with or investing in sustainable fashion startups. This institutional support signals that these models are moving from fringe to mainstream.
Consumer Awareness	Sustainability has become a selling point in some instances. The fact that the second-hand market is growing faster than fast fashion signals that consumers are responding to environmental concerns. Terms like "pre-loved fashion," "rental wardrobe," and "circular fashion" are entering the everyday lexicon.

The fashion industry is pivoting toward circular economy principles. While still a relatively small portion of the global apparel market, these sustainable segments are growing rapidly, often outpacing traditional retail. Consumer behaviour shifts, especially among younger generations, regulatory pressures, and corporate sustainability commitments are all driving investment in more sustainable and circular business models.

⁴⁵ Globenewswire and BCCReserach 2024. Global Sustainable Fabrics Market to Grow at 8.1% CAGR from 2024 to 2029. [online] Available at: <https://www.globenewswire.com/news-release/2024/11/21/2985008/0/en/Global-Sustainable-Fabrics-Market-to-Grow-at-8-1-CAGR-from-2024-to-2029.html#:~:text=Report%20Metrics%20Details%20Base%20year,RoW>

⁴⁶ Finance Yahoo and Emergen Research 2023. Sustainable Fabrics Market Size Worth USD 92.46 Billion in 2032. [online] Available at: https://finance.yahoo.com/news/sustainable-fabrics-market-size-worth-150000775.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29yZ2xLmNvbS8&guce_referrer_sig=AQAAAAub_buz44qALzScnyFOQI-NuATuXKCNvYIQ0DuQz90gflwNTKAKH3BFVCW8SYBMOCMaAlrOdsJgF5tQ9eUlUbiqXUzRgfC5uRAtFrm04Zys8UUQ-rzqG4ZqP2hmpH4k4n57Flm8_Rtl48qbYbIMpN6eBAS6tyJzs7JmOhVTnLqY

⁴⁷ Globenewswire and BCCReserach 2024. Global Sustainable Fabrics Market to Grow at 8.1% CAGR from 2024 to 2029. [online] Available at: <https://www.globenewswire.com/news-release/2024/11/21/2985008/0/en/Global-Sustainable-Fabrics-Market-to-Grow-at-8-1-CAGR-from-2024-to-2029.html#:~:text=Report%20Metrics%20Details%20Base%20year,RoW>

⁴⁸ Finance Yahoo and Emergen Research 2023. Sustainable Fabrics Market Size Worth USD 92.46 Billion in 2032. [online] Available at: https://finance.yahoo.com/news/sustainable-fabrics-market-size-worth-150000775.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29yZ2xLmNvbS8&guce_referrer_sig=AQAAAAub_buz44qALzScnyFOQI-NuATuXKCNvYIQ0DuQz90gflwNTKAKH3BFVCW8SYBMOCMaAlrOdsJgF5tQ9eUlUbiqXUzRgfC5uRAtFrm04Zys8UUQ-rzqG4ZqP2hmpH4k4n57Flm8_Rtl48qbYbIMpN6eBAS6tyJzs7JmOhVTnLqY

⁴⁹ Globenewswire and BCCReserach 2024. Global Sustainable Fabrics Market to Grow at 8.1% CAGR from 2024 to 2029. [online] Available at: <https://www.globenewswire.com/news-release/2024/11/21/2985008/0/en/Global-Sustainable-Fabrics-Market-to-Grow-at-8-1-CAGR-from-2024-to-2029.html#:~:text=Report%20Metrics%20Details%20Base%20year,RoW>

⁵⁰ Finance Yahoo and Emergen Research 2023. Sustainable Fabrics Market Size Worth USD 92.46 Billion in 2032. [online] Available at: https://finance.yahoo.com/news/sustainable-fabrics-market-size-worth-150000775.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29yZ2xLmNvbS8&guce_referrer_sig=AQAAAAub_buz44qALzScnyFOQI-NuATuXKCNvYIQ0DuQz90gflwNTKAKH3BFVCW8SYBMOCMaAlrOdsJgF5tQ9eUlUbiqXUzRgfC5uRAtFrm04Zys8UUQ-rzqG4ZqP2hmpH4k4n57Flm8_Rtl48qbYbIMpN6eBAS6tyJzs7JmOhVTnLqY

⁵¹ Future Data Stats 2023. Sustainable textile Dyeing and Printing Markets. [online] Available at: https://www.futuredatastats.com/sustainable-textile-dyeing-and-printing-market?srsltid=AfmBOorukPM_o-zOWKa_VmxUyueA4XBYGF198NgVifvaNSIlbJnN7oK8#:~:text=The%20global%20Sustainable%20Textile%20Dyeing,20%20billion%20by%202030

⁵² Future Data Stats 2023. Sustainable textile Dyeing and Printing Markets. [online] Available at: https://www.futuredatastats.com/sustainable-textile-dyeing-and-printing-market?srsltid=AfmBOorukPM_o-zOWKa_VmxUyueA4XBYGF198NgVifvaNSIlbJnN7oK8#:~:text=The%20global%20Sustainable%20Textile%20Dyeing,20%20billion%20by%202030

⁵³ Future Data Stats 2023. Sustainable textile Dyeing and Printing Markets. [online] Available at: https://www.futuredatastats.com/sustainable-textile-dyeing-and-printing-market?srsltid=AfmBOorukPM_o-zOWKa_VmxUyueA4XBYGF198NgVifvaNSIlbJnN7oK8#:~:text=The%20global%20Sustainable%20Textile%20Dyeing,20%20billion%20by%202030

⁵⁴ Allied Market Research 2023. Textile Dyes Market Size. [online] Available from: <https://www.alliedmarketresearch.com/textile-dyes-market#:~:text=Textile%20Dyes%20Market%20Share%20and,from%202024%20to%202033>

UK Success Story: Depop

Who?	Depop is a London-based social marketplace for second-hand fashion founded in 2011. The platform attracted 30 million users across 150 countries , with a particularly strong following among Gen Z consumers ⁵⁵ . Early investors included prominent UK venture capital firms Balderton Capital and Octopus Ventures.
What?	Depop created a uniquely engaging peer-to-peer marketplace that combined social media functionality with e-commerce, allowing users to buy and sell pre-owned fashion items. The platform effectively merged sustainability with social connection, gamification, and personal style expression.
How?	Depop's success was driven by several key factors: • A mobile-first approach that resonated with younger, digitally native consumers. • Integration of social media features that fostered community and engagement. • Focus on unique, vintage, and upcycled items that appealed to individualistic expression. • Simple user interface that made listing and selling items accessible to anyone. • Strategic expansion from its Italian and UK origins into key markets including the US.
Relevance?	Depop's journey demonstrates several critical insights for sustainable fashion: • The platform's \$1.63 billion acquisition by Etsy in 2021⁵⁶ provided a landmark exit that validated the significant market size and financial value in circular fashion business models. • This unicorn exit delivered substantial returns to early investors, encouraging more traditional venture capital firms to explore the sustainable fashion space. • Depop proved that sustainability and profitability can coexist when aligned with shifting consumer values and behaviours. • The platform's success showed that circular models can scale globally while maintaining strong unit economics and user growth.

Global Context: learning from Clean Beauty and Food

Who?	The clean beauty and organic food sectors represent powerful precedents for sustainable fashion's growth trajectory. Key players include: - Clean Beauty Pioneers: The Ordinary (DECIEM), Paula's Choice, Drunk Elephant, Aesop, The Honest Company, and Beautycounter. - Organic Food Leaders: Whole Foods Market, which revolutionised grocery retail with its focus on natural and organic products.
What?	These sectors transformed from niche markets to mainstream powerhouses by addressing growing consumer demand for healthier and more transparent products. They developed business models cantered on sustainability, ethical sourcing, and clean ingredients long before these attributes became industry standards.
How?	These industries achieved mainstream success through several key approaches: - Mission-Driven Branding: Clear communication of values and differentiation from conventional alternatives. - Premium Positioning: Successfully commanded price premiums by delivering tangible benefits aligned with consumer values. - Education-Based Marketing: Invested in consumer education about ingredients, sourcing, and environmental impacts. - Retail Innovation: Created distinctive shopping experiences and discovery platforms. - Strategic Scaling: Carefully expanded while maintaining brand integrity and product quality. - Industry Influence: Changed standards across their respective sectors, forcing traditional players to adapt.

55; 56 Reuters 2021. Etsy courts Gen-Z with \$1.6bln deal for fashion reseller Depop [online] Available at: <https://www.reuters.com/business/etsy-buy-gen-z-focused-fashion-marketplace-depop-163-billion-2021-06-02/#:~:text=June%20%20%28Reuters%29%20,in%20vintage%20or%20used%20clothing>

Relevance?

The evolution of these parallel industries offers critical insights for sustainable fashion:

- **Exit Validation:** The significant valuations achieved demonstrate investor appetite for sustainability-focused businesses:
 - The Ordinary: \$1.7 billion acquisition by Estée Lauder⁵⁷
 - Paula's Choice: \$2 billion acquisition by Unilever⁵⁸
 - Drunk Elephant: \$845 million acquisition by Shiseido⁵⁹
 - Aesop: \$2.5 billion acquisition by L'Oréal⁶⁰
 - The Honest Company: \$1.44 billion IPO valuation⁶¹
 - Beautycounter: \$1 billion valuation at Carlyle Group investment⁶²
 - Whole Foods: \$13.7 billion acquisition by Amazon⁶³
- **Shifting Consumer Paradigm:** These markets demonstrate how consumer preferences can fundamentally shift toward sustainability, particularly when products deliver compelling performance and health benefits.
- **Blueprint for Growth:** They provide a roadmap for how sustainable fashion can scale from niche to mainstream, with sustainable fashion representing a large market opportunity by 2030.
- **Value Creation Model:** These examples show how mission alignment with consumer values can catalyse startup success and create companies that appeal to both customers and acquirers.

"The fashion industry is benchmarking the beauty industry and how it is evolving." - Yoobin Jun, Investor, Plug and Play

"Clean beauty and organic food are back to health - people pay more for their health. Position clothes this way... The chemical route is an opportunity to reposition [for brands and innovators]." - Veronica Chou, Director, Novel fashion Holdings

⁵⁷ Retail Asia 2024. Estée Lauder completes \$1.7b acquisition of DECIEM. [online] Available at:

<https://retailasia.com/fashion/news/estee-lauder-completes-17b-acquisition-deciem#:~:text=The%20deal%2C%20completed%20on%2031,its%20flagship%20brand%2C%20The%20Ordinary>

⁵⁸ WWD 2021. Unilever is buying Paula's Choice. [online] Available at: <https://wwd.com/feature/unilever-buying-paulas-choice-skin-care-1234844601/>

⁵⁹ WWD 2019. Shiseido acquires Drunk Elephant for \$845m [online] Available at: <https://wwd.com/feature/shiseido-acquires-drunk-elephant-845-million-1203338755-1203338755/>

⁶⁰ Cosmetics Business 2023. L'Oréal acquires Aesop for \$2.5bn. [online] Available at: <https://cosmeticsbusiness.com/l-or-al-acquires-aesop-for-2-5-billion-207995#:~:text=L%27Or%C3%A9al%20has%20acquired%20Aesop%20for,ownership%20under%20Natura%20%26%20Co>

⁶¹ Reuters 2021. Jessica Alba-backed Honest Company IPO raises \$412.8 m [online] Available at: <https://www.reuters.com/business/retail-consumer/jessica-alba-backed-honest-company-ipo-raises-4128-million-2021-05-04/#:~:text=The%20IPO%20values%20Honest%20at,44%20billion>

⁶² Carlyle 2021. Beautycounter, the Industry Leading Clean Beauty Brand, Partners with The Carlyle Group to Fast-Track Growth

[online] Available at: <https://www.carlyle.com/media-room/news-release-archive/beautycounter-industry-leading-clean-beauty-brand-partners-carlyle#:~:text=bolstering%20the%20company%E2%80%99s%20innovative%2C,the%20company%20at%20%241%20billion>

⁶³ Bloomberg 2017. Amazon to acquire Whole Foods for \$13.7 bn [online] Available at: <https://www.bloomberg.com/news/articles/2017-06-16/amazon-to-acquire-whole-foods-in-13-7-billion-bet-on-groceries?embedded-checkout=true>

Myth 2: "Fashion is About Design, Not Technology"

The Myth

The fashion industry is rarely framed as a technology sector, despite being fundamentally materials and chemicals based. This perception gap leads to technological innovations in fashion being undervalued by traditional technology investors who don't recognise the material science breakthroughs happening in the sector.

The Reality

Fashion is fundamentally a materials industry: 67% of textiles are made from synthetic fibres derived from fossil fuels⁶⁴, 20% grown from cotton fields⁶⁵, and 90% of dyes are petroleum-based⁶⁶. Research indicates that as much as 80% of a product's environmental footprint is established during the initial design phase, through decisions about materials, dyes, and manufacturing processes⁶⁷. The shift toward sustainable alternatives represents not just an aesthetic change, but a technological revolution with significant IP potential.

Over 650 innovations exist in the material innovation space, up from 130 in 2017 (400% increase), showing explosive growth in available solutions⁶⁸. Next-Generation materials have raised over \$3 billion since 2014. In 2023 alone, startups developing next-gen sustainable materials raised over \$500 million from 88 unique investors - nearly 10% more than the prior year, bucking the broader VC downturn⁶⁹. As Jamie Rowles of Regeneration.VC noted, *"the green energy transition is a green molecule transition ultimately,"* highlighting the fundamental materials science challenge in sustainable fashion.

Beyond materials, venture funding is flowing to digital fashion platforms, AI-powered retail tools, and supply chain innovations. The UK is at the forefront of this, leveraging its technology talent and design heritage.

"I definitely think that fashion is almost certainly not about design. I do think a lot of it is actually about technology and I think we're seeing more of the general consumer understanding about it. The importance of technology within the fabric's world is much easier to communicate to the end consumer. You can tell them, if I have a fabric which has better performance, it's going to last you longer and it's going to look nice for many years."- Eva Tarasova, Investment Director, Wharton Asset Management

⁶⁴ Textile Exchange 2024. Materials Market Report. [online] Available at: <https://textileexchange.org/app/uploads/2024/09/Materials-Market-Report-2024.pdf>

⁶⁵ Textile Exchange 2024. Materials Market Report. [online] Available at: <https://textileexchange.org/app/uploads/2024/09/Materials-Market-Report-2024.pdf>

⁶⁶ Plug and Play 2023. How Sustainable Dyeing is Challenging the Textile Industry. [online] Available at: <https://www.pluginandplaytechcenter.com/insights/how-sustainable-dyeing-changing-textile-industry>

⁶⁷ Business of Fashion and McKinsey & Company. 2023. The State of Fashion 2024. [online] Available at: https://cdn.businessoffashion.com/reports/The_State_of_Fashion_2024.pdf

⁶⁸ Sustainabelle Advisory Service 2024. Next Gen to This Gen: Scaling Materials Innovations in the Fashion Industry [online] available at: <https://drive.google.com/file/d/1DZ18gNL5h3ieTsiEA55VgkYaQhbbIA5N/view>

⁶⁹ BOF and MII 2023. Investment in Next-Gen Materials Rebounded to \$500 Million in 2023

[online] Available at: <https://www.businessoffashion.com/news/sustainability/investment-in-next-gen-materials-rebounded-to-500-million-in-2023/>

Case Study: Colorifix

Who?	Colorifix has developed a revolutionary bio-based dyeing technology that uses engineered microorganisms to produce and transfer pigments onto textiles, eliminating the need for petrochemical dyes and harmful chemicals.
What?	Founded by scientists from Cambridge University, Colorifix has secured significant investment (approximately £41 million) from both traditional VCs and strategic corporate investors, including H&M Group Ventures who has been “ <i>an outstanding investment partner</i> ” according to COO Christopher Hunter. The company is led by a team with deep scientific, investment and commercial expertise.
How?	Colorifix identifies colour-producing genes in nature (e.g. from a bright bird’s plumage), inserts them into microbes, and ferments them to produce dye. The bacteria essentially “grow” the colour and deposit it directly on the fabric, then are killed off by heat to fix the dye. This process cuts out hazardous chemicals, by replacing both the synthetic dyes and the auxiliary chemicals that are normally used to adhere the dyes to textiles and can reduce water use by up to 77% compared to conventional dyeing. <i>“Some companies offer more environmentally friendly dyes, but not a better dyeing process. We offer both.”</i> - Christopher Hunter, COO, Colorifix
Relevance?	Colorifix addresses textile dyeing – the dominant contributor to fashion’s processing emissions (53% of total), extremely water-intensive and relies on harmful chemicals that contaminate waterways. What sets them apart is their focus on supply chain integration and achieving strong unit economics from the beginning. Unlike many biotech innovators who face prohibitive scaling costs due to expensive extraction and purification processes, Colorifix’s approach allows the microorganisms themselves to do the work of colouring the fabric, making their solution economically viable. As Hunter notes for sceptical investors: <i>“There is a massive opportunity to move forward a highly environmentally damaging industry, but look for evidence of genuine scaling potential when making your assessment.”</i> Jamie Rowles, Partner at Regeneration.VC and investor in Colorifix, defines Colorifix as <i>“a category defining company”</i>.

Case Study: PACT

Who?	PACT is an advanced bioinnovation company developing novel protein-based materials that have similar applications to coated textiles, canvas treatments and beyond.
What?	Founded by Yudi Ding and based in Cambridge (UK), PACT has raised approximately £10 million in seed funding to date from ReGen Ventures, Hoxton Ventures, Celsius Industries, PDS Ventures, Family Offices and various undisclosed investors. They recently closed a very successful [undisclosed] Series A round . The company is based in Cambridge's Science Park and has built a pilot-scale facility to advance their technical capabilities and production capacity.
How?	Unlike many competitors in the alternative materials space, PACT began with supply chain integration in mind from the outset: <i>"From the beginning we thought about the integration of supply chain and working with brand partners and their trusted supply chain partners,"</i> explains Yudi Ding, PACT's founder. This integration-first approach has led to one of their most significant milestones: <i>"Technical feasibility, using existing manufacturing equipment and facilities to produce our material."</i> PACT doesn't position itself as a direct leather replacement: <i>"We appreciate leather. We think leather has its unique properties. We are providing a technology that is more similar to coated textiles, coated canvas, fabric treatments"</i> explains Ding. PACT has cultivated deep relationships with selected luxury brand partners, and their supply chain partners, focusing on long-term development rather than small capsule collections. They've built trust by working closely with design and industrialisation teams and produce the highest quality material with the required performance: <i>"We have been entrusted with many confidential design files and briefs from our brand partners - creative assets that are exclusively shared with us. This level of trust and collaboration sets us apart from other innovators and demonstrates the deep relationships we've built with our luxury partners."</i>
Relevance?	PACT has faced several misconceptions from investors, including assumptions about market willingness to pay premiums for sustainable materials and the ease of securing offtake agreements from brands. For investors hesitant about the materials innovation space, Ding observes that many <i>"fail to recognise the big scientific challenge between a lab and industrial scale production."</i> This knowledge gap contributes to unrealistic expectations : <i>"Some VC investors lack fashion knowledge. They can't tell what's good enough for the brand. They see some materials, and they get excited. But that's far from being a commercialisable product."</i> - Yudi Ding, CEO, PACT

Conclusion: The Technology Revolution in Fashion Materials and Processing is Here

Both Colorifix and Pact exemplify how **technological innovation is reshaping fashion through advanced materials science**.

Despite operating in different segments, these UK-based companies share striking similarities: both **prioritised supply chain integration** from inception and **developed technologies specifically designed to work within existing manufacturing infrastructure**. They also both focussed on **developing deep relationships with both brands and suppliers**.

The parallels extend to their **fundraising journeys** as well. Each has **secured significant investment** by demonstrating not just laboratory success, but clear pathways to industrial-scale production with established supply chain partners. Their founders share similar insights about investor misconceptions, particularly around the complexity of scaling from lab to industrial production and the importance of **meeting both technical and aesthetic requirements** with **compelling unit economics**.

These case studies challenge the myth that ***fashion is merely about design rather than technology***. They represent the vanguard of a material revolution in fashion that requires deep scientific knowledge, technological innovation, and industrial expertise. **The future of sustainable fashion lies not just in new designs, but in revolutionary material and processing technologies.**

Myth 3: "Sustainable Materials Can't Scale and Circular Models Are Too Complex"

The Myth

This myth combines two related misconceptions that suggest sustainable fashion innovations face insurmountable barriers to commercial scale. Critics argue that eco-friendly materials and dyes will always be more expensive and niche, while circular business models (rental, resale, repair, textile-to-textile recycling) are too logistically complex to be profitable.

The Reality

Today, major fashion brands are setting ambitious sustainability targets aligned with Specific, Measurable, Achievable, Relevant and Time-bound (SMART) principles and Science Based Targets initiative (SBTi). More than 85%⁷⁰ of leading brands (by sales) have publicly declared decarbonisation targets for their supply chains⁷¹.

Despite this commitment, only 1% of fashion industry revenue is spent on R&D, compared to 10-15% for consumer electronics and 20-30% for pharmaceutical companies. This represents both a challenge and an opportunity for growth⁷².

"The fashion industry itself is not really an industry that is doing a lot of innovation... historically, compared to other industries like the FMCG industry, beauty or food. Those industries are spending much more for R&D." - Yoobin Jung, Investor, Plug and Play

The evidence shows that sustainable technologies are scaling rapidly with demonstrated commercial viability, mirroring the renewable energy sector's growth trajectory:

- Among a sample of 53 leading brands tracked by Textile Exchange, the use of sustainable raw materials jumped from 15.8% in 2020 to 57% in 2023 - demonstrating significant adoption momentum among industry leaders^{73 74}.
- High-volume retailers like H&M, Zara, and Uniqlo have set targets to use near 100% sustainable or recycled materials within this decade, and they're investing to make it happen.
- For circular business models, 163 brands now operate their own resale programs (as of 2023), up 31% from the previous year⁷⁵.

⁷⁰ BCG analysis based on 36 fashion and apparel organisations, including brands and parent organizations, representing more than 10% of the industry's revenues.

⁷¹ Boston Consulting Group. 2023. Sustainable Raw Materials Will Drive Profitability for Fashion and Apparel Brands. [online] Available at: <https://web-assets.bcg.com/2f/a3/8bf925184dfe969547a484ddc5d4/bcg-sustainable-raw-materials-will-drive-profitability-oct-23.pdf>

⁷² Sustainabelle Advisory Services 2024. Next Gen to This Gen: Scaling Materials Innovations in the Fashion Industry [online] available at: <https://drive.google.com/file/d/1DZ18gNL5h3ieTslEA55VgkYaQhbb1A5N/view>

⁷³ Textile Exchange 2024. Materials Benchmark Insights and Trends. [online] Available at: <https://textileexchange.org/knowledge-center/reports/materials-benchmark-insights-and-trends-2024/>

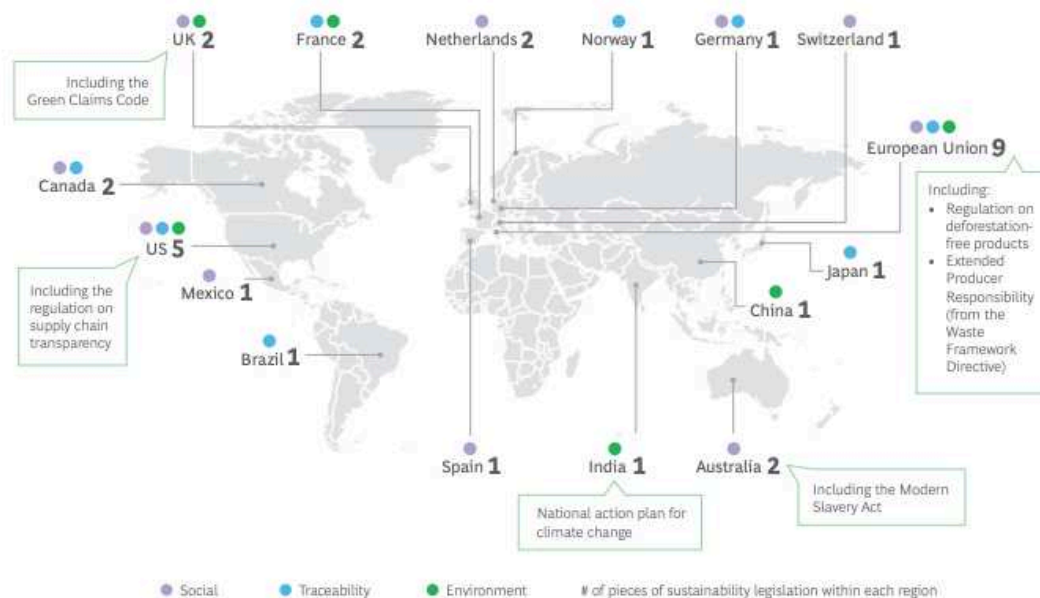
⁷⁴ This data refers to the 53 brands that reported the complete data for the key fibres (cotton, polyester, nylon, viscose, sheep wool) for both 2022 and 2023. The share of raw materials under sustainability programmes used in 2023 includes 20 different programs, covering Better Cotton, recycled polyester, recycled polyamide, Responsible Wool Standard, and PEFC. While this sample represents companies with significant market influence rather than the entire global fashion industry, and definitions of 'sustainable' materials include transitional solutions like recycled PET and Better Cotton, the directional shift is supported by major retailers' publicly announced targets and corresponding capital investments.

⁷⁵ ThredUp 2024. ThredUp 12th Annual Resale Report [online] Available at: <https://ir.thredup.com/news-releases/news-release-details/thredups-12th-annual-resale-report-reveals-resale-grew-15x>

- Nearly two-thirds of retail executives offering resale expect it to generate 10%+ of revenue within 5 years⁷⁶.
- 87% of these executives say resale has advanced their sustainability goals⁷⁷.
- Of innovators in the Fashion for Good network, 25% are already at commercial scale (TRL 8-9), while 44% are at validation stage (TRL 6-7), showing the technology is ready for implementation⁷⁸.

The “Hockey Stick” Regulatory Landscape

Regulatory pressures are mounting as forecasts indicate more than 35 sustainability-focused laws will be implemented globally within the next 2-4 years, creating an unprecedented wave of legislative requirements for fashion industry compliance. This regulatory surge, documented in Boston Consulting Group’s 2023 analysis of sustainable raw materials and profitability, signals a transformative period for industry standards and practices⁷⁹.



Source: BCG Research.

How do you make large corporates change? Well in my view one of the key levers here is regulation. Regulation drives change...and speed is also important here.”- Mary McCarthy, Partner, Sofinnova Partners

⁷⁶ ThredUp 2024. ThredUp 12th Annual Resale Report [online] Available at: <https://ir.thredup.com/news-releases/news-release-details/thredups-12th-annual-resale-report-reveals-resale-grew-15x>

⁷⁷ ThredUp 2024. ThredUp 12th Annual Resale Report [online] Available at: <https://ir.thredup.com/news-releases/news-release-details/thredups-12th-annual-resale-report-reveals-resale-grew-15x>

⁷⁸ Sustainabelle Advisory Service 2024. Next Gen to This Gen: Scaling Materials Innovations in the Fashion Industry [online] available at: <https://drive.google.com/file/d/1DZ18gNL5h3ieTsIEA55VgkYaQhbbIA5N/view>

⁷⁹ Boston Consulting Group. 2023. Sustainable Raw Materials Will Drive Profitability for Fashion and Apparel Brands. [online] Available at: <https://web-assets.bcg.com/2f/a3/8bf925184dfe969547a484ddc5d4/bcg-sustainable-raw-materials-will-drive-profitability-oct-23.pdf>

Case Study: Epoch Biodesign - Scaling Circular Innovation

Who?	Epoch Biodesign is a UK-based circular economy innovator founded by Jacob Nathan, who began his entrepreneurial journey at just 18 years old. The company has attracted investment from Inditex (via Mundi Ventures) and leading climatech VCs, such as Lowercarbon Capital and Extantia Capital , raising over \$34 million to date, including a recent \$18.3 million Series A round.
What?	Epoch designs enzymes that transform plastic waste into valuable chemicals , offering an industrial-scale solution for textile-to-textile recycling. Their technology addresses one of the most challenging aspects of fashion sustainability: the efficient recycling of mixed materials.
How?	Epoch's approach stands out through several key strategies: • Economic Viability First: <i>"Our business model does not rely solely on heavy legislation being in place,"</i> explains Nathan. <i>"For investors that dug far enough to understand this fundamental step change in unit economics of how things can be made, that was really exciting for them, because this is a business that survives irrespective of who is in the White House."</i> • Supply Chain Integration: Rather than pursuing brand partnerships primarily for marketing, Epoch focuses on integrating deeply within textile supply chains. <i>"We're not selling to brands. We're selling to the supply chains of brands,"</i> says Nathan. <i>"We have to work with the brands very closely to generate demand, but in reality, our outputs are going a few steps back in the textile supply chain."</i> • Strategic Brand Partnerships: Their relationship with Inditex provides critical access and credibility. <i>"If Inditex comes knocking on the door with an exciting and dynamic recycling company next to them, then suddenly we can get airtime and space that we wouldn't otherwise have been able to get."</i> • Ambitious Scale-Up Plans: The company is building a 150-ton/year demonstration plant in the UK and plans to rapidly follow with a commercial facility targeting production of tens of thousands of tons by 2028.
Relevance?	Epoch's success to date demonstrates several crucial insights for sustainable fashion innovation: • Circular Technology Can Attract Major Investment: When presenting the right economic fundamentals, circular fashion technology can secure significant funding even in challenging market conditions and with large established competitors (like Carbios backed by Indorama). • UK Innovation Strengths and Challenges: As Nathan notes, the UK offers <i>"an incredibly deep talent pool for doing early-stage research"</i> and good access to early-stage grant funding. However, scale-up presents challenges including

	high energy costs and funding limitations compared to Europe and the US. • Economics Over Sentiment: For investors and innovators in this space, Nathan emphasises that success requires sound economics, not just sustainability credentials: <i>"The solution you're investing in has to be better or faster or cheaper either today or in the very near future. No one will pay a price premium."</i> Winning solutions must offer either <i>"disruptive performance where people are willing to pay a slight premium"</i> or <i>"disruptive unit economics in production."</i> • Breaking the Regulatory Dependency Myth: Epoch proves that circular business models can succeed through strong economic fundamentals, rather than relying entirely on regulatory support, an approach that has been particularly important in attracting US investors, who <i>"are not focused on circularity in the way that the European mindset is."</i>
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Case Study: Inditex - Scaling Sustainable Materials Through Strategic Innovation and Investment⁸⁰

Who?	Inditex, one of the world's largest fashion retailers and parent company of brands like Zara and Massimo Dutti, is pioneering sustainability at scale through its dedicated Sustainability Innovation Hub. As a global industry leader with enormous purchasing power and supply chain influence, Inditex's actions have significant ripple effects throughout the fashion ecosystem.
What?	Inditex has created a comprehensive platform to discover, develop, and scale better materials and processes through startup collaborations and strategic research alliances. Their approach combines offtake commitments for innovative recycled fibres with direct investments in promising material technology startups.
How?	Inditex's strategy operates through several key mechanisms: • Strategic Offtake Commitments: Scaling up new types of recycled fibres through purchase commitments, including Infinna™ (recycled fibre made from cotton-rich textile waste from Infinited Fibre) and cycora® (recycled polyester made from textile waste from Ambercycle). • Direct Investment in Startups: Targeted investments in companies solving critical industry challenges: ○ CIRC: Industrial-scale recycling technology for polycotton blends. ○ Infinited Fibre: Specialised cellulose fibre recycling. ○ Galy: Lab-grown cotton using plant stem cells. ○ Epoch Biodesign: AI-powered enzyme development for mixed materials recycling.

⁸⁰ Inditex Sustainability Strategy 2024. [online] Available at: <https://www.inditex.com/itxcomweb/es/en/sustainability>

	• Research Alliances: Partnerships with leaders from the chemicals industry, innovation accelerators, and research partners to solve complex materials challenges. • Measurable Targets and Progress: By 2024, 73% of textile fibres used in Inditex products were lower impact, with recycled fibres reaching 39%. Their commitment is that by 2030, 100% of their textile products will only use materials with lower environmental impact.
Relevance?	Inditex's approach demonstrates several critical insights for the industry: • Scale Makes Sustainability Viable: As one of fashion's largest players, Inditex proves that sustainable materials can scale to serve mass-market demand. • Integration of Innovation is Essential: By creating a dedicated Innovation Hub, Inditex shows that systematic innovation processes - not just occasional initiatives - are necessary for transformation. • Financial Commitments Drive Development: Through offtake agreements and direct investments, Inditex is creating the financial certainty needed for new technologies to develop and scale. • Collaboration Accelerates Progress: Their model of working with startups, industry partners, and research organisations demonstrates that no single entity can solve the sustainability challenge alone.

Global Success Stories: Circular Business Models and Sustainable Materials at Scale

Who?	Several pioneering companies have successfully scaled circular fashion business models and sustainable materials production. Circular Business Models Leaders: • ThredUp (US): A leading online resale platform focused on mainstream consumer segments. • The RealReal (US) and Vestiaire Collective (France): Dominant players in luxury resale. • Rent the Runway (US): The first fashion rental company to go public. Sustainable Materials Innovator Leaders: • Lenzing (Austria): A global leader in cellulosic fibre production from wood pulp. • Aquafil (Italy): Creator of ECONYL® regenerated nylon from waste materials.
What?	These companies have transformed circular fashion and sustainable materials from experimental concepts to commercially viable businesses at significant scale:

	- ThredUp: Processed over 170 million second-hand items through highly automated distribution centres⁸¹ and IPOed in 2021 reaching unicorn status⁸². - The RealReal: Achieved a successful IPO in 2019, validating the investment potential of luxury resale⁸³. - Vestiaire Collective: Reached unicorn valuation, confirming investor confidence in circular business models⁸⁴. - Vinted: Secures TPG-led secondary investment at valuation of €5B, reflecting profitable growth⁸⁵. - Rent the Runway: Pioneered subscription-based fashion rental and reached public markets with IPO in 2021 valuing the company at \$1.22 billion⁸⁶. - Lenzing: Generated £2.2 billion in sales in 2024⁸⁷ through its sustainable fibre offerings. - Aquafil: Grew ECONYL® to represent 55% of company revenues in 2024⁸⁸.
How?	These companies achieved scale through several key strategies, including: Circular Business Models: • Leveraging technology and automation to handle high volume operations. • Creating trusted marketplaces with authentication and quality control. • Forming strategic partnerships with established retailers and brands. • Developing subscription models that create recurring revenue. • Building consumer-friendly interfaces and logistics networks. Sustainable Materials: • Investing in dedicated production facilities and R&D. • Achieving quality parity or superiority compared to conventional materials. • Creating branded ingredients that add value to end products. • Establishing transparent supply chains and certification systems. • Developing carbon-neutral facilities and circular production processes.

⁸¹ ThredUp 2025. 13th Resale report. ThredUp 13th Resale Report [online] Available at: <https://newsroom.thredup.com/news/thredup-13th-resale-report>

⁸² Forbes 2021. ThredUp chases sizzling demand for used clothing in \$1.3 billion IPO [online] Available at:

<https://www.forbes.com/sites/laurenderbter/2021/03/26/thredup-chases-sizzling-demand-for-used-clothing-in-13-billion-ipo/>

⁸³ Forbes 2019. The Real Real IP: first startup from resale's new wave to go public sees shares soar [online] Available at:

<https://www.forbes.com/sites/glendatoma/2019/06/28/the-realreal-ipo-luxury-reseller-latest-retailer-to-go-public/>

⁸⁴ BOF 2021. Vestiaire Collective Hits \$1.7 Billion Valuation With New Fundraise [online] Available at:

<https://www.businessoffashion.com/articles/finance/vestiaire-collective-hits-17-billion-valuation-with-new-fundraise/#:~:text=Europe's%20biggest%20platform%20for%20luxury,percent%20stake%20in%20the%20platform>

⁸⁵ TPG 2024. Vinted - Secures TPG-led secondary investment at valuation of €5B, reflecting profitable growth [online] Available at:

<https://www.tpg.com/news-and-insights/vinted-secures-tpg-led-secondary-investment-at-valuation-of-e5b-reflecting-profitable-growth>

⁸⁶ TechCrunch 2021. Renttherunway IPO pricing indicates bullish market for unicorns of all stripes [online] Available from:

<https://techcrunch.com/2021/10/27/rent-the-runways-ipo-pricing-indicates-bullish-market-for-unicorns-of-all-stripes/>

⁸⁷ Lenzing 2024. Corporate website and Financial Year Results. [online] Available at: <https://www.lenzing.com/newsroom/press-releases/press-release/lenzing-group-continued-its-recovery-course-in-the-2024-financial-year>

⁸⁸ Econyl 2024. Corporate website and Financial Year 2024 results [online] Available at:

https://www.aquafil.com/assets/uploads/250318_PR_Aquafil_Results-FY24-1.pdf

Relevance?

The success of these companies offers compelling evidence against the myth that sustainable materials and circular models can't scale. Their achievements span multiple dimensions of business success:

- **Commercial Viability:** These businesses have proven that circular and sustainable models can generate substantial revenue and attract significant investment.
- **Quality and Performance:** Materials like ECONYL® and TENCEL™ demonstrate that sustainable alternatives can meet or exceed the performance of conventional materials.
- **Mainstream Adoption:** Partnerships between circular businesses and conventional retailers (like Ralph Lauren x Rent the Runway⁸⁹ or Sojo x M&S⁹⁰) show growing acceptance of these models.
- **Financial Success:** The strong financial performance of companies like Lenzing (£2.2 billion in sales⁹¹) and Aquafil (55% of revenue from recycled materials⁹²) proves these models can be profitable at scale.
- **Investor Confidence:** IPOs, unicorn valuations, and major partnerships confirm that investors recognise the growth potential of sustainable fashion.

Conclusion

These examples show that when consumer preferences shift and innovation is applied, formerly complex or costly models can scale and even outperform legacy models.

"Real impact comes with scale! We are at the beginning of this journey, that's how I feel. Currently it feels like incumbents have no reasons to change." Mary McCarthy, Partner, Sofinnova Partners

⁸⁹ New York Post 2021. Ralph Lauren launches a clothing rental service [online]. Available at: <https://nypost.com/2021/03/02/ralph-lauren-launches-a-clothing-rental-service/>

⁹⁰ M&S 2024. M&S restored by Sojo. [online] Available at: <https://www.marksandspencer.com/content/mands-fixed-by-sojo>

⁹¹ Lenzing 2024. Corporate website and Financial Year Results. [online] Available at: <https://www.lenzing.com/newsroom/press-releases/press-release/lenzing-group-continued-its-recovery-course-in-the-2024-financial-year>

⁹² Econyl 2024. Corporate website and Financial Year 2024 results [online] Available at: https://www.aquafil.com/assets/uploads/250318_PR_Aquafil_Results-FY24-1.pdf

Myth 4: "There Are No Clear Exit Pathways and Brands Won't Acquire Sustainable Fashion Innovators"

The Myth

This myth reflects a narrow view of exit pathways that focuses solely on fashion brand acquisitions. Critics argue that established fashion companies have little interest in acquiring sustainable startups, preferring to develop sustainability initiatives in-house and/or outsource these to their supply chain partners. This misconception has led many investors to overlook the sector, assuming limited opportunities for realising returns on their investments.

The Reality

The exit landscape for sustainable fashion innovators is far more diverse and robust than commonly perceived. Multiple pathways to exits exist across various industrial sectors, with private equity firms, chemical companies, petrochemical firms, and supply chain players taking increasingly active roles in sustainable fashion innovation.

Corporate venture capital (CVC) in fashion has risen dramatically in recent years, with nearly every major fashion group now having established an investment arm or sustainability fund. Notable examples include H&M, Inditex, Bestseller, Adidas, Patagonia, Kering, Chanel, Hermes, LVMH. These investment vehicles often serve as pipelines to eventual acquisitions or deeper strategic partnerships, creating a clear pathway from initial investment to exit.

"We don't see a lack of exit opportunities. What we see is a bigger "valley of death" that the startups have to get across to be able to scale to a certain point and to be considered as being a technology that is acquirable." - Mary McCarthy, Partner, Sofinnova Partners

Fashion Brands as Strategic Acquirers

While fashion brands may not be the only exit pathway, they could indeed be active acquirers when innovations align with their strategic priorities.

H&M Group's Strategic Acquisition Approach

H&M provides a clear example of brand-led acquisitions. The company CVC arm began investing in second-hand platform Sellpy in 2015 and later took a majority stake. Today, Sellpy is integral to H&M's circular strategy, operating across 24 markets with H&M's supply chain support.

Kering's Minority Investment Strategy

Luxury group Kering has taken a different approach, making strategic minority investments rather than full acquisitions. In 2021, Kering took a 5% stake in resale marketplace Vestiaire Collective, valuing the company at over \$1 billion, joining forces with private equity firm Eurazeo and tech-focussed investment firm Tiger Global Management.⁹³

⁹³ BOF 2021. Unravelling Kering's Investment in Vestiaire Collective [online] Available at: <https://www.businessoffashion.com/podcasts/luxury/unraveling-kerings-investment-in-vestiaire-collective/>

This minority investment approach allows brands to gain strategic insight and influence while leaving room for other investors and potential future acquirers, creating multiple exit opportunities.

Beyond Fashion Brands: Diversified Exit Landscape

Beyond fashion brands, the exit landscape for sustainable fashion innovators spans IPOs, Private Equity (PE) and multiple industrial sectors.

Chemical Companies

Firms like [Evonik](#), [BASF](#), [Dupont](#) and [Sulzer Chemtech](#) are actively developing, investing in, and scaling new materials and recycling innovations. For example, Sulzer Chemtech invested in UK-startup Worn Again⁹⁴ to support them scale their chemical recycling process for blended textiles. Evonik has invested in Modern Meadow who makes animal-free leather-like materials⁹⁵.

Future strategic acquisitions will allow chemical companies to secure next-generation sustainable solutions, while providing exits for innovators.

"Anything in this specialty chemicals universe, there's definitely a window of opportunity to be acquired by one of the majors. For more downstream technologies, like recycling technologies, those will just get aggregated eventually into one of the waste management groups." - Jamie Rowles, Partner, Regeneration.VC

Energy Companies

Major energy players like [Fortum](#) are investing in recycling innovators to diversify their business models beyond traditional energy sources. Fortum has invested in Infinited Fibre⁹⁶, a Finnish start-up developing recycling and yarn regeneration technology, and entered in partnership with Spinnova⁹⁷, the world's first straw-based textile producer.

As the transition away from fossil fuels accelerates, these companies are increasingly looking to sustainable material innovations as strategic diversification opportunities.

"Material efficiency offers a significant means to curb climate change. Fortum is studying possibilities to grow business is based on the more resource efficient use of biomass. **One option is to invest in technology start-ups in the value chain.** We believe strongly in biorefining, new technology and their role in a more sustainably produced textile fibre. In addition, several international brands have announced that they will increase the share of such fibre in their manufacturing processes" says Heli Antila, Head of Fortum's business focussing on biobased solutions.⁹⁸

⁹⁴ Ecotextile News 2020. Worn again secures major new investment. [Online] Available at: <https://www.ecotextile.com/2020061839538/news/materials-production-news/worn-again-secures-major-new-investment/>

⁹⁵ Evonik 2019. Evonik invests in start-up that makes animal-free leather-like materials. [online] Available at: <https://publications.evonik.com/en/media/press-releases/corporate/evonik-invests-in-start-up-that-makes-animal-free-leather-like-materials-117439.html>

⁹⁶ Fortum 2019. Fortum complements its value chain in biorefining by investing in Infinited Fibre Company. [online] Available at: <https://www.fortum.com/media/2019/04/fortum-complements-its-value-chain-biorefining-investing-infinited-fibre-company>

⁹⁷ Fortum 2019. Fortum enters into partnership with Spinnova to continue building its bio-based ecosystem [online] Available at: <https://www.fortum.com/media/2019/05/fortum-enters-partnership-spinnova-continue-building-its-bio-based-ecosystem>

⁹⁸ Fortum 2019. Fortum complements its value chain in biorefining by investing in Infinited Fibre Company. [online] Available at: <https://www.fortum.com/media/2019/04/fortum-complements-its-value-chain-biorefining-investing-infinited-fibre-company>

Industrial Conglomerates

Diversified groups with existing textile industry exposure, such as [Royal Golden Eagle \(RGE\)](#), [Marubeni](#), and [Indorama](#), are becoming strategic investors for sustainable fashion innovations. RGE joined a group of investors, including H&M Group Ventures, Virala, and Fortum, to help Infinited Fibre to scale up its technology. A strategic co-operation agreement was also signed between RGE and Infinited Fibre to commercialise the startup's technology⁹⁹. Marubeni invested in Tyton BioSciences (now Circ), a US-based company with a technology that can recycle blended textile¹⁰⁰.

Their established manufacturing infrastructure and global reach make them ideal acquirers for scaling material and circularity innovations.

Manufacturers

Companies like the [Lenzing Group](#) are reinventing their business models through sustainable innovation acquisition, investing over \$100 million in sustainable manufacturing technologies¹⁰¹. [Aquafil](#) (the group who developed Econyl) plans to invest \$100 million over 2024-2026 to optimise production capacity and for the development of new product innovations¹⁰².

As manufacturers seek to secure their position in the evolving supply chain, they are increasingly willing to acquire innovative technologies.

Private Equity (PE)

PE firms are recognising the value creation potential in sustainable fashion. Notable examples include [Carlyle's](#) investment in Jeanologia¹⁰³ and Spiber¹⁰⁴, and [TPG's](#) investment in Vinted¹⁰⁵, showing that PE see sustainable fashion as an attractive category for investment and eventual exits.

"As an investor, we don't rely on brands to buy these innovators. There are multiple possible paths to exit, IPO is one, although the IPO window is currently closed. If a company has generated revenues, then you would expect private equity to step in. Another pathway to exit is that equipment suppliers may step in. They are technology providers, and those technology providers would buy the technology to be able to license it to others." - Mary McCarthy, Partner, Sofinnova Partners

Initial Public Offerings (IPOs)

Public markets have proven receptive to sustainable fashion innovations across multiple segments:

⁹⁹ RGE 2019. Infinited Fibre Receives Lead Investment from RGE. [online] Available at: <https://www.rgei.com/attachments/article/1312/Infinited%20Fibre%20Receives%20Lead%20Investment%20from%20RGE%20-%2015%20Aug%202019.pdf>

¹⁰⁰ Marubeni 2019. Circ. [online] Available at: <https://www.marubeni.com/en/ad-videos/scope/tyton/#:-:text=In%202019%2C%20Marubeni%20took%20a,stage%20of%20the%20supply%20chain.>

¹⁰¹ Lenzing 2021. Lenzing Partner of change [online] Available at: https://www.lenzing.com/?type=88245&tx_filedownloads_file%5bfileName%5d=fileadmin/content/PDF/04_Nachhaltigkeit/Nachhaltigkeitsberichte/EN/NHB_2018_EN.pdf

¹⁰² Aquafil H1 2024 Results [online] Available at: https://www.aquafil.com/assets/uploads/240829_PR_Aquafil_Results1H24.pdf

¹⁰³ Carlyle 2018. Jeanologia Case Study. [online] Available at: <https://www.carlyle.com/esg/jeanologia>

¹⁰⁴ Carlyle 2021. Carlyle Forms Strategic Partnership with New-Generation Biomaterial Developer Spiber [online] Available at: <https://www.carlyle.com/media-room/news-release-archive/carlyle-forms-strategic-partnership-new-generation-biomaterial>

¹⁰⁵ TPG 2024. Vinted - Secures TPG-led secondary investment at valuation of €5B, reflecting profitable growth [online] Available at: <https://www.tpg.com/news-and-insights/vinted-secures-tpg-led-secondary-investment-at-valuation-of-e5b-reflecting-profitable-growth>

- **The RealReal:** The luxury consignment platform achieved a successful multi-billion IPO in 2019, validating the investor appetite for circular luxury models¹⁰⁶.
- **ThredUp:** This mainstream second-hand platform went public in 2021 also reaching unicorn valuation, demonstrating the scalability of circular business models¹⁰⁷.
- **Rent the Runway:** The pioneer of fashion rental services completed its IPO in 2021, creating a public market exit for investors in the sharing economy space and reaching multi-billion dollar valuation¹⁰⁸.
- **Allbirds:** The sustainable footwear company went public in 2021 reaching \$4 billion valuation, showing demand for sustainable direct-to-consumer brands¹⁰⁹.
- **Spinnova:** This Finnish sustainable fibre technology company IPOed in 2021, validating the market for material innovation¹¹⁰.
- **HeiQ AeonIQ:** The Swiss company commercialising biobased polymers IPOed and secured manufacturing investment from MAS Holdings coupled with offtake agreements. *Note: The company has now returned to private structure, delisted from the London Stock Exchange and sold a majority stake to Altri Group*¹¹¹.
- **Renewcell:** The Swedish textile recycling pioneer IPOed in 2020¹¹², demonstrating initial market enthusiasm for circular material innovations. However, the company filed for bankruptcy in 2024 due to slower-than-expected brand adoption and scaling challenges¹¹³. The company is now backed by PE firm Altor and re-launched as Circulose.

These public market debuts demonstrate that investors can achieve liquidity through traditional IPO pathways, particularly for companies that have achieved significant scale and brand recognition.

Merger and Acquisitions (M&A)

The growing list of successful exits through M&A includes:

- **Depop:** Acquired by Etsy for \$1.6 billion in 2021, representing one of the largest exits in the circular fashion space¹¹⁴.
- **Poshmark:** Acquired by South Korean company Naver for \$1.2 billion in 2022¹¹⁵.
- **Textile Genesis:** Trade sale to Lectra, validating technology solutions for supply chain transparency¹¹⁶.

¹⁰⁶ Forbes 2019. The Real Real: first startup from resale's new wave to go public sees shares soar [online] Available at: <https://www.forbes.com/sites/glendatoma/2019/06/28/the-realreal-ipo-luxury-reseller-latest-retailer-to-go-public/>

¹⁰⁷ Forbes 2021. ThredUp chases sizzling demand for used clothing in \$1.3 billion IP [online] Available at: <https://www.forbes.com/sites/laurendebter/2021/03/26/thredup-chases-sizzling-demand-for-used-clothing-in-13-billion-ipo/>

¹⁰⁸ TechCrunch 2021. Renttherunway IPO pricing indicates bullish market for unicorns of all stripes [online] Available at: <https://techcrunch.com/2021/10/27/rent-the-runways-ipo-pricing-indicates-bullish-market-for-unicorns-of-all-stripes/>

¹⁰⁹ Forbes 2021. Allbirds valued at over \$4 billion after stock surges in IPO. [online] Available at: <https://www.forbes.com/sites/laurendebter/2021/11/03/allbirds-shares-soar-after-shoemaker-raises-over-300-million-in-ipo/>

¹¹⁰ Spinnova 2021. Spinnova announces final results of IPO [online] Available at: <https://spinnovagroup.com/spinnova-announces-the-final-results-of-its-initial-public-offering-the-listing-will-be-completed-as-planned-and-the-trading-in-the-shares-is-expected-to-commence-on-24-june-2021/>

¹¹¹ London Stock Exchange 2024. Restructuring and Delisting [online] Available at: <https://www.londonstockexchange.com/news-article/HEIQ/restructuring-and-delisting/16725253>.

Heiq 2025. [online] Available at: <https://www.heiq.com/news/altri-to-acquire-majority-stake-in-aeoniq-to-scale-worlds-first-industrial-production-of-climate-positive-textile-yarn/>

¹¹² Renewcell 2020. First day of trading in Renewcell's shared on Nasdaq [online] Available at: <https://www.renewcell.com/en/first-day-of-trading-in-renewcells-shares-on-nasdaq-first-north-premier-growth-market/#:~:text=The%20Offering%20in%20brief&text=The%20Offering%20comprised%2010%2C526%2C316%20new,the%20Offering%20amounts%20to%2030%2C799%2C426>

¹¹³ Vogue. 2024. What Renewcell bankruptcy says about next-gen fashion. [online] available at: <https://www.voguebusiness.com/story/sustainability/what-renewcells-bankruptcy-says-about-next-gen-fashion>

¹¹⁴ Reuters 2021. Etsy courts Gen-Z with \$1.6bn deal for fashion reseller Depop [online] Available at: <https://www.reuters.com/business/etsy-buy-gen-z-focused-fashion-marketplace-depop-163-billion-2021-06-02/#:~:text=June%202%20%28Reuters%29%20,in%20vintage%20or%20used%20clothing>

¹¹⁵ Techcrunch 2022. Naver agrees to acquire fashion marketplace Poshmark for \$1.2B [online] Available at: <https://techcrunch.com/2022/10/03/naver-agrees-to-acquire-fashion-marketplace-poshmark-for-1-2b/>

¹¹⁶ Lectra 2022. Lectra announces the acquisition of the majority of the capital of Textile Genesis [online] Available at: <https://www.lectra.com/sites/default/files/2022-12/pr-TextileGenesis-acquisition-en-12-8-2022%20%282%29.pdf>

- **Quantis:** Trade sale to Boston Consulting Group, demonstrating demand for sustainability measurement expertise¹¹⁷.
- **Presize:** Trade sale to Meta showing interest in virtual sizing technology¹¹⁸.
- Global Blue acquisition of **Zigzag**¹¹⁹.

Conclusion

This expanding landscape of potential acquirers creates **multiple exit pathways for sustainable fashion innovators, from strategic acquisition to public markets and private equity partnerships**. Rather than being limited to fashion brand acquisitions, successful founders and investors are finding diverse routes to liquidity across the broader industrial ecosystem.

"Companies that do well - which for startups tends to mean growing revenue and positive EBITDA - will usually find acquirers, no doubt. One of my mentors used to say: "Companies get bought, not sold." - Adrian Horotan, Partner, Safer Made

"Who is an acquirer of this tech? It is not a problem... if you believe in the tech and commercial opportunity - there will be a lot of exits." - Eva Tarasova, Investment Director, Wharton Asset Management

¹¹⁷ BCG 2022. Quantis to join BCG to accelerate sustainable transformation [online] Available at: <https://www.bcg.com/press/15september2022-quantis-bcg-accelerate-sustainable-transformation>

¹¹⁸ Fashion United 2022. Meta acquires Presize, betting on virtual sizing technology [online] Available at: <https://fashionunited.com/news/fashion/meta-acquires-presize-betting-on-virtual-sizing-technology/2022042647258>

¹¹⁹ Circularity Capital, 2021. Circularity Capital announces successful sale of ZigZag Global [online] Available at: <https://circularitycapital.com/news/2021/3/8/circularity-capital-announces-successful-sale-of-zigzag-global>

Case Study: Jeanologia¹²⁰

Who?	Jeanologia represents a successful exit through secondary investments with the Private Equity firm Carlyle Group . The company is a producer of innovative textile finishing solutions focused on reducing water, energy, and chemical usage in denim production . Their client base includes many of the world's notable denim brands, further demonstrating their market reach and commercial appeal.
What?	Starting in 1994, Jeanologia grew in its offerings to become a global leader in sustainable finishing technologies through significant market share. It invented G2 technology, which became the industry standard G2 Dynamic project, which reduced water in garment production.
How?	In 2017, the Carlyle Europe fund acquired 40% minority stake , investing EUR 150 million . The investment allowed Jeanologia to accelerate the deployment of sustainable technology across the global market. The company has since validated that over 35% of global denim production is now made with their technology , demonstrating both their commercial success and environmental impact ¹²¹ .
Relevance?	This case directly challenges the myth by demonstrating that sustainable fashion innovators can achieve significant exits through non-traditional channels and secondaries. Jeanologia's acquisition by a major private equity firm validates that sustainable technology companies in fashion are attractive acquisition targets and can command substantial valuations. <i>"Today's consumer is focused on the environmental footprint of fashion choices and demands brands and retailers to produce clothes that reflect this concern - this approach has always been part of Jeanologia's mission."- Carlos Robles, Director on the Carlyle Europe Partners team and part of the CEP team¹²²</i>

¹²⁰ Carlyle 2018. Jeanologia Case Study. [online] Available at: <https://www.carlyle.com/esg/jeanologia>

¹²¹ Sustainabelle Advisory Service 2024. Next Gen to This Gen: Scaling Materials Innovations in the Fashion Industry [online] available at: <https://drive.google.com/file/d/1DZ18gNL5h3ieTslEA55VgkYaQhbbIA5N/view>

¹²² Carlyle 2018. Jeanologia Case Study. [online] Available at: <https://www.carlyle.com/esg/jeanologia>

Case Study: Climatech Exit Parallel

Who?	The climate technology sector (“Climatech”) encompasses companies addressing climate challenges through renewable energy, sustainable materials, carbon capture, clean transportation, and industrial decarbonisation technologies.
What?	The climatech sector’s journey from the “Cleantech 1.0” crash to today’s thriving ecosystem offers crucial lessons. During the early cleantech era (2006-2011), venture capital firms spent over \$25 billion funding clean energy startups, but lost more than half their money¹²³, with fewer than 10% of cleantech companies founded after 2007 returning even their initial capital to investors¹²⁴. Only a handful of notable IPOs and acquisitions occurred (for example, Tesla’s IPO at a ~\$1.6 billion valuation was a rare success)¹²⁵. Overall, exits were difficult in this era due to long development timelines and a lack of willing acquirers¹²⁶. This led to a cleantech downturn by the mid-2010s, as investors saw poor returns and many companies went bust. The transformation to a thriving “Climate Tech 2.0” ecosystem has been remarkable. According to Sightline Climate’s 2024 report¹²⁷, exits shattered records with 177 climate tech exits in 2024 alone - a 136% increase from 2023. This represents more acquisitions in a single year than total exits in any previous year. Since 2020, approximately 3,900 climate tech companies have raised \$182 billion in venture funding across 6,200+ deals¹²⁸. The top acquirers were primarily large energy companies and private equity firms¹²⁹.
How?	Several factors catalysed this transformation: • Maturing Technologies: Clean power firms in nuclear, geothermal and energy storage saw explosive growth, with nuclear investment up 85% and energy storage up 184% in 2024¹³⁰. • Strategic Acquisitions: From 2021 to 2025, strategic buyers accounted for more than 80% of all M&A activity in climate tech. Oil majors and Fortune 500 companies became active acquirers. TotalEnergies led with four acquisitions in 2024,

¹²³ Fenton, C. (2023). Climate Tech’s Evolution: The Maturation to a Competitive, Returns-Focused Thematic Investment Sector - Cambridge Associates. [online] Cambridge Associates. Available at: <https://www.cambridgeassociates.com/insight/climate-techs-evolution/>

¹²⁴ CTVC (2023). Exiting Cleantech to Climate Tech. [online] CTVC by Sightline Climate. Available at: <https://www.ctvc.co/exits-analysis-clean-tech-climate-tech/>

¹²⁵ Gaddy, B.E., Sivaram, V., Jones, T.B. and Wayman, L. (2016). Venture Capital and Cleantech: The Wrong Model for Energy Innovation. [online] Available at: <https://energy.mit.edu/wp-content/uploads/2016/07/MITEI-WP-2016-06.pdf?ref=ctvc.co#:~:text=match%20at%20L922%20successful%20cleantech.6>

¹²⁶ Bessemer Venture Partners (2022). Eight lessons from the first climate tech boom and bust. [online] Available at: <https://www.bvp.com/atlas/eight-lessons-from-the-first-climate-tech-boom-and-bust>

¹²⁷ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

¹²⁸ CTVC (2023). Exiting Cleantech to Climate Tech. [online] CTVC by Sightline Climate. Available at: <https://www.ctvc.co/exits-analysis-clean-tech-climate-tech/>

¹²⁹ CTVC (2023). Exiting Cleantech to Climate Tech. [online] CTVC by Sightline Climate. Available at: <https://www.ctvc.co/exits-analysis-clean-tech-climate-tech/>

¹³⁰ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

	while Shell, BP, and others built portfolios through strategic M&A¹³¹. • Graduation Success: Graduation rates improved significantly - 25% of companies progressed to later stages in 2024, up from 19% in late 2023¹³². • Sector Diversification: While Transportation faced challenges (down 36%), energy rose 12% to \$9.4 billion, with emerging sectors like sustainable aviation fuels and low-carbon fuels quadrupling their investment¹³³.
Relevance?	The climate tech evolution demonstrates how "unbankable" sectors can transform into thriving investment opportunities. Key parallels for sustainable fashion include: • Policy Catalysts: Europe's embedded environmental policies (ETS, CBAM, Green Deal)¹³⁴ remain intact despite political uncertainty, similar to emerging fashion regulations around EPR and circular economy. • Exit Diversity: European startups now lead climate tech M&A (53% of global deals)¹³⁵, showing geographic expansion of exit opportunities. • Patient Capital Pays: The mean time to exit varies by vertical, but successful companies are finding multiple pathways - from strategic acquisitions by industry incumbents to IPOs in emerging markets¹³⁶. • Investor Evolution: Climate-focused funds now dominate deal flow at every stage¹³⁷, displacing "tourist" investors - a pattern sustainable fashion may follow as specialist expertise becomes crucial. The data centre boom (with companies like Scala raising \$550 million and Crusoe \$600 million) demonstrates how unexpected catalysts - in this case, AI's energy demands - can rapidly accelerate sector growth. For sustainable fashion, similar catalysts might emerge from regulatory pressures, consumer behaviour shifts, or breakthrough material innovations. As one climate tech investor noted: <i>"Good to take the cleantech 1.0 analogy...they were too expensive when they started, and now they're not...it does take a bit of time."</i> This patience, combined with strategic focus on scalable technologies and clear market signals, transformed climate tech from cautionary tale to success story - a trajectory sustainable fashion appears poised to follow.

¹³¹ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

¹³² Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

¹³³ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

¹³⁴ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

¹³⁵ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

¹³⁶ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

¹³⁷ Sightline Climate 2024. Climatech Investment Trends 2024. [online] Available at: https://www.sightlineclimate.com/request-report?report-id=2024_investment_report

Conclusion

The evidence presented in this section debunks the myth that sustainable fashion lacks viable exit pathways. The reality shows a **dynamic and diversifying landscape of exit opportunities spanning fashion brands, strategic industrials, public markets, and private equity.**

We're now witnessing a **virtuous cycle: success stories** like Depop's acquisition **attract more capital, which will in turn create more success stories.** The investor ecosystem is adapting - even generalist funds are hiring experts with sustainability knowledge to evaluate such deals.

As regulatory pressures increase and consumer preferences continue to evolve, the exit opportunities for sustainable fashion innovators will only expand.

Investors who recognise this reality now will be positioned to benefit from what promises to be one of the most significant industrial transformations of our decade.

Myth 5: "Traditional VCs Always Spot The Next Big Thing"

The Myth

Traditional venture capital (VCs) firms pride themselves on identifying transformative opportunities before they become mainstream, yet sustainable fashion may represent a glaring blind spot in many investment theses. This myth suggests that if sustainable fashion were truly promising, mainstream VCs would already be heavily invested.

The Reality: Who's Actually Leading Sustainable Fashion Investment

While traditional VCs remain largely on the sidelines, a diverse ecosystem of forward-thinking investors is driving capital into the sustainable fashion sector. From strategic brand investors securing competitive advantages through CVC arms, to specialised funds bringing deep technical expertise from adjacent sectors, this emerging investment landscape reveals how capital is flowing into fashion's sustainable transformation through unconventional channels. This table below outlines the key investor categories, notable players, and their strategic approaches.

Investors Leading Sustainable Fashion Investment

Investor Category	Key Players	Strategic Approach
Strategic Brand Investors	H&M Group Ventures (leading) , Adidas Ventures, Inditex (Mundi VC), Bestseller (Invest FWD), Kering Ventures, LVMH (Collab Fund SOS), Patagonia (Tin Shed Ventures), Asics Ventures Corp., Ganni (Look Up Ventures), Decathlon Pulse, Hermes Ventures, Chanel Ventures, Goldwin CVC, Zalando, InMotion (JLR CVC)	• Securing strategic competitive advantages in sustainable materials and recycling • De-risking innovations through offtake agreements • Building ecosystems through coordinated investments • Accessing emerging consumer models before competitors
Supply Chain Partners	PDS Ventures (leading) , MAS Holding, Lenzing, RGE Group, Indorama, Marubeni, Sulzer Chemtech, Hitachi, Toyoshima (Miyabi Ventures)	• Securing their future in a changing materials landscape • Providing technical validation for startups • Offering market access and scaling pathways • Integrating innovations directly into existing infrastructure
Accelerators	Fashion for Good (leading) , Entrepreneur First (EF), Sustainable Ventures, MassChallenge, Antler, Bethnal Green Ventures, EIT Climate Kick	• Providing first funding and support • Connecting innovators with industry partners • Offering specialised technical expertise • Building cohorts that drive collaboration

Foundations	H&M Foundation, Laudes Foundation	• Providing critical non-dilutive funding • Supporting pre-commercial innovation • Funding essential industry infrastructure • Addressing systemic barriers to scale
Family Offices & Impact Investors	Novel Fashion Holding (leading) , Sagana, Circulate, The Conduit, Evenlode Foundation, Undaunted, DOEN Foundation, Khosla	• Taking longer-term investment horizons • Providing patient capital • Bringing values alignment with founders
Private Equity Firms	The Carlyle Group (leading) , Permira, TPG	• Recognising value creation opportunities • Moving earlier into sustainable fashion than VCs • Acquiring platforms for consolidation • Building scale through strategic roll-ups
Specialised Textile Funds	Mills Fabrica (leading) , Alante, Bombyx Capital, Collateral Good Fashion Fund (Hugo Boss-backed)	• Focusing specifically on textile innovation • Bringing specialised supply chain expertise • Creating strategic investor syndicates • Providing crucial industry connections
Circularity Focused Funds	Volta Circle (leading) , Closed Loop Partners, Circularity Capital, European Circular Bioeconomy Fund	• Backing system-level innovations • Connecting circular business models across sectors • Supporting infrastructure for material flows • Investing in enabling technology platforms
Traditional Tech VCs	Plug and Play (leading) , SOSV, TechStars, Octopus, Hoxton VC	• Typically investing in sub-segments relevant to existing thesis (e.g., marketplaces, AI, materials) • Offering growth expertise but limited sector knowledge • Beginning to recognise sustainability value drivers
Specialised Sector-Focussed VCs	Regeneration VC (Consumer Climatech, leading) , Safer Made (Green Chemistry), Astanor Ventures (AgriTech and Climate), Sofinnova Partners (Biotech and Life Sciences), Extantia (Climate), Main Sequence (Deeptech), At One Ventures (Deeptech), Prelude Ventures (Climate), Planet A (Climate), Counteract (Climate), ReGen Ventures (Climate), Giant Ventures (Climate),	• Bringing deep technical expertise from adjacent sectors • Understanding biological systems, chemistry and materials science • Applying learnings from FMCG, food, agtech, biotech, and chemistry • Recognising fashion as a deployment opportunity

	Breakthrough Energy Ventures (Climate), Pangaea Ventures (Climate)	
Grant Support Landscape	Innovate UK (leading) , UKRI, Catapult, EIC Accelerator (Horizon)	• Providing critical early-stage grant funding and loans • Reducing risk for private investors • Creating financial bridges to commercial scale

Why Traditional VCs Are Missing Out

Misapplication of traditional software investment timelines to materials and circularity innovation, like early cleantech that required longer horizons for technology development and market adoption.	<i>"The number one problem tends to be: it's not software... you're often dealing with material science, or hardware, or things that are going into supply chains." - Jamie Rowles, Partner, Regeneration.VC</i>
Overemphasis on asset-light business models, missing infrastructure and manufacturing opportunities, like in Tesla or First Solar that required significant physical capital, but delivered substantial returns.	<i>"For more novel materials, I think people worry about how long it takes to get to market and how much money it will cost. You need to have a more precise knowledge of the fashion industry and how it operates to invest in materials." - Alexander Shapiro, Investment Manager, Conduit Connect</i>
Risk assessment frameworks developed for digital technologies may inadequately evaluate physical product innovations, often based on deep tech innovation, with complex manufacturing requirements and longer value creation cycles.	<i>"Brands are taking lots of bets and it doesn't give comfort to investors - a never-ending chicken and egg situation - trying is good, but investors do not understand who the winner will be. You need industry partners willing to take the risk and really in-license that technology and almost co-develop it together with you [rather than doing a pilot project]. At least there is some sort of minimal contract that says "I'm going to commit money for the next x years to co-develop this with you..." - Eva Tarasova, Investment Director, Wharton Asset Management</i>
Lack of specialised expertise in textile supply chains, materials science, and fashion consumer behaviour needed to assess technical feasibility and market potential.	<i>"Purely on the impact side, I think we've just generally taken a view that there's enough clothes out there... pieces of technology that enable an existing garment to be reused or last as long as possible, that's largely an impact decision from our perspective." - Alexander Shapiro, Investment Manager, Conduit Connect</i>

Historical pattern of missing transformative industry shifts until well into mainstream adoption, as seen with renewable energy, electric vehicles, and clean beauty.

"Fashion is seen as, to be honest, not a big impact category by climatech investors relative to energy or transport." Jamie Rowles, Partner, Regeneration VC

Lack of diversity in the VC ecosystem, may limit understanding of fashion industry dynamics and consumer behaviour patterns.

*"I think lots of VCs - the people in them - have historically come from finance or engineering or tech backgrounds - and they have also quite often been **male**. So first, those functions aren't often close to fashion and textiles. And on the second, there's a gender issue." - Climatech Investor*

"Fashion tech has failed to really explain itself to male investors... I would say 99% [of founders] fail in this." - Eva Tarasova, Investment Director, Wharton Asset Management

Case Study: Materra - From Concept to Commercial in Three Years With Corporates and CVC Support

Who?	Materra is a London-based technology company that provides a one-stop nature-based solution for the fashion industry to source fully traceable, regenerative cotton at scale. Founded by Edward Brial and two co-founders, Materra has raised approximately £3.8 million to date from strategic investors such as H&M Group Ventures, Bestseller (Invest FWD), PDS Ventures (Apex Black Fund) and family offices. Materra's key strategic brand partners include Mango, Ecoalf, H&M and one large fast fashion groups.
What?	Materra builds custom regenerative farming programs and supply chains that are climate-resilient, traceable and equitable. Their programs are powered by their AI-driven proprietary technology that is digitalising the base of the fashion supply chain. Their technology provides: • Comprehensive data points for impact measurement. • Traceability from seed to bale. • Support for compliance with global regulations. • Direct investment facilitation in carbon and water reductions (insetting). • Decision-making tools for farmers combining precision agriculture with improved farming practices. The company has successfully moved from concept to commercial implementation in record time, with regenerative cotton products now available in Mango and Ecoalf stores and hydroponic products available in COS (H&M) shops.
How?	Materra's approach to scaling challenges common misconceptions about sustainable fashion startups: • Strategic Investment Focus: Rather than pursuing traditional VCs, Materra successfully targeted and secured funding from strategic investors - specifically the venture arms of fashion brands like H&M and Bestseller. <i>"On our seed round, we had to get investors that were the strategic arms of fashion brands. Once we had a fashion brand leading the round, then it was easy for us to get follow-on funds."</i> - Edward Brial • Supply Chain Integration: From day one, Materra prioritised building relationships with suppliers to ensure easier adoption of materials, efficiency, and resilient supply. <i>"We have an extensive network of suppliers in India that are ready to go. We've gone through testing with multiple suppliers, we know the quality is really good, and we have a very realistic understanding of how we can deploy."</i> - Edward Brial • Commercial-Scale First Approach: Instead of endless pilots, Materra moved directly to commercial implementation. <i>"Our first project with Mango wasn't just a pilot - it went straight into stores at scale."</i> - Edward Brial
Relevance?	Materra's case directly challenges several key misconceptions that have limited VC investment in sustainable fashion: • Material Startups Can Scale Quickly: By progressing from concept to commercial stores in just three years, Materra

demonstrates that sustainable material innovations can scale rapidly with the right support - challenging the myth that the timeline is too long for VC investment.

- **Traction Beyond Revenue:** Materra shows that early-stage traction in fashion B2B shouldn't be measured by revenue alone, but by contractual commitments from brands and scaling potential. *"Our revenue is steadily growing and our potential to scale is amazing. At the seed stage, I wouldn't just judge a company on revenue alone."* - Edward Brial
- **Market Size Opportunity:** The cotton market represents a massive global opportunity, with H&M alone purchasing 260,000 tons annually. Materra's success challenges the perception that sustainable fashion is a niche market. *"There's a lack of acknowledgment of how important fashion is. This thinking that fashion is not a scalable or large market opportunity is kind of crazy because textiles drive economies and are foundational to the wealth of nations."* - Edward Brial
- **Supply Chain Validation:** Materra's focus on supply chain integration validates that material innovations can be successfully implemented within existing manufacturing infrastructures - a key concern for many investors.

Lessons for Investors

Materra's journey offers valuable insights for investors considering the sustainable fashion space:

- **Redefine Traction Metrics:** Look beyond current revenue to contractual commitments and B2B scaling potential when evaluating early-stage fashion startups.
- **Understand Supply Chain Integration:** Conduct thorough due diligence on a startup's supply chain relationships and product validation with manufacturers.
- **Recognize Market Scale:** The sustainable materials market represents a multi-billion dollar opportunity across global supply chains, not a niche segment.
- **Support Growth to Cost Parity:** Be prepared to fund the "valley of death" to reach cost competitiveness, similar to early investments in renewable energy that required scale to achieve price parity (renewables were 80% more expensive than dirty energy 10 years ago¹³⁸).

Materra's success story demonstrates that **when strategic investors recognise the potential of sustainable fashion innovation and provide the right support, these companies can rapidly scale** from concept to commercial reality - creating substantial opportunities for forward-thinking investors.

¹³⁸ Sustainabelle Advisory Service 2024. Next Gen to This Gen: Scaling Materials Innovations in the Fashion Industry [online] available at: <https://drive.google.com/file/d/1DZi8gNL5h3ieTsIEA55VgkYaQhbbIA5N/view>

Case Study: H&M Group Ventures - Strategic Investment Leading the Way

Who?	H&M Group Ventures (formerly H&M Co Lab) is the corporate venture capital arm of H&M Group, founded in 2015 and based in Stockholm, Sweden. As one of the world's largest fashion retailers, H&M has positioned itself as a leading strategic investor in sustainable fashion innovation, with 17 investments to date in companies tackling key industry challenges. Their UK portfolio includes Mattered, Colorifix, Wornagain, Alchemie Technology, representing their commitment to supporting material innovation and cleaner production processes. Led by investment professionals with deep industry knowledge, H&M Group Ventures brings not just capital but also strategic value through market access, supply chain expertise, and scaling opportunities that are critical for sustainable fashion startups.
What?	H&M Group Ventures takes a strategic approach to investment that differs from traditional VCs: • Long-term Strategic Focus: Rather than being primarily exit-driven, H&M prioritises enabling long-term scale for technologies that can transform the fashion industry. • De-risking Through Demand: H&M provides not just investment but also commercial validation through letters of intent (LOIs) or formal offtake agreements, depending on the startup's stage. • Collaborative Investment Model: H&M actively builds investment syndicates with other strategic fashion brands (Bestseller, Inditex, Zalando, Adidas, Uniqlo) to create stronger market signals and broader offtake potential. • Diverse Engagement Models: Beyond traditional equity investments, H&M employs joint ventures (JVs) and strategic acquisitions to accelerate impact. Notable examples include: • The acquisition of Sellpy, a second-hand fashion platform (discussed in Myth 4). • Joint Venture (JV) with Remondis called Loop Textile Co. for textile waste collection, sorting and second-hand sales logistics. • Venture co-founded with Vargas Holding called Syre to rapidly scale the textile-to-textile recycling of polyester. The venture was backed by a \$600 million offtake agreement over 7 years by H&M Group, to secure a significant share of their recycled material targets.
How?	H&M Group Ventures' investment approach addresses key barriers that have prevented capital from flowing into sustainable fashion: • Creating Market Demand: H&M provides crucial market validation through commercial commitments that traditional VCs want to see before investing. <i>"The most recent barrier is brand demand... Investors want to de-risk as much as possible and want to see demand from major players."</i> - Laura Coppen • Building Strategic Syndicates: By coordinating with other fashion brands as co-investors, H&M creates powerful market

	signals that reduce perceived risk. <i>"It is increasingly important for us to have co-investors of other strategics... as a group of offtakers, it is a really strong signal that we've all done our due diligence from a technical perspective and product fit into our material strategies."</i> - Laura Coppen • Supply Chain Integration: H&M evaluates and supports startups' ability to integrate with complex fashion supply chains - a critical assessment that generalist investors struggle to perform. <i>"Startups need to be very, very close to the supply chain that they're going to be entering... have a deep knowledge, proximity of a team member at the very least. And I think that's also something that investors will actually be looking for now."</i> - Laura Coppen • Flexible Exit Strategies: Rather than focusing primarily on traditional exits, H&M explores multiple pathways to scale including technology consolidation, joint ventures, and strategic acquisitions. <i>"Case by case, I think every case has probably a different pathway for exit. But broadly, I think the routes would be consolidation with other technologies... And I think that consolidation is really interesting and one that we haven't seen a huge amount of yet, but there will be more, I'm sure."</i> - Laura Coppen
Relevance?	H&M Group Ventures' approach demonstrates how strategic investors are filling the gap left by traditional VCs and creating pathways to scale for sustainable fashion innovation: • Proving the Investment Case: As one of the most active investors in the space, H&M is demonstrating that sustainable fashion startups can scale successfully with the right strategic support, challenging the myth that traditional VCs always spot the next big thing. • Creating New Exit Pathways: By exploring diverse models beyond traditional exits - from joint ventures to strategic acquisitions - H&M is establishing viable pathways to scale that don't rely solely on VC funding models. <i>"Sellpy is a big success story. I think the ability that they've now scaled to 24 markets, that they're supporting with some of our stores and the second-hand areas and our online pre-owned category... is really a success story where the stars aligned, the timing made sense, the customer demand was there, the strategic belief was as well."</i> - Laura Coppen • Attracting New Investors: H&M's strategic investments are helping bring new categories of investors into the sustainable fashion space, including: • Strategic financial investors. • Regenerative agriculture funds expanding into cotton. • Philanthropic VCs that recycle returns into new investments. • Banks interested in revenue-generating stages. • Demonstrating Material Innovation Success: Through investments in companies like Materra, H&M is showing how sustainable material innovations can move from concept to commercial scale with the right strategic partnerships. <i>"The</i>

success with Mattered is they've got so many farmers engaged and they have the proof that it is Regen Cotton, which is very hard to do from a farm level. And they've holistically tried to solve the regenerative space... Success there is really, really bold vision and actually proving that vision on the ground." - Laura Coppen

H&M Group Ventures' experience illustrates that while traditional VCs may have been slow to recognise the potential in sustainable fashion, strategic corporate investors are stepping in to **fill the gap, bringing** not just **capital** but also the **market access, technical validation, and supply chain knowledge** needed to help these innovations scale.

Conclusion

These structural limitations create opportunities for specialised investors who understand sustainable fashion's unique requirements and can provide more **patient capital, sector expertise, and strategic partnerships** needed for success.

Key Investor Insights:

- **Strategic Investors Lead the Way:** Corporate venture arms of fashion brands are the most active early-stage investors, bringing not just capital but also market access and technical validation.
- **Supply Chain Integration is Critical:** The most successful investments come when material innovators, brands, and their manufacturing partners align through coordinated investment and support.
- **Specialised Knowledge Gap:** Traditional VCs often lack the specialised expertise required to evaluate fashion supply chains, materials science innovations, and sustainability metrics.
- **Patient Capital Required:** Material innovations particularly benefit from investors with longer time horizons and understanding of the technical validation process.
- **Emerging Ecosystem:** As more success stories emerge, new specialised investors are entering the space, creating a more robust funding landscape for sustainable fashion.

Recommendations

UK Opportunity: Positioned to Lead the Sustainable Fashion Revolution

The United Kingdom stands at a pivotal intersection of fashion heritage, technological innovation, and investment leadership that uniquely positions it to become a global hub for sustainable fashion innovation and investment. This opportunity extends beyond London to create nationwide economic benefits while addressing critical environmental challenges.

Distinctive UK Advantages

1. World-Class Research & Innovation Ecosystem

The UK boasts an unparalleled concentration of world-class institutions driving sustainable fashion innovation:

- **University Research Excellence:** Imperial College London, University of Cambridge, Oxford University, University of Leeds lead in materials science, while London College of Fashion and Central Saint Martins pioneer sustainable design methodologies.
- **Cross-Disciplinary Innovation:** The UK's strength lies in connecting traditionally separate fields - from synthetic biology at Imperial, to advanced processing at Leeds, to AI at Edinburgh - creating uniquely powerful innovation capabilities for complex sustainability challenges.
- **Research Translation Infrastructure:** The Catapult Network provides critical infrastructure for transitioning academic discoveries to commercial applications.

2. Strong Existing Fashion Industry Foundation

The UK fashion industry provides fertile ground for sustainable innovation:

- **Economic Significance:** Fashion contributes £62 billion to the UK economy annually and employs over 890,000 people, creating powerful incentives for future-proofing the sector¹³⁹.
- **Design Leadership:** London's position as a "Big Four" fashion capital provides both creative leadership and international visibility for sustainable innovations.
- **Supply Chain Expertise:** Despite manufacturing declines, the UK retains critical textile and manufacturing knowledge, particularly in Scotland, Northern Ireland, and Yorkshire, that is essential for developing commercially viable sustainable materials.

3. Progressive Policy Environment

The UK's regulatory framework increasingly supports sustainable fashion development:

- **Ambitious Targets:** The UK's net-zero commitments and circular economy policies create strong signals for long-term investment.
- **Extended Producer Responsibility:** Forthcoming EPR regulations for textiles will drive brand investment in recycling and circular innovations.
- **Green Finance Leadership:** The UK's leadership in green finance, including mandatory TCFD reporting and the UK Green Taxonomy, creates natural alignment between capital markets and sustainable fashion investment.

4. Growing Specialised Investor Ecosystem

The UK offers a maturing investment landscape specifically attuned to sustainable fashion:

- **Europe's Largest VC Market:** With £8 billion invested in 2023, the UK venture capital market outpaces European counterparts and ranks 3rd in the world¹⁴⁰, increasingly recognises sustainable innovation opportunities.
- **Specialist Early-Stage Investors:** UK-based investors like Ascension, Conduit, Sustainable Ventures, Evenlode Foundation, Hermesa, Alma Angels, Hoxton VC, have developed specialised expertise in sustainable fashion innovation.
- **Family Office Leadership:** The UK's concentration of family offices with long-term horizons and value alignment provides patient capital particularly suited to materials and circular innovation timelines.

¹³⁹ UKFT 2023. The UK fashion and textile industry contributes £62bn to the UK economy. [online] Available at: <https://ukft.org/industry-footprint-report/>

¹⁴⁰ BVCA 2023. Venture Capital in the UK [online] Available at: <https://www.bvca.co.uk/static/c06ec8bf-5579-467e-b2d48bf021752e2c/BVCA-Venture-Capital-in-the-UK-Report-2024.pdf>

- **Public Support:** Innovate UK has provided a significant amount in grants to fashion and textile sustainability projects in the past five years, creating a robust pipeline of investment-ready innovations.

Strategic Opportunity Areas

1. Materials Science & Manufacturing Renaissance

The UK can lead in both developing and scaling the next generation of sustainable materials:

- **Bio-based Materials:** The UK's synthetic biology leadership positions it to pioneer bio-fabricated alternatives to conventional textiles and leather.
- **Advanced Recycling Technologies:** Building on chemical engineering strengths, the UK can develop critical technologies for fibre-to-fibre recycling of complex blended textiles.
- **Manufacturing Innovation:** New sustainable materials create opportunities to establish advanced manufacturing capabilities in previously de-industrialised regions, creating skilled green jobs.

2. Circular Business Model Innovation

The UK's digital economy strengths create opportunities in circular fashion business models:

- **Resale Technology:** UK startups like Depop have already demonstrated global leadership in digital resale platforms.
- **Rental & Subscription Innovation:** The UK's advanced logistics infrastructure and dense urban populations create ideal conditions for scaling new ownership models. Platforms, like HURR, lead in this space.
- **Repair & Refurbishment:** Companies like Sojo, partnering with retail giant M&S¹⁴¹, demonstrate potential to modernise and scale traditional repair services through technology.

3. Financial & Data Innovation

The UK's fintech and data science leadership creates unique opportunities:

- **Impact Measurement Solutions:** Developing accurate, scalable tools to measure fashion's environmental impact represents a significant opportunity aligned with the UK's data science capabilities.
- **Sustainable Finance Instruments:** Innovative and blended finance mechanisms for sustainable fashion, from guarantees to impact-linked loans, align with the UK's financial services leadership.
- **Supply Chain Transparency Technologies:** Blockchain and digital tracking technologies developed in the UK can address critical traceability challenges in global fashion supply chains.

Building a National Advantage: The Imperative for Action

The sustainable transformation of fashion represents a **£62 billion opportunity for the UK economy**. But this window is closing rapidly as other nations accelerate their sustainable fashion strategies. To capture this potential, we must move beyond recommendations to concrete action. The CFIN programme has laid the groundwork - **now we need decisive investment leadership**.

¹⁴¹ M&S 2024. M&S restored by Sojo. [online] Available at: <https://www.marksandspencer.com/content/mands-fixed-by-sojo>

Priority Action: Establish UK Sustainable Fashion Investment Fund

The most critical step is creating a dedicated **£500 million sustainable fashion investment fund** with cornerstone government commitment within the next 12 months. This fund will be a catalyst for transformation contributing to:

- **Bridging the Valley of Death** with £5-50 million investments in scaling innovations.
- **Deploying Specialised Expertise** through a team combining fashion industry veterans with deep tech investors.
- **Catalysing £2 billion in co-investment** by partnering with corporate VCs, family offices, and climate funds.
- **Generating Returns While Driving Impact** through blended finance structures.

Immediate Next Step: Form a Targeted Investor Coalition

We call for the formation of a **Sustainable Fashion Investor Group**, building on existing informal networks that have begun connecting investors in this space. This formal coalition would bring together corporate venture arms, specialised funds, family offices with long-term horizons and UK institutional investors seeking climate solutions. This coalition should convene to:

- Pool expertise and deal flow.
- Coordinate co-investment strategies.
- Advocate for supportive policies.
- Share due diligence on emerging technologies.

Additional Supporting Initiatives

Key initiatives include:

1. **Coordinated Innovation Strategy:** Developing a national sustainable fashion innovation strategy that aligns research funding, investment incentives, and skills development.
2. **Investment Readiness Programs:** Expanding programs that prepare sustainable fashion startups for investment, with specialised support for technically complex innovations.
3. **International Showcase Initiatives:** Leveraging events like London Fashion Week to spotlight UK sustainable fashion innovations to global investors and corporate partners.
4. **Support Diverse Founders:** Ensure funding reaches the full spectrum of innovators, including women and minority entrepreneurs who are often underrepresented in technology investment.

Conclusion

The sustainable transformation of the fashion industry represents a once-in-a-life opportunity for the UK. By establishing a dedicated fund and investor coalition, we can:

- Capture significant share of the \$2 trillion global fashion market's transformation.

- Create thousands of green jobs¹⁴² across the UK.
- Generate billions¹⁴³ in sustainable exports.
- Lead the world in solving one of our most pressing environmental challenges.

The UK has all the ingredients - world-class research, fashion heritage, technological innovation, and investment expertise. By leveraging these unique advantages through coordinated investment action, the UK can become the undisputed global hub for sustainable fashion innovation.

Appendix A

Research Methodology

This report employs a mixed-methods approach combining extensive desk research with qualitative interviews to provide a comprehensive analysis of investment opportunities in sustainable fashion.

Definition of Sustainable Fashion Market

For the purposes of this report, the "sustainable & circular fashion market" encompasses multiple distinct segments that represent alternatives to conventional linear fashion production and consumption models. These include:

- **Circular Business Models:**
 - Second-hand/resale: Platforms and services enabling the sale of pre-owned garments.
 - Rental fashion: Access-based models providing temporary use of clothing items.
 - Repair & alteration services: Extending garment lifecycles through maintenance and modification.
 - Textile recycling: Technologies enabling fibre-to-fibre recycling and material recovery.
- **Materials Innovation:**
 - Innovative materials: Bio-based alternatives, recycled fabrics, and next-generation sustainable textiles.
 - Sustainable textile processing: Clean chemistry solutions for dyeing, finishing, and manufacturing processes.
- **Supply Chain Transformation:**
 - Traceability solutions: Technologies enabling transparency and verification of material origins.
 - Sustainable Manufacturing: Process innovations reducing environmental impact in production.
 - AI-powered retail and manufacturing: Digital solutions optimising inventory management, demand forecasting, and production efficiency to reduce waste and overproduction.

This definition acknowledges that sustainable fashion includes both transitional improvements (such as recycled polyester from PET bottles and 'Better Cotton') and breakthrough innovations (such as bio-fabricated materials and closed-loop

¹⁴² According to BFC, UK fashion currently employs ~890,000 people. If sustainable fashion captures 10-15% of the market over 5-10 years, thousands of jobs could be created.

¹⁴³ Statista 2023. Export value of apparel and clothing in the UK [online] Available at: <https://www.statista.com/statistics/293466/exports-of-apparel-and-clothing-accessories-total-value-in-the-united-kingdom-uk/>

recycling systems). The market encompasses companies, technologies, and business models that address fashion's environmental and social impacts, whether through circularity, materials innovation, green chemistry or supply chain transformation.

What distinguishes this market is not a single approach to sustainability, but documented investment activity, corporate adoption, and commercial validation across these diverse segments that collectively represent alternatives to conventional fashion's linear "take-make-dispose" model.

Data Collection Method

1. Desk Research

Our desk research focused on publicly available information and encompassed:

- Market Reports and Industry Analysis: Review of reports from leading consultancies (BCG, McKinsey), market research firms (GlobalData, Euromonitor), and industry bodies (Ellen MacArthur Foundation, Fashion for Good, Accelerating Circularity, MII etc.).
- Financial Data Analysis: Examination of investment trends, exit valuations, and market sizing from publicly available sources including company announcements, news reports, and industry databases.
- Policy and Regulatory Documents: Review of UK and EU sustainability regulations, extended producer responsibility frameworks, and government strategies.
- Company Case Studies: In-depth analysis of successful sustainable fashion companies using public information about their funding rounds, business models, and market performance.
- News and Trade Publications: Analysis of industry news, trade publications, and company press releases to capture recent market developments.

2. Qualitative Interviews

We conducted 15 semi-structured interviews between March and April 2025:

Interview Breakdown:

- Investors (11 interviews): including corporate venture capital (H&M Group Ventures), technology funds (Plug and Play), specialised funds (Regeneration.VC, Safer Made, Sofinnova Partners), family offices (Novel Fashion Holdings, Wharton Asset Management), impact investors (Conduit Connect), a private equity firm, and a leading climate technology investor.
- Company Founders/Executives (4 interviews): Founders from Pact, Materra, and Epoch Biodesign; and a C-Level Executive from Colorifix.
- Industry Experts: Sustainability advisors and sector specialists.

Interview Process:

- Interviews lasted 30-60 minutes and were conducted virtually.
- Semi-structured format allowed for exploration of emerging themes, while ensuring consistent coverage of key topics.
- All interviews were recorded (with permission) and transcribed for analysis.

- Participants were offered anonymity where requested.
- Draft quotes were shared with interviewees for approval before publication.

3. Data Analysis

- Thematic Analysis: Interview transcripts were analysed to identify recurring themes, challenges, and opportunities.
- Triangulation: Findings from interviews were cross-referenced with desk research to validate insights.
- Market Sizing: Multiple data sources were synthesised to provide robust market estimates, acknowledging variations in definitions and methodologies.

Research Limitations

While this research provides valuable insights into sustainable fashion investment, several limitations should be acknowledged:

Sample Size and Composition

- The 15 interviews, while providing rich qualitative data, represent a limited sample of the broader investment ecosystem.
- Geographic bias toward UK and European perspectives, with limited representation from Asian and American markets.
- Potential selection bias as interviewees were primarily those already engaged in sustainable fashion.
- Statistics on sustainable material adoption (e.g., the 15.8% to 57% increase) are based on limited samples that may not represent the broader global fashion industry.
- Findings may not be generalisable to all fashion markets, particularly in emerging economies with different regulatory and consumer contexts.
- UK-specific advantages identified may not translate to other geographic markets.
- Investment patterns observed may be influenced by broader macroeconomic conditions during the research period.

Data Availability and Quality

- Market Sizing Challenges and Data Source Limitations: Sustainable fashion market data varies significantly between sources due to inconsistent definitions of "sustainable" and "circular" and differing methodologies. Given the significant variations in market size projections across sources, this report deliberately focuses on demonstrating investment viability through documented trends rather than debating absolute market size. We present multiple data points where available (e.g., second-hand apparel estimates ranging from \$100-120 billion) to acknowledge these variations transparently. Readers should interpret market projections as directional indicators of growth potential rather than precise forecasts. What remains consistent across all sources is the trajectory: sustainable fashion segments are growing significantly faster than conventional fashion, with second-hand growing at 10% CAGR versus 5-6% for traditional apparel.

- Private Company Information: Limited access to detailed financial information for private companies restricts comprehensive analysis of some case studies.
- Rapidly Evolving Sector: The fast-changing nature of sustainable fashion means some data may become outdated quickly.
- Multi-sector intersection: The intersection of fashion with other sectors (technology, chemistry, agriculture) creates boundary challenges.
- Focus on Valuations and Funding: We discuss funding raised and valuations rather than actual investor returns, as many investments are too recent to assess long-term performance.
- Limited Representation: the report does not include the views of traditional fashion industry executives and textile mills in Asia who might provide alternative explanations for slow adoption of sustainable innovations.

Temporal and Technology Constraints

- Research conducted during a specific market period (early 2025) may not capture longer-term trends or cyclical patterns in investment activity.
- Technology readiness levels vary significantly across featured innovations, from laboratory-scale developments to commercially deployed solutions.
- Long-term market adoption timelines for sustainable materials and circular business models remain uncertain.

Potential Biases

- Survivorship Bias: Focus on successful companies may underrepresent failures and challenges. This analysis focuses on successful cases and positive trends. We acknowledge that sustainable fashion innovation includes notable setbacks (e.g. Renewcell IPO case presented), which reflect typical innovation risks rather than sector-specific weaknesses. These cases provide important lessons about capital requirements and commercialisation timelines.
- Optimism Bias: Interviewees invested in the sector may overstate opportunities. We also recognise that not all circular business models automatically reduce environmental impact some may enable increased consumption through psychological "rebound effects."
- Recency Bias: Recent successes may be overweighted relative to historical patterns.

Mitigation Strategies

To address these limitations, we:

- Triangulated findings across multiple data sources.
- Acknowledged uncertainties and ranges in market estimates.
- Included diverse perspectives from both enthusiasts and sceptics.
- Labelled forward-looking statements as projections.
- Provided context for UK-specific findings while noting broader applicability.
- Focused on investment viability indicators rather than aggregate market sizing; emphasised documented growth trends, successful exits, and emerging opportunities as primary evidence.
- Acknowledged circular economy complexities.

Investment Risk Disclaimer

Important Notice

This report is for informational and educational purposes only and does not constitute investment advice, financial advice, trading advice, or any other sort of advice. Nothing in this report should be interpreted as a recommendation to invest in any particular company, fund, or sector.

Investment Risks

Investing in sustainable fashion and early-stage companies carries significant risks, including but not limited to:

- **Capital Loss:** You may lose some or all of your invested capital.
- **Illiquidity:** Investments in private companies and early-stage ventures are highly illiquid and may not be readily sellable.
- **Long Time Horizons:** Sustainable fashion innovations often require extended development periods before achieving commercial viability.
- **Technology Risk:** New materials and processes may fail to achieve technical or commercial success.
- **Market Risk:** Consumer adoption of sustainable fashion products is not guaranteed.
- **Regulatory Risk:** Changes in environmental regulations may impact business models.
- **Scaling Risk:** Companies may fail to scale from prototype to commercial production.
- **Competition Risk:** Established fashion companies may develop competing solutions.

Due Diligence Required

Prospective investors should:

- Conduct their own independent research and due diligence.
- Consult with qualified financial, legal, and tax advisors.
- Consider their own investment objectives and risk tolerance.
- Verify all information independently.

No Warranty

While efforts have been made to ensure accuracy, the British Fashion Council, CFIN, Fashion Reimagined, and the report authors make no representations or warranties as to the accuracy, completeness, or timeliness of the information contained herein. Market data, company valuations, and investment figures are subject to change.

Forward-Looking Statements

This report contains forward-looking statements regarding market projections, technology development, and investment opportunities. These statements involve risks and uncertainties, and actual results may differ materially from those projected.

Professional Advice

This report is not a substitute for professional investment advice. The fashion industry's transformation presents both opportunities and risks that require careful evaluation by qualified professionals.

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