While the science and data on the impact of textiles on the environment has reached a consensus, the level of ambition has not. It is clear that we need to act in a more ambitious and urgent manner to reach not only the Paris Agreement but also the 2030 Agenda.

This document forms an Annex to the United Nations Environment Programme report, Sustainability and Circularity in the Textile Value Chain: A Global Roadmap, which outlines the key priorities and actions needed to deliver a sustainable and circular textile value chain.

From the Roadmap report, three overarching and interconnected priorities to deliver system change emerge: 1) shifting consumption patterns, 2) improved practices and 3) infrastructure investment.

To deliver on the three priorities, UNEP proposes nine building blocks to achieve a sustainable and circular textile value chain. All building blocks consider the key drivers of environmental and/or socioeconomic impacts within the value chain, support the delivery of the existing industry goals, and require multiple stakeholders to act together.

While the Roadmap report specifically explores the cross-stakeholder opportunities for change, and how collaboration can be facilitated, in delivery against the nine building blocks, it is also important to recognize that each stakeholder group has unique challenges, and a unique role and contribution to make. For this reason, the annexes of the Roadmap report detail the barriers and opportunities, as well as specific actions for each stakeholder group.

This annex outlines the role and actions that financial institution can take in transforming the textile sector towards sustainability and circularity.
**DEFINITION OF FINANCIAL INSTITUTIONS**

Financial institutions vary significantly, from purely philanthropic to venture capital. To reflect the diverse group of actors in this section, we will break down the actions according to the type of financial institution to which they are most relevant, though all financial institutions can play a role for each of the building blocks, even if not specifically mentioned. The types of actors covered include:

**Institutional investors:** An institutional investor is a company or organization that invests money on behalf of other people; for example, mutual funds, pensions and insurance companies. They often buy and sell substantial blocks of stocks, bonds, or other securities and may have ongoing relationships with companies in which they are invested.

**Philanthropic funders and investors:** Philanthropic funders are often foundations or other non-governmental, non-profit organizations, with assets provided by donors (individuals, companies or other sources) and managed by their own governance structure. The aim of a philanthropic funding is usually to create environmental or social benefit, and they may use grants, seed funding or in-kind support to support delivery of benefits in line with their organizational strategy.

**Development organizations:** A development organization can be a specific development finance institution (DFI) – also known as a development bank or development finance company (DFC) – or a governmental development body typically known as an overseas development assistance (ODA) body. A DFI is a financial institution that provides risk capital for economic development projects on a non-commercial basis. An ODA body channels contributions through a government body, and may disperse funding through risk capital or direct grants to implementing partners.

**Venture capital:** Venture capital (VC) is a form of private equity and a type of financing that investors provide to start-up companies and small businesses that are believed to have long-term growth potential. VC generally comes from well-off investors, investment banks and any other financial institution.

**Investment banks:** Investment banks specialize in providing services designed to facilitate business operations, such as capital expenditure financing and equity offerings, including initial public offerings (IPOs). They also commonly offer brokerage services for investors, act as market makers for trading exchanges, and manage mergers, acquisitions and other corporate restructurings.

**Commercial lenders:** Commercial banks accept deposits, make loans, safeguard assets, and work with many different types of clients, including the general public and businesses.

**Trade finance:** Trade finance represents the financial instruments and products that are used by companies to facilitate international trade and commerce. Trade finance makes it possible and easier for importers and exporters to transact business through trade. It is an umbrella term covering many financial products that banks and companies utilize to make trade transactions feasible.

**Insurers:** An insurer is a company or organization that provides agreements between the insurer and the policyholder, where the insurer agrees to compensate the policyholder for losses, damages, or liabilities, in exchange for the premium paid by the policyholder. Their primary function is to manage risk by pooling resources and spreading the financial impact of losses across a large group of policyholders, thus reducing the impact of potential losses on any one individual or entity.

**OPPORTUNITIES**

Analyses from Fashion for Good (FFG) and the Boston Consulting Group (BCG) estimate that achieving sustainability and circularity in fashion by 2030 requires deploying $20 billion USD to $30 billion USD in financing per year to develop and scale disruptive innovations and business models. Many of these investments (such as energy and resource efficiency measures, some kinds of renewable energy, innovative solutions and fibres for raw materials, and innovations in product design, use phase care, and business model) have a significant potential for rapid and impressive return on investment, as well as creating potential new markets and services. This indicates major financial opportunities for private financial institutions, particularly where aggregation, improved project development and demonstration, credit guarantees or blended finance solutions serve to de-risk investments. For development and philanthropic funders, there is a strong opportunity to deliver on organizational goals through the strategic deployment of investment in innovation and improvement programmes, as well as using initial investments or grants as a lever for unlocking private financial flows. The figure below illustrates the financing opportunities at each stage of the value chain.
To achieve a step change in sustainability through innovation by 2030, the fashion industry needs $20 billion annually. This is due to the high capital needs of innovations that require the most financing. Innovations addressing the consumer use stage have made the most progress, but they require the most financing. Raw materials and end-of-use solutions are the second most financing-intensive stages. Technologies in both areas tend to have longer and more capital-intensive time-to-market cycles.

Raw Materials and End of Use.

About 45% of the financing demand is driven by raw materials and end-of-use solutions. Technologies in these stages of the supply chain can have payback timescales of 2 years or under, which is too short for many investors to consider it a worthwhile investment. However, raw materials and end-of-use solutions are challenging to fund: 33% of the funding needed for circular and sustainable solutions is in tiers 1-3 of the value chain (processing and cut-make-trim). Specific sustainable and circular technologies in these stages of the supply chain can have payback timescales of 2 years or under, which is highly attractive to investors, and for larger or developed country producers there may already be sufficient financial support available. However, many SME or developing country actors in this part of the value chain lack the incentives, financial literacy, or business credit to take on borrowing for innovative technologies and current financial tools and solutions are not suitable to scale investment. SMEs in developing countries are estimated to have a funding gap of $5 trillion USD, and 131 million or 41 per cent of formal SMEs in developing countries have unmet financing needs. Women-owned businesses comprise 23 per cent of SMEs and disproportionately account for 32 per cent of the gap in SME funding availability.

The fashion industry plays an important role in the world’s most pressing sustainability challenges defined by the United Nations SDGs. The fashion industry will play a role in unlocking the financing to close the global investment gap of between $5 trillion and $30 billion financing needed in fashion to make progress in the highest-impact areas of energy, water, and waste. Accordingly, 60% of the $20 billion is needed to support new solutions in processing and use, while the remaining 40% is allocated to other cross-supply-chain innovations.

### BARRIERS TO ACTION AND INTERDEPENDENCIES WITH OTHER STAKEHOLDER GROUPS

**Raw materials and recycling are challenging to fund:** About 45 per cent of the financing need for a sustainable and circular textile industry lies in raw materials and end-of-life solutions. These areas both have highly disaggregated and complex value chains and challenges around data accuracy and validation. In both cases, there are also dependencies on new infrastructure, such as renewable energy sources or waste collection systems. Navigating these complexities can be too challenging for investors, leading to a significant funding gap for raw materials and end-of-life solutions.

**Finance is not reaching important stakeholders in production:** 33 per cent of the funding needed for circular and sustainable solutions is in tiers 1-3 of the value chain (processing and cut-make-trim). Specific sustainable and circular technologies in these stages of the supply chain can have payback timescales of 2 years or under, which is highly attractive to investors, and for larger or developed country producers there may already be sufficient financial support available. However, many SME or developing country actors in this part of the value chain lack the incentives, financial literacy, or business credit to take on borrowing for innovative technologies and current financial tools and solutions are not suitable to scale investment. SMEs in developing countries are estimated to have a funding gap of $5 trillion USD, and 131 million or 41 per cent of formal SMEs in developing countries have unmet financing needs. Women-owned businesses comprise 23 per cent of SMEs and disproportionately account for 32 per cent of the gap in SME funding availability.

**Finance for consumer-facing solutions is narrowly focused:** 17 per cent of funding required is for retail and use, and transparency and traceability solutions. Resale and rental platforms are an attractive and fast-growing sector for investors, alongside digital and high-tech traceability solutions. However, a narrow focus on online platforms and blockchain solutions leaves other potential solutions (such as innovations in garment care or lower tech traceability and transparency solutions) with less investor interest.
HOW TO PRIORITIZE

Financial institutions can leverage their unique role in the textile value chain to facilitate its transformation towards sustainability and circularity. While there are a range of key actions listed in the following section, the three ways that financial institutions should leverage their role and actions can be summarised as:

**“Understand and address actual investment needs of diverse stakeholders in the transition to a sustainable and circular value chain.”**

**Address systemic funding barriers and stakeholder needs:** Understand your clients’ value chain and identify the opportunities to improve circularity. Identify root causes of existing barriers to access credit and funding for much-needed value chain solutions, and how approaches could be adapted to relevant needs (e.g. for Global South regions, (M)SMEs, early-stage innovation, solutions in under-funded investment areas, female or ethnic minority-led enterprises, and other key groups that struggle to access funding), and gather real input from experts and under-funded groups to ensure that insights are accurate and solutions are effective. Engage in dialogue with policymakers to help inform an enabling policy environment.

**“Understand the details and plan for the transition.”**

**Build internal capacity, processes and policies:** Assess and measure risks and impacts of both linear and circular activities. Create internal organizational strategies, knowledge and capacity on sustainable and circular processes and business models, ideally including sector-specific assessment metrics and goals so that staff can effectively evaluate and deliver new opportunities, embed these goals and responsibilities in senior level discussions, and manage linear and circular risks and opportunities by applying sustainability and circularity in risk policies, product development, investment or financing decision and client engagement. Develop knowledge of how legal changes affect the licence to operate and potentially profit and loss, and monitor job creation and destruction from the transition. Engage with clients to collect data to assess the impact of their business activities, and monitor clients’ strategy, action plans and progress in transitioning towards more circular business models and practices.

**“Drive real innovation in solutions, processes and metrics.”**

**Create innovative financial products and increase available funding for sustainable and circular solutions:** Where funding mechanisms already exist, increase their availability to new markets (including to SMEs and other businesses that traditionally face barriers in accessing sustainable and circular funding). Create and implement new approaches to funding, including blended finance (such as public-private collaboration to develop and implement de-risking mechanisms), system-level aggregation of financial needs, digital solutions, alternative mechanisms for assessing creditworthiness, smaller-scale funding appropriate for developing country contexts, early seed funding and sustainability-linked financing solutions including circularity criteria.
The list of actions following on the next page aims to offer a sense of the most urgent priorities for this stakeholder type, based on industry consultation and scientific analysis (i.e. actions that hold the most potential to address hotspots are prioritized). This does not mean that each stakeholder should undertake each action, but instead it is recommended that you further prioritize actions based on a number of key criteria, including:

- **What has already been done** by the actor (i.e. you might have already implemented some of the actions proposed). Further, identify existing goals or KPIs and evaluate whether they are sufficiently relevant and ambitious.

- **The degree of impact likely to be driven by each action**, based on your organization's own specific impacts, scale and challenges or the possible influence in the wider value chain. Ideally your organization should have some overall sense or full analysis of impacts in different areas to make informed decisions.

- **Which actions are feasible within the policy, influence and physical limitations** of your organization. For example, rooftop solar panels might not be feasible in a location with no rooftop space, while purchasing renewable energy might not be feasible where private energy purchase is not legally permitted, or a lack of leverage with key stakeholders like the petrochemical industry might make it challenging to address impacts.

- **Whether an activity is likely to ‘unlock’ other actions** – e.g. an evaluation of company or country impacts, an on-site audit of potential investment opportunities, a reversal of a key legal barrier to activity, or infrastructure that unlocks impact reduction – for either your organization or your value chain partners.

- **Whether there are any potential trade-offs that could be problematic** based on the specific situation, if there are important sustainability disadvantages to implementing an action, e.g. a major increase in impacts in another area, or social trade-offs. This should ideally be based on a systems analysis of your organization's structure and dynamics as well as an analysis of sustainability impacts. Engagement with key stakeholders should be prioritized when developing actions to avoid unintended consequences.

- **The outcomes of consultation with relevant and credible stakeholders** – e.g. NGOs, technical organizations, workforce, affected communities, suppliers, consumers, citizens – and what they would prioritize for your organization.

- **Practical implementation resources required and financial factors** such as available capital and return on investment. These should be considered as a secondary factor after the potential scale of impact of an action, but ‘low-hanging fruit’ with low implementation costs and positive impacts can be implemented immediately compared with large investments that might take more time to authorize or obtain investment for. If you are an SME, smallholder or another actor with lower access to capital, you might find that high-cost activities are not feasible without non-commercial financial support from another actor and thus you should prioritize identifying this financial support wherever possible.

- **The availability of collaboration mechanisms and resources** for a specific action – e.g. collective programmes that can be joined or supported, forums where issues can be raised, funding sources that could be applied for, collective advocacy or influencing opportunities – that can help to deliver either internal or industry-wide solutions.

- Based on all of these factors, you can review the relevance of the actions below – or identify additional actions – to create your own plan for circular and sustainable textiles. The Roadmap report recommends prioritizing upstream and holistic actions, such as on product design, business models or changing aspirations.
This requires a significant shift in perception of what ‘value’ means for consumers, brands and retailers. The focus must be placed on shifting the market and business revenue away from linear models towards circular models that have demonstrated impact reduction across the life cycle, or focusing on selling experiences or other non-material goods rather than physical products:

### Institutional investors:
- Work with other stakeholders to create analytic methods to assess the progress that companies are making to evolve towards future-proof circular business models in place of traditional ones, and create standards and measures of circularity and sustainability including aligned internal definitions of terms like circular and sustainable.
- Use these as universal metrics for investment and lending.
- Support the creation of open access shared global ESG metrics that accurately reflect the supplier performance or in-house performance of traditional textiles companies. Ensure that investment flows and investor activism are linked to these ratings.
- Work with individual companies to understand their risks around sustainability and how they can monitor, disclose and make progress towards a circular and sustainable model.
- Support investment in future-proof companies and accurately assess the degree of circular transformation to which a company is committed.

### Venture capitalists and investment banks:
- Create mechanisms and goals to assess and invest in sustainable, circular, and innovative business models with strong market potential, including consideration of a business’ capacity and resources (e.g. SMEs). Set targets around financial support for early-stage innovation and funding for data-gathering initiatives and life cycle assessments of key materials.
- Work with smaller companies and NGOs/technical organizations to address challenges of impact data for early-stage concepts, as costs around impact assessments can be a barrier for smaller companies looking for funding. Support small businesses to prepare for investment, such as reducing informality in structure, creating business plans, marketing strategies, staff structures, etc.

### Commercial lenders and trade finance:
- Support lending for the creation of reverse logistics of goods to be sold, used textile materials or collection for rental models for SMEs.
- Develop innovative financing solutions with preferential conditions for circularity criteria (e.g. sustainability-linked loans with circularity criteria). Rationalize how to use guarantee structures that are already available to larger companies and redirect them to small businesses that demonstrate innovative sustainable and circular solutions, while maintaining suitable risk and profit levels.

### Development organizations:
- Create innovative financial products and increase available funding for sustainable and circular solutions. Create new approaches to funding, including blended finance, system-level aggregation of financial needs, digital solutions, alternative mechanisms for demonstrating creditworthiness, smaller-scale funding appropriate for developing country contexts, and early seed funding. Explore innovative financial models that allow for return on investment at a system level rather than simply for one actor (e.g., through aggregation).
- Support the development of circular taxonomies, methodologies or frameworks to assess the circularity of businesses or projects.
- Provide technical assistance to businesses to identify circular opportunities in their value chain.
- Adopt a strong role in de-risking investment through seed funding, match funding or blended finance. Consider mechanisms such as loan guarantees.
- Bridge capacity and set up exchange platforms between innovators and financial institutions to support the scaling of sustainable and circular solutions. Create links and coordination, and support the financial literacy of SMEs and those in developing countries.
- Invest in the processes to support the effective measurement of benefits and trade-offs from circular models through collaboration with technical organizations and NGOs.

### Philanthropic funders and investors:
- Fund improved LCA and risk data to demonstrate the risk reduction and benefits of more sustainable and circular business models and design and avoid trade-offs. The data can then be used to support policy and investment decisions across the textiles space.
- Adopt a strong role in de-risking investment through seed funding, match funding or blended finance. Consider mechanisms such as loan guarantees.
- Create financing and investment solutions that support the credible use of innovative structures such as credits for environmental or social benefits.
All textile products are designed to minimize impacts and support circular models.

Design must be informed and intentional. Improved data and feedback loops will be critical to take into account knock-on effects of design at each stage of production, use and end of use. Products should be designed to consider the relevant circular business model (e.g. durability for rental), and with the assumption that they will be an input to closed loop recycling.

### Institutional investors:
- Explore the role of investor activism in incentivizing circular design in traditional companies, engaging shareholders and board members to encourage the adoption of leading standards and practices.
- Work with other stakeholders to create clear metrics for the use of sustainable and circular design practices in individual companies, and use these metrics to engage current shareholdings and evaluate new companies in which to invest.

### Venture capitalists and investment banks:
- Create overall investment targets for supporting circular textiles design solutions, including investment in R&D for improved design tools and training and design innovation.

### Commercial lenders and trade finance:
- Explore how commercial and trade product offers can be made more accessible to SME start-ups with a focus on design innovation, including in a developing country context.

### Development organizations:
- Explore specific financial levers or vehicles and blended finance for investment that will facilitate new design solutions, and broker collaboration with other kinds of funders. Particularly consider leveraging commercial capital to take beyond the pilot phase.

### Philanthropic funders and investors:
- Invest in decision support tools and data to facilitate accurate design decisions around sustainable and circular models and products.
- Invest in education and training relating to circular design, such as in technical institutions or design schools.

### Textile overconsumption and overproduction are addressed

A significant decrease in overconsumption is required, particularly in developed countries. This can be achieved through a combination of increased clothing utility (how long a product is used) and shifting consumer norms and aspirations towards lower consumption through engagement with the social and emotional aspects of behaviour. Reducing overproduction will be important for brands and retailers, and can be achieved through improved stock and demand management, as well as exploring new models such as on-demand production.

### Institutional investors:
- Create and use shared metrics (in collaboration with technical organizations) to monitor the degree of overproduction present in companies, and proactively invest in companies that perform well in addressing this inefficiency.
- Create and use shared metrics for the degree of consumption-focused traditional marketing spend to the spend on marketing to reduce the speed and magnitude of consumption, and promote circular business models.

### Philanthropic funders and investors:
- Fund the development of effective metrics for assessing the degree of overconsumption and overproduction at the company and industry level, disaggregating by business type, regions and demographics. Create and use shared metrics for the degree of consumption-focused traditional marketing spend to the spend on marketing to reduce the speed and magnitude of consumption, and promote circular business models.
- Financially support organizations working to provide compelling messages and content on reduced consumption for consumers in different regions around the world, including those engaged in consumer research and those working on consumer-facing information and solutions.

### Venture capitalists and investment banks:
- Identify and invest in innovators providing solutions for reducing overproduction, such as those driving innovation in production cycles, stock allocation, consumer testing, on-demand production and other methods that reduce unsold stock.
The textile value chain drives resource efficiency and eliminates production pollution, production waste, on-site fossil fuel use and chemicals of concern. However, most textile brands do not include the consumer use phase in their impact evaluations and there are no large initiatives working on this phase. There is especially a need for more data on product care impacts and behaviour, also considering that consumers are diverse and global.

### Institutional investors:
- Support the development of coherent global ESG mechanisms to identify companies that are taking decisive action on use phase impacts and longevity and use these metrics to drive investment decisions.
- Engage clients and investees in assessing and addressing their use phase and support shared transparency platforms for this phase.

### Venture capitalists and investment banks:
- Set specific investment goals for proven low-impact innovations around garment care, in resale and other mechanisms promoting longevity. Ensure that clear and credible mechanisms are used to evaluate the potential benefits of innovations.
- Provide R&D and early investment funding for early-stage innovation in use phase solutions.

### Commercial lenders and trade finance:
- Support commercial lending for SMEs in the repair and use phase space through the analysis of funding barriers and internal training/incentives for disbursement.

### Philanthropic funders and investors:
- Provide funding for data-gathering and impact analysis on use phase impacts to support credible decision-making and impact assessment and reporting.

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Textile production sites – especially wet processing sites – require major support and investment to substitute machinery and apply circular production methods. This is particularly important for sites beyond tiers 1 and 2 of large multinational brands, or production countries without strong policy enforcement on cleaner production:

### Institutional investors:
- Engage clients and investees in assessing and addressing their production and processing impacts and support shared transparency platforms for this phase, tailoring investment types to their uses within production, such as for wastewater treatment or installing renewables.

### Venture capitalists and investment banks:
- Set specific goals to increase VC investment in technical innovations that reduce supply chain impact. Ensure that credible measurement metrics are applied so that innovations drive real impact reduction and avoid potential trade-offs in other impact areas.
- Provide R&D and early investment funding for early-stage innovation in use phase solutions.

### Commercial lenders and trade finance:
- Support commercial lending for SMEs implementing improved production processes through an analysis of funding barriers and internal training/incentives for disbursement. Develop prequalification criteria that suit the needs and compliancy level of SMEs.

### Development organizations:
- Create risk reduction solutions (such as aggregation, guarantees, blended finance, or hedge solutions) or contracts with public sector entities to allow for positive return on investment and a scalable solution to on-site and shared infrastructure investment needs.
- Create ‘packages’ of support to enable circular transformation and access to capital for SMEs and producers, including an understanding of their business models and existing barriers in accessing capital, enabling policies and processes that are tailored to smaller businesses.
- Support the creation of incubators in developing country contexts, facilitating key market linkages for innovators.
- Share open-source lessons learned or resources to help smaller commercial actors to provide financing for circular clients or projects.

### Philanthropic funders and investors:
- Provide direct funding to impact reduction programmes for producers, and support mechanisms for identifying and engaging policymakers and financial institutions on existing barriers to scaling better practices.
A just transition with skilled, safe, and empowered people takes place and social issues in the textile value chain are addressed.

This includes collaborating with less-developed countries and previously marginalized communities, including but not limited to women, young people, indigenous and tribal peoples and persons with disabilities, which will help to avoid significant trade-offs and negative consequences.

### Institutional investors:

- Strengthen ESG data and evaluation processes to understand social risks within the value chains of companies — including potential trade-offs around shifting business decisions for social and environmental impacts and risks, job creation and development implications — and monitor progress against key social and labour performance metrics.
- Ensure in-house teams are educated on the complexities of social and labour issues, and can recommend important priority actions when engaging directly with companies. Use shareholder activism to engage company leadership teams on the importance of ambitious action on social and labour issues.

### Development organizations:

- Create new structures to provide loan guarantees across borders without having to invest directly in poor credit-rated locations.
- Strengthen ESG data and evaluation processes to understand social risks within the value chains of companies — including potential trade-offs around shifting business decisions for social and environmental impacts and risks, job creation and development implications — and monitor progress against key social and labour performance metrics.
- Support programmes designed to address textile sector social and labour challenges at country and site level, including work with factories, raw materials producers and policymakers on best practices, barriers and solutions.

### Commercial lenders and trade finance:

- Explore existing barriers to credit access and tailor solutions to geographical and/or local contexts, e.g. for Global South regions. Review available data based on the business need, location, size and level of formality and compare it with available financial solutions.
- Address unequal credit access, such as the fact that cash buying is a norm for many in the Global South, and this approach is often unsuitable for small businesses looking for a loan. Explore credit solutions that are not limited to cash-based economies or women-led businesses, e.g. use of online systems and phone-based systems, using digital solutions, e.g. using banking history, and creating specific engagement methods for female-led businesses.
- Strengthen ESG data and evaluation processes to understand social risks within the value chains of companies — including potential trade-offs around shifting business decisions for social and environmental impacts and risks, job creation and development implications — and monitor progress against key social and labour performance metrics.
- Address funding sizes, as the current preference is for funding larger companies and larger sums even in developing country contexts. Funders themselves may not be able to gather funding support for small amounts, and many early-stage businesses are unable to access sufficiently small-scale capital to help without use of commercial loans and security on those. Small funding offers could create a strong ROI if handled alongside appropriate risk mitigation frameworks.
- Share open-source lessons learned or resources to help smaller commercial actors to provide financing for circular clients or projects in challenging environments.

### Philanthropic funders and investors:

- Support programmes designed to address textile sector social and labour challenges at the country and site level, including work with factories, raw materials producers and policymakers on best practices, barriers and solutions.
- Strengthen ESG data and evaluation processes to understand social risks within the value chains of companies — including potential trade-offs around shifting business decisions for social and environmental impacts and risks, job creation and development implications — and monitor progress against key social and labour performance metrics.
- Explore the concept of social return on investment (SOI). Clearly determine how to measure and help investors to be aware of SOI and the role of social impact funds in driving progress and tangible benefit.
There is a need to rapidly scale new and more sustainable production and cultivation practices for virgin raw materials, and to mainstream fibre-to-fibre recycling through improved practices as well as investment in waste management systems and infrastructure:

### Institutional investors:
- Support the creation of shared global ESG metrics that accurately reflect the raw materials performance of traditional textiles companies. Ensure that investment flows and investor activism is linked to these ratings.
- Engage clients and investees on assessing and addressing their raw materials impacts, and support shared transparency platforms for this phase.
- Set specific goals to increase value chain investment in technical fibre and recycling innovations and logistics mechanisms, which is especially important for commercial banks.

### Development organizations:
- Support programmes designed to address raw material impacts, support producers to implement best practices and engage policymakers and funders to address barriers.
- Provide funding for the development of additional impact assessment tools, data and metrics and ensure that these are provided free of charge to a range of stakeholders.
- Set specific goals to increase value chain investment in technical fibre and recycling innovations and logistics mechanisms.

### Venture capitalists and investment banks:
- Set specific goals to increase value chain investment in technical fibre and recycling innovations and logistics mechanisms.

### Philanthropic funders and investors:
- Work in collaboration with multiple types of funding (e.g. development and private) to optimize the outcome of any seed funding put in place and reduce risk overall in investment flows for innovation. Consider linking activities to private equity actors so that companies in the incubation stage can first be philanthropically funded and then passed to private equity to take forward.
- Set specific goals to increase value chain investment in technical fibre and recycling innovations and logistics mechanisms.
- Work with experts and stakeholders in the value chain to identify financial barriers to scaling solutions and adjust financial support and incentives for raw materials solutions.

This includes renewable energy, waste management and water treatment, as investment in shared infrastructure is essential to unlock the potential of individual actors to make changes in their own systems:

### Commercial lenders and trade finance:
- Proactively identify opportunities to partner with public sector and development organizations to create blended finance solutions to infrastructure investment needs.
- Consider unmet market needs for shared infrastructure, particularly in areas of highly concentrated production or consumption. Increased regulatory and reputational pressure on brands, retailers and producers may open up lucrative opportunities for fees or investment in wastewater treatment, waste management or renewable energy infrastructure.
- Explore additional routes for project revenue, as impact credits or subsidies can add significantly to the balance sheet, while demonstrated and validated project impact benefits (GHG emissions reductions, wastewater treatment quality, tons of materials processed, etc.) can be highly attractive to potential customers.
- Ensure that environmental and social evaluations are best in class, even where this goes beyond legal requirements. Potential customers or investors in sustainable infrastructure are highly sensitive to any reputational risks associated with a project that has any negative impacts on ecosystems or communities.

### Development organizations:
- Engage directly with relevant policymakers to identify opportunities for improved shared renewable energy, water and waste infrastructure and work with them to increase financial flows to make improvements a reality. Include blended financial solutions and potential for loan guarantees.
- Ensure that any infrastructure project is adequately evaluated for any potential environmental or social negatives, and that planning is done in alignment with international norms.
- Work with relevant policymakers to address challenges to the investment environment to ensure that country and company credit ratings and perceptions are positive.
- Increase the financial literacy of relevant policymakers and other national stakeholders to allow them to convincingly present infrastructure projects to potential public and private funders, and enable an exploration of financial mechanisms such as bonds.
Shifting consumer behaviour and global dynamics are required to avoid the need for landfill and incineration; for example, through circular solutions that reduce waste outputs. Solutions are needed to avoid shifting responsibility for waste disposal, such as trade of used textiles to locations that cannot use them and lack the infrastructure to adequately process textile waste:

**Venture capitalists and investment banks:**
- Set specific goals to increase value chain investment in technical fibre and recycling innovations and logistics mechanisms, ensuring that mechanisms are assessed for major social and environmental risks and benefits and represent a significant improvement compared with business as usual.
- Invest in new technical solutions for dealing with contaminated products without incineration, in line with human health requirements.
- Invest in new solutions for brands and retailers to use in ensuring that any unsold stock is utilized to the maximum environmental, social and business benefit.

**Development organizations:**
- Work directly with the countries adversely affected by textile waste flows, and support them to process existing waste streams through increased financial flows and investment in the required infrastructure.
- Work with typical ‘recipient’ countries for second-hand goods, and identify ways to maximize the benefit from trade while ensuring that social, economic and environmental outcomes are improved.

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**INTERNAL AND EXTERNAL COORDINATION**

Coordination is crucial in achieving a sustainable and circular textile value chain. Coordination actions that cut across all building blocks are outlined below.

**Build internal capacity and systems**

- Increase organizational consistency, communication and aligned decision-making between central and local parts of your institution to address internal barriers to action.

- Create internal organizational strategies, knowledge and capacity on sustainable and circular processes and business models, ideally including sector-specific assessment metrics and goals so that staff can effectively evaluate and deliver new opportunities, embed these goals and responsibilities in senior-level discussions in sustainability strategies and action plans, and manage linear and circular risks and opportunities by applying sustainability and circularity or 9-R concept in your institution’s risk policies, product development and client engagement.

- Incorporate circularity considerations into internal policies and processes such as credit risk processes and sectoral policies.

- Put in place methodologies, templates and other resources that allow the systemic analysis of small-sized clients and projects for circularity.

- Develop knowledge of how changes of regulation, environmental laws, EPR policy, the shift of tax policies from labour to resources and VAT on (secondary) resources affect the licence to operate and potentially profit and loss, and monitor job creation and destruction from the transition.

- Create internal organizational strategies and capacities around circular design and business models, ideally including sector-specific goals or instruments. Embed these goals and responsibilities in C-suite discussions as well as sustainability strategies of your institution itself and actively demonstrate the commercial and strategic value of funding the transition to a circular and sustainable textile value chain through case studies and opportunity analysis, on both the risk (financial, transition, legal/liability, reputational, etc.) and opportunity side.

- Develop internal staff training to enhance understanding of the textile sector’s complexities, opportunities, and challenges in moving towards a circular system, including environmental and social aspects to fuel investment strategies that are in line with private sector needs. Enable client-facing staff to better understand the clients’ business and circular opportunities as well as constraints for SMEs and other less supported stakeholder groups, which will also allow for more proactive and efficient client engagement.
Coordinate with other value chain stakeholders

- Coordinate and collaborate across types of financial institutions, as development funding and venture capital are needed to support early-stage R&D, while private finance is needed to support scaling of innovations for circular business models and practices and recycling solutions. Support the development of blended finance solutions to not only de-risk but also unlock financial flows, create shared definitions and expectations and support them in developing asset classes and proposals that make sense to investors.

- Consult with brands, policymakers, start-ups and SMEs to understand funding challenges and create solutions.

- Engage policymakers, regulators, and other stakeholders to advocate and support the development of an enabling environment (policy, standards, harmonized metrics, establishments of disclosure requirements for data, etc.).

- Support the financial literacy and capacity of other actors, including brand clients, SMEs, start-ups, municipalities or any other actor engaged in the transition to sustainable and circular textiles.

- Provide assistance such as technical assistance or platforms to connect and foster exchange between actors to clients and customers to identify circular opportunities in their value chain and incentivize their adoption through innovative financial solutions and services. Customize financial opportunities to consider nuances of circular criteria and producers’ needs, e.g. business sizes, level of formality, scalability.

- Explore the role of investor activism in incentivizing circular design and business models in traditional companies, engaging shareholders and boards and putting in practice through stewardship. Engage with clients to require relevant data to assess the circularity and impact of their activities (e.g. through the use of certifications), and to include circular economy related criteria in financing mechanisms and solutions.

- Integrate and mainstream mandatory holistic ESG investment goals (with a clear definition of ESG) into all relevant decisions including within the decision-making process of financial offerings. Support the adoption of project certifications that are acceptable for investors and are accurate, simple and scalable.

- Communicate explicit information needs to innovators and supply chain companies and engage policymakers to explore whether they can build up a more favourable investment environment in relevant locations. Create a set of recommendations for small businesses to prepare for investment - such as reducing informality in their structure, creating explicit business plans, marketing strategies and staff structures.

This document is intended for financial institutions within the textile value chain; for the full report, as well as annexes for other stakeholders, please visit: www.unep.org/resources/publication/sustainability-and-circularity-textile-value-chain-global-roadmap.

For more information on UNEP’s ongoing work on textiles, please visit www.unep.org/sustainabletextiles.

Endnotes