

BREXIT AND THE IMPACT ON THE FASHION INDUSTRY

REPORT 29 MARCH 2018



EXECUTIVE SUMMARY

Fashion Roundtable, working with leaders and representatives across the creative industries, have put together 'Fashion's Brexit Manifesto'. The aim of this report is to put our marker in the sand and to set the policy agenda we will be working towards over the coming months. Within the manifesto, we set three key policy objectives:

- 1 Maintain the Single Market
- 2 Continue our Involvement in EU Cultural, Educational and Business Programmes
- 3 Provide Legal Guarantees for EU Nationals

These positions have been built through sector engagement in the form of a survey and roundtables – our namesake. For many leaders in the fashion industry, this was the first time they had been directly involved in a

political process, and several highlighted how alienated they felt from central government. It is this reality that has driven the creation of Fashion Roundtable, and will continue to inspire our work until we achieve political equality in representation for our sector.

Brexit is a political phenomenon driven by a set of complex insights and experiences. Many have tried to explain the causes over the last two years, but we believe the discussion has moved on from this. Rather than trying to explain why it has happened, we are working to drive an agenda for how it should happen.

If you would like to discuss any of the content of this report further, enquire into Fashion Roundtable's services or use our work in any form of journalism or media, please email admin@fashionroundtable.co.uk.

"BREXIT IS ROOTED IN BELONGING, SOCIAL ALIENATION AND CONSTITUTIONALISM; FACTORS RARELY CONSIDERED IN THE FASHION INDUSTRY"



OVERVIEW

The fashion industry contributed over £29.7bn to UK GDP in 2016, according to data collated by Oxford Economics, and released by the British Fashion Council (BFC) in February 2018. Designer fashion contributed £3,537bn in the same period, according to the Creative Industries Council and the Department

for Digital, Culture, Media and Sport (DCMS), sector estimates for 2017. The latest DCMS official statistics show employment in the UK creative industries growing at four times the rates of the UK workforce as a whole. For the fashion industry, growth increased by 11% between 2015-2016.

Principally this contribution is filtered through retail and manufacturing, which are the 6th and 7th largest contributors to the UK economy, according to Office of National Statistics (ONS). Fashion is also a key and profitable labour market, attracting talent from around the world. If we take the last BFC/Oxford Economics figures from 2015, that over 880,000 are employed in the industry, this breaks down as currently 1 in 74 citizens in the UK being employed in a service or role that is directly linked to the fashion industry. Britain's fashion universities and colleges are lucrative sourcing

pools for the wider international labour market. Fashion's generation of 'soft power' should not be understated. Fashion should not be seen in isolation however, as one of the principle contributors to the wider creative sector in Britain. The creative industries are a fundamental driver of modern cultural and economic development, as well as tourism. All around the country, and predominantly in cities, the impact that creativity has had on development is marked. The increasing visibility and power of the 'City of Culture' brand is a tangible demonstration of how much cities and local authorities value the positive impacts of culture.

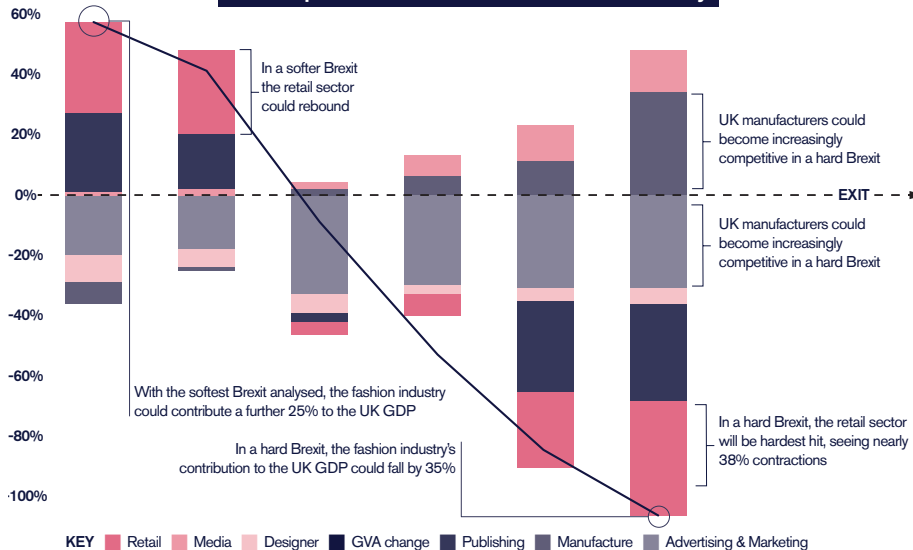
With political uncertainty currently hanging over most local authorities and Devolved Assemblies, we at Fashion Roundtable aim to be at the forefront of the political engagement with the fashion industry; amplifying voices and opinions that politics has not heard before.

ONS figures put the number of SME fashion businesses nationwide at 59,395. These businesses deliver goods and services in everything from knitwear, to jewellery, from high-street to high-fashion. 90% of our UK fashion brands are small to medium sized enterprises and currently thrive within an economy that supports flexible working, recruitment and movement.

94%
OF OUR INDUSTRY SURVEY WOULD LIKE GOVERNMENT TO WORK WITH FASHION ROUNDTABLE ON STRATEGY TO SUPPORT THE FASHION INDUSTRY

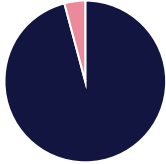
"GAME OF THRONES HAS BEEN DISCUSSED MORE IN THE HOUSES OF PARLIAMENT CHAMBERS, THAN FASHION, SINCE THE EU REFERENDUM"

The impact of Brexit on the fashion industry



Analysis by Assay Corporate Finance

INDUSTRY SURVEY & ENGAGEMENT

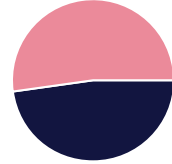


96%

would vote Remain if there was a second referendum tomorrow

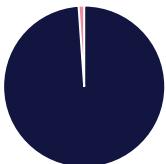
Conducted over a period of 3 months, since our launch, Fashion Roundtable engaged industry leaders and business owners with a survey. The data from high-value individuals has indicated some stark opinions about the current political landscape and what more is required to deliver a 'Brexit Britain' that works for fashion.

The principle results, driving the policy agenda of this paper, are detailed below:



48%

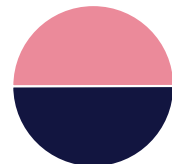
were aware of Erasmus and Horizon 2020 education programmes and wish for these to be maintained



99%

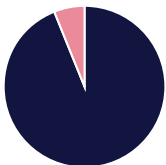
would like more political engagement with the fashion industry

- **96% would vote Remain if there was a second referendum tomorrow.**
- **56% would change their voting behaviour if a fashion policy agenda was clearly on offer in an election.**
- **94% feel fashion is under-represented in UK politics.**
- **80% believe that leaving the Single Market will be bad for the UK economy.**
- **50% of business owners surveyed currently trade or are partnered with a business based in the EU.**
- **48% were aware of Erasmus and Horizon 2020 education programmes and wish for these to be maintained.**
- **99% would like more political engagement with the fashion industry.**
- **94% feel that the UK Government should work on policy for the sector with Fashion Roundtable.**



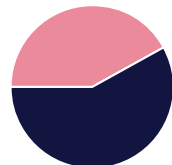
50%

of business owners surveyed currently trade or are partnered with a business based in the EU



94%

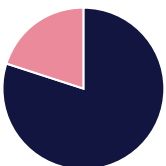
feel fashion is under-represented in UK politics



56%

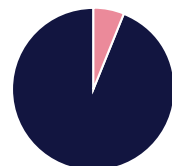
would change their voting behaviour if a fashion policy agenda was clearly on offer in an election

Building on the results of the survey, Fashion Roundtable have now hosted 2 roundtable events, bringing together government policy makers, journalists and industry experts. The predominant topic at these events was unsurprisingly Brexit and the nuances of what our future relationship with the EU should look like. We harnessed legal and political insights to deliver a varied educational experience and forum for the attendees, and developed some vibrant approaches and potential issue resolutions. We are hosting a series of roundtables in the coming months, details of which will be available via our social media channels.



80%

believe that leaving the Single Market will be bad for the UK economy



94%

feel that the UK Government should work on policy for the sector with Fashion Roundtable

FASHION'S BREXIT MANIFESTO

MAINTAIN THE SINGLE MARKET

Within the Single Market, there are two of the four pillars in particular that the UK fashion industry relies upon greatly for its continued prosperity and growth. Freedom of Movement and the Customs Union give UK fashion businesses and people the ability to be flexible in their operations.

"The Single Market in Europe affects each part of the industry."

Fashion houses, FashTech companies and brands are located across the whole of Europe and across the globe. Designers, models, photographers, stylists, manufacturers and journalists, many of them freelance, have to have the flexibility to move freely and move product freely, at short notice, with low cost. Significant amounts of sector income comes from partners and clients based in EU member states. Visa requirements bring additional costs and delays which are totally at odds with a fast-paced thriving global business, placing us at a serious disadvantage against competitors from other EU countries.

"Freedom of movement should not be regarded as dirty words."

For brands, even those who design or manufacture in the UK, up to 75% of the components into these products will be from outside the UK, with Ireland being our largest

European exporter. Whilst manufacturing has grown to 105,000 manufacturers UK-wide, this is a sharp drop from the 1m manufacturers in the UK 30 years ago. Focus therefore needs to be on supporting design talent, creative hubs, and freedom of movement for our world leading talent and brands. Logistics and fluid supply chains, are vital to an industry built on speed, talent and ease of delivery. The UK leads in innovative FashTech, with global

brands such as Net-A-Porter, Amazon, Asos, Farfetch and Matches, all headquartered here. Any delays to their delivery from design to consumer will lead to relocation decisions. 100% of our survey respondents ask for Single Market access.

"I am asking for visa fluidity about future research, students education, internships, apprenticeships, workshops, Staffing, collaborations across the full language and age of fashion. From Student to Professional."

Fashion Roundtable supports freemovecreate.org which advocates for freedom of movement for all creative industry workers. We accept that a simple 'sign-up' to the current approach is unlikely to take place in negotiations. However, we set the following red lines which will define our public affairs work on Brexit in the coming years:

- 1** No additional costs associated with the movement of people, or goods, between the UK and European countries.
- 2** No restriction on economic migration.
- 3** No hard border for UK nationals moving within Schengen.

Delivering on these requirements will ensure that UK fashion, built on the need for flexibility, is not made unnecessarily uncompetitive. It will also provide an important protection to the small and medium sized enterprises that dominate the industry, who may become unable to work across Europe due to the financial and organisational barriers a hard border would instigate. No free trade agreement provides the same level of service liberalisation as an EU membership. Common standards, harmonized IP rules and consumer protection mechanisms, alongside uninhibited market access for fashion industry services is a must. To protect long-term business stability and growth.

"Fashion is an entirely interconnected, international family, everything is knotted together."

UK fashion benefits enormously from encouraging European designers and manufacturers to work and operate in the UK. We should not shut the door to these people as they enrich the products and services the

80%

OF OUR INDUSTRY BELIEVE BREXIT WILL BE BAD FOR EU AND UK FASHION



THE STORY OF A SHIRT



UNITED KINGDOM

A talented, young Scandinavian designer, based in London, develops a shirt.

industry is able to deliver. It also works both ways, as UK nationals seek out valuable experience and employment across Europe, enriching their labour markets.

supported and encouraged to see fashion as less London-centric. A list of production facilities outside of London would be a great start."

As an extension of these programmes, we believe the UK Government must also continue its participation in the Erasmus scheme, offering UK-based students the opportunity to travel and study in Europe during their degree courses, at a manageable cost.

CONTINUED INVOLVEMENT IN CULTURAL, EDUCATIONAL AND BUSINESS PROGRAMMES



LITHUANIA

Using a skilled Lithuanian pattern designer,

The support programmes that the EU delivers at both a regional and grassroots level are not regularly discussed, but should not be underestimated. Creative Europe, Horizon 2020 and the European Capital of Culture are all examples of funding streams and opportunities that support the development of the European creative sectors. Funding for these EU programmes ends in 2020. Fashion Roundtable advocates the UK remaining a part of these programmes post-Brexit. Leaving the EU could mean denying British businesses and regions the opportunity to benefit from the programmes.

"Britain should continue to contribute financially to the EU and therefore continue to benefit from creative projects."

The UK has a world-leading higher education sector, with universities such as Goldsmiths, Nottingham Trent, Manchester, RCA and UAL offering rich and varied courses in the creative arts. It would significantly damage these universities' ability to recruit new students, and diversify their course populations, if UK universities were not a part of the Erasmus programme. It would also send a dangerous signal to young people across Europe, that Britain has closed its doors to their creativity and talent.



PORTUGAL

it is manufactured in Portugal with fabrics from Italy, Turkey and India.

"I am worried about losing EU funding to support development initiatives which promote the human rights of garment workers and their environment."

"Tuition fees and Brexit are threatening the future of Fashion in the UK - and they are points that need to be urgently addressed "

We believe that the UK Government should make a continuing financial commitment to these programmes, to ensure that British businesses and regions can continue to apply for funding and opportunities. Over 80% of those surveyed have asked for continued access. We call on the Government to support the findings of its own Industrial Strategy, which supports creativity as core to the growth of tech, business and industry in the UK, but replacing STEM education with STEAM, placing art and design at the centre of its educational policy, thereby supporting domicile talent pipelines in the long-term for the jobs of today and the future, as this sector continues to grow.

GUARANTEES FOR EU NATIONALS

The right for EU nationals currently working and living in the UK, to remain safely and without concern, should be a fundamental and absolute right we all stand up for. Fashion is not alone, as a sector that benefits culturally and financially from European citizens, and we would be setting an unpleasant and dangerous precedent if we decided not to protect these individuals right to remain. 27% of our survey said they will leave the UK, if the Government does not negotiate a deal with favourable terms to the needs of the fashion industry. Aside from the economic loss, it is the unmeasurable benefits like creative input, love and community spirit that we put at risk. We are therefore calling on the Government to not only guarantee the rights of European citizens in the UK, post-Brexit, but to also allow the European Court of Justice to maintain its protective oversight over these citizens, going forward.

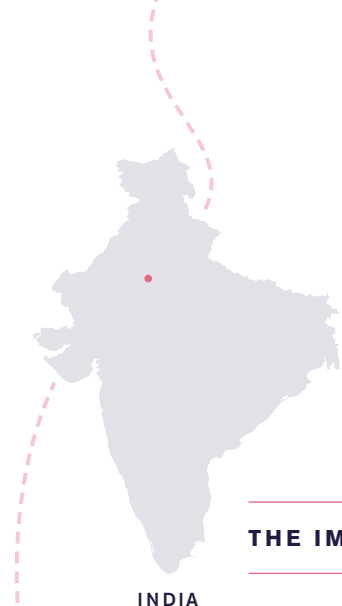


ITALY



TURKEY

"Regional support is poorly valued by the government and insufficiently known by the industry i.e. Leek in Staffordshire has dyeing, printing and production facilities at great prices in adjacent factories - and Stoke on Trent, the nearest station, is only 1h 25 minutes from London. New designers need to be

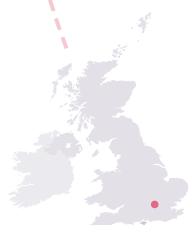


INDIA

The item is then photographed in London.

THE IMPLEMENTATION PERIOD

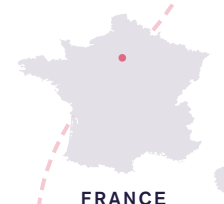
Long awaited, signalled during the Prime Minister's speech in Florence, the UK and European Union's Brexit implementation period will last from March 2019 to December 2020. It was clear from the moment that the Prime Minister enacted Article 50, that there was simply not going to be enough time to agree the UK's new relationship with the EU, in only two years. This implementation period gives both sides the chance to fine tune and bring together the wide variety of stakeholders that must be satisfied with the end-result.



UNITED KINGDOM

wholesaled to international buyers in Paris, France,

From the outset, we have argued the need for such a period, aligned with organisations across various UK sectors. The security and prosperity of our economy relies so heavily on political assurance, and with such a momentous and impactful change, businesses need time. This period also facilitates a greater opportunity for Parliament and the public to scrutinise the Government and engage Departments with ideas, suggestions and concerns. Throughout the last 6 months, our work with the Government has been characterised by the need for fast results, immediate solutions. However, we always maintained that delivering a Brexit that works for fashion, would take time. Time is now what we have.



FRANCE

then retailed back in London to global buyers and consumers.

So what does the implementation period mean for you, as a consumer or a business? Your European friends and colleagues will have the same rights and protections that they do now, in any of the months before December 2020. Your business will be able to engage with European countries, businesses and consumers with the same access and flexibility that you do now. You will be able to benefit from new bespoke trade agreements between the UK and third-party countries, like China, India and Brazil. However, as a country and an economy we will no longer be a 'rule maker', resigned to being a 'rule taker' with regards to EU legislation and treaties. This means that new tariffs, capable of damaging our economy, could be forced on us without a fight or the chance to debate. So where does our 'Brexit manifesto' fit into this new

implementation period and this new political reality. We have been clear from the outset that if we are to remain a member of the Single Market, it must be on the terms we enjoy now. Those advocating for a new and special customs union following December 2020 fail to recognise the fact that this resigns us to the decision making authority of European Member States. If Brexit was a vote to bring back sovereignty, this policy delivers quite the opposite of that. UK fashion benefits from being highly competitive, an international leader in the industry. It would clearly be in the interest of European Member states to improve the prosperity of their own, less competitive firms and brands, by adjusting trading terms in line with the needs of their sectors. This is a risk we would have to accept by joining a customs union, rather than the customs union.

Nonetheless, it does seem that this is the current political direction of travel. However, that does not mean that we have no place within the negotiations. It is quite the opposite in fact. Remaining in the Single Market is undoubtedly the best situation for UK fashion, for Britain's economy and for Europe. To be silenced by even the slightest amount of opposition to this reality is exactly when we should return with a stronger and more informed voice. Guy Verhofstadt, representative of the EU Parliament in the Brexit negotiations, has made it clear that the continuation of the current status quo is what is best for Europe; our approach would not be falling on deaf ears.

This implementation period also acts to guarantee the funding opportunities to 2020. We therefore have an exceptionally positive opportunity to define the dialogue in this area, to ensure that future involvement in these projects are defined by those that benefit from them, rather than those that don't. You should not underestimate how quickly policies like these will drop to the bottom of the pile, unless someone advocates loudly for them. It is why we have included them, and it is why they will be a central point of advocacy for us, at Fashion Roundtable.

This implementation period should be seen as an opportunity, as time has been provided, to deliver a Brexit that works for fashion.



UNITED KINGDOM

FASHION ROUNDTABLE



Our guests at our roundtables and survey respondents included representatives from:

Anna Trevelyan, Ashish, Assay Corporate Finance, BBFA, BEIS, Black Neon Digital, Browns, CHEAD, CIF, CSM, Courtauld, Craig Green, DCMS, DIT, Design Council, Fashion Revolution, Frances Card, Graduate Fashion Week, Howard Kennedy LLP, ISM, Katharine Hamnett CBE, Kingston, LCF, Marko Matysik, matchesfashion.com, NSEAD, Nick Knight OBE, Nick Vinson, Oliver Bonas, Paradise Row, Policy Connect, Pop PR, PUSH PR, RCA, Rainbowwave, Regent's College, Sarah Mower MBE, SHOWstudio, Stephen Jones MBE, The Lobby, V&A, Vogue, Vogue International, Wallpaper, Withers LLP