

H&M Group position on waste as a resource and a secondary raw materials market for the textile and fashion industry

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H&M Group is a firm believer of the EU Green Deal and the green recovery as the only responsible way out of the crisis. H&M Group is committed to tackle climate change, resource depletion and biodiversity loss. We have therefore set ourselves the goal to become climate positive throughout the entire value chain by 2040 at the latest. One of the levers to deliver on these targets is to become 100% circular in all our business operations. By 2030, we aim for 100% of our materials to be either recycled or sourced in a more sustainable way, including 30% recycled materials by 2025. In addition, we **prioritise prolonging the life of garments** by keeping pre-loved garments in use for as long as possible through investing in new circular business models.

H&M Group deeply believes that with our size and presence, we carry large responsibility to lead the way towards circular fashion. **The transition from a linear to a circular model, will require that all policies are reoriented towards prolonging product life and recirculation of resources in a safe and transparent manner.** A circular and sustainable textile and fashion model must be based on two pillars: 1) Circular design requirements to make products more durable and recyclable according to product purpose, that design out waste and pollution, keep products and materials in use, and regenerate natural systems¹ and 2) A functioning secondary raw materials market ensuring post-consumer products' value is retained through prolonging product use and recycled back into new quality products at end of life. This position outlines H&M Group's policy recommendations for pillar 2.

Executive Summary

The prolonging of product life and recirculation of materials is a key piece of the puzzle to limit our environmental impact of production as much as possible as well as a valuable resource for new circular products. By circular products we mean products that are made to last, from safe, recycled and sustainably sourced input that can recirculate multiple times. At H&M Group we have started this journey operating take back systems for garments and textiles since 2013. But to fully scale and realise the needed recirculation of product and materials, we believe **a functioning secondary raw materials market for textiles** will be required. This can be done by:

- establishing **EU-wide harmonised Extended Producer Responsibility (EPR) obligations** to enable collection, sorting and recycling across the EU; including establishing **common and effective EU definitions on specific circular terms, such as durability, repairability and recyclability**. These should be regulated in the upcoming Sustainable Product Initiative (p. 2).
- defining **post-consumer textiles as resources** and defining **end-of-waste criteria for textiles** in line with the EU waste hierarchy. This would enable collected textiles to be a resource and a valuable asset for the industry and the future circular economy (p.3).
- ensuring that **free movement of textile resources for sorting, preparation for reuse or recycling** is simplified within the EU and globally in the revised Waste Shipment Regulation, but also guarantees sound environmental treatment in the receiving country (p.4).
- urgently building up the needed **recycling capacities up to scale and standardise sorting, collection and recycling infrastructures and practises across the EU**.

In parallel, we must create effective markets for new business models that are based on extending the life of products (e.g. leasing and resale) and enabling recycled materials to become price competitive with virgin ones. e.g., through taxes or levies that incentivise the uptake of recycled materials. We must also enable simple and efficient collection systems for consumers. We must keep strengthening consumers' awareness on the importance of extending the life of and taking care of products and delivering them for collection. H&M Group is committed to play a key role in these efforts.

H&M Group sees post-consumer textiles as a *resource*, but given the current status and for the purpose of this position, we refer to collected textiles as waste. **The expected EU Textile Strategy, Waste Shipment Regulation, Sustainable Product Initiative, among others, will represent key opportunities to ensure a true system shift towards a circular textile and fashion ecosystem.**

¹ H&M Group uses the definitions for a circular economy by the Ellen MacArthur Foundation: A circular economy is based on the principles of designing out waste and pollution, keeping products and materials in use, and regenerating natural systems.

Establishing EU-wide harmonised EPR obligations to enable collection, sorting and recycling across the EU

In light of the 2025 separate collection obligation of textile waste, the EU has an opportunity to build one seamless market for recycled resources. For H&M Group being active in all EU markets, we see **an enormous opportunity in establishing harmonised rules on Extended Producer Responsibility (EPR) across the EU to ensure that the textile industry becomes circular.**

Many Member States are currently developing national EPR schemes to implement the collection obligation (e.g. France, Sweden, the Netherlands). **We see such fragmentation of rules across the EU as a risk and a lost opportunity for establishing an effective secondary raw materials market across the EU:**

- it would create obstacles for effective flows of post-consumer wastes across the EU as well as making recirculation of resources more costly;
- it would lead to multiplication of costs and administrative burdens which we believe would deviate resources away from creating positive environmental impacts.

We hence call for defining common rules for EPR across the EU. This would represent an opportunity for us - as global brands - to carry and implement them worldwide. Common EPR rules would allow for larger volumes of collected garments to be managed and recycled at scale in those geographies where more effective recycling infrastructures are available.

The success of incentivising circular value chains will depend on the *objective* and *design* of EPR schemes. Design of Extended Producer Responsibility schemes is crucial to serve as the system that is not just a waste management system, but a system that puts in place the needed infrastructure to effectively incentivise the recirculation of products and materials. Therefore, the key purpose and design requirements of EPR schemes should include:

- **Objective:** It should make producers responsible for the end-of-life treatment of their products, and **future EPR systems should also prioritise incentivising prolonging the life of and recycling of garments** - i.e. keep pre-loved garments in use for as long as possible and recycle the fibres afterwards. H&M Group offers and rewards customers in re-commerce and reuse options as well as repair services of garments. This prolongs the life of products and educates customers about the importance of extending the life of garments.
- **Definitions:** There is a need for **clear and EU unified definitions on what textiles are.** Given the upcoming legalisation on the Sustainable Product Initiative and the Product Environmental Footprint methodology for textiles, it will be paramount that the definitions used for fee modulation in EPR schemes are consistent between legislative initiatives. We call on **defining design for durability, repairability and cyclability² for textile products at EU level under the scope of the Sustainable Product Initiative** and the PEF Product Environmental Footprint Category Rules. Aligned definitions and rules on collection and **sorting standards for recycling** are also key to harmonise across the EU to ensure that collected textiles are handled in a correct manner maintaining value and quality throughout (preparation for) re-use or recycling.
- **Scope:** to **make recycling convenient and easy for consumers**, the scope of products to be collected in an EPR scheme should be as wide as possible, e.g. in addition to garments, home wear textiles and potentially shoes should be included. Further, to avoid any loopholes and ensure fair coverage of the EPR obligation, the scheme should **include producers, distributors and online platforms**, in addition to clearly defined roles of all stakeholders in the scheme. Given the important role charities play in the second-hand market, we believe they should be allowed to continue their activities as today. It will however be important that all stakeholders in the value chain can ensure the needed transparency on streams of post-consumer textiles in the future.
- **Fee-modulation:** EPR fees should reward the extension of life and recyclability of garments. We recommend modulating the fee by **lowering EPR fees for durable and recyclable products and higher EPR fees on non-durable and non-recyclable products.** The amount of collected garments of the brand itself - sorted for reuse or recycling - should lower the annual EPR contribution. Rewarding durability and recyclability will incentivise producers to further invest in business models that keep pieces in use for as long as possible,

² We call on using the definitions developed by the Ellen MacArthur Foundation on **durability**: 'The ability of a physical product to remain functional and relevant over time when faced with the challenges of normal operation'; and use the definitions the Policy Hub - Circularity for Apparel and Footwear - has developed for **design for repairability**; 'means designing long-lasting components that can be easily separated or replaced, making it easier for a product to be repaired, reused or given a second life'; and **design for cyclability** means 'creating products that can be deconstructed and using materials that can be recycled or are industrially compostable at their end-of-life - with no risk emanating from their chemical inputs and a low carbon footprint. This can be achieved through further research and the development of new materials, where current ones do not provide the desired functionality and cyclability'.

e.g. resell or rental and incentivises to improve the product design to increase the durability and meet longevity and recyclability requirements. In addition, **harmonised measurement methods and verification processes for EPR fees** e.g. through a common reporting system at EU level, would also be a major benefit.

- **Flexibility:** As we will need all type of garment collection systems to meet the 2025 collection obligation, therefore **EPR schemes should provide flexibility to allow brand in-store and online take-back systems in addition to the licensed EPR waste collector.** Brand specific systems will incentivise better design of products upstream and will also play a key role in allowing new circular business models. Keeping take back systems in place gives a positive and consistent message to the customer that the unused garments are a valuable resource that can be brought back. Given that take-back collection systems will never catch all discarded garments, brands have a responsibility to finance and support the overall EPR scheme. Brands should be incentivised to continue to have the flexibility to operate take-back systems through the EPR fee modulation structure.
- **Targets:** We believe that future EPR schemes must be designed around ensuring effective resource flows of post-consumer garments to either go to **reuse or recycling of materials.** We believe therefore that targets for *reuse* and *recycling* within EPR systems should be included in an EU wide obligation for EPR, and collectively these should be significantly high. Further work on data and indicators must still be undertaken to set ambitions and realistic targets. These targets (contrary to collection targets) will be the most effective way to incentivise the recirculation of resources. Other targets, for instance on recycled content etc, we believe should be regulated in the Sustainable Product Initiative and the Textile Strategy to ensure policy consistency.
- **EPR funding should finance the scaling and development of full chain collection, automatic sorting and fibre-to-fibre recycling technologies** and ensure they are available across the whole of the EU. Bringing fibre-to-fibre recycling to sufficient scale will be the missing piece from realising a circular fashion model. There is an urgent need to scale these technologies to maximum level across Europe, especially in Eastern and Central Europe. To close this innovation gap, H&M Group sees public-private partnerships as essential to develop the technologies. Further, EPR schemes should contribute to financing the **data collection and developing the methods to ensure transparency and traceability of waste streams and their chemical content.** This transparency and traceability will ensure the safety of recycled materials and their compliance with EU and global chemical policies. We strongly believe that establishing an **EPR obligation at EU level would be an effective policy tool to finance and roll out the needed infrastructure and data collection needed across the EU.**

Defining post-consumer textiles as resources and defining end-of-waste and by-product criteria for textiles in line with the EU waste hierarchy

Today, collected garments are defined as a waste, causing a large barrier from a circular resource perspective both within the EU and globally. We therefore call for **collected pre-consumer and post-consumer textiles to be defined as a resource** given the large positive climate and environmental impacts of extending product life and recovering fibres from recycled garments.

In addition, we call on the EU to develop **clear harmonised EU-wide end-of-waste and by-product criteria in line with the waste hierarchy, clarifying when sorted textiles and prepared for reuse cease to be waste.** We encourage this classification and use of by-products and the status of ceasing to be waste in order not to unnecessarily impair the functioning of the market for by-products and secondary raw materials as needed to achieve a true circular value chain. This will be a key enabler to facilitate smooth trade of recycled fibres across the EU and outside the EU. When developed, these criteria should fully reflect the textile sector' specificities. In line with the waste hierarchy, we call on:

- **Pre-consumer or post-industrial waste, material and product scraps:** these are valuable assets to the industry and can be recycled into new fibres and must therefore be defined as a by-product of textile production. Nevertheless, pre-consumer waste should be limited and designed out as much as possible in the first place.

- **Textile and garments that can be reused:** collected garments sorted and prepared for reuse, must cease to be waste to better support the uptake of new business models, based on prolonging garment use through rental, leasing or resell.
- **Fibre-to-fibre recycling:** for post-consumer textiles that cannot be reused, the material can be recovered through fibre-to-fibre recycling into equal quality fibres compared to virgin material. Very promising technological developments have been made over the last years: fibre-to-fibre material recovery is becoming a reality. Undergoing such treatment should lead to a status where recycled fibres cease to be waste. End-of-waste criteria for fibre-to-fibre recycled materials must keep in mind that textiles are a group of materials, and therefore there is a need to explore the development of end-of-waste criteria for each key fibre material i.e. synthetic materials: polyester, polyamide; natural fibres: cotton, viscose, wool, silk; and blended materials. Further, in some cases, recycled fibres are not the same material as what the input was made of (e.g. chemically recycled cotton makes a viscose-like material). Therefore, textile end-of-waste criteria should put a high focus on ensuring the *quality* and the *value* of the recovered material. Reliable data of the chemical content of recycled materials will be crucial as well to ensure safety and compliance with REACH, any future chemical restrictions and other product policy.
- **Downcycling textile-to-other industry:** closed-loop recycling should always be preferred over open-loop recycling, in line with the waste hierarchy, but in cases where reuse or fibre-to-fibre recycling is not possible, we believe textile-to-other industry fibres should cease to be waste.
- **Energy recovery:** Energy recovery from garment incineration should be heavily disincentivised and should never be seen as a preferred option. Incineration of materials should only be limited to those few garments not suitable for recycling e.g. due to health and safety risks and therefore need to be disposed through incineration. Textiles should never be sent to landfill.

Tackling the presence of chemical legacy and hazardous chemicals in recycled materials, will be a key part of realising circularity. In line with the EU Chemical Strategy for Sustainability, H&M Group has a vision of working towards toxic-free fashion by 2030. H&M Group believes the EU needs to take a **stepwise approach to tackle the issue of chemical legacy**: Firstly, ban the use of hazardous chemicals in virgin materials. Secondly, ban their presence in recycled materials. This would enable recycling today while steering towards safer chemicals. For virgin materials, H&M Group advocates to **establish an acknowledged and harmonised hazard assessment methodology for chemicals**, ensuring that brands can assess what the best available chemicals are from a safety and recyclability perspective. Any chemicals hampering recycling and material recovery should be restricted.

In the context of ensuring that recovered materials subject to an end-of-waste status are both of sufficient quality and safety, harmonised data collection across the EU through **monitoring and data collection on specific waste streams directed for material recycling is needed**. All stakeholders in the value chain must collect information on recycled fibre streams' composition, properties, qualities and chemical content. This would ensure both traceability and quality. This data could be disclosed in the upcoming Digital Product Passports under the Sustainable Product Initiative.

Ensuring that free movement of waste *purposed for sorting, preparation of reuse or recycling* is simplified within the EU and globally and *guarantees sound treatment* in the revised Waste Shipment Regulation

Nowadays, it is more effective and more economical to recycle materials in larger volumes at a few recycling hubs in the EU and abroad. In anticipation of end-of-waste criteria for textiles, it will be key to not restricting cross-border shipment of post-consumer waste purposed for collection, preparation for reuse or recycling. This would be an obstacle for the fashion industry to become fully circular. **We therefore very much welcome the EU's intention to simplify and digitalise the authorisation process in the revised Waste Shipment Regulation allowing post-consumer waste to be shipped for the purpose of sorting, prepare for reuse and recycling.**

The textile and fashion industry is a global sector: many of the recycling operators and related infrastructure are located outside the EU, with most of the yarn and fabric producers located in Asia. Well-functioning circular pathways connecting secondary raw materials with production cycles in a global value chain, is crucial. To continue to be competitive and transition towards a circular production model for textiles, transboundary shipment of waste should not be limited to the EU. We support the aim of making the EU a frontrunner in recycling infrastructure, but we also support the further roll out of those infrastructures globally. The EU's waste problem cannot be exported abroad: shipment of waste without clarity on the receiving country's recycling and waste treatment capacity should stop. **To**

guarantee that materials are indeed reused and recycled properly in the receiving country, shipments must be linked to strict recycling requirements, and visibility on the country's capacity and infrastructures in line with high environmental standards. A global solution to shipment and traceability of collected garments purposed for sorting, preparation for reuse or recycling will ensure recycling infrastructure to be available within the EU and globally and deliver effective *global circular value chains*.

As a few examples, under the current waste shipment rules, H&M Group and its garment collection partner face regulatory challenges with waste shipment purposed for reuse and recycling both within the EU and globally today:

- **Within the EU, in Hungary,** no feasible local sorting provider is available to us. Providers shall register as waste collectors with local authorities, which is not allowed for foreign companies. Working with a German service provider, and so without the requested registration, H&M Group's garment collector cannot trade the collected textiles within Hungary or with the EU.
- **Outside the EU, in Serbia,** to be able to export the collected garments from the in-store collection system, a Certificate of Origin needs to be issued on the condition that the goods are treated in one way or the other in the country. Currently, collected garments are pre-cleaned before shipment for reuse or recycling. Such certificates of origin for post-consumer textiles do not incentivise circular economy and rather add on administrative complexity.

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