

H&M Group's view on the Draft Policy Program for Circular Textiles

Netherlands, June 2024

Overview

H&M Group is dedicated to addressing climate change, resource depletion, and biodiversity loss. Our climate objective is to reduce our absolute scope 1, 2, and 3 greenhouse gas emissions by 56 percent by 2030, using 2019 as the baseline, with the long-term goal of achieving net-zero emissions. A key strategy to meet our climate targets is adopting circularity, moving away from the traditional linear approach of the textile sector. We aim for 100% of our materials to be recycled or sustainably sourced by 2030, including 30% recycled materials by 2025. Additionally, we focus on extending the life of garments through circular business models that keep pre-loved items in use as long as possible.

Recognizing the significant journey ahead for the entire industry, H&M Group acknowledges the need for systemic change. With our substantial size and influence, we are committed to leading the transition to circular fashion. This shift from a linear to a circular model necessitates reorienting policies toward sustainable product design, prolonging product life, and ensuring the safe and transparent recirculation of resources.

Engaging in the consultation process for the "Draft policy program circular textiles 2025-2030", allows H&M Group to contribute its expertise and insights, ensuring that the regulations and frameworks developed are practical, impactful, and conducive to large-scale adoption. We recognize that achieving sustainability goals is not a solitary endeavour but requires collective action and collaboration across the industry and with policymakers.

1. Resource Reduction Measures

Less Production and Consumption

H&M Group is a global company that consists of fashion and lifestyle brands, businesses and ventures. We have a longstanding commitment to offer our customers the best combination of fashion, quality, price and sustainability. Across our entire value chain we strive to make a positive impact on people, the planet and the economy. Our vision is to lead the change towards a more sustainable and circular fashion industry. This includes using our size and reach to influence the wider industry, and to scale the infrastructure and innovation required for this transformational shift. For our business and communities to thrive within planetary boundaries, we aim to decouple financial growth from the use of finite natural resources. Our goal is that by 2030 at the latest we will double sales while at the same time halving our greenhouse gas emissions in line with our targets, which have been verified by the Science Based Targets initiative (SBTi). To achieve both, we are innovating, incubating, and investing in scaling new materials, technologies and business models.

We believe that all products entering the European Single Market must comply with both existing and forthcoming legislation. To achieve this, it would be an efficient way to speed up the revision of the EU custom code reform (UCC) that today creates a loophole for companies that are shipping products from outside the EU directly to customers. We strongly support EU Commission's proposal to revise the UCC and abolish the De Minimis-rules. At H&M, we are importing all our goods ourselves, meaning we are fully taking our importer responsibility, including requirements on quality testing of durability and safety. As an example, we ensure that our products are free from dangerous chemicals. However, due to the current De Minimis rules, companies can transfer this responsibility to the individual customer if the value of the consignment is below 150 euros. This means that companies can escape their responsibility and put unsafe products into EU markets.

Transparency and Labels

H&M Group has a long tradition of transparent reporting, supply chain disclosure, and helping our customers to make more informed choices. We believe that transparency is key to driving positive change in our industry. By enabling comparability, transparency helps customers make informed choices and incentivises companies to innovate and improve.

Transparency is key to driving sustainable change across the industry as it creates both comparability and accountability, ultimately leading to positive change. It has always been a core component of our sustainability strategy, and we have been committed to pro-actively increasing our level of transparency for many years. **H&M Group firmly believes that any regulation regarding mandatory sustainability information should be kept under the umbrella of the Ecodesign for Sustainable Products Regulation (ESPR) with the corresponding Digital Product Passport (DPP), and kept with alignment with the existing frameworks, such as the EU Textile Labelling Regulation (TLR), or the rather than creating additional, separate regulations.** This approach will ensure consistency, avoid redundancy, and facilitate easier compliance for businesses operating within the European market.

With regards to sustainability communication, H&M Group believes that transparent communication at both product and corporate levels is essential to drive change. Transparency, through trustworthy, comparable, and clear information, can empower customers to make sustainable choices for the environment, people, and communities. It also incentivizes companies to track, measure, innovate, and take initiatives. **H&M Group hence supports and welcomes the European Commission's efforts under the Green Claims Directive. A carefully crafted legal framework should be based on common measurement methodologies and a coherent, harmonized approach at the European level.**

2. Resource Substitution Measures

Sustainable and Recycled Materials

Innovative technologies need support from all stakeholders in the industry from start to scale up. H&M Group has created an ecosystem together with innovators, approaching them at the right stage with the right support, while ensuring we can scale up and integrate these materials into our business when they are ready. We invest in technologies and scale up of innovative, recycled and sustainably sourced materials. In 2023, our total spend on recycled and sustainably sourced materials in the commercialisation and scale up stage, and on decarbonisation (e.g. energy efficiency investment in our stores and supporting our suppliers to phase out coal), was approximately SEK 2.1 billion. **We therefore call on defining mandatory sustainability information on sustainable materials within the framework of ESPR. A possible mandatory application of bio-based materials through policy and legislation should therefore also take place at European level in order to create a harmonized market.**

In addition, we see the need for adopting eco-design measures on recycled content in the Delegated Act for textiles (ESPR). Today, textile recycling technologies have very different quality outcomes depending on the material inputs e.g. natural fibre recycling such as cotton is today resulting in a shorter fibre length compared to the virgin fibre leading to trade-offs between eco-design measure such as durability, functionality and integrating recycled content. Due to this, setting product level targets will make it highly challenging for the industry to deal with these trade-offs when designing products. **We therefore strongly recommend setting recycled content performance requirements at material portfolio level to effectively balance existing quality limitations of recycled materials in the ESPR.**

Finally, the fashion and apparel industry is highly-committed to scaling textile recycling. However, existing recyclers and innovators are currently relying mainly on post-industrial waste (offcuts) feedstock as a steppingstone to test, calibrate and reiterate their technologies. Primary reason being that the quality and reliability is high when it comes to post-industrial feedstock. As the availability of high-quality post-consumer feedstock today is still limited, post-industrial is utilized for the development of these technologies. The recycling technology landscape is set to radically shift with the emergence of high-grade textile to textile recycling innovations in the next few years. These technologies will drive the uptake of post-consumer feedstock thereby significantly increasing post-consumer waste content in textile products. **We therefore strongly recommend allowing both recycled post-industrial waste to count towards future recycled targets in addition to post-consumer waste feedstocks, to truly drive and accelerate the textile to textile recycling industry.**

Microplastics

Our industry's best knowledge on microplastics is based on research conducted by the Microfibre Consortium (TMC) – a science-based industry alliance which has committed to clarifying and eliminating the problem of fibre shedding by 2030. We also work together with the Cross Industry Agreement (CIA), a voluntary industry collaboration for the prevention of microplastic release into the aquatic environment

during the washing of synthetic textiles. **Based on the expertise of TMC and CIA, we would like to underline that, although immediate measures are necessary, more research is needed to understand the release modes of microplastics.** This urgent need to further investigate the release modes of microplastics was notably recommended by an EEA report on microfibre release from textiles, published in March 2021. Within this report, under the section 'Increasing knowledge and awareness', it is emphasized that this research need is particularly important for microfibres - a type of persistent microparticles released from textiles. Microfibres composition and fibre shape make them different to microplastics. The mechanisms for microfibres release and their impacts on humans and the environment are complex and still largely unknown.

We do not recommend the systematic industrial pre-wash of clothes. The global nature of textile value chains would make it hard to regulate microfibre release at production. It removes the problem from the EU jurisdiction into geographies over which the EU has little to no influence. Pre-wash requirements would have very limited impacts: in every wash shedding will occur, mainly in countries where wastewater treatment might not be implemented. To our understanding and to ensure impactful measures at production phase, several angles should be investigated: notably how to stop the microfibers release through wastewater discharge, impacts of cutting textiles methods, etc. **Therefore, we call for an impact assessment to cover all the production stages to ensure that the industry has a thorough understanding of the key impact areas and appropriate measures can be implemented.** H&M Group would support manufacturing-based interventions through providing the pending release of the TMC Manufacturing Guidelines (which include manufacturing best practices around water filtration within industrial facilities) to a broader industry outreach supported by the EU network. This action will support a consistent and aligned approach at the manufacturing level.

Finally, we would like to caution against a belief that, in terms of microfibre release, natural fibres are less impactful than synthetic fibres. We believe that this assumption needs to be proven in a science-based way. Natural fibres are generally enhanced with persistent chemical additives, e.g., dyes. We need a sound scientific assessment on the toxicity of these additives, and on how they hinder the natural fibre degradation. We would like to highlight, that concerns related to the biodegradability of natural fibres were also raised in the above-mentioned EEA report ('The design and production pathway' section). Our industry needs design requirements which target materials with the high rates of microfibre release, irrespective of whether they are made from synthetic or natural fibres. **We are strongly convinced that these design measures should be introduced under the Ecodesign for Sustainable Products Regulation (ESPR), not under a different piece of legislation, and only once sufficient scientific impact analysis of such measures has been performed.**

Chemicals

H&M Group has a long history of working with proactive chemical management and have a vision to secure safe chemicals in our value chain. As such, we have implemented several group-wise restrictions of the most harmful chemicals ahead of regulation, including a generic restriction of PFAS in both products and production already in 2013.

H&M Group agrees with the principle of restricting the most harmful chemicals, as well as any chemicals found to hamper recycling and material recovery processes - **we have long awaited regulatory actions in this area and look forward to a levelled playing field. We were among the first to sign ChemSec's Corporate PFAS movement 'No to PFAS' in 2020, calling for efficient PFAS regulation.**

While we welcome the broad restriction of PFAS, it is pivotal that chemical legislation remains harmonized in the EU.

3. Life Extension Measures

Quality and Design

H&M Group welcomes the European Commission's proposal for a Regulation on Ecodesign for Sustainable Products and the development of product specific requirements. In our view, this will provide the needed granularity to drive change towards more circular, durable, and recyclable products and as such is a major milestone in the EU's transition towards a circular economy. **We advocate that a possible ESPR regulation for footwear should also be discussed not at national, but at European level.**

Repair & Secondhand

As a leading fashion retailer, H&M Group is pioneering accessible and engaging circular fashion services aimed at extending product lifecycles through repair, prolonged use, and multi-user circulation before recycling. Our vision transforms fashion consumption by offering innovative designs and convenient access that rival the appeal of new purchases. We aim to reduce resource consumption significantly, focusing on sustainable product design, optimal material choices, and renewable energy in production to achieve ambitious climate targets.

To realize these goals, we prioritize customer-centric circular business models that promote garment longevity and increased utilization. We view reuse and repair as essential strategies not only for environmental sustainability but also to democratize access to affordable, sustainable fashion worldwide. These initiatives, such as extending product life through repair and sorting used garments, also create substantial employment opportunities within the EU.

H&M Group embraces diverse circular business models aligned with the Ellen MacArthur Foundation's principles, exploring repair, reuse, and remake strategies. While second-hand resale is prevalent among reuse models, we also explore rental, subscription, and leasing options, despite varying environmental impacts.

Scaling these models remains challenging due to profitability concerns, necessitating supportive policy frameworks. **Critical measures include reducing or eliminating VAT on second-hand sales to incentivize reuse and repair efforts. While existing VAT reduction schemes for second-hand goods are beneficial, their administrative complexity limits their effectiveness. Optimal policy support would entail full VAT exemption on second-hand goods across the EU, applicable to both reuse models and post-preparation resale scenarios.**

4. Measures for High-Quality Processing

Collection

H&M Group launched Looper Textile Co., an independent joint venture with Remondis, to provide local municipalities and retailers with solutions to extend the useful life of unwanted garments through reuse and recycling. This initiative is part of our broader efforts to invest in key processes, visibility, and technology that enhance the likelihood of extending the lifecycle of unwanted garments.

We changed our global sorting partner for our garment collecting initiative to Remondis. Through our existing in-store garment collecting initiatives, H&M Group collected 16,855 tonnes of used products, compared to 14,768 tonnes in 2022. **We emphasise the importance of safeguarding existing take-back systems in stores during the implementation of the proposed EPR system under the Waste Framework Directive. These systems, managed by diverse stakeholders such as brands with in-store and online take-back initiatives, like H&M, as well as charitable organisations, play a pivotal role in advancing the transition to a circular economy, notably as the collection of used clothes is the first step in closing the loop.**

Our primary focus for garment collecting has been to integrate and deepen our partnership with sorting partners, including Remondis and Looper Textile Co. Together, we are investing in progress around key processes, visibility, and technology. H&M Group continues to strengthen recycling infrastructure, which is crucial for increasing local textile recycling, and to advocate for clear sorting and shipping requirements. We recognize the complexity and industry challenges of the current linear used textile flows and are working to enhance our strategy for end-of-life textiles, including garment collecting.

Extended Producer Responsibility

In light of the revision of the Waste Framework Directive (WFD), H&M Group remains fully committed to the green transition of the textile sector and supports solutions via EU legislation to address unsustainable practices that harm the environment. While we share and support these objectives, we believe these solutions should be found in the appropriate legislation. We are concerned about the late addition in the WFD proposal of extra criteria to the ecodesign requirements used to define the ecomodulation of EPR fees. **We believe that harmonization within the European Union is critical. Further, we prefer if eco-modulation is aligned with eco-design requirements to be set under the Ecodesign for Sustainable Products Regulation.**

The chosen non-environmental criteria have not been substantiated by an appropriate socio-economic study or stakeholder consultation. This could lead to a risk of penalizing good practices with criteria that are not grounded on robust data or harmonized definitions, such as weight and quantities.

Given the nature of the Waste Framework Directive, H&M Group strongly believes there is a risk of internal market fragmentation and an uneven playing field due to Member States modulating Extended Producer Responsibility fees differently. Allowing EU Member States to choose the fee structure will hinder the harmonization objectives of the Directive and send contradictory messages to the industry. Additionally, the interpretation of ill-defined concepts like “overproduction” or “overgeneration of waste” may vary from one Member State to another, unintentionally causing harm to businesses that were not initially targeted by the proposal.

We strongly advocate for maintaining the focus of the Waste Framework Directive revision on improving the overall environmental outcome of textiles’ waste management. H&M Group reiterates its full support for the objectives of the Waste Framework Directive revision and the Ecodesign for Sustainable Products Regulation but firmly believes that defining requirements for eco-modulation fees should be consistent with the developments of eco-design requirements under the Ecodesign for Sustainable Products Regulation and future delegated acts on textiles.

We also note that the proposal for the Draft Policy Program for Circular Textiles includes concrete targets for Extended Producer Responsibility (EPR) for shoes. H&M Group emphasizes that successful textiles EPR systems rely on harmonization. This includes aligning reporting content with standardized product categories (e.g., Harmonized System codes), terminology, and units of measure. Harmonization should also extend to reporting processes, such as annual reporting formats and databases, to ensure a consistent and comprehensive understanding of textile flows. **We therefore call for any possible EPR system for footwear to be introduced only within the framework of the European WFD systems.**

For more information

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