We strive to reduce, reuse and recycle wherever we can – packaging, hangers and shopping bags, to name a few examples. However, the biggest concern is the actual clothes and textiles, and what happens when consumers no longer want or need their garments. Today, far too much fashion goes out with the household waste and ends up in landfills.

According to a study conducted by WRAP, around one-third of clothing in the UK goes to landfill, while the U.S. Environmental Protection Agency (EPA) estimates that textile waste occupies nearly 5% of all landfill space in the US. About 95% of this could be reused or recycled. This is why we need to change something about the fact that resources are extracted on one end and wasted on the other. This opens up great opportunities. A new source for making new garments with low-impact materials, for example, while reducing waste and minimising the need for land, water, chemicals and more to make virgin raw materials.

>wrap.org.uk
>epa.gov
COMMITMENT FIVE – REDUCE, REUSE, RECYCLE

Performance overview

Our Conscious Actions

You can find boxes like this near the checkout at almost every H&M store around the world.*

This is where you drop off your old clothes to give them a new life. We happily accept clothes in any condition and from any brand.

From here, collected garments are sorted and reused or recycled. Nothing goes to waste.

We have already made some 1.3 million pieces using 20% recycled cotton from our garment-collecting initiative.

To increase this share, without compromising quality, more technological innovation is needed. We are positive to overcome these challenges and invest in promising initiatives and projects.

*For franchise markets at least one store per market. For new non-franchise stores, garment collecting systems must be implemented max. six months after opening.

Key performance 2015

We are one of the biggest users of recycled polyester in the world.

We entered into a partnership with Ellen MacArthur Foundation to further develop towards a circular business model.

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<thead>
<tr>
<th>TONNES OF GARMENTS COLLECTED IN OUR STORES</th>
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<tr>
<td>2013</td>
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## Performance overview

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<th>PROGRESS OVERVIEW</th>
<th>TIMELINE</th>
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<tbody>
<tr>
<td><strong>FOCUS – CLOSE THE LOOP ON TEXTILE FIBRES</strong></td>
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<tr>
<td>5.1 NEW – ENTER STRATEGIC PARTNERSHIP WITH ELLEN MACARTHUR FOUNDATION</td>
<td>2015</td>
<td>DONE</td>
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<tr>
<td>5.2 INCREASE THE NUMBER OF COLLECTED GARMENTS</td>
<td>YEAR-TO-YEAR</td>
<td>ON TRACK</td>
</tr>
<tr>
<td>5.3 MAKE 300% MORE GARMENTS OUT OF RECYCLED FABRIC FROM COLLECTED GARMENTS</td>
<td>2015</td>
<td>ON TRACK</td>
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<tr>
<td>5.4 USE RECYCLED POLYESTER EQUIVALENT TO AT LEAST 60 MILLION PET BOTTLES</td>
<td>2015</td>
<td>ON TRACK</td>
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<tr>
<td>5.5 INVEST IN CLOSED-LOOP INNOVATION</td>
<td>YEAR-TO-YEAR</td>
<td>ON TRACK</td>
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<td><strong>FOCUS – WASTE</strong></td>
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<tr>
<td>5.6 RECYCLE AT LEAST 95% OF WASTE HANDLED IN OUR WAREHOUSES</td>
<td>2015</td>
<td>DONE</td>
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<td>5.7 INCREASE THE SHARE OF H&amp;M STORES THAT RECYCLE THE MAIN TYPES OF STORE WASTE</td>
<td>2015</td>
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Our mission

We want to move towards a 100% circular business model. This means nothing less than completely turning around how our industry has been operating for decades – moving away from a linear production model to one that uses once-created products as the resource for new desirable fashion. In the short term, this will help keep textiles from ending up in landfills. In the long run, this can change the way fashion is made and used and massively reduce the need for extracting virgin resources from our planet. It will also give us direct access to environmentally conscious resources for our designs.

To make sure that this happens, we need to make it easy and attractive for our customers to drop off any clothes and home textiles they no longer want or need at our stores. But there are many challenges to overcome. We do not have all solutions on hand today, but we are convinced that going circular is the future. What we can do at present, is set the path and lead the way forwards.

Our strategy

The fashion industry is using more resources than the planet allows. As demand increases, so will waste, pollution and carbon emissions while resources will become increasingly scarce. Moving towards a circular model will be key for our future success and growth. This is why we are currently working to update our sustainability strategy. As a first part of this, we have set the vision of becoming 100% circular, including only using recycled or other sustainably sourced materials and taking a circular approach in how products are made and used. The strategy is being formed in dialogue with the strongest partners, thinkers and leaders, including Ellen MacArthur Foundation.

Our first step towards closing the loop took place in 2013, when we started to offer our customers an easy option to not let fashion go to waste and began collecting unwanted garments and home textiles of a critical mass. Together with our partner I:CO, we offer this service in almost all H&M (brand) stores globally and in an increasing number of stores of our brands & Other Stories, Weekday and CLOSING THE LOOP

Step one: Don’t let fashion go to waste.
Step two: Ensure the longest possible use, for example through second hand usage.
Step three: Recycle into new products.
Focus: Close the loop on textile fibres

Monki. This way we can help reduce the number of garments that end up in landfills and fuel the demand for textile recycling capacity.

We follow the waste hierarchy for both the garment collecting programme and our products. In the first place, we seek to extend the life of a garment. This means striving for long product durability and facilitating secondary use, for example second hand sales. In November 2015, we invested in Sellpy, a Swedish startup company offering an on-demand service that helps people to sell clothes and items that are no longer being used through an online sales service. Sellpy has introduced an innovative sustainable retail concept and new exciting ways to shop in line with our own business concept: fashion and quality at the best price in a sustainable way.

When a garment is no longer used, recycling is the best option – ultimately into products of the same or higher value. We are increasing the share of such materials in our products. While technology still limits this kind of recycling on a large scale, we are creating demand for further innovation and investing in exciting innovation ideas. Additionally, through the Global Change Award, the H&M Foundation has created one of the world’s largest competitions to protect the earth’s natural resources by investing in close the loop innovation, providing grants of one million euro annually (s. 7.9).

> ellenmacarthurfoundation.org
> ico-spirit.com
> sellpy.se
Interview with Dame Ellen MacArthur, Founder of the Ellen MacArthur Foundation

**In short, what does circular economy mean?**
The circular economy is essentially a different economic model that keeps products, components and the materials within them at their highest value and utility at all times. It can best be described by comparing our current linear ‘take-make-dispose’ economy, which essentially requires cheap energy and materials, with one that by design uses materials and energy in a much more efficient and effective way.

**What are the key steps for a fashion company to become circular?**
Look at where products, i.e. garments, can be valorised at a higher level. This can be approached in several ways in the fashion industry. Possibilities range from the simple recovery of garments, and therefore the creation of a flow of textile fibres back into the garment production system and/or the wider economy, to providing fashion as a service. The latter approach would incentivise higher quality garments designed to be ‘serviceable’ and ultimately disassembled into their constituent materials.

**What are the opportunities that come with it?**
The opportunity is to recover some of the USD 71 billion worth of textiles lost from the global economy each year. In the case of new business models, for example, providing products as a service instead of following the traditional sales model has been shown to have the potential to both be more profitable for producers and reduce costs to users. Overall, there is a chance to play a part in an economy that is regenerative and restorative and therefore unlocks more value.

**Where do you see the biggest challenges?**
The key challenge is to move away from the practices conceived in a linear economy: fashion industry business models, infrastructure and garment design are optimised for clothing having virtually become a fast moving consumer goods. Overcoming this linear lock-in will require new innovation and changes in business practices that create reverse flows of materials and valorise clothing at a higher level.

**From your perspective, where do you see H&M on the way to circularity?**
H&M has embraced circular economy with its CEO Karl-Johan Persson himself endorsing the model at H&M. This is a pretty good start when it comes to accelerating H&M’s adoption of circular practices at scale. H&M has also put in place several initiatives that demonstrate a commercial commitment to a circular economy and provide a solid base for a wider transformation. They include the in-store clothing collecting scheme and H&M’s increasing number of products containing up to 20% recycled cotton. It will be interesting to see the future impact of this momentum from a revenue and scale perspective.

**What would you like to see from H&M moving forward?**
I would like to see H&M build on its experience with circular models and explore additional opportunities, in particular by rethinking the design of its products, experimenting with innovative business models and extending circular economy thinking to its wider operations.

The whole industry’s supply chains will be instrumental in the success of these innovations. We would be very interested in seeing H&M adopt a leadership role in the industry’s transformation. This could take the form of exploring collaboration opportunities, new business models and innovative incentive structures that would encourage a shift in the industry away from a focus on volumes and throughput to a more systemic perspective.

Focus: Close the loop on textile fibres
Our Conscious Actions

**NEW 5.1 Enter strategic partnership with Ellen MacArthur Foundation**

To further develop our strategy and fuel collaboration across industries to make a closed loop happen, we entered a partnership with the Ellen MacArthur Foundation in 2015. Established in 2010 by Dame Ellen MacArthur, a British sailor and world record holder for the fastest solo circumnavigation of the globe, to accelerate the transition to the circular economy, the organisation has emerged as a global thought leader for the circular economy. We are one of so far seven Global Partners jointly developing the circular agenda further and promoting and sharing innovation.  

> ellenmacarthurfoundation.org

“Operating in a key sector of the global economy, H&M’s vision for applying circular models represents a significant opportunity to scale up the transition.”  

Dame Ellen MacArthur

**5.2 Increase the number of collected garments**

Our customers can drop off any clothes and home textiles they no longer want or need at almost all* H&M (brand) stores around the globe — in what is probably the world’s biggest retail garment collecting system. Since we launched our garment collecting initiative in 2013, we have gathered more than 22,000 tonnes of garments to give them a new life. In 2015 alone, we collected 12,341 tonnes, which is equivalent to more than 61 million t-shirts. All items are taken care of. Nothing goes to waste. Currently most of the fibres are reused, for example, as second hand clothes, or recycled into your next cleaning cloths or into the first new yarn to make new clothes.

*For franchise markets, our minimum requirement is to include at least one store per country and for newly entered markets, the system should be up and running six months after the first store opening at the latest.

Since the start in 2013, we have collected over 22,000 tonnes of old garments for reuse and recycling — that’s as much fabric as in more than 100 million t-shirts.

Using your clothes for as long as you can is, of course, the best option. Once garments become unusable, recycling them into new yarn for making new products is what will create a closed loop. The recycled yarn is blended with virgin yarn and to date, with current mechanical recycling technology, one single product can contain up to 20% recycled post-consumer fibres without any loss of quality or longevity. To increase this share and enable large-scale production, we are creating demand and investing directly in the required technical innovation (s. 5.5).

We are also raising awareness amongst our customers to not let fashion go to waste. In 2015, we launched an inspirational viral video reaching over 10 million people globally and sending the message “There are no rules in fashion but one: recycle your clothes.”

In parallel, we could see in customer surveys that the awareness of our garment collecting programme increased significantly amongst H&M customers. Along with our customers, we can make a change — and make it smooth and easy to never let fashion go to waste.

**TIMELINE**

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**TONNES OF GARMENTS COLLECTED IN H&M STORES**

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Please find an independent assurance statement related to GRI G4 EN1 on p. 123.
Focus: Close the loop on textile fibres

Our Conscious Actions

5.3 Make 300% more garments out of recycled fabric from collected garments

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It is an important step to keep textiles from ending up in landfills. But we want to do more. We want to turn unwanted clothes and home textiles into an innovative resource for new, fresh quality pieces. In short: we want to create a closed loop for fashion.

In early 2014, we took the first big steps in this mission and made the first products with at least 20% recycled material from collected garments. With today’s mechanical technology, it is mainly possible to recycle natural fibres such as cotton and wool. Cotton is an important fibre for H&M and since 2014, we have launched increasingly more products containing up to 20% recycled cotton across our entire range.

There are a number of challenges on the way to increasing these figures even further, for example import barriers for used clothes in major production markets such as Turkey and China. There are also technological challenges that currently do not allow for more than 20% of recycled cotton without loss of quality, which is something we try to overcome by investing in technology (s. 5.5).

For 2015, our target was to increase the number of items made with at least 20% recycled fabric from collected garments by more than 300% compared with 2014. And we did it, resulting in 1.3 million garments in total. Still, this is just a first step to what we want to achieve: a closed loop for fashion.

5.4 Use recycled polyester equivalent to at least 60 million PET bottles

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We use a range of recycled materials in our collections, such as recycled cotton, wool and polyester. Using recycled materials in general matters and takes us one step further to our vision of becoming 100% circular and renewable. Recycled materials in particular have two major benefits – they reduce the need for extracting virgin resources and less waste ends up in landfills.

Recycled polyester is one important material. It doesn’t need any of our world’s limited oil resources; instead it is usually made from PET bottles that may otherwise have ended up in landfills. In 2015, we exceeded our goal of using recycled polyester equivalent to at least 60 million PET bottles. In fact, we used recycled polyester equivalent to more than 90 million PET bottles (2014: 40 million, 2013: 40 million). Even though this is a considerable amount, recycled material still has a lot more potential and currently represents only around 1% of our total material use, a figure that we expect to increase as we move closer to a closed loop for textiles in the coming years. So drop your PET bottles at your nearest recycling depot and you may see them again as a beautiful dress or as superlight and functional sportswear.

5.5 Invest in closed-loop innovation

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There are certainly challenges on the road towards a closed loop for textiles. For example, the fact that we currently cannot make products with more than 20% recycled cotton from collected garments without a loss in quality and durability. By creating demand for solutions and actively working with innovators and scientists, however, we are positive that we can overcome these challenges. We are currently involved in a number of different promising initiatives and projects. For example, together with Kering, we have entered into a partnership with the UK-based innovation company Worn Again, which is developing technologies for textile-to-textile recycling.

> wornagain.info

In 2015, some 1.3 million pieces were made with closed loop material. That’s over 300% more compared with 2014.
Focus: Waste

Our mission

Like any other organisation, we generate waste such as cardboard, paper and plastic. This is something we want to avoid wherever possible in our stores, offices and warehouses. It helps save both money and natural resources. For waste that cannot be avoided, we need to make sure we reuse and recycle as much as possible. The advantage is that we also have a great opportunity to help reduce waste impacts way beyond our operations, for example by using waste as a resource for new, high-quality products and by making it easier for our customers to reduce and recycle waste at their end.

Our strategy

Our aim is to send as little waste to landfills as possible. We follow the European waste hierarchy. We are focusing on our warehouses where most of our operational waste is handled. We are currently implementing waste recycling systems in our stores. We are also using cut remnants and post-consumer waste to make shopping bags and new clothes. Through our garment collecting initiative, we give our customers convenient means to dispose of used clothes and give them a new life s. 5.2) rather than throwing them in the garbage.

>hm.com/waste
>ec.europa.se/waste/framework
Focus: Waste

Our Conscious Actions

5.6 Recycle at least 95% of waste handled in our warehouses

The majority of the waste that we generate is handled in our warehouses. In 2015, this was around 50,000 tonnes* (2014: 46,000t, 2013: 35,000t) and consisted mainly of cardboard (65%), paper (10%) and plastic (7%). Our goal is to recycle 95% of this waste. In 2015, we almost achieved our target by reaching 94% (2014: 91%, 2013: 92%). We will continue to work towards recycling at least 95%.

5.7 Increase the share of H&M stores that recycle the main types of store waste

While much of the waste generated in our stores is sent to our warehouses and recycled from there, we want to make sure that the remaining waste is also handled in the best possible way. We are focusing on our largest brand’s stores, H&M, and the most common types of waste, namely cardboard, plastic and paper. Much depends on existing recycling systems in the community or the building where we rent space, for example. While these can pose serious challenges locally, over the last year we further increased the share of stores that have recycling systems for these types of waste in place to 61%* (2014: 58%, 2013: 47%). Our aim is to further increase this share and ultimately reach 100%.

94% of the waste handled in our warehouses is being recycled.

*In last year’s sustainability report 32,000 tonnes was reported for 2014. Due to improved data collection methods we have corrected that figure to 46,000 tonnes.

*Extrapolation based on data available for 95% (2014: 93%) of H&M (brand) stores.