We strive to reduce, reuse and recycle wherever we can: packaging, hangers and shopping bags, for example. But the really big question is what happens to clothes when consumers no longer want them. Many countries have great systems in place to, for example, donate clothes to charities. Still, too many clothes end up in landfills. According to a study conducted by WRAP, some 31% of all textiles in the UK end up in the garbage. According to the Environmental Protection Agency (EPA), 5% of landfills in the US consist of textiles. About 95% of these could be reused or recycled. So, 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.
COMMITMENT FIVE – REDUCE, REUSE, RECYCLE

Performance overview

Recycled polyester is often made of PET bottles. And we used the equivalent of almost 40 million bottles.

In 2014, we introduced the first pieces made with 20% recycled cotton from such collected clothes. To increase this share without losing quality, we need more technological innovation.

We are working hard to overcome this challenge and we are investing in the innovation we need to create a closed loop for fashion.

For 2015, our target is to increase the number of pieces made with at least 20% recycled fabric from collected garments by more than 300% compared to 2014.
Performance overview

**PROGRESS OVERVIEW**

<table>
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<tr>
<th>FOCUS – CLOSE THE LOOP ON TEXTILE FIBRES</th>
<th>DEADLINE</th>
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<tr>
<td>5.1 Increase the amount of collected garments, set baseline and target moving forward</td>
<td>2014</td>
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<td>5.2 NEW Make 300% more garments with recycled fabric from collected garments compared to 2014</td>
<td>2015</td>
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<td>5.3 NEW Invest in closed-loop innovation</td>
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**FOCUS – WASTE**

| 5.4 Recycle at least 95% of waste handled in our warehouses | 2014     |        |
| 5.5 Increase the share of H&M stores that recycle the main types of store waste | 2014     |        |
| 5.6 NEW Use recycled polyester equivalent to at least 60 million PET bottles | 2015     |        |

*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 6 months after the first store opening at the latest.*
Our mission

We are on a mission to close the loop for textile fibres, turning old clothes into new creations. 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 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 they no longer want or need at our stores. Another challenge is that the yarn made from recycled natural fibres is currently not strong enough to make high-quality fabrics without being blended with virgin material. So, we need to help find innovations to overcome this challenge and also find new ways to recycle other kinds of materials, too.

Our strategy

We teamed up with one of the world leaders in textile recycling, I:Collect (I:Co) to collect unwanted clothes in all our markets – from any brand and in any condition. We have placed easily accessible collection boxes in almost all H&M (brand) stores, rewarding contributors with discounts as thanks. All collected clothes are then reused or recycled. At the moment they are used, for example, as second hand clothes or recycled into your next cleaning cloth or into the first new yarn to make new clothes. Nothing goes to the landfill. We work with suppliers and other stakeholders to increasingly recycle collected garments that are not suitable for reuse and use these fibres to make new products. Currently we can blend in about 20% of these fibres without any loss of quality or longevity. To increase this share and enable large-scale production, we are creating demand for and investing directly in the required technical innovation. To this end, we are currently involved in a number of different initiatives and partnerships.

> hm.com/longlivefashion
> ico-spirit.com
Interview with Andrew Morlet, CEO, Ellen MacArthur Foundation

What does a closed loop mean to you?

A circular economy is an economic and industrial model that is regenerative by intent and design. Biological materials are cascaded before being returned into the biosphere where they restore natural capital; technical materials are maintained, upgraded, reused, remanufactured or refurbished, and ultimately their materials are recycled.

A circular model is closed loop when the products, components or materials are being re-purposed into either the same product or the same company. These models often lead to greater benefits as they help to incentivise higher value strategies. By contrast, in open loop models, materials are brought back into the market pool.

Why should companies think in terms of closed loops and circular economy?

Today’s economic model can be largely characterised as linear: we take resources, make products and eventually dispose of them. While this model has successfully supported the economic development of industrialised regions over the 20th century, it is not adapted to the conditions of the modern world. A number of trends are indicating a need for a change of paradigm, for example,

- Emerging countries are experiencing rapid development, leading to large increases in demand for resources;
- New reserves of resources discovered today are often harder, and therefore more costly, to exploit;
- New forms of consumption and business models are emerging in some markets. People show increasing interest in getting access to goods rather than owning them;
- A number of technologies have been developed over the past few years and have been key enablers of these new business models but they will also make it possible to better track and maintain products of use and consumption.

By leveraging the principles of a circular economy, businesses can reap various benefits, including reduced material input costs, access to new markets, improved customer relationships and reduced risks of resource depletion. In addition, this model can help to create thriving, resilient economies in healthy environments with restored natural capital.

What are the biggest challenges on the way?

To implement a circular economy, action is needed in four key building blocks:

- Circular design and production, e.g. design for disassembly or for modularity;
- Innovative business models, e.g. performance models or collection schemes;
- Reverse logistics and improved treatment methods, e.g. the repair or remarketing of products;
- Enabling system conditions, such as education, policy frameworks or collaboration platforms.
How do you see H&M’s work progressing in this area?

H&M’s garment collecting initiative leverages a number of principles of circular economy. It relies on an incentivised collection scheme where reverse logistics are optimised by using the same trucks as for deliveries. Post-collection approaches leverage the higher value of short cycles: rewear is preferred to cascading into other applications, which in turn is prioritised over recycling and, only as a last resort are materials used for energy recovery. Interestingly, H&M invests part of the profit from this model in recycling innovation, therefore ensuring continuous improvement. H&M is also an active member of the Circular Economy 100 network, where they work in collaboration with other leading companies to create effective market conditions for the recovery of textiles.

What would you like to see from H&M in the future?

H&M could build on its experience with circular models and explore additional opportunities by rethinking the design of its own products. For example, more durable clothing would enable more cycles of rewear; garments designed for disassembly could enable the reuse of certain parts in new clothing or the separate treatment of different materials. H&M has started its experimentation in business models with a collection scheme. A next step could be to explore other approaches. For example, an online clothing rental model would help to optimise the use of the products while ensuring their recovery. By closing the loop in such a way, H&M can capture the benefits of improvements on the design and the recovery methods, which would in turn enable the company to scale up this model. H&M’s supply chains will be instrumental in the success of these innovations. We would be very interested in seeing H&M explore collaboration opportunities, economic models and incentives enabling a shift away from a focus on volumes and throughput to a more systemic perspective.

“H&M’s garment collecting initiative leverages a number of principles of the circular economy”.

Andrew Morlet, CEO, Ellen MacArthur Foundation

Focus: Close the loop on textile fibres
Focus: Close the loop on textile fibres

Our Conscious Actions

5.1 Increase the amount of collected garments, set baseline and target moving forward

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Our customers can drop off any clothes they no longer want or need at almost all* H&M (brand stores) around the globe – probably the world’s biggest retail garment collecting system. During 2013, the first year of our garment collecting initiative, we gathered 3,047 tonnes of garments to give them a new life. In 2014, we more than doubled that amount with 7,684 tonnes. In parallel, we could see in customer surveys that the awareness of this programme increased significantly amongst H&M customers from 2013 to 2014. This tells us how much we can achieve by banding together with our customers and making it easy to not let textiles go to waste. Given this steady growth and great reception from our customers, we are now setting a new target for the years ahead.

NEW 5.2 Make 300% more garments with recycled fabric from collected garments

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It’s an important step to keep textiles from ending up in landfills. But we want to do more. We want to turn unwanted clothes into an innovative resource for new, fresh quality pieces. In short: we want to create a closed loop in 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. Since then we have launched increasingly more products containing 20% recycled cotton across our entire range. There are a number of challenges on the way to increase these figures even further, for example, import barriers for used clothes in major production markets such as Turkey or China, as well as technological challenges that currently do not allow for more than 20% of recycled cotton without quality loss. That said, we are investing in technology to overcome this challenge. For 2015, our target is to increase the number of pieces made with at least 20% recycled fabric from collected garments by more than 300% (compared to 2014) to 1.2 million pieces.

TONNES OF GARMENTS COLLECTED

*From initial pilot projects. Please find an independent assurance statement related to GRI G4 EN1 here (p. 112).
Focus: Close the loop on textile fibres

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 fabric from collected garments without a loss in quality and durability. Or that polyester fibres can’t yet be recycled into new garments without running into dyeing problems. 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 entered into a partnership with UK-based innovation company Worn Again, which is developing promising technologies for textile-to-textile recycling.

NEW 5.3 Invest in closed-loop innovation

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By creating demand for solutions and actively working with innovators and scientists, we are positive that we can overcome the challenges on the way towards a closed loop.
Commitment Five – Reduce, Reuse, Recycle

Focus: Waste

Our mission
Like any other organisation, we generate waste such as cardboard, paper and plastic, something we want to avoid wherever possible in our stores, offices and warehouses. This helps save money and natural resources. For waste that cannot be avoided, we need to make sure we reuse and recycle as much as possible. On the flipside, 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 on 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 recycling systems in our stores. We are also using cut remnants and post-consumer waste to make new shopping bags and new clothes. Through our garment collecting initiative, we give our customers a convenient means to dispose of used clothes and give them a new life (s. 5.1) rather than throwing them in the garbage.

hm.com/waste
ec.europa.eu/wasteframework
Focus: Waste

Our Conscious Actions

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

The majority of the waste that we generate is handled in our warehouses. In 2014, this was around 32,000t (2013: 35,000t), mainly cardboard (65%), paper (10%) and plastic (7%). Our goal for 2014 was to recycle 95% of this waste.

We reached 91% (2013: 92%) which means that we did not meet our goal. This is mainly due to the fact that we entered new markets with less developed waste management and recycling systems. We will continue to work towards this goal from a comparably high level during 2015.

5.5 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 waste types in place to 58%* (2013: 56%). Our aim is to further increase this share and ultimately reach 100%.

NEW 5.6 Use recycled polyester equivalent to at least 60 million PET bottles

In our collections, we use a range of recycled materials, such as recycled cotton, wool and polyester. 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, for example, does not need any of our world’s limited oil resources, but instead is usually made from PET bottles that might otherwise have ended up in landfills. In 2014, we used recycled polyester equivalent to nearly 40 million PET bottles (2013: 9.5 million, 2012: 7.9 million). Even though this is a considerable amount, recycled material still has a lot more potential and currently represents 0.2%, 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.

We used recycled polyester equivalent to almost 40 million PET bottles

*Extrapolation based on data available for 93% (2013: 90%) of H&M (brand) stores.

Since 2014, we have improved our data management method and have received more accurate data, which is part of the massive increase compared to previous years. Thus 2014 data is not fully comparable to the previous year’s data, though more accurate than before.