

# **FULL CIRCLE, HALF SPEED**

**THE SHIFT TO CIRCULAR BUSINESS MODELS  
IN THE FASHION INDUSTRY**



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 **RECYCLING**

**Closing the Loop**

Use and end of life of the product



By shifting towards a circular ecosystem we can address some of the biggest challenges facing our planet at this time such as climate change and biodiversity loss.

By 2025, our entire assortment will be designed for longevity and/or circularity.



Based on the statements above, it would be fair to assume that the fashion companies view the shift toward circular business models as essential and a prime concern.

**But do they, in fact, have any concrete plans and goals to make this transition a reality?**

# INTRODUCTION

**W**e have enough clothes on Earth to last us six generations. Yet, clothing production nearly doubled between 2000 and 2020, and is projected to continue to increase at the same rate until 2030. Today, the garment industry is based on a linear system that requires enormous amounts of raw materials, producing equally large quantities of low-quality items treated as disposable goods. To illustrate the issue: around 15 million used garments arrive every week in Ghana, nearly half of which are estimated to be unsellable. This is far from being sustainable.

So how can we make the fashion industry sustainable? Well, according to the European Environment Agency it is crucial that the industry transitions from *linear* to *circular* business models. And in recent years, many fashion companies have in fact made commitments towards this shift. Countless campaigns have showcased the use of recycled materials, launched second-hand collections and adopted catchy slogans such as “let’s close the loop”. This kind of marketing often gives the impression of progress toward sustainability in the fashion industry. However, these advertisements might also make you wonder: Are companies genuine about their ambitions, and do their initiatives have any real impact? Or is it more a case of *cherry-picking* and applying *band-aid solutions* to an unsustainable business model?

These questions, among others, were raised by young people involved in the *Use your influence* project. To find answers, they began to investigate how Swedish fashion companies were actually managing their waste or reducing their production, but they found it difficult - if not impossible - to access information about real efforts and results. Together with these young people, Fair Action decided to take a closer look at some major fashion companies.

This review builds on the report *Fast Fashion and Circular Economy: Cherry Picking and Band-Aid Solutions* by Fair Action’s Finnish sister organisation, the Pro Ethical Trade Foundation (PETF). The analysis focuses on companies with a strong presence in the Swedish market: Bestseller, H&M Group, Inditex, Lindex, NA-KD and Varner - all of which claim that circular business models are *the future*. Fair Action asked them about their publicly tangible targets related to circular business models, recycled materials and reductions in production volumes. But why this focus on goals and targets? Well, measurable goals are good indicators of what companies prioritise and invest in. On the other hand, if there are no measurable goals, companies cannot be held accountable for failing to achieve them. By highlighting these gaps, this review aims to encourage greater transparency and accountability within the fashion industry in order to promote significant action and change.

# BACKGROUND

## CIRCULAR BUSINESS MODELS

Before we get into what circular fashion would entail, let's start by discussing where we are now. Fashion industries have traditionally embraced the linear economy model of "take, make, waste", where significant amounts of non-renewable resources are extracted to create products that consumers use only a few times and then throw away. The EU itself generates 12.6 million tonnes of textile waste per year. Clothing and footwear alone accounts for 5.2 million tonnes of waste, equivalent to 12 kg of waste per person every year. Besides, this sector ranks as the third-largest manufacturing industry, after the automotive and technology ones. As a consequence, its impact on climate change is bigger than the combined emissions from international aviation and shipping.

The European Environment Agency (EEA) states that more circular business models would play a key role in facilitating the transition to sustainable production. So, what are circular business models? One easy answer is to look at the 3 R:s of the circular economy: Reduce, Reuse and Recycle (for those interested, there are even more R:s). Translated into fashion terms, a circular business model would reduce production volumes, make sure that garments are reused, that is, worn for longer and by more people (for example by offering repair services or second-hand retail). Lastly, it would ensure that used clothes are recycled and by doing so, closing the circle. In fact, business models such as resale, rental and repairs are projected to reach 23% of the share of the global fashion market by 2030.

It is clear that a transition towards more circular business models is imperative for a more sustainable fashion industry. But are the major fashion brands on board? To find an answer, we looked at two factors: the share of revenue generated from circular economy services as a percentage of total revenues, and the presence of a time-bound goal to increase this percentage over time.

**12.6 million tonnes**  
of textile waste are generated by the EU each year.

## RECYCLED FABRIC

Our clothes are mainly made of synthetic fibres such as polyester, acrylic, and nylon. While they are durable and cheap to produce, they are extremely harmful to both the environment and us humans. Aside from taking twenty to hundreds of years to decompose, they also release millions of microplastics every time they are washed. Even natural fibres like cotton are not completely sustainable due to their intensive water usage. But there is an easy solution, right? Recycling!

Still, scaling up the use of recycled materials is a key step, but it won't be enough; there needs to be more focus on what exactly is being recycled. Today, the vast majority of recycled material in clothes do not come from recycled clothing, but from other closed circular systems, such as PET-bottles.

**1%**  
of old clothes  
are  
recycled into  
new ones.

To make fashion a closed circular system, the recycled content needs to be from old clothing and textiles, so called “post-consumer textile waste”. To succeed, transparency is crucial: consumers need to know not only how much of a company's clothing is made from recycled materials, but also whether the brand is committed to increasing these figures. For this reason, Fair Action reviewed the percentage of recycled materials, including from post-consumer textiles, used in 2023, as well as the company's time-bound goals to both raise the overall proportion of recycled materials and the share coming from post-consumer waste.

## OVERPRODUCTION

Every second, the equivalent of a garbage truck load of clothes is either incinerated or dumped in developing countries' landfills. This normalised overproduction comes from the current fast fashion business model: brands make huge amounts of low-cost, low-quality clothing, to be sold in ever-increasing volumes. Between 2000 and 2023, textile production went from 58 to 124 million tonnes. By 2030, this number is projected to reach 145 million tonnes. Besides leading to huge amounts of waste, overproduction has catastrophic and irreversible environmental consequences. It takes around 2,700 litres of water to make just one cotton t-shirt - enough water for one person to drink for two and a half years. This makes the fashion industry the second most polluting sector in the world, right behind the oil industry.

There seems to be no end in sight when it comes to growth: it has been estimated that the global clothing industry may grow by up to 63% by 2030, while an estimated 30% of all clothes produced will never be sold. And all these clothes literally pile up. A crucial step in addressing this is tackling overproduction; companies need to set strategies for reducing the amount of produced clothes, and manufacture only what is needed and sold. This can be done by setting concrete goals such as smaller, fewer collections, and improving garment quality to extend their lifespan.

To assess the current situation in the six companies, Fair Action asked them about their set goals for reducing production volumes.

## WHAT ABOUT IN PRACTICE?

# RESULTS

## WE NEED MORE THAN RECYCLED BOTTLES.

- Only 1 out of 6 companies, NA-KD, openly reports the share of their revenue deriving from circular economy services, and for them, it only represents 0,005% of their revenue.
- Only 2 out of 6 companies have concrete goals to increase their share of revenue from circular economy services.

- None of the reviewed companies have concrete goals to increase the share of recycled post-consumer textile waste among their materials, none even report on this figure.
- 5 out of 6 companies report an increase in their use of recycled materials, but it is mainly materials derived from recycled plastic.
- Although several of the companies argue for the importance of tackling overproduction, none have time-bound goals to reduce absolute volumes.

## SO, HAS THERE BEEN ANY IMPROVEMENTS TOWARD CIRCULARITY FROM THE PREVIOUS YEAR?

**BARELY.**

The good news is that the use of recycled materials continues to increase (for the companies that report on those figures); the bad news is that it is most likely not old clothes being recycled into new garments (since not a single company reports on the use of post-consumer textile waste). There is a lot of talk about circular business models and optimising production, but again, there is a lack of transparency and concrete goals.

In Table 1, the results for all reviewed companies are compiled. The information is collected from the companies' 2023 sustainability reports as well as other documents related to their plans to mitigate environmental impacts, such as action plans and roadmaps. For reference to all sources used along with more detailed information, please follow [this link](#).

QUESTION	BESTSELLER	H&M	INDITEX	LINDEX	NA-KD	VARNER
Brands owned by the company	Jack & Jones, Name It, LMTD, Lil' Atelier, Object, Only, Vero Moda, Vila, JJXX, Noisy May, JDY, Only & Sons, Pieces, Y.A.S., Selected, Mamalicious	H&M, H&M HOME, H&M Move, COS, Weekday, Monki, & Other Stories, ARKET, Afound, Singular Society, Sellpy	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home	Lindex	NA-KD	Bik bok, Carling, Cubus, Dressmann, Junkyard, Volt
The proportion of revenue derived from the sale of new clothing as a percentage of the total revenue in 2023	×	×	×	×	99.995%	×
The proportion of revenue from circular economy services as a percentage of the total revenue in 2023	×	×	×	×	0.005%	×
The company's time-bound goal to increase the proportion of revenue from circular economy services as a percentage of the total revenue	×	×	×	5% turnover from services and circular business models by 2030	20% by 2030	×
The percentage of recycled materials of all materials in 2023	×	25%	18%	42% of the products include a minimum of 15% recycled content	23%	10%
The company's time-bound goal to increase the proportion of recycled materials	50% of polyester from recycled polyester by 2025	30% by 2025, 50% by 2030	40% by 2030	70% of garments with at least 15% recycled content by 2026 and only use recycled cotton or cotton from regenerative sources by 2030	By 2030, 100% of synthetic and metal materials are from recycled materials	×
The percentage of postconsumer waste among all materials in 2023	×	×	×	×	×	×
The company's time-bound goal to increase the proportion of recycled materials made from post-consumer textile waste	×	×	×	×	×	×
The company's time bound goal to reduce production volumes	×	×	×	×	×	×



# CIRCULAR BUSINESS MODELS

All reviewed companies argue the importance of circularity in their businesses and have begun implementing various initiatives in the area. But despite all the hype surrounding “*circularity as the future of fashion*”, only 1 out of the 6 companies reviewed, NA-KD, currently report the share of their turnover deriving from circular business models and services. And this figure is alarmingly low, only amounting to 0,005% of their total revenue in 2023, having decreased from 0,27% in 2022. This low result may also be part of the reason as to why other companies refrain from reporting on this figure. As many of them do in fact sell second-hand garments or offer repair services, they are likely able to produce accurate figures on revenue deriving from these initiatives, yet choose not to report it.

Overall, there is little improvement from 2022. The one positive change is that Lindex has joined NA-KD in stating concrete, time-bound goals to increase the share of revenue deriving from circular business models; Lindex and NA-KD aim to earn 5% and 20%, respectively, from such business activities by 2030.

Arguably, there may be difficulties in measuring revenue from circular initiatives, as some might not directly impact earnings. For example, many of the companies highlight their ambitions of designing clothes made to last and informing customers of how to care for their garments to increase their lifespan, in line with the principles of circular economy and the upcoming EU [Ecodesign Directive](#).

Such initiatives will likely not generate any revenue in themselves and are therefore not reflected in this review. However, that also highlights the issue: designing durable clothes and prompting consumers to do their work is one small part of becoming circular, but to truly transition to circular business models, such services must replace current environmentally unsustainable revenue sources.

# RECYCLED MATERIALS

The use of recycled materials is the one area in which almost all companies do consistently report figures, and all who report on this have increased their use of recycled materials from 2022. Among the six companies reviewed, only Bestseller does not communicate the percentage of recycled content among all their materials. While Bestseller has improved their communication on sustainability in general, it is concerning that such a central figure as recycled content is left out along with more ambitious goals.

However, when it comes to using actual recycled clothing, the outlook among our reviewed companies is much bleaker. None of the companies report the use of post-consumer textile waste among their materials nor have time-bound goals to increase the use of the same. Some have internal targets or general ambitions to increase the use of recycled post-consumer textiles. However, they argue that the data is difficult to verify, that they await upcoming EU regulations, or that the recycling technology is lacking and unscalable.

Recycling textiles is indeed quite challenging today; there are major difficulties in breaking down the textile materials and restoring the fibres. Among the reviewed companies, there are initiatives to improve the recyclability of textiles. For example, Inditex state that they are working to ensure that by 2030, “25% of the textile fibres [they] use will be made from next-generation materials”. These materials will, according to Inditex, improve recyclability and traceability, but are yet not in use or even invented, raising concerns regarding their viability.



## OVERPRODUCTION

While recycling and second-hand are important, companies cannot claim to be truly circular unless they are prepared to reduce their production volumes. After all, the three R:s of the circular economy reads REDUCE, Reuse and Recycle. It is literally the first thing that we can do to ensure a transition towards a more circular economy.

For many of the reviewed companies, reducing production volumes do appear to be an integral part of their plan to decrease emissions, yet there is a lack of concrete goals and transparency reflecting this. H&M group states that it has internal targets and Lindex focuses on optimising production volumes to counteract overproduction. Nevertheless, the information is vague and many of the reviewed companies seem to plan for increased volumes in the coming years. NA-KD, for instance, claims that the largest reduction in emissions will come from reduced volumes, where they “[...] have already made huge reductions”. However, they then continue by stating “This will mean that we have room for increasing our volumes by 5% yearly from 2024”.

And generally, the production volumes do appear to rise. Inditex, for example, reports an increase from 621,244 tonnes in 2022 to 645,623 tonnes in 2023.

Reducing production volumes remains a bit of an elephant in the room, likely due to the need to reassure shareholders which profits will continue to rise. To balance emissions reductions and rising profits, some of the companies aim at decoupling growth from the use of limited natural resources. But does absolute decoupling work? Well, let’s just say that there is no empirical evidence that it is currently happening.



“ **Reducing production volumes remains [the] elephant in the room.** ”

## SUMMATION

To combat the challenges within the fashion industry today, companies cannot simply rely on either recycled materials, second-hand initiatives or haphazard production reductions. In other words, they cannot continue to *cherry-pick* and implement *band-aid solutions* – they need time-bound, ambitious goals to be able to measure their progress toward more sustainable, circular business models. And above all, they need to improve their transparency so that we can see that it is not just talk, but action.

# METHODOLOGY

This is a follow-up review to the Pro Ethical Trade Foundation's (PETF) 2023 report *Fast fashion and circular economy: cherry picking and band-aid solutions*. Its purpose was to evaluate whether fast fashion companies' initiatives related to the circular economy are sufficient to address the environmental challenges faced by the fashion industry. It examines whether the companies can show progress over the past year or if they are willing to make any commitments towards better transparency regarding their transition goals for the years ahead.

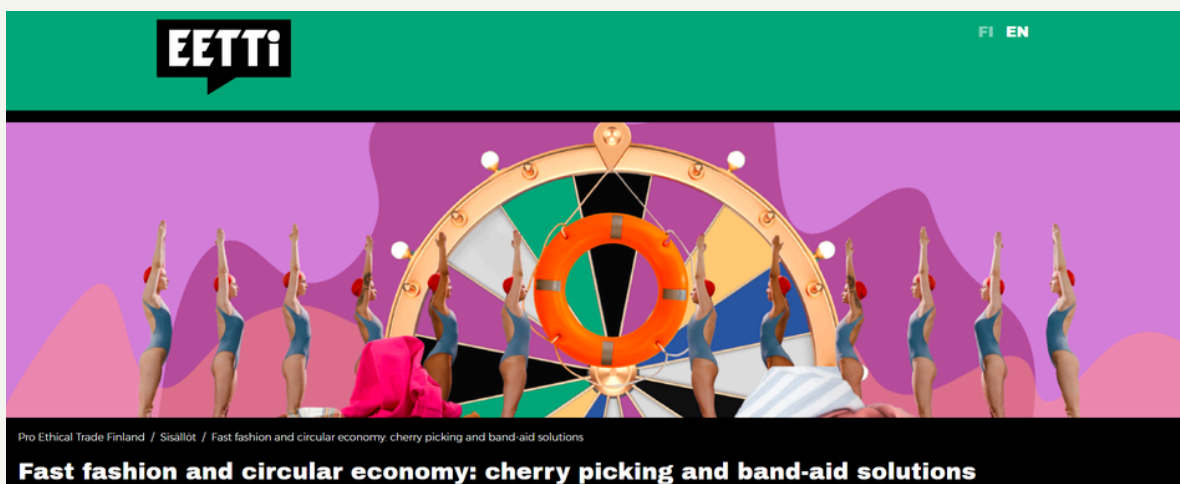
In this follow-up, six of the original nine companies from PETF's report were selected for review. These were chosen for their relevance to the Swedish market. The company Shein was excluded due to Fair Action's assessment of having limited influence to reach or influence the company. That said, the environmental impact of such ultra fast-fashion companies remains significant and there is no clear indication that it is changing.

The review was conducted by analysing the companies' public sustainability reports and policies from the 2023 fiscal year.

Fair Action carried out this work in collaboration with young people interested in sustainability, from the project *Use your influence*, funded by Allmänna Arvsfonden (the Swedish Inheritance Fund). The participants identified circular economy, waste and overproduction as the key issues they were interested in. Through this project, Fair Action aimed to give young people knowledge and tools to inspect companies and require greater and tangible sustainability commitment from them.

After jointly reviewing the brands' sustainability reports, all companies were given the opportunity to review the findings and make corrections or commitments to increased transparency. H&M, Inditex, NA-KD, Lindex and Bestseller replied and all of them except Bestseller provided comments or corrections to the findings. Varner did not respond. The companies were also invited to submit an official statement regarding the review, which is published on Fair Action's website.

Additional information is largely based on PETF's report and other external sources, which are linked through hyperlinks in the text.



# RECOMMENDATIONS TO BRANDS

## 1 CIRCULAR ECONOMY 2.0

Companies must make a time-bound plan for how circular economy services will replace the revenue obtained from selling new clothes, leading to a decrease in unsustainable production volumes.

## 2 JUST TRANSITION

Companies must map out the impact of circular economy and the green transition on human rights in the entire value chain.

## 3 SUSTAINABILITY COMMUNICATION

Companies must communicate about matters related to sustainability in a precise and transparent manner.

# ACKNOWLEDGEMENTS

We would like to thank all participants in the *Use your influence* project who themselves picked the subject as well as contacted and asked questions to the fast fashion companies.

We also want to thank the organization Pro Ethical Trade Finland for their report and for giving us the opportunity to follow up on the results and continue to put pressure on the companies.



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