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Essity on Competitive Circular Economy

Essity is a leading global hygiene and health company touching the lives of 1 billion people every day. Europe is one of our main markets for developing, producing, and distributing our products and we see the need for and welcome initiatives where the EU competitiveness is strengthened. Essity views competitive circular economy as a cornerstone of EU competitiveness, which should be central to the strategic priorities of the new EU mandate.

A strong economic and industrial leadership in the EU is essential not only for environmental and social progress but also for boosting EU jobs, R&D, and sustainable growth. Essity champions business leadership as a driver of social and environmental innovation. At the same time, market leadership should be recognized and supported through policy and economic instruments, including R&D funding, public procurement incentives, state-aid measures, and tax policies. With our expertise and commitment to innovation, we firmly believe that Essity can play a meaningful role in driving this transition.

On waste management, we strongly believe in boosting waste management for some products, while recognizing practical challenges for others. For instance, more tissue products could be recycled (e.g. dry tissues) should be recycled to maximize sustainability. At the same time, there is a need for well-functioning market for secondary raw materials, to ensure high quality and affordable essential products.

With this paper, Essity offers its input on the ways forward to achieve competitive circular economy at a product level.

Essity's policy asks are the following to make Circular Economy Competitive:

1. A holistic view on Sustainability needed.

- **Affordable essential products are a corner stone of our European economy.** Socio-economic impacts of circular economy measures must be fully assessed so that the most vulnerable groups such as young families, elderly persons, care homes and hospitals can afford and provide for personal hygiene, improved health and essential services.
- **Circularity efforts should be aligned with health, hygiene and safety for users.** Circularity regulations risk to create unintended consequences if not properly assessed. For example, there can be consequences for the users and carers when it comes to skin care, sleep, participation in work life, hospitals and nursing homes, school etc. which has both economic and social consequences. Circular solutions should maintain a relevant function for the users.
- **Requirements should be based on Life Cycle perspective.** This means that you consider both social and environmental aspects in a product life cycle. The social assessment should at least include skin health, care and product safety. An LCA (Life Cycle Assessment) combined with consumption during use makes it possible for the user to optimize the use with less resources and waste. There can be a conflict between different environmental goals and by applying LCA you will include all relevant environmental aspects. Also, there might be other consequences if functionality is compromised such as skin problems, interrupted sleep etc. which in the end creates negative impact both for the user, carer, the environment, and the economy.

- **No one-size fits all approach.** Circular Economy policies must lever on all on options in the waste hierarchy, not only reuse and recycling. Horizontal criteria's are to be used with precaution and e.g. recycled content obligations on Absorbent Hygiene Products must be carefully assessed.

2. Enable circular solutions and material.

- **Well-functioning markets are needed where demand is fundamental.** For dry tissue there are opportunities to move up the waste hierarchy since both supply and demand is available. For AHP there is a lack of demand for the waste from recycled AHP so the market mechanisms are missing here. Also, there is no mature and large scale recycling solution for AHP today, hence a implementable solution that works in practice and not only on paper is needed.
- **Consumption reduction, collection, sorting and recycling infrastructure are key.** This includes all aspects to impact waste from prevention, control consumption during use, smarter design as well as collaborating on new waste management after use. In order to achieve the necessary economies of scale and enable usage of new sources of recycled renewable material, waste that can become renewable material has to be collected, sorted and recycled at scale.
- **Facilitate collaborations across the value chain.** The Commission has an important role to play to incentivize and push Member States waste system to contribute to increase recycling, composting or incineration with energy recovery (where suitable) in order to reduce landfilling and/or to move up in the waste hierarchy.
- **A collaborative approach with clearly defined roles and responsibilities.** Private investments in circular design (hand towels, digital solutions, wet-strong towels, partly reusable diapers) are in vain if the collection, sorting and waste management infrastructure does not innovate and scale up at the same time. This needs policy support (EPR policies, recognition of diverse waste management solutions etc.). Companies must be more actively involved in the implementation of existing and drafting of new circularity measures, e.g. by running pilots or providing facts for impact assessments.

3. Innovation as a driver for Circularity.

- **Digital innovation should be promoted** with the goal to further improve circularity and reduce waste. Digital solutions which promote circularity should be recognized and be able to get funding. Today there are restrictions in e.g. budgets for health care or nursing homes when it comes to introducing digital tools, even if clinical studies show substantial reduction of environmental impact and reduced total cost for care. Digital solutions, such as incontinence sensor techniques, also free up time for carers.
- **Research and Development should help to find more circular solutions.** R&D should be promoted in an all-inclusive way. We need to consider all aspects all potential material solutions; mechanical and chemicals recycling as well as alternative low carbon and circular materials. Including solutions based on a reliable and certified mass balance approach. Both policy measures to incentivize companies own investment in R&D and increased R&D public budgets should be promoted.

4. Favorable market conditions and bring consumer on the journey.

- **Keep jobs and production of sustainable products in the EU and don't push consumers to choose imported products due to price.** Securing the EU's manufacturing capabilities in this

sector is vital to the EU's green transition and our climate objectives. Europeans need to be able to choose more sustainable and affordable essential products that contributes to the EU economy and resilience rather than going for low quality, unsustainable and cheap products. However, resilience does not mean protectionism and EU should continue to increase its wealth with open and fair trade. Global supply chains will continue to be key to build a competitive EU.

- **Circular Economy must be addressed as industrial strategy.** There is an opportunity to boost EU's competitiveness and foster favourable market conditions, including a stable and simplified regulatory environment with economic instruments such as Public Procurement requirements, investment policies (permits, access to infrastructure /EPR earmarking), strengthening the single market harmonisation of waste regulations and rules), funding for new clean technologies and digital solutions. It is pivotal that these policy measures do not create a disadvantage for EU innovations.
- **Circular investments need to be communicated to consumers.** To empower the consumer in the green transition they must be aware of sustainability efforts made to be able to act upon that information. Essential sustainable innovation and information should not be restricted by administrative burdens.
- **Create legal stability as basis for private sector investment.** Ensure coherence of policies, clear guidance on implementation, coordinated and harmonised enforcement by Member States as well as long term simplified regulatory frameworks.

We are looking forward to further discussing and providing our expertise as the global leader in Hygiene and Health.

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More about Essity

Essity is a global, leading hygiene and health company. Every day, our products, solutions and services are used by a billion people around the world. Our purpose is to break barriers to well-being for the benefit of consumers, patients, caregivers, customers and society. Sales are conducted in approximately 150 countries under the leading global brands TENA and Tork, and other strong brands such as Actimove, Cutimed, JOBST, Knix, Leukoplast, Libero, Libresse, Lotus, Modibodi, Nosotras, Saba, Tempo, TOM Organic and Zewa. In 2024, Essity had net sales of approximately SEK 146bn (EUR 13bn) and employed 36,000 people. The company's headquarters is located in Stockholm, Sweden and Essity is listed on Nasdaq Stockholm.

At Essity, we improve people's well-being with our products and solutions. Whilst we work to improve access to these solutions, we also work to lower our environmental impact focusing on climate actions, circular solutions, and sustainable innovations, all while contributing to healthy ecosystems and striving to achieve net zero emissions by 2050. With Essity currently employing around 18 000 people in Europe, we believe it is critical to retain jobs and investments within the EU by creating favorable market conditions in the EU by promoting competitive circularity which is key for keeping jobs and sustainable companies.

Essity is guided by our circularity principles; Reduce, Reuse & Recycle in a life cycle perspective. As a leading global hygiene and health company rooted in Europe Essity can and will contribute to a competitive circular economy. This includes all aspects to impact waste from prevention, control consumption during use, smarter design as well as collaborating on new waste management after use. With health and hygiene as our biggest market segments, functionality and product safety remains our #1 priority. Circularity measures will fail on long run if they only work on paper and disproportionately impact the hygiene and health of citizens and patients or the productivity of the health care system. Safe chemicals in production, during use and after use is a priority for us and the society. The society must seize the opportunity to boost alternative waste management for some products and recognize the practical challenges for others. Composting of tissue products can include more products compared to today and products that could be recycled should move up the waste hierarchy, such as dry tissue products. Also, there needs to be well functioning markets for secondary raw materials which ensures high quality and affordable essential products. Business leadership on social and environmental innovation must be rewarded by all political and economic instruments available such as R&D funding, public procurement requirements, state-aid policies, tax policies.

Our products have different opportunities and challenges when it comes to circularity. For example, our tissue products have the opportunity to be composted or recycled, but here restrictions and national barriers needs to be dismantled for the fibers to move up the waste hierarchy. On the other hand, Absorbent Hygiene Products (such as baby diapers, menstrual products and incontinence products) have high requirements regarding product safety and hygiene, which is creating barriers to circularity e.g. the use of recycled content in products and recycling of products after use (due to lack of mature recycling technology). Also, the used products contain body fluids such as menstrual blood, urine, faeces, and potential medicines which creates additional barriers to recycling. Hence, material and products must have different or differentiated requirements due to these opportunities and challenges in practice and in scale.