



Due diligence for responsible business conduct with regards to people, animals, society and the environment

Account reporting year 2023

for H&M Hennes & Mauritz AS

*Ethical Trade Norway has assessed the report of H&M Hennes & Mauritz AS to meet the criteria of our Base Level. More information about our Base Level can be found **here**.*

SUSTAINABLE DEVELOPMENT GOALS



To Readers Of The Report

Enterprises and the public sector have a great impact on people, society, the environment, climate, and animals and can both contribute positively to development, or negatively by causing harm. Enterprises therefore hold a central role in achieving UN's Sustainable Development Goals (SDGs) and the Paris Agreement's 1,5-degree target.

This report can be used as an account for the Transparency Act, but it has a broader scope with climate and the environment, circular economy, and anti-corruption indicators also being included. Our members are obligated to carry out due diligence and report annually on their work. Base level1 members also meet the Transparency Act's due diligence duty, and partially the Act's information duty.

Ethical Trade Norway's concept of responsible business conduct equals OECD's terminology and due diligence methodology. This is the systematic effort that enterprises do to identify, prevent, or mitigate adverse impacts and explain how they manage their risks of negative impact, as well as provide remediation to people, animals, society, and the environment where this is required – is called due diligence. Norwegian authorities expect all enterprises, regardless of their size, to carry out due diligence on society, the environment, and animals in accordance with the UN's Guiding Principles for Business and Human Rights (UNGPs) and OECD's Guidelines for Multinational Enterprises. This applies to enterprises, the public sector, and organisations.

Ethical Trade Norway's Declaration of Principles (our Code of Conduct) for Responsible Business Conduct covers the areas of decent work, human rights, environment/climate, anti-corruption, and animal welfare. This report is done in full transparency and in line with UNGPs and OECD's guidelines. The reports of all members are publicly accessible on Ethical Trade Norway's website.

Heidi Furustøl

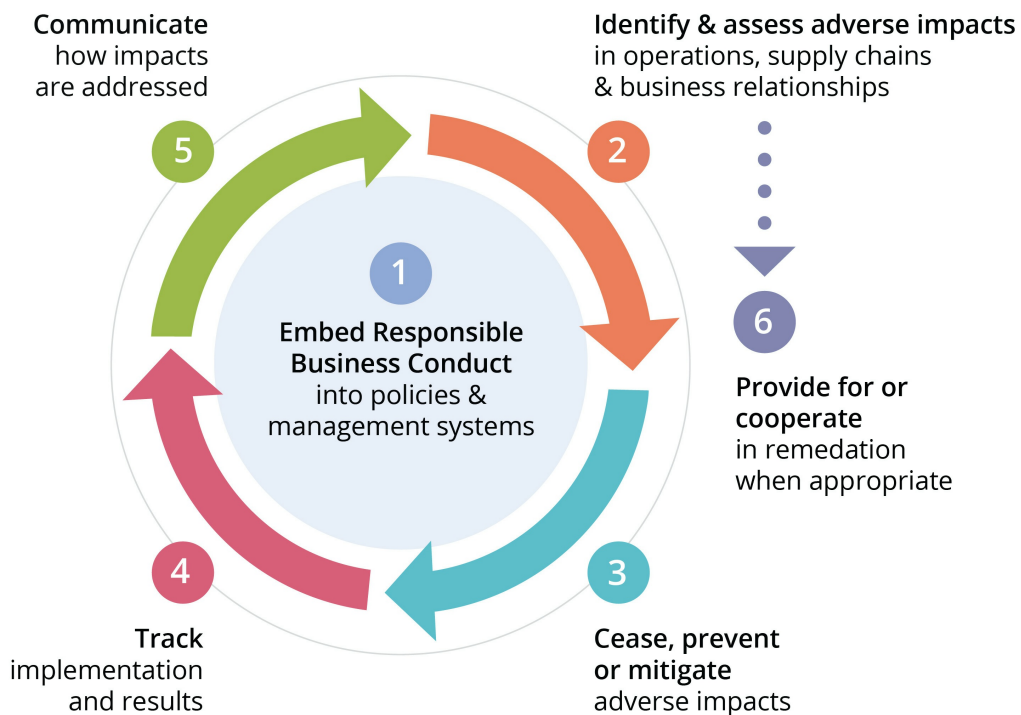
Executive Director

Ethical Trade Norway

Due diligence

This report is based on the UN Guiding Principles on Business and Human Rights and the OECD model for Due Diligence for Responsible Business Conduct.

The model has six steps that describe how companies can work for more responsible and sustainable business practice. However, being good at due diligence does not mean no negative impact on people, planet and the society. It means that the company is open and honest about challenges faced and shows how this is managed in the best possible way in collaboration with its stakeholders. This report is divided in chapters following the OECD model.



Preface From CEO

Sustainability is an integral part of our business. This is underlined by our 2030 goal, which combine targets for company growth and profit with reductions in greenhouse gas emissions. To reach our ambitious climate goals of halving the group's greenhouse gas emissions by 2030 and achieving net-zero by 2040, we invest in projects to reduce greenhouse gas emissions throughout our whole value chain.

Our impact on the planet goes beyond reducing emissions. We are one of 17 companies piloting the Science Based Targets Network validation process for science-based targets for nature. We are investing in partnership projects to accelerate the transition to regenerative agriculture for key materials such as cotton and wool. And we have reached 14% reduction in freshwater consumption from our 2022 baseline, achieving our 2025 target of 10% two years early.

We are committed to placing people at the centre of the transition to a more sustainable fashion industry, and we continue to work with our suppliers on social dialogue, gender equity and wages. We have been gathering more evidence on how our input can make a difference. For example, our recent gender pay gap study shows that wage management systems contribute towards decreasing gender pay disparities in our suppliers' factories.

In this report, we share our reflections and learnings alongside our actions, recognitions, and progress towards our goals.

To find out more see our existing reports:

- H&M Group Annual and Sustainability Report 2023: <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-Annual-and-Sustainability-Report-2023.pdf>

- H&M Group Sustainability Disclosure Report 2023: <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-Sustainability-Disclosure-2023.pdf>

" We continue to shift gears as we work towards achieving our 2030 sustainability goals and aligning ourselves towards upcoming legislation. "



Karen O'Rourke
Sales Manager Nordics

Enterprise information and enterprise context

Key enterprise information

Enterprise name

H&M Hennes & Mauritz AS

Head office address

Postboks 68 Alnabru, 0614 Oslo

Main brands, products and services offered by the enterprise

The H&M group is one of the world's leading fashion and design companies and has seven independent fashion brands: H&M, COS, Weekday, Monki, H&M HOME, & Other Stories and ARKET. We also operate: Afound, an online marketplace; Treadler, a business-to-business service enabling other companies to access our supply chain and remove barriers to sustainable sourcing; and Singular Society, a subscription-based business that gives members access to responsibly made, high-quality fashion at the price it costs to make. We are a majority shareholder in Sellpy, an online resale platform.

Description of enterprise structure

This report is made on behalf of H & M Hennes & Mauritz AB and all companies in the H&M group ("H&M group"), including H&M Hennes & Mauritz AS. It applies to, and sets out the steps, the H&M group has taken during the financial year 2022-2023 to address human rights, working conditions and environmental sustainability in our supply chain and own business operations.

H&M group has a global commitment to sustainability and takes a global approach to social and environmental sustainability. This report therefore reflects our global commitment and approach across our value chain, including that of our Norwegian subsidiary.

We want to offer customers the best combination of fashion, quality and sustainability at affordable prices — providing unbeatable value and the ability to access a more sustainable lifestyle. We are dedicated to creating a better fashion future, and to use our size and scale to lead the change towards a circular and climate positive fashion industry while being a fair and equal company.

H&M Group and its franchise partners are represented in 78 markets, where the largest brand H&M has stores in 77 markets and is online in 60 markets, making us one of the world's leading fashion retailers. Our business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware through our brands and ventures. Our brands are H&M — which includes H&M HOME, H&M Move and H&M Beauty — and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound and Singular Society. The group also consists of New Growth & Ventures, which includes our investment arm H&M Group Ventures, Sellpy, Looper Textile Co. and Creator Studio.

For more information about the H&M group, its organisational structure and group relationships, see About us, our Annual and Sustainability Report.

About us – <https://hmgroup.com/about-us/>

Annual and Sustainability report - <https://hmgroup.com/investors/annual-and-sustainability-report/>

Sustainability disclosure - hmgroup.com/sustainability/sustainability-reporting/

Turnover in reporting year (NOK)

3 408 590 000

Number of employees

3 015

Is the enterprise covered by the Transparency Act?

Yes

Major changes to the enterprise since last and current reporting period

Contact person for the report (name and title)

Marcus Hartmann Head of Public Affairs & Sustainability Region North

Email for contact person for the report

marcus.hartmann@hm.com

Supply chain information

General description of the enterprise's sourcing model and supply chain

The products we sell are manufactured by over 605 commercial product suppliers, with whom we have direct contractual business relationship with, and their around 1,200 manufacturing factories and final product processing units (collectively called supplier factories). Our tier 1 and 2 production supply chain contributes to the employment of around 1.3 million people in 34 countries. We were one of the first company to publicly disclose our supplier list in 2013, and the list provides a detailed information of each supplier and manufacturing unit.

For more information about our supply chain, see our:

- Website - hmgroupp.com/sustainability/leading-the-change/transparency/supply-chain/
- Public supplier list: <https://hmgroupp.com/sustainability/leading-the-change/transparency/supply-chain/#supplierListContainer>

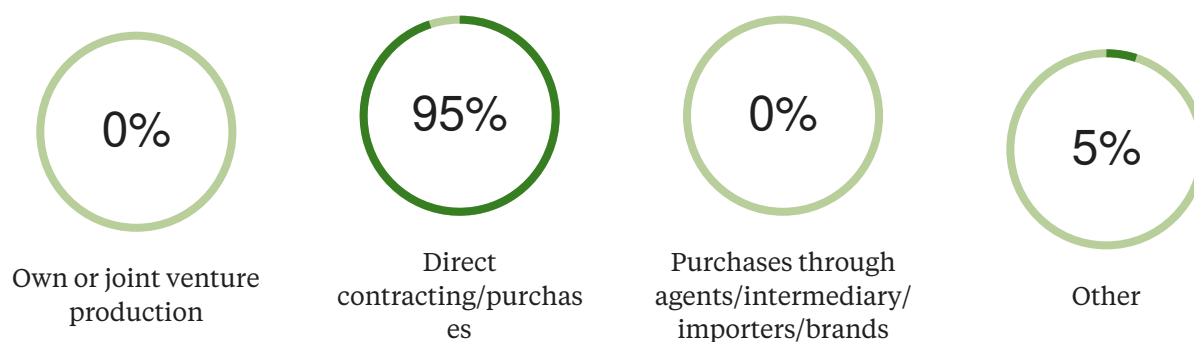
Number of suppliers with which the enterprise has had commercial relations in the reporting year

605

Comments

We're committed to raising the standards in our industry by working with our suppliers to improve environmental and social performance. We choose suppliers who share our values, building long-term partnerships.

Type of purchasing/ suppliers relationships



The majority (more than 95%) is sourced directly. A small share of our sourcing volume (less than 5%) comes from external brands that are sold through our channels and circular business models, like re-sell.

List of first tier suppliers (producers) by country

See our full supplier list here: <https://hmgroup.com/sustainability/leading-the-change/transparency/supply-chain/#supplierListContainer>

Our supplier list shares the details of our tier one suppliers and their manufacturing and processing factories accounting for 100% of the products we sell across our brands. As active participants of the Transparency Pledge we disclose details including the name, location, product type produced and number of workers employed by each supplier and their manufacturing units.

The list also includes the names and locations of tier two mills involved in making the majority of our product volume (71%). These 394 mills provide our suppliers with fabrics and yarns, including spinning, tanneries and fabric dyeing and printing. We aim to disclose 100% of the fabric dyeing and printing locations involved in making our products by the end of 2022.

The supplier information displayed on our list is updated monthly. When business needs occur, we onboard new suppliers or factories and occasionally we responsibly phase them out.

State the number of workers at first tier producers that the enterprise has an overview of, and the number of suppliers this overview is based on:

Number of workers

1 280 000

Number of suppliers this overview is based on

605

Numbers of workers per supplier (calculated average)

2116

Comments to number of workers

There are around 1.3 million workers employed by our suppliers' factories we work with.

Key inputs/raw materials for products or services and associated geographies

BCI cotton	Brazil India Pakistan Turkey USA
Organic cotton	India Pakistan Turkey East Africa

Synthetic fibre (Polyester, Polyamid, Acrylic etc.)	Bangladesh China Indonesia India South Korea
Cellulosic fibre (Viscose, Modal, Lyocell etc.)	Austria China Germany Indonesia India Thailand
Bast fibre (Linen)	Belgium China France Netherlands
Wool	Argentina Australia New Zealand Peru South Africa

The fashion industry depends on materials to create its products. These can be natural materials such as cotton, wood and wool, or synthetic options such as polyester and polyamide. All materials have an impact on our planet, from their production, use and, ultimately, end of life and disposal. To reduce our environmental impact, we aim for 100% of our materials to be either recycled or sourced in a more sustainable way by 2030, including 30% recycled materials by 2025. Already in 2020, we also reached our goal to only source cotton from more sustainable sources including organic cotton, recycled cotton or cotton licensed by Better Cotton Initiative (BCI).

We prioritise work on the materials we use the most or that have the greatest potential environmental or social impact. For all materials, our Responsible Raw Material Sourcing Policy guides our approach and we work with supply chain partners to improve traceability and transparency.

Achieving our circular ambitions requires us to accelerate development of new materials and recycling innovations. We innovate together with our brands, the Circular Innovation Lab, our H&M CO:LAB investment arm, inventors of sustainable materials and processes including winners of H&M Foundation’s Global Change Award, and industry experts.

For more information about materials and circular products, see:

- Sustainability Disclosure Report (p.32-54) - <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-Sustainability-Disclosure-2023.pdf>
- Website - <https://hmgroup.com/sustainability/circularity-and-climate/materials/>
- HM Foundation, Global Change Awards - hmfoundation.com/gca/

Is the enterprise a supplier to the public sector?

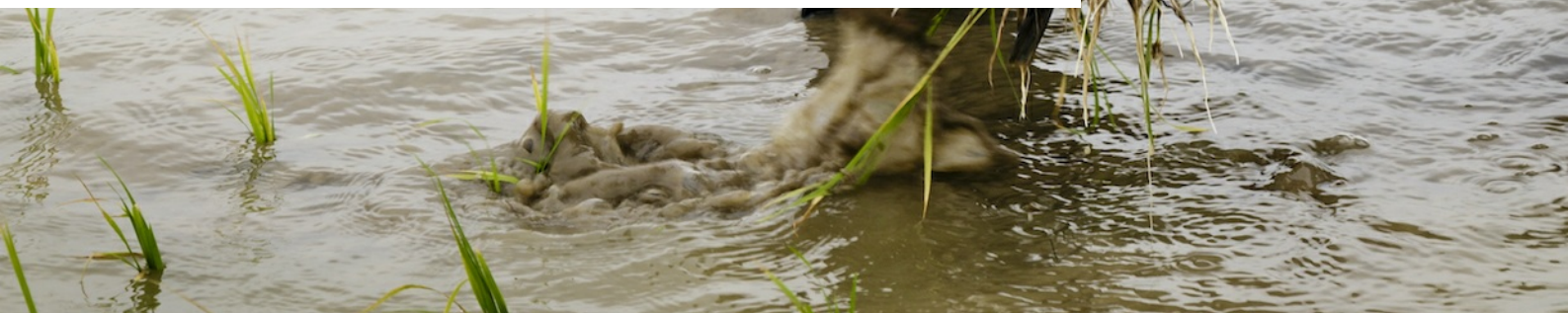
No



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Governance and commitment to responsible business conduct

Embedding responsible business conduct means that the enterprise should have strategies and plan, as well as relevant policies and guidelines for due diligence for responsible business conduct (hereafter due diligence) which are adopted by management. These should comprise the enterprise's own operations, its supply chain and other business relationships. Effective management systems for implementation are key to success, and due diligence should be an integrated element in enterprise operations. Clear expectations from senior management are crucial, as well as clearly assigned responsibilities within the enterprise, for the implementation of the steps in the due diligence process. Those involved need to know how to proceed. Transparency about commitments the enterprise has for itself, challenges they are facing, and how these are managed is fundamental



1.A Policy for own enterprise

1.A.1 Link to publicly accessible policy for own enterprise

Link to Policy for own business: hmgroup.com/sustainability/standards-and-policies/hmgroup.com/sustainability/standards-and-policies/human-rights-policy/hmgroup.com/sustainability/standards-and-policies/code-of-ethics/hmgroup.com/sustainability/standards-and-policies/sustainability-commitment/

1.A.2 What does the enterprise say publicly about its commitments to respect people, animals, society, the environment and climate?

H&M group wants to lead the change towards a circular and climate positive fashion industry while being a fair and equal company. This means, among other things, maintaining the diversity and inclusion needed to attract, retain and make the most of available talent and also to ensure respect for human rights across our value chain. Our commitment to operate with respect to human rights is manifested in our Human Rights Policy, which also outlines which standards we look to and priorities across our value chain.

Working towards our sustainability vision is a way of further future-proofing our business. Continued investments in sustainability provide the group with long-term business opportunities in a rapidly changing world.

Our ambition is to enable more people to choose a sustainable lifestyle and the group aims to create a positive correlation between profitable growth and a greater positive impact on customers, colleagues, business partners, their employees and other stakeholders while respecting planetary boundaries.

H&M group's sustainability strategy is based on our sustainability vision and contains three key ambitions:

1) Leading the Change

- Scale innovation
- Promote transparency
- Engage and partner for industrywide progress

2) Become a Circular and Climate Positive Business

- Climate positive approach across our value chain, operating within planetary boundaries –
- Net positive impact on biodiversity
- Circular ecosystem for our products, supply chains and customer journeys

3) Fair and Equal

- Fair jobs for all
 - Inclusive and diverse workplaces and communities
-

1.A.3 How has the policy/commitment been developed and how is it embedded in the enterprise?

We adopted our first Human Rights Policy in 2012 and over the last decade our strategies have evolved. We have learnt along the way and our business model and the context in which we operate have also changed. It is against this backdrop that we reviewed and updated our Human Rights Policy in 2020. Our latest sustainability strategy was adopted in 2015, and is today an integral part of our business strategy.

The Board of Directors adopted the Human Rights Policy on behalf of H&M Group. They have delegated the responsibility to implement the policy and our broad sustainability strategy to senior operational executives that report to our CEO. The Head of Sustainability oversees the overall implementation and report on progress and impact to the Board of Directors and the leadership team on a regular basis.

We focus our efforts on our salient issues and we apply a risk-based approach. Every year we review our salient human rights issues to ensure their relevance and to prioritise efforts and engagement. Different functions and geographies carry out human rights risk and impact assessments, the outcomes of which form part of our corporate risk process. Environmental risk management follows a similar approach.

Policy integration: Our commitment to operating with respect for international standards is manifested in our corporate-level Human Rights Policy and reflected in operational-level policies and guidelines, which help us act with accountability and fulfill our obligations in practice.

Key operational-level policies include our Sustainability Commitment, which sets out our requirements for suppliers and business partners to respect human rights and ensure good working conditions, our global Social Policies, which are the equivalent for our internal operations, and our Material Ethics policy.

Guidelines to further support our teams and business partners in how to respect human rights in their daily work include our Migrant Worker Guideline to secure fair recruitment of migrant workers, and our Responsible AI Framework, which is applied when developing new AI applications.

Governance and culture: Responsibility for implementation of our commitment to operate with respect to human rights is delegated to senior operational executives who report to our CEO. The Head of Sustainability and Head of Corporate Governance oversee the overall implementation and report on progress and impact to the Board of Directors and the leadership team on a regular basis. The work to develop reporting and steering to further integrate human-rights management in an effective and meaningful way is ongoing.

One of H&M Group's core values is "believe in people"; a key aspect of our corporate governance has, and will always be, that we trust our colleagues to make the right decisions. Raising awareness and ensuring that respect for human rights is embedded in our culture and values means providing colleagues with appropriate training and the right tools.

Training and awareness raising: Awareness raising and sense-making of what it means to operate with respect to human rights is key to effective integration. We provide basic human-rights training across our business, tailoring content for different functions and roles. Training includes a basic introduction to human rights, an outline of our responsibilities in line with the UNGPs, and key aspects of effective implementation. In-depth training and workshops are targeted at key staff and cover specific topics such as forced labour and application of remedy logic. A similar approach is being applied to suppliers and business partners.

For more info about our human rights management, see:

- Website - hmgroup.com/sustainability/fair-and-equal/human-rights/our_approach/

1.B Organisation and internal communication

1.B.1 How is the due diligence work organised within the enterprise, embedded in internal guidelines and routines, and why?

H&M Group performs standard due diligence to identify and assess business partners in relation to relevant external and internal requirements based on need and as required within the company's business processes.

The company takes a systematic approach to human rights and environmental due diligence. It is an ongoing process to identify, prevent, mitigate, and remedy potential and actual negative impacts on people, while leveraging opportunities to advance their rights. Respecting human rights is essential for H&M Group to operate sustainably and successfully. This means the company treats everyone equally, with respect and dignity, wherever and whoever they are. The company also recognises the interconnectedness between environmental issues such as climate change, resource use, biodiversity and water scarcity, and human rights and livelihoods.

H&M Group's human rights and environmental due diligence (HRDD) process is integrated into the company's corporate governance and risk management processes to ensure business decisions consider the potential for impacts to the rights holders affected by H&M Group's business. The H&M Group Responsible Business Conduct Policy sets out the additional steps required for conducting a deep dive due diligence in relation to human rights and environmental issues. This applies to the company's operations, value chain and the communities where the group operates.

H&M Group's HRDD process is based on the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles and relevant national legislation, where applicable. The company pays special attention to groups vulnerable to infringement of rights, such as migrant workers and children. H&M Group does not accept forced labour or child labour.

H&M Group conducts a systematic review to identify and manage human rights risks in the company's value chain at least annually. The company uses the following process:

1. Identification: H&M Group identifies material risks as part of its annual materiality assessment and through continuous dialogue with international organisations such as the International Labour Organization, OECD, international trade unions, human rights organisations, and policymakers. More detail on this process can be found on hmgroup.com/sustainability.
2. Prioritisation: H&M Group prioritises risks based on likelihood and impact (including severity and reversibility) and calibrates risks across the company's business and supply chain to ensure it addresses risks connected to higher product, raw material, or service volumes. This review is conducted at both a global and local level. The global risk assessment is supported by external data on risk.
3. Monitoring and reporting: Identified risks are categorised and listed in the company's risk repository, which details the risks, where they occur, the severity and the mitigation plan. This forms the basis of internal risk reporting and the frequency of the follow-up and review to ensure risks are appropriately managed. The Corporate Governance function reports on all group risks, including the most material human rights and environmental risks, to the CEO and CFO on a quarterly basis. The company reports the status of risks and internal control to the Audit Committee.

H&M Group strives to support grievances to be handled and addressed as close to the issue as possible — and for grievance and remediation processes to be transparent, trusted, and accessible for the intended users. H&M Group's Internal Grievance Policy outlines its internal processes, and the company expects business partners to have similar operational-level grievance mechanisms in place. Since 2022, anyone can raise and escalate concerns using the company's Speak Up channel — H&M Group's corporate complaints channel established in accordance with applicable laws — for reporting suspected misconduct across the company's value chain. The channel supports anonymous reporting and the company does not tolerate retaliation toward the person reporting.

1.B.2 How is the significance of the enterprise's due diligence work defined and clarified for the employees through their job description (or the like), work tasks and incentive structures?

In total, 224 people across the group have sustainability as their core task, and it is increasingly becoming part of everyone's role as we continue to integrate sustainability into our overall business goals and agenda.

We translate our strategy into action through our Change-Making Programme, the set of tools that guide our company-wide approach to deliver our sustainability ambitions and support responsible business conduct.

1) Goals

- Sustainability integrated into company-wide strategic KPIs and goals, with clear ambition levels for all functions, teams and individuals.

2) Roadmaps

- Strategic plans, targets and actions for reaching goals supported by appropriate resource allocation and investment.

3) Methods and follow-ups

- Processes and methods to set goals and evaluate progress, supported by steering structures to secure ownership.

4) Standards and policies

- Guiding principles and requirements for H&M group and our business partners, supported by control measures.

For more info about our way and culture and standards and policies, see:

- Website - hmgroup.com/about-us/our-way/

- Website - hmgroup.com/sustainability/standards-and-policies/

1.B.3 How does the enterprise make sure employees have adequate competence to work on due diligence for responsible business conduct?

Our work to secure adequate competence on due diligence for responsible business conducts is done through internal trainings, establishment of centre of excellence for support and external collaborations with experts.

General trainings and awareness raising include:

- Introduction to business and human rights

- Enabling remedy workshops

- Responsible purchasing practices

- Introduction to code of ethics

Topic specific trainings and awareness raising include for example:

- Circular design and how to use our circular design tool

- I&D through our Layers workshops

- Introduction to forced labour and fair recruitment

Work is currently underway to review and update key modules for responsible business conduct and to even further formalize structures and approach for continuous learning.

To learn more about our external collaborations and partnerships, see:

- Website - hmgroup.com/sustainability/leading-the-change/memberships-and-collaborations/

1.C. Plans and resources

1.C.1 How are the enterprise's commitments to respect people, animals, society and the environment embedded in strategies and action plans?

To meet customers' ever-increasing expectations, we are continuing to develop the customer offering for all our unique brands by offering customers the best combination of fashion, quality, price and sustainability. Demand for good value and sustainable products is expected to grow and our customer offering is well positioned for this. Among other things, customers can today carry out repairs, rent clothes or buy and sell second-hand.

1.C.2 How is the enterprise's strategies and action plans to work towards being responsible and sustainable followed up by senior management and the board?

Implementation of the company's sustainability vision and strategy is the responsibility of the Head of Sustainability together with the executive management team. The Head of Sustainability and each function and brand reports directly to the CEO, creating visibility of sustainability key performance indicators (KPIs). Twice yearly, the head of sustainability reports a performance overview to the board of directors. Every quarter, Sustainability Department teams report progress against the sustainability KPIs, key challenges, learnings and activities to facilitate visibility of impacts, achievements and challenges across functions, brands and markets.

For further detail on our corporate governance, see:

- Corporate Governance Report 2023 - <https://hmgroup.com/wp-content/uploads/2024/03/HM-Corporate-governance-report-2023.pdf>
 - Website - hmgroup.com/about-us/corporate-governance/about-corporate-governance/
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1.D Partnerships and collaboration with business relationships, suppliers in particular

1.D.1 How does the enterprise emphasise the importance of responsible and sustainable business conduct in its business relationships, particularly in the supply chain?

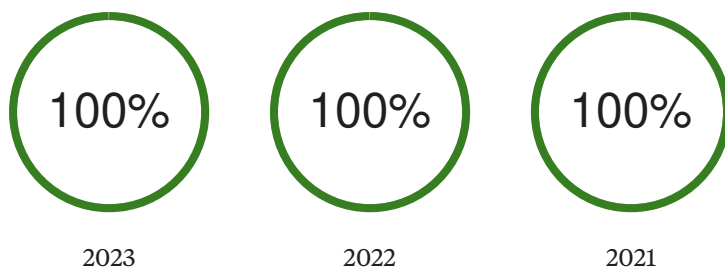
Our Sustainability Commitment outlines our expectations. This includes compliance with minimum requirements and international standards, and the aspiration to go beyond compliance for lasting impacts. We require all suppliers and business partners to sign and adhere to our Sustainability Commitment and our Code of Ethics.

We monitor compliance and measure performance using our Sustainable Impact Partnership Programme (SIPP). We use SIPP to support suppliers in raising environmental and social performance while encouraging them to take ownership of their sustainability agenda. SIPP includes:

- Minimum requirements. Assessments for new suppliers and ongoing follow-up checks. — Self-assessment and validation.
- Self- assessment through tools including the Sustainable Apparel Coalition’s (SAC) Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM), verified by a third party.
- Capacity building. Identifying priority areas and setting goals for improvements. Actioned through targeted support or wider topic-based programmes.
- Grievance mechanisms and worker voice. Ensuring effective opportunities for workers to report concerns and have their voices heard.
- Dealing with incidents. Recording and investigating potential incidents. Following up confirmed non-compliance cases with a letter of concern and corrective action plan

Indicator

Percentage of the company's suppliers that have accepted guidelines for suppliers



1.E Experiences and changes

1.E.1 What experiences have the enterprise encountered during the reporting period concerning responsible business conduct, and what has changed as a result of this?

We continuously assess progress against our goals and policies and strives to integrate learnings on a yearly basis into our plans and management systems. Each chapter in our Sustainability Report includes learnings and future focus for each of our strategic areas.

Learnings and focus during 2023 in relation to responsible business conduct and human rights due diligence can be found on p.59 and p.66 in our Sustainability Disclosure.

- New and upcoming legislation on mandatory reporting requirements, such as the EU Corporate Sustainability Reporting Directive, will impact how we collect and analyse our data. We have started taking measures to structure employee data and information to ensure we will be able to report appropriately.
- We are launching a new training — Social Policies for All — to raise awareness about how H&M Group’s commitment to protecting our employees’ human rights is detailed in our social policies, and how we support human rights more widely across the value chain.
- We are increasing our focus on impact and have consolidated business volumes into fewer strategic suppliers. This will enable us to grow with our partners in a collaborative way, moving away from a transactional business model and creating more value for all, from our customers to the factories that make our products. We clearly outline our expectations for these strategic suppliers and create tailored roadmaps to support suppliers in their improvement journey.
- We will continue to deepen integration of due diligence across our business. Ensuring shared responsibility and continuing training, support and cross-functional collaboration are important aspects of this ongoing work.

For more lessons learn and future focus, see our Sustainability Disclosure.



2

Defining the focus for reporting

Identify and assess the enterprise's impact on people, animals, society and the environment

“Identify and assess” is about identifying the enterprises's risk for, and actual negative impact on, people, animals, society and the environment, including in the supply chain and through business relationships. As a first step the enterprise should get an overall risk picture, before subsequently prioritising further mapping and measures where the risk of negative impact is the greatest, i.e. salient issues. The enterprises's involvement in the negative impact on people, animals, society and the environment is central to determine which measures the enterprise should implement in the next step of the due diligence model. Involvement of stakeholders, especially those affected, is central when assessing risks. It is also important to consult with stakeholders when implementing measures to manage the negative impact.

2.A Mapping and prioritising

PRIORITISED ACTUAL OR POTENTIAL NEGATIVE IMPACT ON PEOPLE, ANIMALS, SOCIETY, AND THE ENVIRONMENT

Prioritising one or more risk areas on the basis of severity does not mean that some risks are more important than others, or that the company should not take action on other risks, but that risks with the greatest negative impact are prioritised first. Mapping and prioritisation are a continuous process.

2.A.1 List the enterprises's actual negative impacts and/or prioritized significant risks of negative impact/harm on people, animals, society and the environment. Take note that the prioritized risk that you list in the table below will be exported to step 3 of this report, where you will be asked to answer how you work with stopping, preventing, or reducing the negative impact.

Salient issue	Related topic	Geography
Health, safety and wellbeing of workers in the textile industry	Occupational Health and safety	Global
The right of workers to join, and/or form union and to bargain collectively.	Freedom of association and collective bargaining	Global
Legal wages in textile industry not always meeting the concept of living wages.	Wages	Bangladesh China Indonesia India Cambodia Myanmar/Burma Turkey
Access to social protection	Wages Regular employment	Bangladesh China Indonesia India Cambodia Myanmar/Burma Turkey
Excessive overtime hours.	Working hours	Global
Risk of forced labour	Forced labour	Global

Risk of child labour in the textile industry	Child labour	Global
Discrimination, harassments and unequal treatment.	Harsh and inhumane treatment	Global
Negative climate impact of own operations and supply chain.	Greenhouse gas emission	Global
Unsustainably use of natural resources for material and packaging.	Environment Use of materials	Global
Responsible and ethical treatment of animals for raw material production.	Animal welfare	Global
Hazardous chemicals and pollution.	Environment Water	Global
Water quality, accessibility and availability.	Environment Water	Global

JUSTIFICATION FOR THE PRIORITISATION OF RISKS OF NEGATIVE IMPACT ON PEOPLE, ANIMALS, SOCIETY, AND THE ENVIRONMENT

2.A.2 Describe: a) the enterprise's routines for mapping and identifying risk and show how the negative impact was identified and prioritised in this period: b) eventual aspects of the enterprise that have not been covered in this report (product groups, own products, departments etc.) and why you not chose to prioritize these in the continued work: c) how information was gathered, what sources were used, and which stakeholders have been involved/consulted: d) whether you have identified areas where information is lacking in order to get an overview, and how you are planning to proceed to collect more information/handle this.

We conduct initial and ongoing risk identification and analysis for countries, materials and suppliers and adjusted as needed for other business activities - focused on salient and material issues. These issues are informed by OECD defined sector risk and our own process to identify material and salient issues.

For more info, see:

- Salient Human Rights Issue report: <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-SHRI-2023.pdf>
- Materiality: <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-Materiality-2023.pdf>

For human rights impacts, the combination of likelihood and severity informs how we prioritize our efforts. To inform the likelihood of actual or potential negative impact across our operations and supply chain we apply a risk algorithm that incorporates risk indicators for country, process, business model and vulnerability. This process is informed by publicly available risk index for various topics, and proprietary index such as Maplecroft or WWF Water Risk Filter; information we have of our operations and supply chains that indicates risk and where available actual input from own or multi-stakeholder field studies, grievances and incidents, as well as stakeholder consultations with suppliers, internal and external experts and partners such as ILO, IndustriAll, WWF. As for severity, each issues is given a rating based on scale, scope and irremediability of harm.

As for our direct suppliers in our production supply chain, not only do we undertake yearly risk reviews on country level to inform broader country strategies, but we also conduct deeper and specific risk assessment per manufacturing site. All of our suppliers undergo initial minimum requirements assessment before we initiate a business relationship and thereafter frequent assessment to assess compliance and performance against our sustainability requirements and ambitions.

For more information about our supply chain management, see:

- Supply chain - <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-Sustainability-Disclosure-2023.pdf>
- Public supplier list - <https://hmgroup.com/sustainability/leading-the-change/transparency/supply-chain/>

ADDITIONAL SEVERE IMPACTS

2.A.3 Describe any other negative impacts on people, animals, society and the environment that were identified in the mapping of the enterprise, supply chain or other business relationships during the reporting period and how these have been handled.

See Sustainability Disclosure: <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-Sustainability-Disclosure-2023.pdf>

A woman in a blue surgical cap and gown is shown in profile, looking down. She is in a hospital operating room, with other staff members in similar attire visible in the background. The room is brightly lit with overhead surgical lights.

3

Management of salient issues

Cease, prevent or mitigate negative impacts

“Cease, prevent and mitigate” is about managing findings from the risk assessment in a good way. The most salient negative impact on people, animals, society and the environment should be prioritised first. This does not mean that other risks are insignificant or that they are not handled. The way the enterprise is involved in the negative impact is key to taking the appropriate action. Negative impact that the enterprise causes or contributes to must cease, be prevented and be reduced. To address negative impact directly linked to the enterprise, e.g. in the supply chain, the business must use its leverage to influence the entity causing the negative impact to cease, prevent or mitigate it. This involves developing and implementing plans and routines to manage risk and may require changes to the enterprise's own policy documents and management systems. Effective management of the negative impact on people, animals, society, and the environment is a major contribution to the achievement of the Sustainable Development Goals (SDGs).

3. A Cease, prevent or mitigate

3.A.1 For each salient risk, add a goal, progress status and describe the measures you have implemented to handle the enterprise’s prioritized negative impact on people, animals, society, and the environment

Salient issue	Health, safety and wellbeing of workers in the textile industry
Goal :	1. Increase % of tier 1 apparel, accessory and home textile factories H&S committees in place to 96% by 2023 (86% in 2021).
Status :	Target reached 97 % in 2023. For more information, see our: - Sustainability disclosure p. 62
Goals in reporting year :	

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

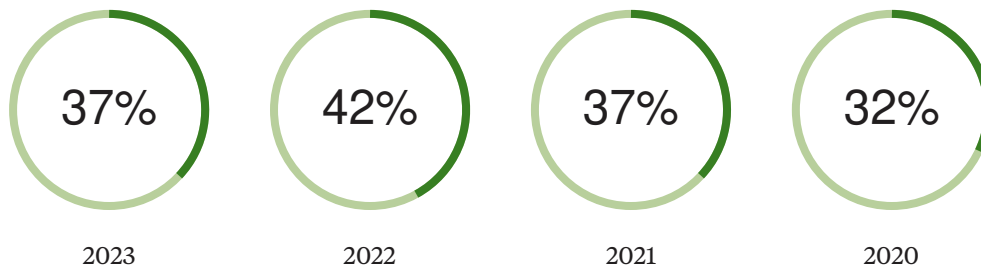
Salient issue	The right of workers to join, and/or form union and to bargain collectively.
Goal :	<p>1. 100% NMC members (H&M Group and trade union representatives) in India, Bangladesh, Turkey, Cambodia, Indonesia and Myanmar trained on relevant curricula (e.g gender based violence, case handling and access to remedy) by 2022.</p> <p>2. Evaluate functioning of existing Collective Bargaining Agreements by 2022.</p>
Status :	<p>We support the right to freedom of association and believe that strong industrial relations contribute to resilient, stable supply chains and decent work. We work with suppliers to increase democratically elected worker representation and to empower workers to know their rights.</p> <p>For more information on our work to support social dialogue and collective bargaining agreements, see our sustainability disclosure.</p>
Goals in reporting year :	1.1 Conduct three trainings and workshops with support by external partners and in collaboration with IndustriAll during 2022. [Ta bort?]

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

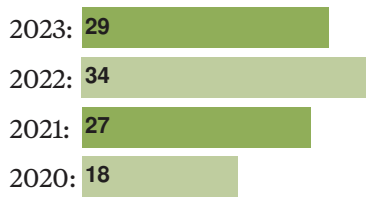
Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Indicator

% tier 1 supplier factories with trade union representation



% tier 1 supplier factories with collective bargaining agreements



<p>Salient issue</p>	<p>Legal wages in textile industry not always meeting the concept of living wages.</p>
<p>Goal :</p>	<ol style="list-style-type: none"> 1. 20% increase of supplier factories with Wage Management System in place to also having implemented Wage Grids by 2022 (2021 Baseline: 587 supplier factories with Wage Management Systems out of which 296 with Wage Grid) 2. All production markets to be included in our Wage Survey to improve scope and quality of wage data, by 2022. 3. Gender Pay Gap indicators implemented for all production markets, to help identify and address differences in wages between gender, by 2022.
<p>Status :</p>	<p>We want to ensure all the workers in our supply chain are paid fairly and are covered by a strong social protection system. We work with suppliers to improve wage management systems and we partner with peers, experts and governments to improve wages at the industry and country level. Following an external review of our wages work in 2020, we've further developed our approach to increasing wages. We developed country-specific strategies that consider national contexts and legal settings, based on the six areas that drive impact on wages: wage management systems, productivity, social protection, statutory minimum wages, collective bargaining and industrial relations, alongside our own purchasing practices.</p> <p>For more information about status of wages and how we work to improve wages in the textile industry, see our:</p> <ul style="list-style-type: none"> - Wage strategy: https://hmgroup.com/sustainability/fair-and-equal/wages/ - Sustainability Report (p. 72-76): https://hmgroup.com/wp-content/uploads/2023/03/HM-Group-Sustainability-Disclosure-2022.pdf
<p>Goals in reporting year :</p>	<ol style="list-style-type: none"> 1. Wage Management System and Wage Grid review and implementation by country teams and suppliers. 2. Improve data collection at supplier level to secure data on aspects such as but not limited to; skill-based wages, peak and low season with bonus, gender pay gap and overtime compensation. 3.1 Gender Pay Gap indicators to be included in our suppliers Wage Survey. 3.2. Analyze data to set performance indicators per country and suppliers.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Salient issue	Access to social protection
Goal :	Workers employed by supplier factories to be covered by social protection system.
Status :	<p>We focused on social protection issues in specific countries. For example, in Turkey, we strengthened checks on social protection contributions paid to workers. We committed to a project led by ILO and GIZ in Bangladesh to advocate for an interim solution for the employment injury scheme.</p> <p>For more information, see our Sustainability Disclosure.</p>
Goals in reporting year :	Social protection is one out of the six work areas we have identified to drive improvement on wages, compensation and benefits and this issue therefore form part of our wage strategy (ref. Wages).

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Salient issue	Excessive overtime hours.
Goal :	<ol style="list-style-type: none"> 1. Full compliance to our Purchasing Practices commitments by 2023, to enable supplier factories to respect working hours limits. 2. 100% of relevant colleagues working with sourcing to complete the 1st module of responsible purchasing practices training, as per the ACT on Living Wage Purchasing Practice Commitment, by end of 2022.
Status :	<p>Wages, working hours and purchasing practices are interconnected and our strategy to avoid excessive working hours is focused on improving wages and strengthening purchasing practices.</p> <p>For more information about status of wages strategy and purchasing practices, see our:</p> <ul style="list-style-type: none"> - Wage strategy: https://hmgroup.com/sustainability/fair-and-equal/wages/ - Sustainability Disclosure.
Goals in reporting year :	<ol style="list-style-type: none"> 1. Full coverage in monitoring of weekly working hours and wage data and safeguarding that planned orders are within supplier capacity and in line with our purchasing practices. 2. Roll out of training modules on responsible purchasing practices, including the ACT on Living Wage Purchasing Practices Commitments.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Salient issue	Risk of forced labour
Goal :	1. No recruitment fee paid by migrant worker by 2025.
Status :	For more information about our work to identify, adress and remedy forced labour across our value chain, see our: - Modern Slavery Report: https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Modern-Slavery-Statement-2021.pdf
Goals in reporting year :	1. 100% of relevant tier 1 suppliers trained in India, Indonesia, Italy, Portugal, Turkey, Bangladesh, Ethiopia and Pakistan by end of 2022.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Salient issue	Risk of child labour in the textile industry
Goal :	1. Maintain zero cases of child labor among our tier 1 supplier factories
Status :	We remain committed to uphold the Children’s Rights and Business Principles, which includes not accepting child labour in our supply chain. For more information, see our Sustainability Disclosure.
Goals in reporting year :	1. Ongoing training of suppliers and colleagues on child labour prevention and remediation guidelines.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

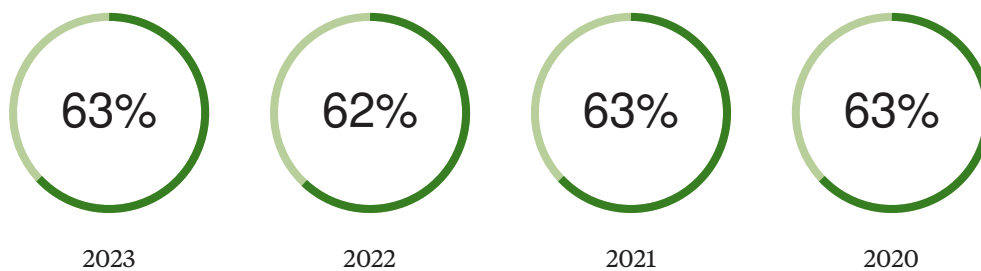
Salient issue	Discrimination, harassments and unequal treatment.
Goal :	<ol style="list-style-type: none"> 1. 100% of our colleagues have completed relevant I&D trainings by 2025. 2. YoY increase in female worker representatives vs gender share in workforce in our tier 1 supplier factories, to achieve equal ratio by 2030. 3. 3. YoY increase in female supervisors vs gender share in workforce in our tier 1 supplier factories.
Status :	<p>Growing inequalities and unequal access to opportunities around the world, exacerbated by the global pandemic, emphasise the need for inclusive business. We're committed to being part of the solution, working to promote and improve diversity, equity and inclusion for everyone in our value chain.</p> <p>For more information on Inclusion & Diversity and Gender Equality in our supply chain, see our Sustainability Disclosure.</p>
Goals in reporting year :	<ol style="list-style-type: none"> 1.1 Complete our I&D training framework of mandatory and customized modules, by 2022. 1.2 Transfer of trainings to digital format to enable faster roll-out and greater reach. 2. Set-up training program for female worker representatives to develop their leadership skills during 2022. Training will be provided by internal teams and external partners. 3. Set-up training programmes for female supervisor to develop their leadership skills, and various initiatives to enable and encourage women leadership.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

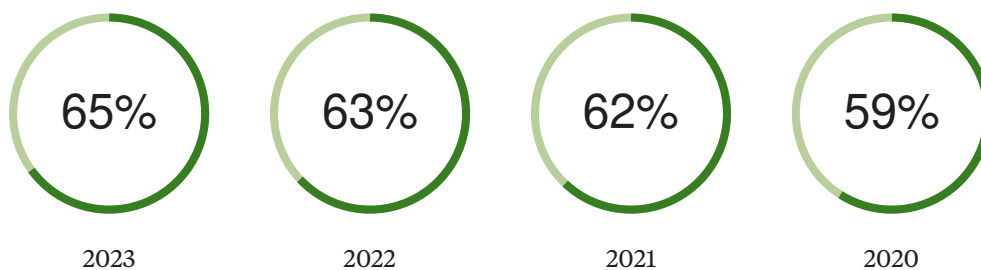
Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Indicator

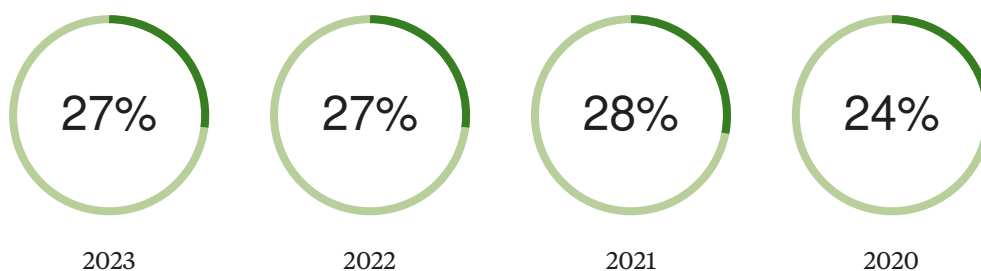
% of workers in our tier 1 production supply chain that are female



% of worker representatives in our tier 1 production supply chain that are female



% of supervisors in our tier 1 production supply chain that are female



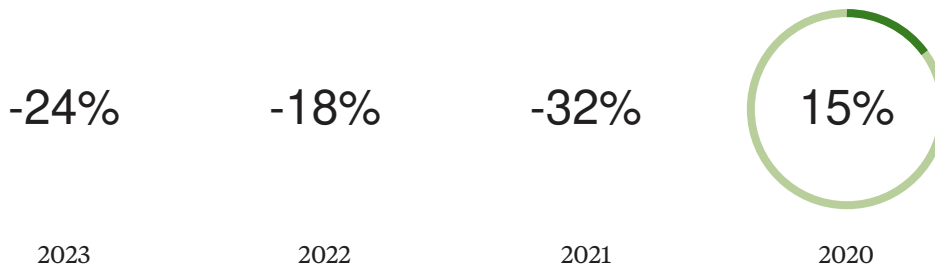
<p>Salient issue</p>	<p>Negative climate impact of own operations and supply chain.</p>
<p>Goal :</p>	<ol style="list-style-type: none"> 1. Reduce our absolute scope 1, 2 and 3 emissions by 56% by 2030, from a 2019 baseline (excluding customer use phase to align with SBTi methodology) 2. Achieve a 25% reduction in electricity intensity in our stores by 2030, from a 2016 baseline. 3. Source 100% renewable electricity in our own operations by 2030.
<p>Status :</p>	<p>Around two thirds of our emissions are coming from our sourcing and production which makes it one of our biggest focuses, which is supported by a growing supply chain energy efficiency team and green investment fund. In our own operations we are currently at 95% use of renewable electricity, mainly achieved by purchase of renewable electricity certificates (REC).</p> <p>For more information, see our Sustainability Disclosure and Climate Transition Plan.</p>
<p>Goals in reporting year :</p>	<ol style="list-style-type: none"> 1.1 Long -erm aim of phasing out on-site coal from our supply chain starting with a ban on on-boarding new suppliers or supplier factories if they have on-site coal boilers in their factories from 2022. 1.2 Our supply chain energy efficiency team working to establish energy efficiency programs with our biggest and most impactful suppliers, with the aim to create an industry-wide guidance platform on effective energy efficiency activities for supply chains. 1.3 Dedicated climate impact budget to financially supporting projects that reduces H&M Groups emissions in our value chain including for our suppliers. Success is measured on return on investment by emission reduction, not financial gain. 2. Continue to retrofit LED lightning, scale up retrofit of efficient heating, ventilation and air conditioning in selected markets. 3. Further scale up of purchase of renewable electricity certificates, instal solar panels on distribution centres and invest in renewable energy parks.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

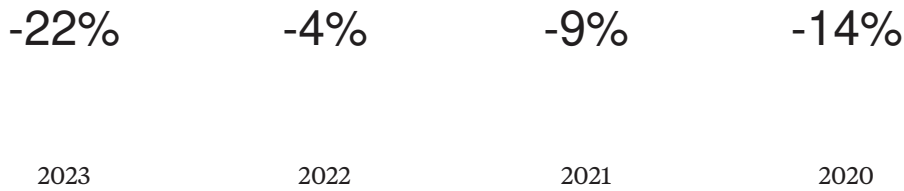
Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Indicator

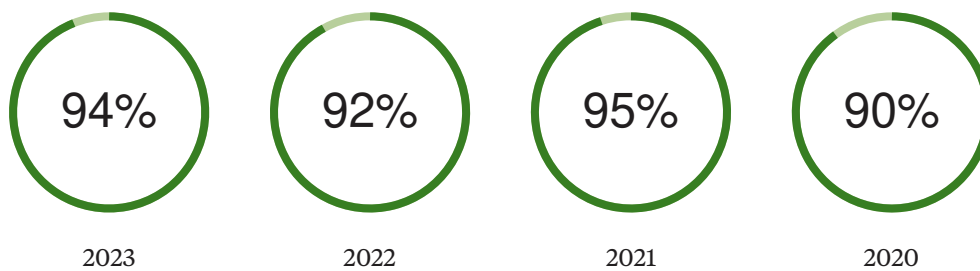
% absolute reduction (scopes 1 and 2) in CO₂e emissions compared with 2019 baseline



% absolute reduction (scope 3) in CO₂e emissions compared with 2019 baseline



% renewable electricity in own operations



<p>Salient issue</p>	<p>Unsustainably use of natural resources for material and packaging.</p>
<p>Goal :</p>	<ol style="list-style-type: none"> 1. 100% of recycled or other sustainably sourced materials by 2030 (commercial goods) 2. Design all our products for circularity by 2025 based on our Circulator Tool 3. 100% of packaging from recycled or other more sustainable sourced material by 2030 4. Reduce packaging across our value chain by 25% by 2025, against 2018 baseline
<p>Status :</p>	<p>H&M Group is transitioning to a circular ecosystem. This ecosystem transforms how we design and create our products and systems, work with suppliers and partners, and interact with customers. It supports the Ellen MacArthur Foundation’s vision for a circular economy where design eliminates waste and pollution, circulates products and materials (at their highest value) and regenerates nature.</p> <p>For more information, see our Sustainability Disclosure and:</p> <ul style="list-style-type: none"> - Circular Strategy: https://hmgroup.com/sustainability/circular-and-climate-positive/circularity/ - Ellen MacArthur Foundation: https://ellenmacarthurfoundation.org/topics/fashion/overview

Goals in reporting year :

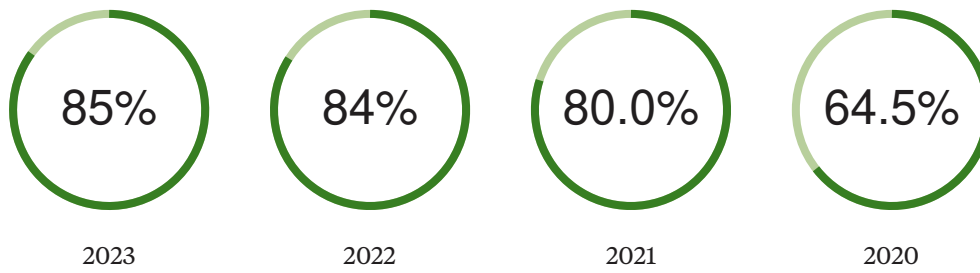
- 1.1 Continue sourcing 100% recycled, organic, in-conversion or Better Cotton Initiative cotton, and engage with all initiatives to improve impacts.
- 1.2 Source at least 30% recycled material by 2025.
- 1.3 Phase out virgin polyester by 2025.
- 1.4 Continued investment in material innovators, such as Worn Again, Renewcell, Tree to Textile, Infinited fibre and support innovators in "speed to market" through our innovation lab.
- 2.1 Train all relevant colleagues (e.g. designers, assortment and product development teams) on circular design guidelines and tool during 2022.
- 3.1 Invest in innovation around how to increase the share of next generation fibers and post-consumer recycled paper.
- 3.2 Switch material in our transport hangers, going from PS plastic and non-recyclable material to a more sustainable and recyclable options.
- 3.3 Processes and traceability in place for of all material that requires certificate, i.e. FSC and GRS certified materials.
- 3.4 Finalize our circular design guideline that provides each packaging with a circular score, combining choice of material and likeliness of it to be recycled.
- 4.1 Continue to eliminate all unnecessary packaging material such as filling material, gift and multi packs.
- 4.2 Through design continue to optimize the size and weight of the packaging.
- 4.3 Continue to explore and scale how to switch single-use packaging to reusable models, including testing reusable online packaging.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

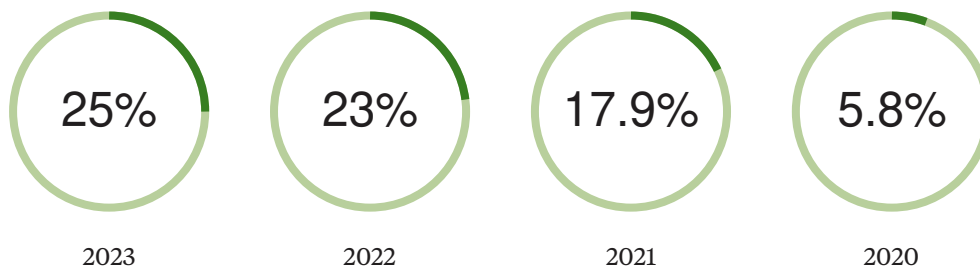
Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Indicator

% of recycled or other more sustainably sourced materials total



% of recycled materials



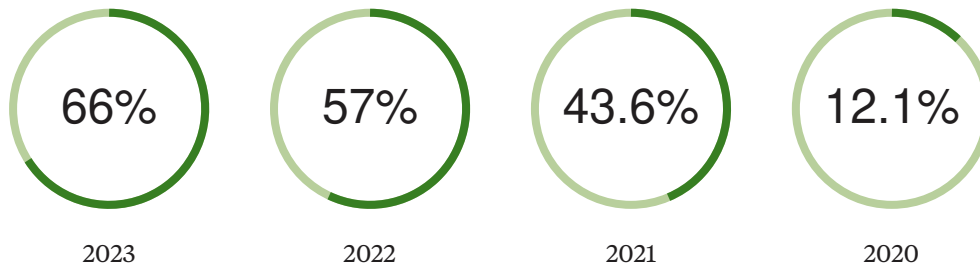
<p>Salient issue</p>	<p>Responsible and ethical treatment of animals for raw material production.</p>
<p>Goal :</p>	<p>1. By end of 2025, all wool used in our product should come from Responsible Wool Standard (RWS) 2. By end of 2025, 100% of all our wool and animal hair, including cashmere, alpaca and yak to either a) come from farms with good animal welfare practices certified by a credible standard, b) come from recycled or regenerative sources or c) be replaced by other, non -animal fibre materials.</p>
<p>Status :</p>	<p>Animal welfare is important to us, and no animals should be harmed in the making of our products. We have a long-standing commitment to improving animal welfare across our global supply chains and we are working to source all animal-derived materials from farms with good animal husbandry.</p> <p>For more information, see our Sustainability Disclosure and: - Our work on animal welfare: https://hmgroup.com/sustainability/circular-and-climate-positive/animal-welfare/</p>
<p>Goals in reporting year :</p>	<p>1. Supporting supply chain training as well as the conversion of conventional farmers into RWS certified farmers. 2.1 Provide training to relevant supply chain partners to increase the number of suppliers certified to Textile Exchange standards for animal fibers. 2.2 Supporting the development of recycling technologies that can improve the quality for recycled animal fibers to be able to increase the share of recycled content as well as scaling post-consumer recycled materials.</p>

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Indicator

% of Responsible Wool Standard-certified (RWS) wool



Salient issue	Hazardous chemicals and pollution.
Goal :	1. Zero discharge of prio hazardous chemicals in supply chain by 2030.
Status :	<p>H&M Group is working to ensure that all our products are safe to produce and wear. This includes eliminating any hazardous discharge into water, soil and air. Our vision is to lead the change towards safe products and toxic-free fashion, guided by our Chemical Roadmap.</p> <p>For more information, see our Sustainability Disclosure and: - Chemical Roadmap: https://hmgroup.com/sustainability/circularity-and-climate/chemicals/</p>
Goals in reporting year :	<p>1.2 Ensure 100% MRSL compliance in waste-water testing by 2022.</p> <p>1.2 Secure all input chemicals at our suppliers fulfill ZDHC MRLS 2:0 through monthly chemical inventory monitoring.</p> <p>1.3 Further improve traceability of the input of chemicals used in H&M Group production for commercial goods with the goal to achieve 100% traceability by 2030.</p>

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Salient issue	Water quality, accessibility and availability.
Goal :	<ol style="list-style-type: none"> 1. Reduction of water usage for production by 25% in comparison to baseline of 2017 for tier 1 and tier 2 supplier factories (l/kg , l/pc , l/m) by 2022. 2. By 2022, 50% of supplier factories will have rainwater harvesting to substitute ground water, where feasible. 3. 100% of Effluent Treatment Plants (ETP) to achieve green grading. 4. 100% of discharged water to be compliant with ZDHC wastewater quality criteria.
Status :	<p>We've focused on becoming more water efficient and improving water in some of the world's most stressed water basins but the freshwater clock is ticking, so now it's time to take a fresh approach and broaden our impact.</p> <p>Our vision is to have a positive impact on water by 2030. We want to build a business that is resilient to water crises and catalyse innovation to enable the fashion industry to decouple from water.</p> <p>For more information, see our Sustainability Disclosure and: - Water Strategy: https://hmgroup.com/sustainability/circularity-and-climate/water/</p>
Goals in reporting year :	<ol style="list-style-type: none"> 1, 2: Roll-out cleaner production programs on global and local scale. 1, 2: Build capacity with supplier factories to set improvement plans for water efficiency, supported by internal and external expertise. 3, 4: Quarterly data gathering and follow-up by water specialists, including validation and quality controls by internal teams and 3rd party. 3, 4: Yearly wastewater testing of supplier factories with dyeing and washing capabilities.

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

Indicator

% reduction in production water use (water intensive tier 1 and 2 suppliers) from 2017 baseline

-14%

-21%

-14%

-3.8%

2023

2022

2021

2020

We've changed base year to 2022.

3.B OTHER ACTIONS RELATED TO MANAGEMENT OF NEGATIVE IMPACTS

Describe the enterprise's general measures to cease, prevent or mitigate negative impacts, including in the supply chain.

3.B.1 Reduction of nature- and environmental impact

Our ambition is to achieve net-zero CO₂e emissions by 2040, and having a net positive impact on biodiversity. Becoming circular throughout our business is key to achieving these aims. How we make and use our products directly affects our carbon and water footprints and our impact on nature.

We take a net zero approach throughout our value chain and beyond. To do this we will:

- Halve our emissions every decade.
- Achieve net-zero no later than 2040, using the Science Based Targets initiative's (SBTi) definition. We are revising our existing science-based targets to align with the SBTi's recently launched Net-Zero Standard. We have submitted a near-term SBT with a target year of 2030, and a long-term SBT to achieve net-zero by 2040, and they were approved by SBTi in September 2022.
- Have a positive effect beyond our value chain, by engaging in public affairs and collaboration, and making financial commitments to reduce climate impacts beyond our value chain emissions

We focus on four priority activity areas to support these targets:

- Energy efficiency. Use as little energy as possible across the whole value chain — including in our own operations, logistics activities and throughout our supply chain.
- Renewable energy. Work to source 100% renewable electricity in our own operations, and engage with partners and suppliers to increase their use of renewable electricity, heat and steam. We are an RE100 member company.
- Circularity. Our circular ambition and goals are integral to achieving our climate goals.
- Carbon removals. Find nature-based and engineered solutions for removing GHGs from the atmosphere. Future investments in carbon removals will primarily serve to neutralise our residual emissions in order to achieve net-zero value chain emissions.

Our ambition is to have a net positive impact on biodiversity by:

- Working to prevent and reduce our overall impact on the biodiversity and natural ecosystems touched by our value chain.
- Supporting the protection and restoration of biodiversity and natural ecosystems in line with scientific advice. We are developing targets and actions to support this ambition, in line with the ARRRRT (Avoid, Reduce, Restore & Regenerate, Transform) framework. Our work on biodiversity has strong links with our existing goals and activities on climate, water, materials, circularity and resource use, and chemicals. We are working to source more materials farmed with regenerative practices. These practices aim to improve environmental wellbeing by increasing soil fertility, biodiversity, soil carbon sequestration, water retention and cleanliness, while contributing to community resilience and livelihoods.

For more information about our strategies on climate and biodiversity see our Sustainability Disclosure 2023.

3.B.2 Reduction of greenhouse gas emissions

Our goal is to reduce absolute greenhouse gas (GHG) emissions across our value chain by 56% by 2030 and by at least 90% by 2040 (against a 2019 baseline). We will also balance out the remaining 10% of unavoidable emissions to reach net-zero by 2040. These goals were verified by the Science Based Targets Initiative (SBTI) in September 2022.

To guide our work, we have created a four-step action framework that minimises our negative impact and maximises our positive contribution.

1. Measure & disclose

To ensure our actions have the greatest effect, we need to know where we're starting from. We closely monitor the GHG emissions across our value chain and share this information to be transparent and open about our progress.

2. Reduce

Making fibres, processing materials and dyeing fabrics use a lot of energy and about 70% of a garment's climate impact happens during manufacturing. Our priority is to reduce our emissions 56% by 2030.

Energy efficiency

Reduce energy use across our value chain, including our own operations, logistics and supply chain.

Renewable energy

Source 100% renewable electricity for our operations and work with partners and suppliers to increase their use of renewable electricity, heat and steam.

Circularity

Invest in, and scale, more circular and regenerative systems across our business. From our products, supply chains through to customer journeys.

Production efficiency

Use data and AI to adjust our assortment levels and match supply to demand.

3. Remove & protect

To achieve net-zero by 2040, we need to reduce emissions in our value chain and to balance out any unavoidable emissions by removing CO2 from the air and storing it away.

4. Advocate

Working together is the only way we can create rapid change at the scale needed. We advocate for policy that limits temperature rise to 1.5°C and support legislation that accelerates the decarbonisation of our value chain.

3.B.3 Adapting own purchasing practices (sourcing)

As an Action, Collaboration, Transformation (ACT) member and a signatory to its Memorandum of Understanding, we commit to ensuring our purchasing practices support suppliers' ability to increase wages. The ACT collaboration has five commitments we need to adhere to in order to be classified as a responsible buyer. We have signed up to all of them, and we believe they are not only important to support our supplier to improve wages but also to fulfil joint commitments to decent work overall.

With our suppliers, we completed an industrywide self-assessment on purchasing practices, run by ACT in 2021. We averaged more than 4 out of 5 in most areas but performed lower on monitoring and evaluation of our purchasing practices — this means that suppliers are either not aware of our existing monitoring systems, or we need to strengthen and communicate what we do in this area. This has been a focus area for improving our purchasing practices in 2022.

For more information on our work and commitment to responsible purchasing practices, see:

- hmgroup.com/sustainability/leading-the-change/transparency/responsible-purchasing-practices/

- ACT purchasing practices commitment: actonlivingwages.com/2018/12/19/news-on-global-purchasing-practices-commitments/

3.B.4 Choice of products and certifications

The fashion industry depends on materials to create its products. These can be natural materials such as cotton, wood and wool, or synthetic options such as polyester and polyamide. All materials have an impact on our planet, from their production, use and, ultimately, end of life and disposal. To reduce our environmental impact, we aim for 100% of our materials to be either recycled or sourced in a more sustainable way by 2030, including 30% recycled materials by 2025.

We prioritise work on the materials we use the most or that have the greatest potential environmental or social impact. For all materials, our Responsible Raw Material Sourcing Policy guides our approach and we work with supply chain partners to improve traceability and transparency.

Achieving our circular ambitions requires us to accelerate development of new materials and recycling innovations. We innovate together with our brands, the Circular Innovation Lab, our H&M CO:LAB investment arm, inventors of sustainable materials and processes including winners of H&M Foundation's Global Change Award, and industry experts.

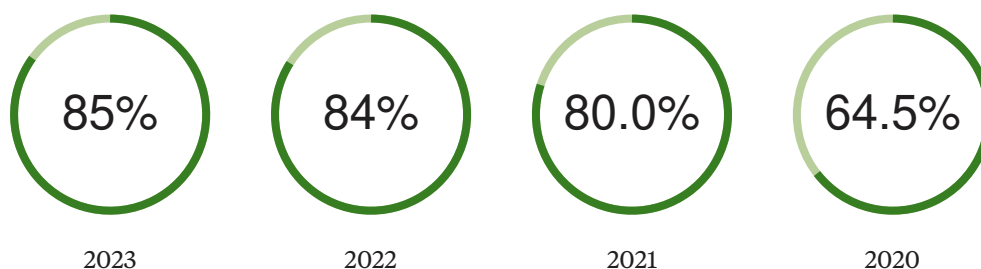
For more information about materials and circular products, see our Sustainability Disclosure and:

- Website - <https://hmgroup.com/sustainability/circularity-and-climate/materials/>

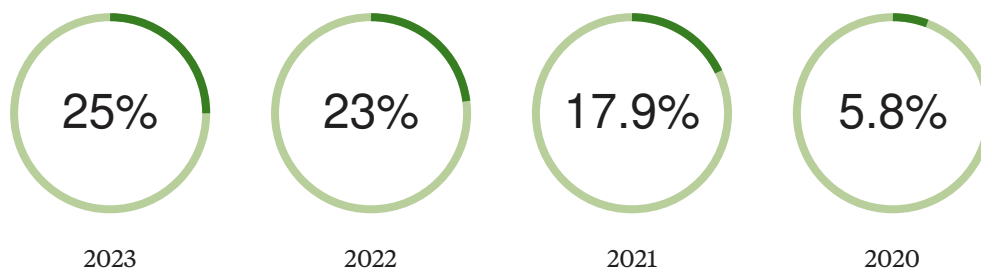
- HM Foundation, Global Change Awards - hmfoundation.com/gca/

Indicator

Recycled or more sustainable sourced materials



Recycled materials



3.B.5 Actively support free trade union organisation and collective bargaining, or where the law does not allow it, actively support other forms of democratically elected worker representation

We support the right to freedom of association and believe that strong industrial relations contribute to resilient, stable supply chains and decent work. We work with suppliers to increase democratically elected worker representation and to empower workers to know their rights.

Our Global Framework Agreement (GFA) with trade unions IndustriALL and IF Metall strengthens industrial relations and enables peaceful conflict resolution in our supply chain. National Monitoring Committees (NMCs) oversee localised GFA implementation. Our six National Monitoring Committees (NMCs) in Bangladesh, Cambodia, India, Indonesia, Myanmar and Turkey cover more than 1 million workers. Of the 46 issues raised with NMCs or other labour stakeholders in 2021 and carried over from 2020, 33 have been resolved. In 2021, H&M Group staff and IndustriALL affiliated trade union NMC members completed an eight-module course with the ILO to support knowledge and skills related to social dialogue.

As an Action, Collaboration, Transformation (ACT) member and a signatory to its Memorandum of Understanding, we commit to ensuring our purchasing practices support suppliers' ability to increase wages. Through our membership of ACT, we engaged with ongoing work to establish industrywide CBAs as a tool for enabling a sustainable rise in wages and benefits over time. Activities in 2021 included a study of options for CBAs from a legal perspective in Cambodia and Bangladesh, and developing tools to encourage better freedom of association across brands and suppliers in all ACT priority markets.

3.B.6 Contribution to development, capacity building and training internally and of suppliers and workers in the supply chain

Capacity building is an integral part of our Sustainable Impact Partnership Program. Together with our suppliers we identify priority areas and set goals for improvements. These are actioned through targeted support or wider topic-based programmes.

We run several capacity building programmes in several countries in our supply chain covering a range of topics, for example Workplace dialogue to help facilitate the democratic election of worker representatives, wage management system or energy efficiency.

3.B.7 Combatting corruption and bribery in own enterprise and supply chain.

Corruption is a challenge in many of the markets where we operate. We have a zero tolerance policy and take a proactive approach in preventing corruption. This is described in our Code of Ethics, which applies to all of our business partners, not only suppliers, and of course all our 179,000 colleagues around the world.

We conduct regular corruption risk assessments and, rather than aiming at zero cases on paper, our goal is to actually find the cases where our Code of Ethics has been violated. We see education and building awareness as crucial tools in preventing corruption, especially in high-risk countries. Our Code of Ethics – provides a clear backbone to our business, ranging from our clear commitment to legal compliance in the countries in which we operate to not accepting or facilitating any form of corruption with a clear no-gift policy.

3.B.8 Other relevant information concerning the enterprise's work to reduce, prevent, and manage negative impact on people, animals, society and the environment

We use our size and reach as a global fashion company to scale systemic industrywide change. We invest in three areas to enable change across our impact areas, within and beyond our value chain:

- Innovation from the R&D stage through to widescale use. We invest in innovative materials, processes and business models to help us decouple our revenue from resource use, reduce our impact on climate and nature, and empower our customers to be part of our industry's transformation.
- Collaboration with peers, experts and policymakers is crucial to develop the solutions, infrastructure and legislation needed to accelerate transformation across our industry. Partnership and dialogue enable us to bring together diverse perspectives, share learnings, capabilities and even resources effectively, and define common frameworks to jointly work towards
- We strive for transparent communications and reporting of progress and challenges, supported by robust data systems to track our impact and aid traceability — read more on page 11. Accurate and comprehensive data supports our decision making. H&M Group has dedicated functions and teams to support and drive these levers. Our labs, ventures, brands and businesses help drive progress towards our targets:
- Our Circular Innovation Lab supports innovations from early-stage to commercial production, and integrates these across our organisation and supply chain.
- Our innovation hub, The Laboratory, researches and tests new circular business models and other areas of strategic importance to our business.
- Our investment arm, H&M Group Ventures, invests holistically across several focus areas, including new and developing technologies that help enable a circular fashion industry and support the group's sustainability goals.
- Looper Textile Co. is an independent joint venture launched last year with Remondis, providing municipalities and retailers with solutions to extend the useful life of unwanted garments via reuse and recycling
- Our brands test and integrate new materials and solutions developed by our businesses into their collections and ways of working. By engaging directly with our customers, our brands can empower them to make more informed decisions that help scale new business models. For example, our membership-based brand Singular Society offers customers premium products at the price they cost to make. In 2023, the brand promoted its innovative concept through several activities aimed at growing its membership base, including a new membership structure allowing members to shop as free members (at traditional retail price) or as annual members (at member price)



4

Track implementation and results

Tracking implementation of actions and results relates to measuring the effects of the systematic approach and own work in each step of the due diligence process, showing whether the enterprise conducts sound due diligence work. The enterprise needs to have procedures and routines in place in order to uncover and critically assess own conclusions, prioritizations and measures that have been made as part of the due diligence process. For example, is mapping and prioritisation of salient issues done in a scientifically sound and credible way? Does it reflect the actual conditions in the supply chain? Do measures aimed at ceasing, preventing and reducing the enterprise's negative impact work as intended? Is negative impact remediated where relevant? This may apply to measures taken by the enterprise alone or carried out in collaboration with others. The enterprise's experiences from working on due diligence should be used to improve procedures and routines in the future.

4.A. Track and assess

4.A.1 Describe the a) assignment of responsibility for tracking the effect and result of measures implemented to cease/prevent/mitigate salient risks of negative impact on people, animals, society and the environment, as well as how the tracking is done in practice, b) who is responsible for evaluating the enterprise's implementation and work with due diligence, and how the evaluation is done in practice.

Please reference question 1.C.2 for our internal governance.

For our supply chains, it is compulsory for all suppliers and business partners supplying or acting on behalf of the company to sign our Sustainability Commitment and Code of Ethics, which state the group's minimum requirements and our expectation to go beyond these. The Code of Ethics also outlines a zero-tolerance policy on corruption and requires business partners and employees to comply with relevant legislation as well as our own business principles.

Our Sustainable Impact Partnership Programme (SIPP) monitors compliance against our standards, measures performance, supports suppliers' due diligence procedures, and encourages improvements. As part of SIPP, supplier factories are assessed against tools developed by the Sustainable Apparel Coalition together with the industry, academia, NGOs and others. These tools are the Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM). Our Sustainability Index, which is part of how the company recognises and rewards high performing suppliers with better business prospects, includes consideration of suppliers' SIPP results and performance data.

Indicator

% of tier 1 supplier factories that have implemented SIPP



In 2023, 100% of tier 1 supplier factories, tier 2 dyeing and printing factories, and 100% of non-commercial goods suppliers and their factories implemented SIPP.

4.A.2 Describe how the enterprise ensures that measures taken to identify, prevent and reduce negative impact actually work

Throughout the year we regularly consult and engage with stakeholders. We have also partnered with external consultants and researchers to review some of our programmes and strategies. For example, in 2020 external researchers analysed our work on wages in supply chains and found that wage management systems (WMS) have increased average wages by up to 5%.



5

Communicate how negative impacts are addressed

A prerequisite for good external communication on due diligence for responsible business conduct is that it builds on concrete activities and results. Enterprises should make relevant documents concerning due diligence publicly accessible, i.e. policies, codes of conduct, guidelines, processes and activities related to identifying and handling the enterprise's actual and potential negative impacts on people, animals, society and environment. Communication should include information about how the risks have been identified and handled, as well as the effect of the measures/activities. The Transparency Act (Åpenhetsloven) §5 requires companies to publicly account for their human rights due diligence on an annual basis.

5.A External communication

5.A.1 Describe how the enterprise communicates with affected stakeholders about managing negative impact

Throughout the year, we have regular dialogues with different stakeholders such as customers, colleagues, communities, suppliers, industry peers, non-governmental organisations (NGOs), inter-governmental organisations (IGOs), policymakers and investors. We do this on a day-to-day basis, through regular roundtables on a global and local level, focusing on stakeholder reviews, strategy consultations, dedicated surveys and participation in several multi-stakeholder initiatives.

Read more about our stakeholder engagement here: <https://hmgroup.com/sustainability/leading-the-change/stakeholder-engagement/>

5.A.2 Describe how the enterprise publicly communicates its own work on identifying and managing negative impact/harm

Scope and data 2023

The Sustainability Disclosure is our annual sustainability performance report. It shares our sustainability strategy, policies and processes, initiatives, goals and performance data for the global group operations of H & M Hennes & Mauritz AB (called H&M Group in the report).

Our 2023 reporting comprises H&M Group brands (H&M — which includes H&M HOME, H&M Move and H&M Beauty — and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound and Singular Society), as well as subsidiaries that are either wholly or partially owned during the financial year from 1 December 2022 to 30 November 2023, unless stated otherwise. Find a full list of entities in our Annual and Sustainability Report 2023.

We are increasingly integrating our financial and sustainability reporting in line with developing sustainability disclosure requirements. The Sustainability Disclosure complements our Annual and Sustainability Report, which covers corporate governance and both financial and sustainability results. Web content and reporting indexes offer additional information, including how we report.

Our website and Annual and Sustainability Report offer more information on our material issues. This includes our process for identifying, prioritising and reviewing our most material topics. We are further developing this process to align our approach with the Corporate Sustainability Reporting Directive (CSRD).

To ensure we are using the best available data, we continuously improve how we calculate and compare our scope 1, 2 and 3 emissions data. Read more below about how we calculate our emissions.

How we report, including how we calculate emissions and report social impact.

Frameworks

Global Reporting Initiative (GRI). We report according to the current GRI Standards. Download our GRI Index 2023.

UN Guiding Principles Reporting Framework. We were one of the first companies to report on human rights in line with the UNGP Reporting Framework in 2015. We regularly evaluate salient human rights issues in our materiality assessment.

Task Force on Climate-Related Financial Disclosures (TCFD). Our climate risk analysis follow TCFD recommendations. Read more in our Annual and Sustainability report.

UN Global Compact and CEO Water Mandate. We are signatories to the UN Global Compact. Our annual sustainability reporting acts as our Communication on Progress for the UN Global Compact and CEO Water Mandate, and we disclose via the UN Global Compact digital reporting system. See our latest Communication on Progress.

Modern Slavery Act. We report in accordance with the UK Modern Slavery Act and the Australian Modern Slavery Act 2018 (Cth), as well as the new Canadian Supply Chains Act. See our Modern Slavery Statement.

Corporate Sustainability Reporting Directive (CSRD): We welcome the CSRD, which requires companies report according to the European Sustainability Reporting Standards. We are preparing to comply, for example by integrating more sustainability content into our Annual and Sustainability Report and strengthening our materiality assessment process.

We report in line with relevant legislation, including evolving human rights and due diligence policies developed by the European Union, Germany, Norway and the UK.

5.A.3 Describe the enterprise's routines for maintaining and answering external inquiries related to the information requirement imposed by the Transparency Act

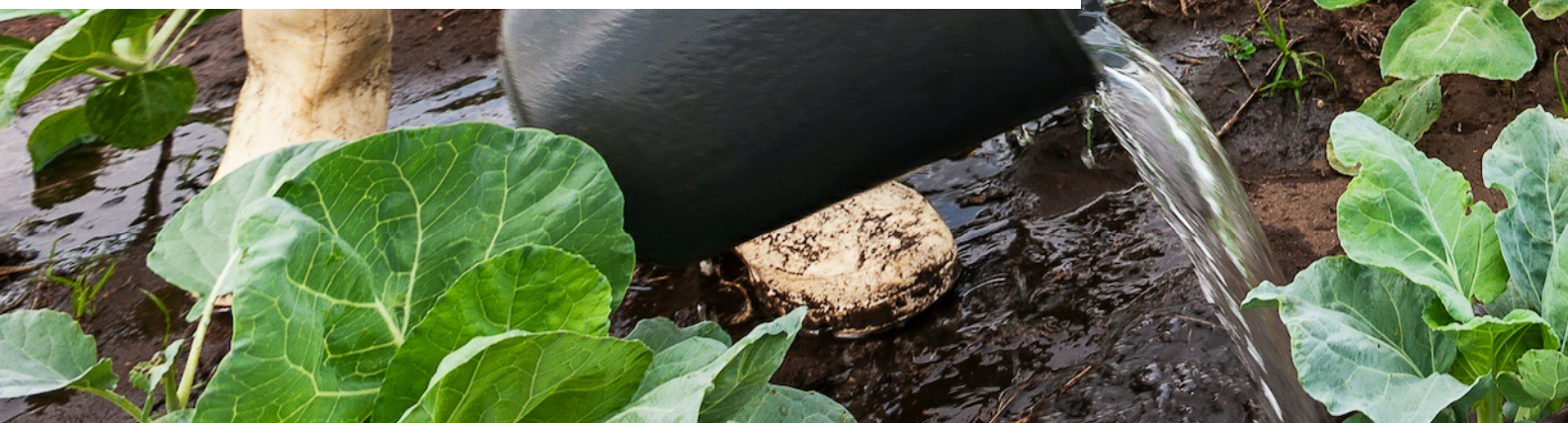
See attached file NO Transparency Information Requirement Process



6

Provide for or cooperate to ensure remediation when appropriate

Once an enterprise has identified that it has caused or contributed to negative impact on people, animals, society or the environment, the enterprise must provide for, or cooperate in, remediation. Remediation may involve financial compensation, a public apology or other ways to remediate the negative impact. Another aspect of remediation is that companies should provide for, or cooperate with legitimate complaint mechanisms, to ensure that workers and/or local communities can raise complaints and be heard.



6.A Remediation

6.A.1 Describe the enterprise's policy for remediation of negative impacts on people, animals, society and the environment

Our sustainability vision and strategies aims to reduce negative impacts on people, environment and society and forms part of our forward looking responsibility for remediation – our strategies to mitigate and prevent negative and contribute to positive impact.

Independent of the best effort negative impact can occur within our operations or supply chains and our responsibility is then to engage in remedy based on how we are connected (cause, contribute or linked). This is reflected in our policy uploaded under 1.A.1.

6.A.2 If relevant, describe cases of remediation in the reporting year

Through assessment of our suppliers as well as other means we continuously engage with our suppliers for them to solve incidents and non-compliances with our standards – and for serious incidents we issue Letters of Concerns (LoC) that can ultimately need to termination. Via our NMC and Speak-Up channel grievances can be raised for further analysis and remediation.

For further details about LoC issued during the year, cases raised to our NMC and examples of remediation, see our Sustainability Disclosure.

6.B. Ensure access to grievance mechanisms

6.B.1 Describe what the enterprise does to ensure that employees in own enterprise and other stakeholders, especially impacted workers and local communities have access to whistleblowing systems and grievance mechanisms when this is needed

We strive for management of grievances to be as close to the issue as possible, and ideally support and strengthen local judicial or non-judicial mechanisms, such as arbitration councils and industrial relations in our key production markets when it comes to labour rights issues; and much of our public affairs aims to strengthen environmental legislation and governance. We also recognize the importance of civil society to bring attention to issues across our supply chain.

The company's Internal Grievance Policy outlines our internal process, and it is expected that business partners have similar operational-level grievance mechanisms in place. Employees and business partners can raise and escalate concerns using our Speak Up Channel.

Via our Global Framework Agreement with global union federation IndustriALL and IF Metall, we have also established National Monitoring Committees (NMC) in Bangladesh, Cambodia, India, Indonesia, Myanmar and Turkey, where grievances from our supply chain can be raised. The NMC consist of union representatives and HM group colleagues, and these structures cover over 1 million of factory workers in our supply chain. This serves as an escalation point for issues that have not been solved through factories own mechanisms and helps to strengthen industrial relations and conflict resolution capabilities between employers and union representatives in our production market.

For further details about LoC issued during the year, cases raised to our NMC and examples of remediation, see:
- Sustainability Disclosure - <https://hmgroup.com/wp-content/uploads/2024/03/HM-Group-Sustainability-Disclosure-2023.pdf>

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