



Report on

Responsible Business Conduct 2021

for H&M Hennes & Mauritz AS

□



SUSTAINABLE DEVELOPMENT GOALS



To Readers Of The Report

Business has a major impact on people, society and the environment. It can make positive contributions to development but can also have negative impacts and cause harm. Companies therefore play a key role in achieving the UN's Sustainable Development Goals (SDGs). The Norwegian government expects all companies, regardless of size, to map, prevent, limit and communicate on how they handle risks for negative impact, as well as remediation mechanisms in cases of harm on people, societies or the environment. This is known as due diligence and applies to the private and public sector as well as organizations. As a consequence of the recently passed Transparency Act (åpenhetsloven), all larger corporations are obliged by law to conduct due diligence and show transparency in this work from 1 July 2022.

Members of Ethical Trade Norway have committed themselves to work with mandatory due diligence for responsible business practice. The foundation for this work is Ethical Trade Norway's Declaration of Principles (code of conduct) which covers the areas decent work, human rights, environment/climate, anti-corruption and animal welfare.

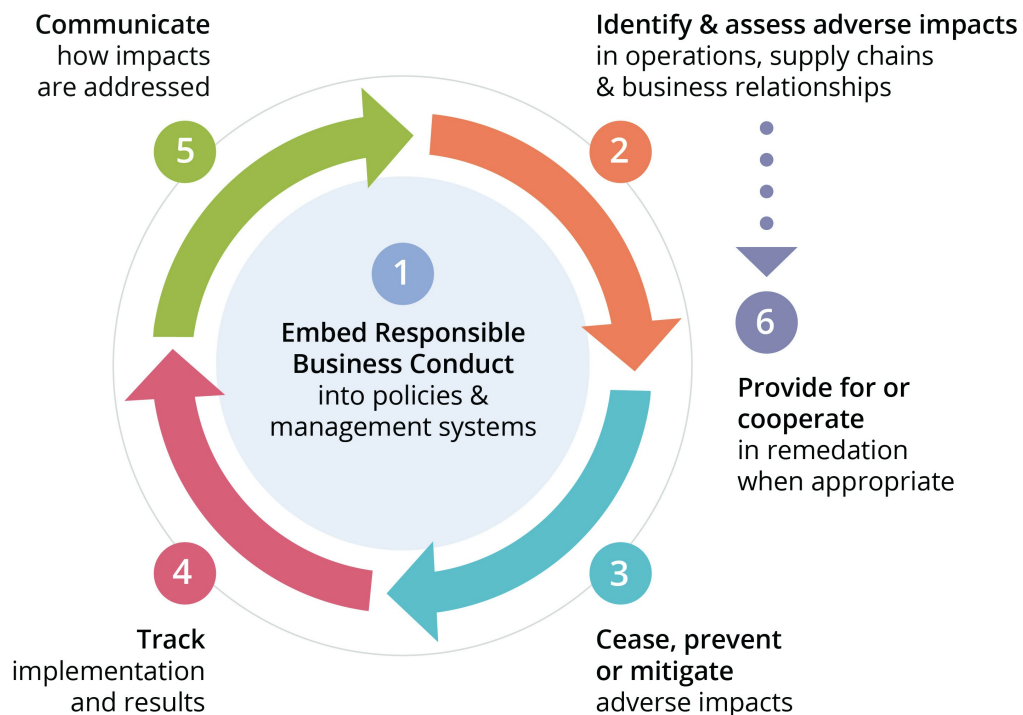
The reporting template is designed for the company to show transparency in their work on responsible and sustainable business practice, as described in the UN Guiding Principles (UNGP) and the OECD Guidelines for Multinational enterprises. The report should show how the company works with due diligence, and describe what challenges the company faces, which measures are being implemented to handle these challenges, as well as progress and results. All member reports are publicly available 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

The past two years have been unpredictable and challenging. They have also highlighted once more the need to accelerate the shift to a circular fashion industry that is climate positive and supported by fairer, more transparent and traceable supply chains.

Our customers in Norway and around the world, expect us to offer products that have a positive impact on the planet and the people who made them. We've come a long way, but we know there is much more to do to accelerate our transformation. And we are motivated by that.


This year is the first year that we have integrated our annual and sustainability reports. We see this as a natural development, as sustainability is an integral part of our business. Our additional, complementary Sustainability Disclosure Report 2021 also details, how our strategies contribute to the Sustainable Development Goals. We were one of the first companies to report on human rights in line with the UN Guiding Principles Reporting Framework in 2015. Our regular review of salient human rights issues complements our materiality assessment. Our climate strategy is based on the Science Based Target initiative's Net Zero Standard and aligned with CDP and TCFD frameworks.

Our sustainability work is driven by our sustainability teams around the world, including our colleagues in 16 production offices. This global reporting includes details on salient issues, due diligence, mitigation plans and strategies that concern the entire H&M group and its global supply chains.

To find out more see our existing reports:

- H&M Group Annual and Sustainability Report 2021: <https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Annual-and-Sustainability-Report-2021.pdf>
- H&M Group Sustainability Disclosure Report 2021: <https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf>

" We share the growing sense of urgency with many around the world who recognise the fashion industry needs to move faster towards circularity and continue to work to develop a fairer, more transparent and traceable supply chain. "



Dominique Fantaccino

Manager Region North Europe (Norway, Sweden, Finland, Denmark, Iceland, UK, Ireland)

Company information and business context

Key company information

Company name

H&M Hennes & Mauritz AS

Head office address

Postboks 68 Alnabru, 0614 Oslo

Main brands, products and services offered by the company

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 company structure

This report is made on behalf of H & M Hennes & Mauritz AB and all companies in the H&M group ("H&M group"). It applies to, and sets out the steps, the H&M group has taken during the financial year 2020-2021 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.

The H&M group brings together approximately 155,000 employees across the world. We have around 4,800 stores in 75 markets, provide online services in 54 markets and our brands can be reached via various digital marketplace and external platforms.

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

About us – hmgroupp.com/about-us/

Annual report - hmgroupp.com/about-us/corporate-governance/annual-report/

Sustainability report - hmgroupp.com/sustainability/sustainability-reporting/

Turnover in reporting year (NOK)

3 408 590 000

Number of employees

3 015

Major changes to the company since last reporting period**Contact person for the report (name and title)**

Cecilia Tiblad Berntsson, Group Sustainability - Human Rights Expert

Email for contact person for the report

cecilia.tibladberntsson@hm.com

Supply chain information

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

The products we sell are manufactured by approximately 600 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 1.5 million people in 24 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 - hmgroup.com/sustainability/leading-the-change/transparency/supply-chain/
- Public supplier list: <https://hmgroup.com/sustainability/leading-the-change/transparency/supply-chain/#supplierListContainer>
- Sustainability Report 2021 (p.66-69) - hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf

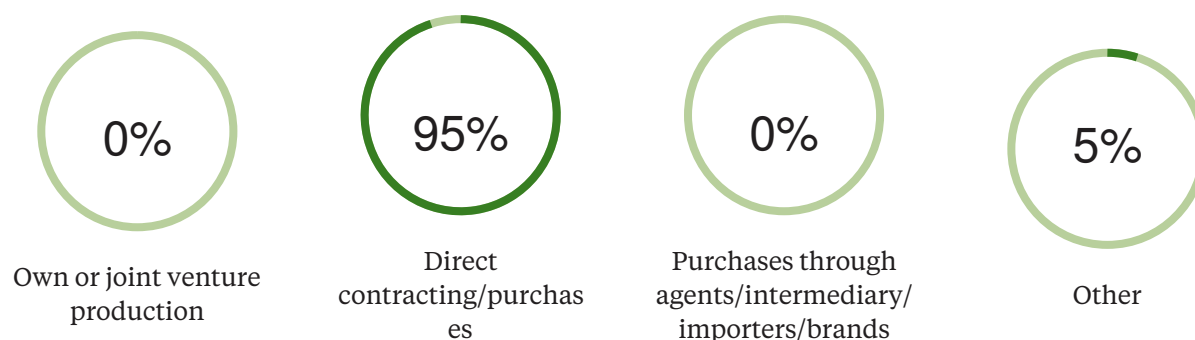
Number of suppliers with which the company had commercial relations in the reporting year

602

Comments

As a global fashion company we have a responsibility to manage our supply chain impacts. We work with suppliers to move beyond compliance and towards continuously improving environmental and social performance. We have the most influence where our relationships are strongest. That's why we focus on building long-term partnerships with suppliers who share our vision for a more sustainable industry. Together with our suppliers and other stakeholders we work to secure not only basic standards but also to drive progress and innovation at unit, industry and county level in our production markets, as we have learnt over the years that many issues requires joint action by many actors and at various level.

Approximate ratio by sourcing options



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 company has an overview of, and the number of suppliers this overview is based on:

Number of workers

1 500 000

Number of suppliers this overview is based on

602

Numbers of workers per supplier (calculated average)

2492

Comments to number of workers

There are around 1.5 million workers employed by our suppliers' factories we work with..

Key inputs/raw materials 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 Report (p.29-35) - hmgrouppublic.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf
- Website - hmgrouppublic.com/sustainability/circular-and-climate-positive/materials/
- HM Foundation, Global Change Awards - hmfoundation.com/gca/

Is the company a supplier to the public sector?

No



1

Governance and commitment to responsible business conduct

Embedding responsible business conduct means that the company should have strategies and plan, as well as relevant policies* and guidelines for 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 succeeding, and due diligence should be an integrated element in company operations. Clear expectations from senior management are crucial, as well as clearly assigned responsibilities within the company, for the implementation of the steps in the due diligence process. Those involved need to know how to proceed.

1.A Policy* for own business

1.A.1 Link to publicly available policy for own business

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 company say publicly about its commitment to respect people, society and the environment?

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 anchored in the company?

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 oversee 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 follow a similar approach.

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 company, and why?

Accountability for implementation and performance against our strategies, policies and goals is integrated into respective business functions and brands, and part of their performance review with our CEO. Business functions and brands are supported by a team of 31 experts and five managers in our global Sustainability Department, in order to achieve the best possible impact. As part of this, we work continuously with external stakeholders to ensure material issues are incorporated into the company's strategies and procedures.

1.B.2 How is the significance of the company's due diligence work defined and clarified for the employees through their job description, 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 - hmgroupp.com/about-us/our-way/
- Website - hmgroupp.com/sustainability/standards-and-policies/

1.B.3 How does the company 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 - hmgroupp.com/sustainability/leading-the-change/memberships-and-collaborations/

1.C. Plans and resources

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

This year is the first year that we at the H&M group are integrating our annual and sustainability reports. This is an important step, but also a natural development since sustainability has been an integral part of our business for a long time.

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 company's strategies and action plans to work towards being responsible and sustainable followed up by senior management and in 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:

- Annual and Sustainability Report 2021 (p.39) - hmgroup.com/wp-content/uploads/2022/03/HM-Group-Annual-and-Sustainability-Report-2021.pdf
 - Website - hmgroup.com/about-us/corporate-governance/about-corporate-governance/
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1.D Partnerships and collaboration with business associates, such as suppliers

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

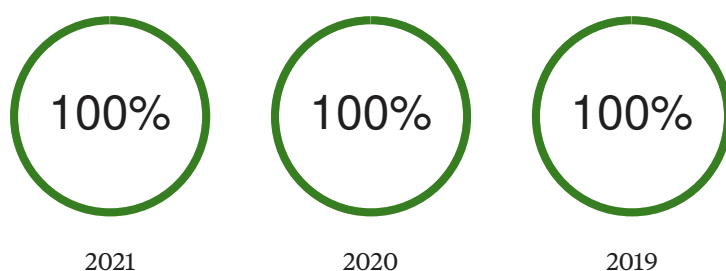
Our Sustainability Commitment outlines our expectations. This includes compliance with minimum requirements and international standards, and the aspiration to go beyond compliance for lasting impacts. We require all suppliers and business partners to sign and adhere to our Sustainability Commitment and 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 Lessons learned and changes in the reporting period

1.E.1 What lessons has the company learned 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 2021 in relation to responsible business conduct and human rights due diligence is linked to the need of adjusting due diligence to context and the importance of collaboration:

- Our Sustainability Commitment for Business Partner has been reviewed with the objective to establish adjusted policies for our various product and service supply chains, recognizing that risk varies and requirements needs to be adjusted linked to activity.
- Unprecedented situations in our own operations and supply chains this year, including war and civil unrest, underscored the importance of enhanced due diligence in conflict affected regions.
- We continued to learn about the limitations of corporate due diligence in solving issues that are political in nature or where country regulations inhibits progress. Stakeholder engagement, collaboration and public affairs work are vital levers for tackling some of the more complex and structural issues.
- 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:

- Sustainability Report 2021 - hmgroupp.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf

A man with a slight beard and mustache, wearing a white hairnet and a dark blue long-sleeved shirt, is looking towards the camera with a slight smile. He is in a factory or industrial setting, with blurred machinery and structures in the background.

2

Defining the focus for reporting

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

“Identify and assess” is about identifying the company's risk for, and actual negative impact on, people, society and the environment, including in the supply chain and through business relations. As a first step the company should get an overall risk picture, before subsequently prioritising measures where the risk of negative impact is the greatest, i.e. salient issues. How the company is involved in the negative impact is central to determine the right actions to take. 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

STATEMENT ON SALIENT ISSUES

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 company's prioritised risk of negative impact on people, society and environment.

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

DETERMINATION OF SALIENT ISSUES

2.A.2 Describe in short the company's routines for mapping and identifying risk and show how the negative impact was identified and prioritised in this period. Describe how information was gathered, what sources were used, and which stakeholders have been involved/consulted. Further, describe 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: hmgroupp.com/wp-content/uploads/2022/03/HM-Group-Salient-Human-Rights-2021.pdf
- Materiality Matrix: hmgroupp.com/sustainability/sustainability-reporting/how-we-report/materiality/

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:

- Sustainability Report 2021 (p.66.69) - hmgroupp.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf
- Public supplier list - <https://hmgroupp.com/sustainability/leading-the-change/transparency/supply-chain/>

ADDITIONAL SEVERE IMPACTS

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

No updates to the set of material sustainability issues or salient human rights issues have been noted during 2021, and the overall risk picture has not seen any major shifts compared to previous year.

The Covid-19 pandemic continued into 2021, requiring extra attention in relation to health and safety, job security and social protection, compensation, child labour and forced labour.

The trend of political instability and democracy in decline has also continued into 2021. In a few production and retail markets this has led to armed conflict during the year, calling for the need of heightened human rights due diligence with a broader scope of our risk and impact assessment in these markets.

With a more digital business model, we are giving continued and increased attention to the right to privacy through our efforts around data privacy, management and storage of personal data, data security and ethical artificial intelligence (AI)

A woman in a blue surgical cap and gown, looking down, in a hospital setting. The background is blurred, showing other people in similar attire and bright overhead 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, 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 company is involved in the negative impact is key to taking the appropriate action. Negative impact that the company causes or contributes to must cease, be prevented and be reduced. To address negative impact directly linked to the company, 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 company's own policy documents and management systems. Effective management of the negative impact on people, 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 company's prioritized negative impact on people, society and the environment

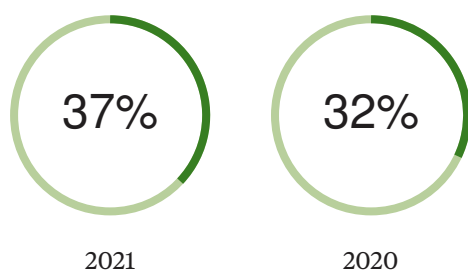
Salient issue	Health, safety and wellbeing of workers in the textile industry
Goal :	1. Increase % of tier 1 apparel, accessory and home textile factories H&S committees in place to 96% by 2023 (86% in 2021).
Status :	<p>The transition of the Bangladesh Accord to a national regulatory body in 2020 led to global trade union-led discussions on the need for an international accord on textile industry safety. We played a leading role in negotiations towards the new International Accord for Health and Safety in the Textile and Garment Industry. This agreement between brands and trade unions commits us to upholding the health and safety work already undertaken in Bangladesh and to expand similar country-specific programmes across our supply chain.</p> <p>For more information, see our: - Sustainability Report (p. 58): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf</p>
Objectives in reporting year :	<p>1.1 Update our requirements towards suppliers to include demand for established H&S committees during 2022.</p> <p>1.2 Conduct trainings for all relevant suppliers factories during 2022 (focus on India, Turkey and Pakistan).</p>
Actions :	

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 Report (p. 58-59): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf</p>
Objectives in reporting year :	1.1 Conduct three trainings and workshops with support by external partners and in collaboration with IndustriAll during 2022.

Actions :

Indicator

% tier 1 supplier factories with trade union representation



% tier 1 supplier factories with collective bargaining agreements



Salient issue	Legal wages in textile industry not always meeting the concept of living wages.
Goal :	<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.
Status :	<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. 58, 59-65): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf
Objectives in reporting year :	<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.

Actions :

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 Report (p. 58, 59-60): https://hmgroun.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf</p>
Objectives 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).

Actions :

Salient issue	Excessive overtime hours.
Goal :	<p>1. Full compliance to our Purchasing Practices commitments by 2023, to enable supplier factories to respect working hours limits.</p> <p>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.</p>
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 Report (p. 58, 59-65): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf
Objectives in reporting year :	<p>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.</p> <p>2. Roll out of training modules on responsible purchasing practices, including the ACT on Living Wage Purchasing Practices Commitments.</p>
Actions :	

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
Objectives 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.

Actions :

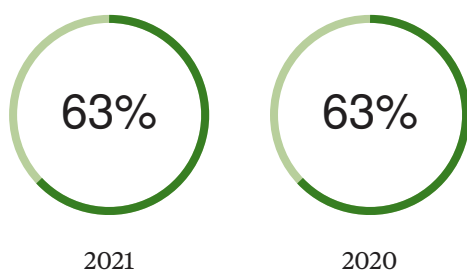
Salient issue	Risk of child labour in the textile industry
Goal :	1. Maintain zero cases of child labor among our tier 1 supplier factories
Status :	<p>The UN declared 2021 International Year for the Elimination of Child Labour. We remain committed to uphold the Children's Rights and Business Principles, which includes not accepting child labour in our supply chain.</p> <p>For more information, see our: - Sustainability Report (p. 50): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf</p>
Objectives in reporting year :	1. Ongoing training of suppliers and colleagues on child labour prevention and remediation guidelines.
Actions :	

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. 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:</p> <ul style="list-style-type: none"> - Sustainability Report (p. 51-54, 57): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf
Objectives 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.

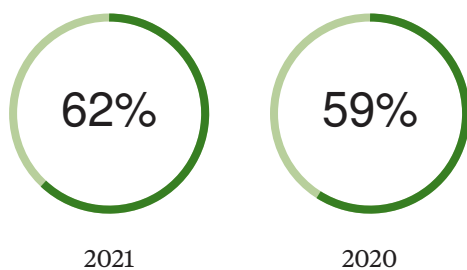
Actions :

Indicator

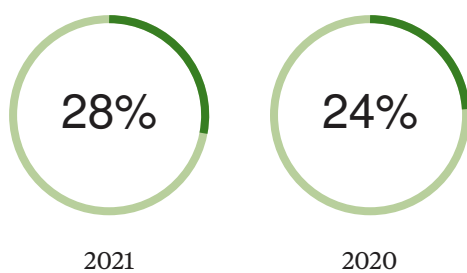
% of workers in our tier 1 production supply chain that are female



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



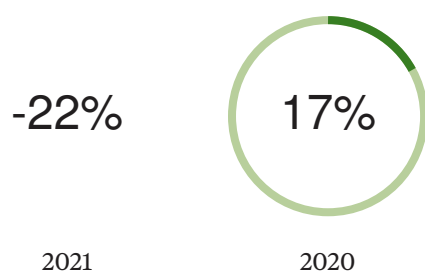
% of supervisors in our tier 1 production supply chain that are female



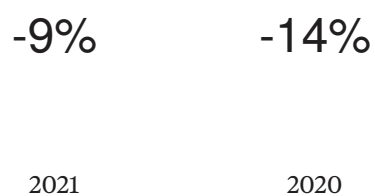
Salient issue	Negative climate impact of own operations and supply chain.
Goal :	<ol style="list-style-type: none"> 1. Reduce our absolute scope 1, 2 and 3 emissions by 56% by 2030, from a 2019 baseline (excluding customer use phase to align with SBTi methodology) 2. Achieve a 25% reduction in electricity intensity in our stores by 2030, from a 2016 baseline. 3. Source 100% renewable electricity in our own operations by 2030.
Status :	<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:</p> <ul style="list-style-type: none"> - Sustainability Report (p. 19-24): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf - Climate actions overview: https://hmgroup.com/sustainability/circular-and-climate-positive/climate/
Objectives in reporting year :	<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.
Actions :	

Indicator

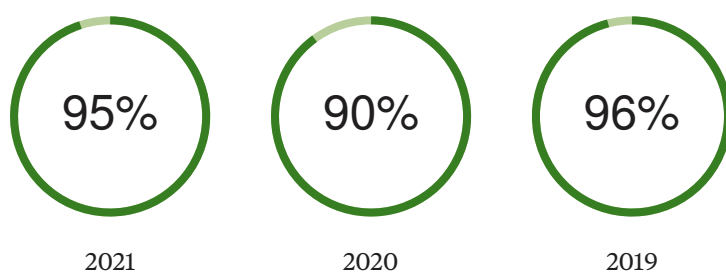
% absolute reduction (scopes 1 and 2) in CO₂e emissions compared with 2019 baseline



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



% renewable electricity in own operations



Salient issue	Unsustainably use of natural resources for material and packaging.
Goal :	<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
Status :	<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:</p> <ul style="list-style-type: none"> - Sustainability Report (p. 18, 29-46): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf - Circular Strategy: https://hmgroup.com/sustainability/circular-and-climate-positive/circularity/ - Ellen MacArthur Foundation: https://ellenmacarthurfoundation.org/topics/fashion/overview

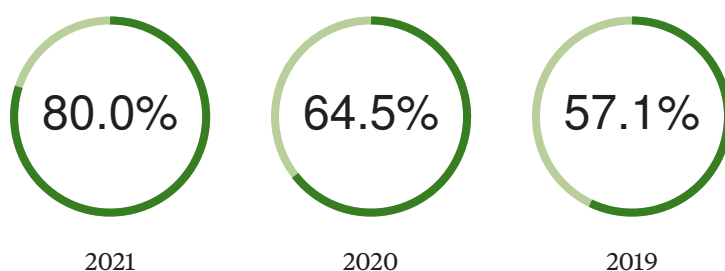
Objectives in reporting year :

- 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.

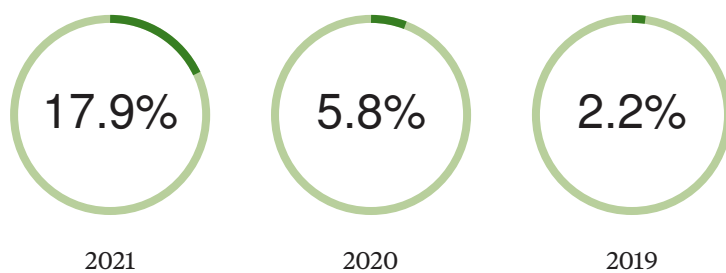
Actions :

Indicator

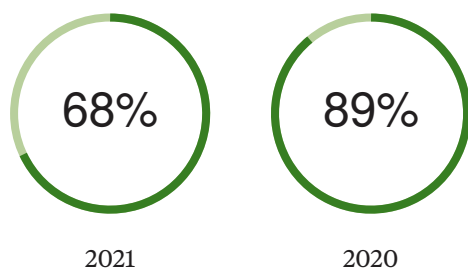
% of recycled or other more sustainably sourced materials total



% of recycled materials



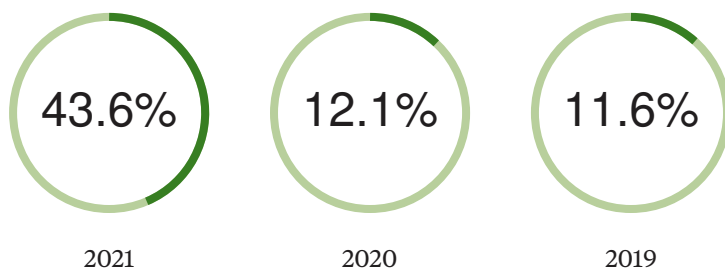
% of recycled or other more sustainably sourced materials



Salient issue	Responsible and ethical treatment of animals for raw material production.
Goal :	<p>1. By end of 2025, all wool used in our product should come from Responsible Wool Standard (RWS)</p> <p>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>
Status :	<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:</p> <ul style="list-style-type: none"> - Sustainability Report (p. 33-35): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf - Our work on animal welfare: https://hmgroup.com/sustainability/circular-and-climate-positive/animal-welfare/
Objectives in reporting year :	<p>1. Supporting supply chain training as well as the conversion of conventional farmers into RWS certified farmers.</p> <p>2.1 Provide training to relevant supply chain partners to increase the number of suppliers certified to Textile Exchange standards for animal fibers.</p> <p>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>
Actions :	

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:</p> <ul style="list-style-type: none"> - Sustainability Report (p. 40): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf - Chemical Roadmap: https://hmgroup.com/sustainability/circular-and-climate-positive/chemicals/
Objectives 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>
Actions :	

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 have a duty to use water responsibly and help safeguard water quality, accessibility and availability, especially in areas of high water risk. We work towards reducing negative impact on water through improvements in our supply chain and enable others to do the same. Our Water Stewardship Strategy and Water Roadmap 2018-2022 guide our approach and actions.</p> <p>For more information, see our:</p> <ul style="list-style-type: none"> - Sustainability Report (p. 27): https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf - Water Stewardship Strategy: https://hmgroup.com/sustainability/circular-and-climate-positive/water/
Objectives 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.
Actions :	

Indicator

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

-10.3% -3.8% -5.9%

2021

2020

2019

OTHER ACTIONS RELATED TO MANAGEMENT OF NEGATIVE IMPACTS

Describe cross-cutting actions to cease, prevent or mitigate negative impacts, including in your supply chain

3.B.1 Reduction of environmental and climate footprint

Our ambition is to achieve net-zero CO₂e emissions by 2040, taking a climate positive approach 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 climate positive 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 we are currently awaiting approval of these by SBTi.
- 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 ARRT (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 2021.

3.B.2 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 will be a focus area for improving our purchasing practices in 2022.

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

- hmgroupp.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.3 Choice of product design and raw materials

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.

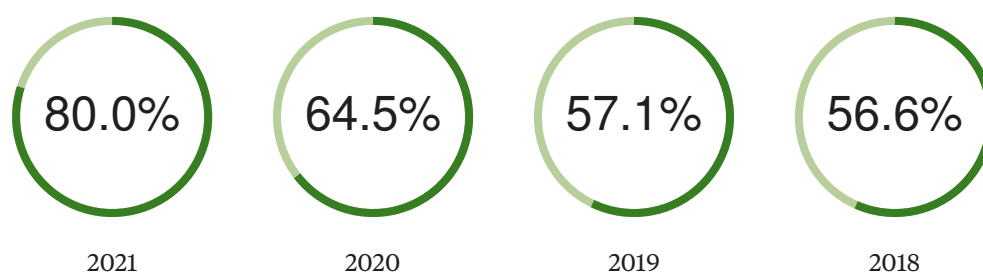
Achieving our circular ambitions requires us to accelerate development of new materials and recycling innovations. We innovate together with our brands, the Circular Innovation Lab, our H&M CO:LAB investment arm, inventors of sustainable materials and processes including winners of H&M Foundation's Global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

For more information about materials and circular products, see:

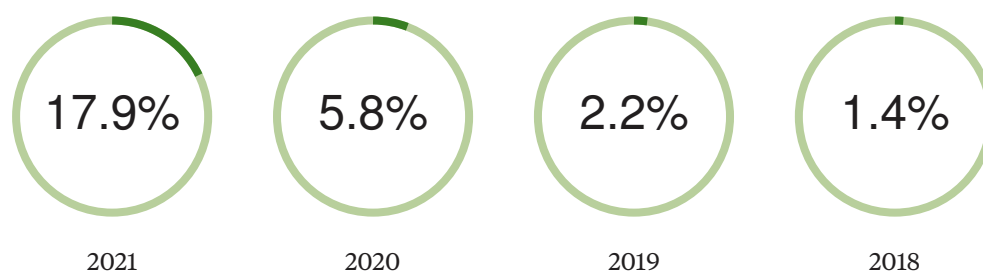
- Sustainability Report 2021 (p.29-35) - hmgroupp.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf
- Website - hmgroupp.com/sustainability/circular-and-climate-positive/materials/
- HM Foundation, Global Change Awards - hmfoundation.com/gca/

Indicator

Recycled or more sustainable sourced materials



Recycled materials



3.B.4 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.5 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.

We delivered human rights trainings across our functions:

- Together with Shift, we delivered deepdive trainings with colleagues responsible for ongoing human rights due diligence, including sessions on taking action, and remedy and grievance.
- Our global Materials team received training on environmental and human rights due diligence and labour risks, to inform an ongoing risk review process related to our material strategies.
- The International Organization for Migration provided training on forced labour to 41 colleagues and 298 supplier factories, with a total of 517 participants.
- Key colleagues in the H&M marketing and communication team participated on child rights led by UNICEF.

3.B.6 Other relevant information concerning the company's work to cease, reduce and handle negative impact on people, society and environment

We completed the Keeping Workers in the Loop project with BSR supported by the Laudes Foundation. The project explored how employment opportunities and job quality could be impacted by the shift to circular fashion, taking account of macro developments like automation and climate disruption. We will incorporate findings from this research into our Fair Jobs approach and work to ensure we put all people who work with our products at the centre of our strategy for a circular fashion industry.

We engaged in Call to Action activities to support worker access to emergency funds, wage subsidies, severance pay and identification documents needed for vaccine access. We continue to work through the Call to Action to secure funding from financial institutions and donors and develop market-level strategic plans, to support suppliers and their workers.



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 company conducts sound due diligence work. The company 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 company's negative impact work as intended? Is negative impact remediated where relevant? This may apply to measures taken by the company alone or carried out in collaboration with others. The company'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 assignment of responsibility for tracking the effect of measures implemented to cease/prevent/mitigate salient risks of negative impact on people, society and the environment, as well as how the tracking is done in practice

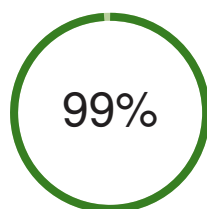
Please reference question 1.C.2 for our internal governance.

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.

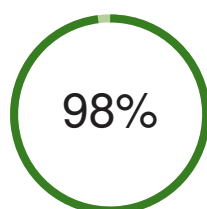
Indicator

% of tier 1 supplier factories that have implemented FEM



2021

% of tier 1 supplier factories that have implemented FEM



2021

4.A.2 Describe how the company 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%.

A woman with dark hair tied back, wearing a light blue button-down shirt and a brown leather apron, is looking down at something out of frame. She is in a kitchen setting, with a gas stove visible in the foreground. The background is blurred, showing kitchen shelves and equipment.

5

Communicate how 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. Companies should make relevant documents concerning due diligence publicly available, i.e. policies, codes of conduct, guidelines, processes and activities related to identifying and handling the company's actual and potential negative impacts on people, 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 company communicates with affected stakeholders when 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 in 2021 here: <https://hmgroup.com/wp-content/uploads/2022/03/Stakeholder-Engagement-2021.pdf>

5.A.2 Describe how the company communicates publicly about its own work on identifying and managing salient risks

Sharing relevant and accountable information about our business practices, supply chain and products is important for tracking our progress and learnings towards a more sustainable future.

Our reporting includes several components:

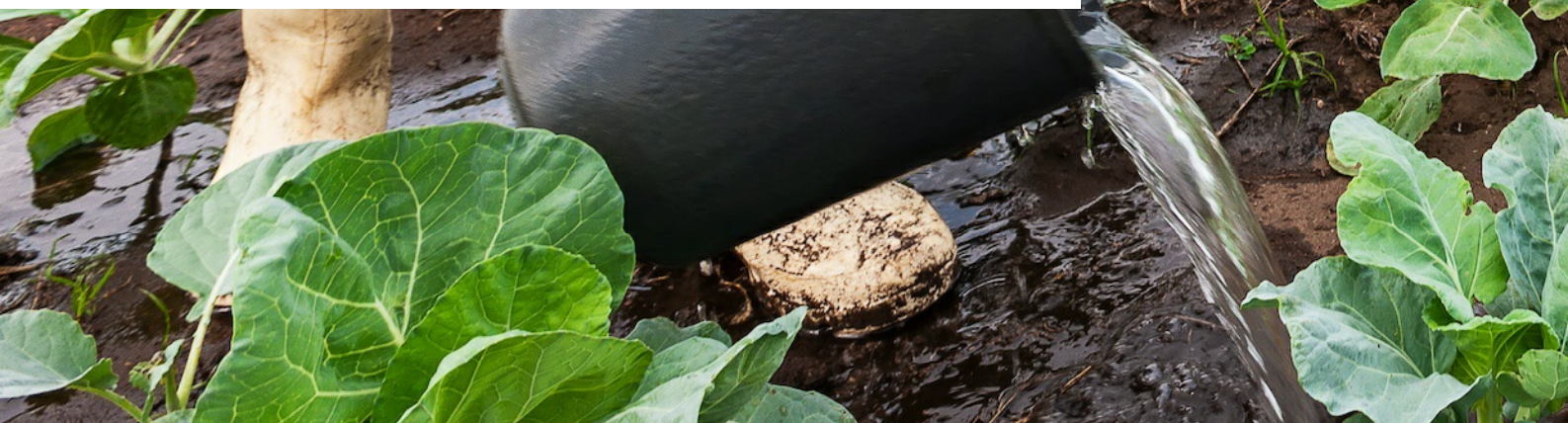
- An Annual and Sustainability Report provides an overview of our financial and non-financial performance, including our Statutory Sustainability Report. <https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Annual-and-Sustainability-Report-2021.pdf>
- Our Sustainability Disclosure complements our Annual and Sustainability Report by providing additional detailed information about strategy, policies, goals, programmes and performance data. <https://hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf>
- Web content offers further detail on specific sustainability issues, including our strategies and policies. <https://hmgroup.com/sustainability/>
- Report Stories showcase highlights from our work. <https://hmgroup.com/sustainability/sustainability-reporting/>
- External reporting frameworks includes: Global Reporting Initiative and UN Guiding Principles indexes, and Task Force on Climate-Related Financial Disclosures reporting in our Annual and Sustainability Report, and a separate Modern Slavery Report.



6

Provide for or cooperate to ensure remediation when appropriate

Once a company has identified that it has caused or contributed to negative impact on people, society or the environment, the company 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 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 company's policy for remediation of negative impacts on people, 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. Of the 46 issues raised with NMCs or other labour stakeholders in 2021 and carried over from 2020, 33 have been resolved.

For further details about LoC issued during the year, cases raised to our NMC and examples of remediation, see:
- Sustainability Report 2021 (p.58-59, 69) - hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf

6.B. Ensure access to grievance mechanisms mechanisms

6.B.1 Describe what the company does to ensure that workers and local communities have access to effective grievance mechanisms when this is appropriate

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 Report 2021 (p.58-59, 69) - hmgroup.com/wp-content/uploads/2022/03/HM-Group-Sustainability-Disclosure-2021.pdf

Contact details:

H&M Hennes & Mauritz AS

Cecilia Tiblad Berntsson, Group Sustainability - Human Rights Expert

cecilia.tibladberntsson@hm.com