H&M Group

1 March 2024

Recycled and sustainably sourced materials

Definitions and reasoning

Please note, this document is part of our corporate reporting and is not intended to be used in our marketing practises about our business or our products.

Introduction

H&M Group depends on natural resources for the virgin raw materials used in our products. However, there is increased pressure on nature globally, compromising the health of ecosystems as well as the availability of natural resources associated with the livelihoods and wellbeing of people.

Therefore, our goal is for 100% of our materials to be either recycled or sustainably sourced[1] by 2030, and by 2030 we aim to source 50% recycled materials.

We also strive to make sure that the natural raw materials used in our products are produced in a way that not only minimises negative impact, but also contributes to sustainable development, preserves natural resources, helps maintain biodiversity and strengthens livelihoods.

Our long-term material vision is to move towards a resilient and circular material sector that stays within planetary boundaries, enhances livelihoods, and thrives on innovations. Our vision is built on three pillars: recycled, regenerative and responsible.

Our definition of recycled and sustainably sourced materials

Our definition of "*recycled and sustainably sourced materials*" has evolved from evaluating a material's environmental factors compared to conventional alternatives, to taking a more holistic approach that includes social factors. We are working towards aligning our definition with Textile Exchange's definition of preferred fiber and materials:

"A fiber or raw material that delivers consistently reduced impacts and increased benefits for climate, nature, and people against the conventional equivalent, through a holistic approach to transforming production systems."

The Textile Exchange's tool, Preferred Fiber and Material Matrix (PFMM), provides further clarity around what constitutes a "preferred" material in each material category.

The PFMM assesses the performance of standard systems within a material category against 80 environmental and social indicators, both qualitative and quantitative. It guides how we source our materials by identifying the strengths and weaknesses of each standard system. Although we always apply a risk-based approach for all raw material sourcing, the PFMM gives us deeper insight into the nuanced aspects of potential human rights and environmental impact areas.

If a standard system does not cover certain criteria, we take additional action as part of our risk-based approach, depending on severity and likelihood of risks to occur. The PFMM tool will evolve over time, and more standards systems, branded fibres, and other sustainability programs will be added; for more information, click here.

[1] Sustainably sourced is adapted from UNDP and SDG 12 and recycled material is adapted from ISO 14009:2020 and is aligned with Textile Exchange concept of "preferred".

Our risk based approach to raw material sourcing

One of the pillars of our material vision is responsible. This is the foundation and refers to our risk-based approach. It is crucial that we source our materials in a way that respects human rights, preserves natural resources, and ensures humane treatment of animals. We have a due diligence system in place to identify, assess and address prioritised human rights risks, as well as environmental or animal welfare related risks and impacts at the raw material stage.

This approach applies to all our materials and is based on the OECD Due Diligence Guidelines for Responsible Business Conduct and the UN Guiding Principle on Business and Human Rights, and is a key part of our risk-based approach to raw material sourcing. It is also fully aligned with, and guided by relevant H&M Group policies, including Responsible Business Conduct policy, Environmental policy, Human Rights policy, and our Animal Welfare policy.

Considered factors in definition as recycled or sustainably sourced

To be defined as recycled or sustainably sourced and guide us towards our material vision, a material should be[2]:

- Be produced according to a voluntary sustainability standard that:
    - Meets the ISEAL Community Member Requirements and are member of the ISEAL Alliance.
    - Has a robust chain of custody in place or a plan to implement one.

- Be considered a lower impact material compared to their conventional option, based on impact and measurable outcome and as defined by the criteria set out in Textile Exchange's definition of preferred fiber and materials.

Be considered as a potential low climate impact[3] material according to the Fashion Industry Charter for Climate Action's Raw Materials Working Group. Their reports on manmade cellulosic fibers, wool, hair, silk, cotton, and polyester, have identified some potential low-carbon raw materials based on current data. Those include mechanically recycled cotton, cotton grown using identified low-carbon farming practices, mechanically and chemical recycled PET, manmade cellulosic fibres with low-carbon wood pulp or recycled pulp etc.

[2] "Should" means that the factor is preferrable, while recognising that there are circumstances where alternative approaches are needed, depending on the type of material and the level of maturity, e.g., pilot stage or at industrial scale.

[3] Low climate impact is defined as a fiber or material that generates a lower level of greenhouse gas (GHG) emissions, as measured by CO2 equivalent, when compared to the conventional method of production.

Appendix. List of materials, that we include in the scope of Recycled and Sustainably Sourced[4]

Material	**Standard**
Recycled cotton	GLOBAL RECYCLED STN, RECYCLED CONTENT STN (GRS, RCS)
Organic cotton	ORGANIC CONTENT STN (OCS), GOTS
In-conversion cotton	TROUGH FARM PROJECTS, ORGANIC CONTENT STN (OCS)
Organic Cotton Accelerator, OCA	TROUGH FARM PROJECTS, ORGANIC CONTENT STN (OCS)
Better Cotton	BETTER COTTON
Regenerative organic cotton	REGENERATIVE ORGANIC CERTIFIED (ROC)
Organic Bast fibers	ORGANIC CONTENT STN (OCS), GOTS
Recycled Bast fibers	GLOBAL RECYCLED STN, RECYCLED CONTENT STN (GRS, RCS)
Recycled synthetics	GLOBAL RECYCLED STN, RECYCLED CONTENT STN (GRS, RCS)
Manmade cellulosic fibers	FSC, PEFC or RECYCLED CONTENT STN (RCS) for recycled feedstock
Recycled animal fibers	GLOBAL RECYCLED STN, RECYCLED CONTENT STN (GRS, RCS)
Wool	RESPONSIBLE WOOL STN (RWS)
Cashmere	THE GOOD CASHMERE STN (GCS)
Mohair	RESPONSIBLE MOHAIR STN (RMS)
Alpaca	RESPONSIBLE ALPACA STN (RAS)
Down	RESPONSIBLE DOWN STN (RDS)
Organic silk	ORGANIC CONTENT STN (OCS), GOTS
Recycled leather	GLOBAL RECYCLED STN, RECYCLED CONTENT STN (GRS, RCS)

[4] This list covers the fibres and materials within Textile Exchange's scope and is updated on a regular basic, as we continuously evaluate the materials we source to reflect the latest science, best practices, and knowledge. Innovative fibres and materials will play an important part in reaching our material goal. However, it is critical that innovative and new materials are clearly defined and that their verification can be ensured before including them in the scope of recycled and sustainably sourced materials.