

Sustainability Commitment

H&M Business Partner

At H&M, we are convinced that sustainability is a natural part of being a successful business. Therefore we always strive to act ethically, transparently and responsibly and we expect our Business Partners to do the same. H&M represents all affiliated companies and brands within the H&M Group.

Compliance with the law is the fundamental starting point, but our ambition is that together we go beyond what the law says to advance the following issues;

Healthy workplaces: Besides providing an income, employment enables people, their families and communities to flourish. Providing a safe and healthy workplace, guaranteeing rights at work, paying a fair living wage that meets workers' basic needs and promoting social dialogue are essentials for sustainable economic growth that creates jobs and enterprise development.

Healthy ecosystems: Ecosystems provide us with natural resources, such as clean air and water, which are essential to people, communities and business. To meet the needs of present and future generations, the long-term health of ecosystems must be protected by preventing harm to the environment and by using natural resources responsibly.

Animal welfare: Animals are entitled to humane treatment. This must be respected through the adoption of good animal husbandry and non-animal test methods.

H&M also expects Business Partners to apply the requirements and approach outlined in this Commitment in their supply chains. H&M has a zero tolerance policy on all kinds of corruption and commits to a strong anti-corruption program. The Code of Ethics/Business Partner Commitment is a separate commitment that all Business Partners have to sign and commit to comply with. This Sustainability Commitment covers the following issues:

1. Healthy Workplaces

- ‘ Health and safety
- ‘ Discrimination, diversity and equality
- ‘ Recognized employment
- ‘ Fair Living Wage, benefits and working hours
- ‘ Freedom of association and collective bargaining
- ‘ Child labor and young workers
- ‘ Forced labor

2. Healthy Ecosystems

- ‘ Impact on climate and air quality
- ‘ Impact on water resources
- ‘ Use of chemicals
- ‘ Waste, re-use and recycling
- ‘ Conservation of species and natural habitats

3. Animal welfare

- ‘ Animal husbandry
- ‘ Animal testing

H&M's requirements and expectations for these issues are explained in the Specifications section of this Commitment. For each issue there are two levels of sustainability performance;

- ‘ **Fundamental** – Refers to performance in line with internationally agreed standards, applicable UN and ILO Conventions as well as national legislation, and where there is discrepancy between requirements the one that offers the greatest protection for workers, the environment and animal welfare shall apply. Compliance with fundamental requirements is expected of all H&M Business Partners.
- ‘ **Aspirational** – Refers to performance that goes beyond legal responsibility and international standards at Fundamental level to advance sustainable impacts of Business Partners' own operations, as well as contributing to addressing social and environmental concerns outside their own operations.

Performance within these areas is an integral component in H&M's overall evaluation of Business Partners. H&M will continue to engage, grow with and reward Business Partners that share our ambition to advance sustainability and our commitment to continuous improvement. This Sustainability Commitment applies to the direct operations and subcontractors of Business Partners which have a contractual business relation with H&M. H&M may also engage with non-direct Business Partners in the supply chain to voluntarily sign this Sustainability Commitment in order to work together for improved sustainability performance.

Specifications to Sustainability Commitment H&M Business Partner

Foundations for our Specifications

Our Specifications reflect our commitment to promote adherence to internationally agreed standards, including the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. A number of multilateral conventions and multi-stakeholder standards and guidelines on human rights, environment and animal welfare issues are also referenced within the Specifications.

We recognise that many of our Business Partners are committed to uphold and promote these standards in their operations and supply chains. We also recognise that some aspects of our Specifications are more relevant to our manufacturing Business Partners than to our service Business Partners. In presenting the Specifications in a holistic format, our aim is to provide clarity and sufficient detail for all Business Partners on our requirements.

Performance evaluation

Mutual trust and transparent dialogue are central to H&M's intentions to continue to grow with Business Partners that show continuous improvements in their sustainability performance.

To enable effective performance evaluation and dialogue, H&M reserves the right to request sustainability performance data from Business Partners and to conduct unannounced visits to facilities producing goods or services for H&M. Business Partners may also be subject to assessments conducted by assessors representing organizations of which H&M is a member. Therefore, Business Partners are obliged to keep H&M informed of where production and services for H&M takes place, unless H&M has explicitly confirmed, in writing, an exemption from assessment, unannounced visits and/or direct disclosure of sustainability performance data to H&M. The scope of this obligation includes sub-contracting and home-working to produce goods or services for H&M. Business Partners that utilize outsourced production need to ensure relevant documentation is maintained for verification purposes.

To ensure stable compliance with fundamental requirements and enable continuous improvement to reach aspirational performance levels, we expect our Business Partners to implement well-functioning management systems. These shall include clear policies, an accountable organization, routines, communication and feedback mechanisms to identify, correct and improve social, health & safety and environmental impacts.

When submitting information on sustainability performance, Business Partners are expected to be transparent and not intentionally mislead H&M. Non-transparency is regarded as a violation of this Sustainability Commitment. Unwillingness to cooperate or violations of this Sustainability Commitment and/or local law, may lead to reduced business and ultimately termination of the business relationship with H&M.

Transparency is also the essential starting point to recognise and address industry-wide and systemic sustainability challenges. H&M will continuously engage with Business Partners, industry, civil society and governments to promote collective actions and systemic changes needed to improve social and environmental sustainability. H&M encourages our Business Partners to do the same.

1 A Health and safety

Our approach is based on upholding ILO Conventions 155 and 183, ILO Recommendations 164 and 191

Fundamental:

Workplace safety and the health & safety of employees must be a priority at all times and a safe and hygienic working environment shall be provided. At a minimum, this means;

- Compliance with applicable laws and regulations.
- No unsafe buildings.
- No unsafe exposure to hazardous machines, equipment and/or substances.
- Fire Safety shall be maintained through adequate equipment and facility conditions, regular firefighting training and evacuation drills and prevention of fire hazards.
- There is access to clean drinking water and toilet facilities. Adequate ventilation and temperature is provided.
- Accommodation/Housing, when provided, must be separated from the workplace and is subject to all above fundamental requirements concerning health and safety.
- Prevention of accidents and injury to health arising out of, associated with, or occurring in the course of work and employees receive regular and recorded health and safety training.
- Reasonably accommodate the needs of pregnant workers.

Aspirational:

The employer promotes, and actively works to ensure long term safety, good health and well-being of employees applying a gender perspective and good practice, especially including pregnant workers.

1 B Discrimination, diversity and equality

Our approach is based on upholding ILO Conventions 100, 111 and 159, ILO Recommendations 90, 111 and 168

Fundamental:

Every employee is treated with respect and dignity at all times. No employee shall be subject to humiliating or corporal punishment or subject to physical, sexual, psychological or verbal harassment or abuse. There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement on the grounds of gender or sexual orientation, race, color, age, pregnancy, marital status, religion, political opinion, nationality, ethnic origin, caste, disease or disability. There is a grievance mechanism in place enabling employees to put forward complaints without risk of retaliation.

Aspirational:

The employer actively works for diversity and an inclusive workplace. The employer also actively engages with local community and/or NGO's to understand how minorities and/or disadvantaged groups can be considered for employment and how barriers can be countered proactively.

1 C Recognized employment

Our approach is based on upholding ILO Conventions 122, 158 and 175, ILO Recommendation 166

Fundamental:

All work performed must be on the basis of recognized employment relationship established through national law and practice. Every employee shall be entitled to written contract, in their own language, that stipulates conditions for the employment. Obligations to employees, under labor or social security laws and regulations arising from the regular employment relationship, shall not be avoided through the use of labor-only contracting, fixed-term contracts or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment.

Aspirational:

The employer takes steps beyond those required by law to limit the use of fixed-term contracts of employment. In countries where the social security system falls short – the employer provides alternative insurance for employees, including medical and retirement insurance.

1 D Fair living wage and benefits

Our approach is based on upholding ILO Conventions 131 and 183, ILO Recommendation 135

Fundamental:

The wages and benefits paid for a standard working week meet, at a minimum, national legal level, industry level, or collective bargaining agreement, whichever is higher. In any event, a fair living wage should always be enough to meet the basic needs of employees and their families, and provide some discretionary income. All wages shall be paid on a regular basis and in full, and the particulars of the wage for a pay period must be provided in written and understandable form. All fringe benefits required by law or contract are provided. Deduction from wages as a disciplinary measure shall not be permitted. The employee shall be granted and correctly compensated for any type of paid leave to which they are legally entitled.

Aspirational:

The employer adopts a pay structure that reflects employee skills and experience. The employer ensures that Employee surveys are regularly conducted in order to understand if the wage paid meets employees' basic needs. A broader, complementary, employee needs assessment is regularly carried out in order to understand additional needs.

1 E Working hours

Our approach is based on upholding ILO Conventions 001, 014, 106 and 030

Fundamental:

Working hours in a week, as well as overtime hours, shall comply with national law, ILO Conventions or collective agreement, whichever affords the greater protection for workers, and be defined in contracts. In any event, employees shall not on a regular basis be required to work in excess of 48 hours per week and should be provided with at least one day off for every 7 day period. The total hours in any 7 day period shall not exceed 60 hours. Overtime shall be voluntary, not exceed 12 hours per week and shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.

Aspirational:

The employer ensures that the workplace has a sophisticated system to measure and monitor production plan, capacity and output in order to avoid overtime hours.

1 F Freedom of association and collective bargaining

Our approach is based on upholding ILO Conventions 87, 98, 135 and 154, ILO Recommendations 135 and 143

Fundamental:

All workers, without exception or distinction, have the right to join or form a trade union of their own choosing and to bargain collectively. Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace. Where the right to freedom of association and collective bargaining is restricted under national law, the employer encourages and does not hinder the development of parallel means for independent and free association and bargaining.

Aspirational:

The employer engages on a regular basis with employee representatives to facilitate and promote social dialogue. The employer engages directly with local and regional trade unions to proactively address issues of concern to the workforce and is member of an employers' association.

1 G **Child labor and young workers**

Our approach is based on upholding ILO Conventions 138 and 182, ILO Recommendations 146 and 190 United Nations Convention on the Rights of the Child, The Children's Rights and Business Principles

Fundamental:

Child labor is not accepted. No persons shall be employed at an age younger than 15 (or 14 where ILO Convention 138 makes an exception) or younger than the legal age for employment if this is higher than 15. All legal limitations regarding employment of persons below the age of 18 shall be followed. They should be protected from any hazardous work, night shift and any kind of work that might hamper their development or impose any physical harm.

Necessary measures shall be taken to prevent that no one under the legal age of employment is recruited. The employer shall develop, or participate in, and contribute to policies and programs which provide transitional arrangements for any child found to be performing work in the workplace to enable her or him to attend and remain in quality education until no longer a child. The best interest of the child should always be applied in consultation with the child's parents and/or guardian and the child's concerns in a way conducive to the child's age and healthy development.

Aspirational:

The employer actively engages with local communities and stakeholders to promote education and sustainable solutions to address child labor and youth unemployment.

1 H **Forced, bonded, prison and illegal labor**

Our approach is based on upholding ILO Conventions 29 and 105, ILO Recommendation 35

Fundamental:

Forced, bonded, prison or illegal labour is not accepted. If contracted labor is hired, the employer is responsible for payment of employment eligibility fees of contract and/or foreign workers, including recruitment fees. Employees shall not be required to lodge "deposits" or identity papers with their employer and shall be free to leave their employment after reasonable notice. The employee's freedom of movement is not restricted. No part of wages is withheld.

Aspirational:

See [Recognized employment](#).

2 A Impact on climate and air quality**Fundamental:**

The enterprise conducts all operations in full compliance with all applicable laws and regulations on air quality, air emissions and energy efficiency, including maintaining valid permits.

Aspirational:

The enterprise actively mitigates its impacts on climate change and air quality by:

- Continuous improvement in energy management and efficiency.
- Reduction or elimination of Greenhouse Gases (GHG) and other air emissions that pose a hazard to the environment, calculating emissions and setting targets according to the GHG Protocol¹.
- Selecting energy sources responsibly and taking a progressive approach towards adopting lower-carbon-intensity and renewable energy sources.

2 B Impact on water resources**Fundamental:**

The enterprise conducts all operations in full compliance with all applicable laws and regulations on water conservation and water quality, including maintaining valid permits. Facilities with internal wet processing shall measure water withdrawals and wastewater discharge by flow meters and facilities with full internal treatment² of wastewater must adhere to legal requirements or the BSR Wastewater Standard³, whichever is stricter.

Aspirational:

The enterprise takes active measures to reduce water use by showing continuous reduction of the facility's water withdrawals. For facilities using water only for domestic purposes (taps, toilets, cooling) it is sufficient to ensure implementation of water efficient equipment. Water saving techniques such as rain water harvesting shall be applied wherever feasible.

For facilities with internal wet processes;

- Appropriate level of metering to measure internal water use shall be implemented.
- To reduce impact on water resources, the facility's water balance⁴ should be assessed and appropriate reduction measures taken to show continuous improvement.
- In the long term, act as a responsible water steward. This means that in addition to reducing water impacts from own operations, the business partner engages in collective action with local stakeholders to ensure available water resources are managed to meet long term social, environmental and economic needs. Water stewardship and what it means for business is defined by the AWS International Water Stewardship Standard⁵.

2 C Use of chemicals**Fundamental:**

The enterprise conducts all operations in full compliance with all applicable laws and regulations regarding chemical use and disposal, including maintaining valid permits. Business Partners manufacturing any product for H&M must meet all contractually agreed applicable requirements specified in H&M's Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL). Storage, handling, use and disposal of all chemicals used must comply with the Safety Data Sheet (SDS) of each chemical product.

Aspirational:

All chemical products used by the enterprise are free of hazardous substances⁶. The enterprise proactively assesses its chemical use and substitutes with better available chemicals and alternative processes which reduce risks to people and the environment or which enhance resource efficiency through the adoption of "green chemistry"⁷. The pre-cautionary principle should be applied.

1. GHG Protocol Corporate Accounting and Reporting Standard (<http://ghgprotocol.org/>)

2. Full internal treatment means that the wastewater is only treated by the facility's own internal Effluent Treatment Plant before being discharged to a natural water body

3. Industry standard for wastewater quality developed by a working group of several companies, coordinated by Business for Social Responsibility (BSR).

4. The AWS International Water Stewardship Standard, p.86

5. allianceforwaterstewardship.org

6. Hazardous substances means all those that show intrinsically hazardous properties (persistent, bio-accumulative and toxic (PBT); very persistent and very bioaccumulative (vPvB); carcinogenic, mutagenic and toxic for reproduction (CMR); endocrine disruptors (ED); or equivalent concern), not just those that have been regulated or restricted in other regions

7. Green chemistry refers to the design of chemical products and processes that reduce or eliminate the generation of hazardous substances, reduce waste and conserve energy and water.

2 D Waste, re-use and recycling

Fundamental:

The enterprise conducts all operations in full compliance with all applicable laws and regulations including maintaining valid permits. Where services are available, all hazardous waste must be handled by an authorized company or licensed receiver.

Aspirational:

The enterprise proactively reduces its use of virgin raw materials and its impact on the environment by showing continuous improvement in optimization of raw material usage, increasing recycling and re-use of raw materials. The enterprise shows progress on elimination of wastes going to landfill and actively offer solutions in-line with circular economy innovation.⁸

2 E Conservation of species and natural habitats

Fundamental:

The enterprise conducts all operations in full compliance with all applicable laws and regulations including maintaining valid permits. Raw materials must not include species that are listed on the Convention on International Trade in Endangered Species (CITES)⁹ or the IUCN red list¹⁰ as Critically Endangered, Endangered or Vulnerable.

Aspirational:

The enterprise sources raw materials that are third-party verified to ensure more sustainable farming and forestry practices.

3 A Animal husbandry**Fundamental:**

The enterprise conducts all operations in full compliance with all applicable laws and regulations including maintaining valid permits. Further requirements for the sourcing of materials of animal origin for H&M products are specified in the *H&M Animal Welfare and Material Ethics Policy*. All farms producing wool, hair and down used for H&M products must meet the *H&M Requirements for Good Animal Husbandry*, which are based on the *Five Freedoms framework*.¹¹

Aspirational:

The enterprise actively promotes good animal husbandry in its own supply chain for all sourced products and services. Actions include proactively seeking to source raw materials that are third-party verified by a humane certification program.¹²

3 B Animal testing**Fundamental:**

The enterprise fully complies with all applicable laws and regulations. Animal testing shall not be applied on any H&M products. H&M does not allow the use of cosmetic ingredients which have been tested on animals after 11 March 2009 relating to cosmetic ingredient development or cosmetic ingredient safety assessment. Such animal testing may not be performed by the cosmetic product supplier or their raw material suppliers, manufacturers or agents.

Aspirational:

For cosmetic producers;

‘ Apply H&M requirements on products for all customers in addition to H&M.

‘ Continuously apply alternative, non-animal test methods to ensure consumer safety assessment.

⁸ ellenmacarthurfoundation.org

⁹ cites.org

¹⁰ iucnredlist.org

¹¹ Recommendations on animal welfare set out by the World Organisation by Animal Health (OIE) in their Animal Health Codes and the Farm Animal Welfare Committee (FAWC).

¹² Such as, but not limited to, Freedom Foods (freedomfood.co.uk), Humane Certified programs (certifiedhumane.org) and Textile Exchange's Responsible Down Standard and Responsible Wool Standard (responsibledown.org, responsiblewool.org)

Sustainability Commitment

H&M Business Partner

As a Business Partner to H&M, we commit to complying with the **Fundamental** requirements on the issues outlined in this Sustainability Commitment, and to implement them in our operations as well as aim to realize them throughout our supply chain. H&M represents all affiliated companies and brands within the H&M Group.

Furthermore, we understand that H&M has the ambition to engage and continue to grow with Business Partners that share H&M's sustainability ambition beyond mere compliance with the law to advance social and environmental sustainability, stated as **Aspirational** performance criteria in this Sustainability Commitment.

Therefore, as a Business Partner to H&M, we agree to be monitored and evaluated on our sustainability performance within the areas described in this Sustainability Commitment.

We recognize that this Sustainability Commitment is drafted and valid in the English language. Where there are different language versions of this document these shall be considered translations of convenience only and the English version will prevail in any case of discrepancy.

Place and date

Company name

Signature

Company stamp:

Name in printed letters and title