H&M Group “Towards Zero Discharge of Hazardous Chemicals” report 2019/2020

Our approach

Leading the Change towards Safe Products and a Toxic Free Fashion Future is the vision for Chemical Management within the H&M Group. Along with the vision a roadmap has been created. The roadmap includes our goal of zero discharge, as well as sets out the direction and goals beyond 2020.

A key goal is 100% toxic free fashion in 2030. This is also crucial in our overall company ambition to become 100% circular. In the circular economy, the material and chemical input must be known and safe. Therefore, we are working towards positive listed chemicals with Screened Chemistry, a hazard-based approach that enables brands to choose the best available chemicals for each product to secure traceability and transparency.

This report includes our actions towards achieving zero discharge of hazardous chemicals in the past year and is divided into 4 parts: Disclosure & Transparency, Phase Out/Manufacturing Restricted Substance List (MRSL), Systemic Change and Circularity.

Disclosure & Transparency

Public list of suppliers

For many years, we have worked hard to build strong, long-term relations with our suppliers, based on mutual trust and transparency. This allows us to disclose the names, locations as well as some additional information of their factories without major concerns about the ongoing competition on the best available production capacity in our industry. **The supplier list** includes all our suppliers and their manufacturing and processing factories that account for 100% of all our own products that we sell.

Wastewater discharge analysis 2019

In line with the right-to-know principle in ZDHC commitment, H&M Group are working with suppliers to disclose environmental data and have fully adopted the ZDHC Wastewater Guideline. Based on this guideline, we tested and analyzed ZDHC MRSL (which includes Detox 11 priority groups), heavy metals, and conventional parameters. The 14 priority chemical groups from ZDHC MRSL are AP and APEO, chlorobenzenes and chlorotoluenes, chlorophenols, azo dyes, carcinogenic dyes, disperse dyes, flame retardants, glycols, halogenated solvents, organotin compounds, per- and polyfluorinated chemicals

(PFC/PFAS), phthalates, polyaromatic hydrocarbons (PAH), and volatile organic compounds (VOC).

The key findings and conclusions from discharge analysis 2019 are:

- In 2019, we have enrolled and tested **100%** of our ZDHC scope factories (T1 with wet processing units and strategic T2 in textile and leather supply chain). This means **530** units across the globe in our production countries.
- Out of **183** chemical analytes tested from **14** MRSL Chemical Groups according to ZDHC Wastewater Guidelines 2016.
- We have found that **99.93%** of our result had no detection of hazardous chemicals as defined by ZDHC MRSL v.1.1 and this represents **92%** of our units.
- All of these results are published on ZDHC Gateway and IPE Platform.
- For more information please see https://hmgroup.com/sustainability/circular-and-climate-positive/chemicals.html

Input control and tools

In-Check and **BVE3** ("E-cube") are tools, accepted by ZDHC for input control, that measure the chemical management performance in a factory. In 2019, 611 business partners used input chemical tools, with a majority in BVE3. We also allowed the use of CleanChain for units that are shared with fellow ZDHC brands.

Through BVE3 we can review how many of the chemicals used in our supply chain are transparent and compliant to all our chemical restrictions, non-transparent and non-compliant. Based on these insights, we are actively working with our suppliers to secure 100% transparent and compliant input chemicals. By end of 2019 we achieved 80% ZDHC compliance of input chemicals. Our H&M Group goal is to reach 100% ZDHC compliance in 2020 – we call it Roadmap to Zero.

Phase Out/Manufacturing Restricted Substance List (MRSL)

To reach our goal of zero discharge we cooperate within our industry. H&M Group has aligned our chemical restrictions with the industry: The Manufacturing Restricted Substances List (MRSL) with the Zero Discharge of Hazardous Chemicals Manufacturing Restricted Substance List 2.0 (ZDHC MRSL 2.0) and the Restricted Substances List (RSL) for Textile products, Accessories, Footwear, Bags and Belts with Apparel and Footwear RSL Management Group's Restricted Substances List (AFIRM RSL). Both are linked to and form the basis of H&M Group Chemical Restrictions for Textile products, Accessories, Footwear, Bags and Belts. In addition to the restrictions in MRSL and RSL, H&M Group has strategically

phased out, and/or will phase out, some specific chemical substances and/or material groups relevant for these supply chains in the near future.

- H&M Group's Positive List merged with Gateway, when choosing chemicals, we encourage suppliers to use the ZDHC Gateway Chemical Module. This is a web-based industry-wide platform providing information on MRSL compliant chemicals.
- H&M Group has a long-term strategy that by 2030 all Polyurethane (PU) used should be defined as sustainable, for example bio based. However, already in end of 2020 we have moved away from conventional PU with the hazardous solvent DMFa and instead use DMFa free options that are better for human health and the environment. We call it "Better PU".

- H&M Group was one of the first companies to sign ChemSec's corporate PFAS commitment in 2020, agreeing to:
  - call on policy makers to regulate PFAS efficiently, without the possibility for manufacturers to simply swap one PFAS chemical for an unregulated "cousin";
  - call on the chemical industry to put money into innovation and develop safer alternatives to PFAS for all kinds of products;
  - recognise that PFAS are a major health and environmental problem;
  - be serious about the commitment to phase out PFAS in products and supply chains;
  - call on other brands to join this commitment and work towards a phase-out of PFAS in all kinds of consumer products.

- The product testing initiated by H&M Group shows a compliance rate at 99% to H&M Group Chemical Restriction Product Compliance. Products that do not comply with the Chemical Restrictions are not sold.

Systemic Change

We are signatory members of ZDHC and active in all workstreams; input, process and output. This was also acknowledged in the annual event 2019. We see the development of shared industry tools as a key to success and is therefore active in ZDHC. We welcome dialogue across the industry are closely following and contributing to the ZDHC Safer Chemistry Task Team to share our perspective as a fashion brand. Version 3 of Screened Chemistry now includes a section for dyes / pigments and has been submitted to ZDHC.

Our chemical management roadmap includes goals for 100% toxic free fashion, and we aim to use our size and scale to drive the change. We see a need for increased transparency in Safety Data Sheets based on GHS (Globally Harmonized System of Classification and Labelling of Chemicals) to enable hazard assessments of chemicals used in production and informed decisions, thereby securing safe input chemistry into a circular economy.

Capacity Building

H&M Group hosted many training activities to the suppliers in different Production Offices to support them in the input chemistry, ZDHC tools, Wastewater and best chemical practices.

External trainings (trainings to suppliers, or our stakeholders)

Below are a few examples listed for each region:

China:

- BV trainings on E3, WWT and fundamentals training SDS + Kick-off ZDHC
- TUV Detox webinar- Accelerate your RCA: Relevance to MRSL parameters in WW
- TUV webinar- Preparing your supply chain for MRSL 2.0 compliance
- ZDHC programs and implementation
- ZDHC- How to improve InCheck report complaince rate

Europe region:

- Best practice presentations from chemical suppliers, Best practice sharing on chemical management and BVe3 achievements from our suppliers, Wastewater issues by STS.
- NSR FEM training and workshop (Chemical sections in FEM, BVe3, BCMP)
- Ecube online trainings to Turkish, Italy and Portugal suppliers
- On-line training Wastewater test report reading, CAP preparation and uploading to Gateway
- On-line training BVe3 Report reading and CAP Preparation

India:

- Input chemical management, Better alternative chemicals, and how to achieve 100% MRSL Compliance
- Kick of meetings and training on getting started with ZDHC Program 2020 scope units

Myanmar:

- Kick off meetings and training on getting started with ZDHC Program
- MRSL

Bangladesh:

- H&M chemical restriction, Priority Hazardous chemicals; ZDHC Wastewater guideline; ZDHC Gateway; Input chemical management and Output control
- Best practice sharing and way forward to ZDHC MRSL compliance

- BVE3 training on chemical compliance

Pakistan:

- Trainings on H&M chemical restriction, Priority Hazardous chemicals, ZDHC Wastewater guideline, ZDHC Gateway, Input chemical management and Output control

Ethiopia:

- Kick-off meeting on H&M chemical restriction and ZDHC program

Indonesia:

- ZDHC Final Evaluation 2019 to suppliers

Internal trainings:

H&M holds many internal workshops and trainings for our colleagues. The ZDHC Chemical program has grown from being only Sustainability driven "Zero Discharge" activity into more holistic approach on input chemistry. This has also broaden our activities to Quality and materials teams. In reporting period of May 2019 to May 2020 H&M has hold internal trainings and workshops on following topics in our Production Offices:

- Chemical restrictions and Minimum Requirements.
- Training on MR Changes on Chemicals
- BVe3 actions working method training to developers and Support group from Quality and material
- Chemical project working methods -training to developers
- Chemical Collaboration Discussion with Quality team to suppliers

Towards becoming 100% circular

H&M Group has set out the vision to become 100% circular. We promote a circular approach to how products are made and used, and work towards a clean, closed and effective circular life cycle for textiles, maximizing the utility and the value of the products. As part of this we have set a long-term goal to only use recycled or other sustainably sourced materials.

Updates towards 100% circular

Innovation keep driving our circularity efforts forward. We are developing new ways to repair, repurpose and recycle goods wherever possible and encouraging our customers to join us on this journey. **The new business models we're creating** will help make this happen, as well as the development of new recycling technologies.

By investing in companies that develop ground-breaking technologies, we're making it easier to scale up innovations that the whole industry can benefit from. These innovations are also what will help us un our journey towards becoming a circular company.
For example, **Infinited Fiber Company**, one of the companies that H&M Group has invested in, is currently perfecting their process to make a new cotton-like fibre from waste textiles. Another cutting-edge investment is in **Re:newcell**, which turns used cotton and viscose into a pulp that can be turned into new fibres for yarn and fabrics. H&M's Conscious Exclusive collection, launched in March 2020, included a dress made out of Re:newcell fabric.

Most of our brands offer garment collection points and in 2019, we collected 29,005 tonnes of garments for reusing and recycling – equivalent to about 145 million T-shirts. Since 2013, we have been working with I:CO, a specialist in garment take back solutions. Over half the items collected are reused as second hand, and the rest are repurposed or recycled into new textile fibres or insulation materials. For each kilogram collected, we donate two Euro cents to charity – since 2013 that's over €1.7 million.

Taking good care of clothes is the best way to prolong their life. As part of its Take Care initiative, H&M offers repair services in selected stores and online markets, making it easier for customers to maintain their much-loved items. A dedicated **Take Care** page on H&M websites provides additional guidance and a range of products to keep clothes looking their best.

For more information see H&M Group Sustainability Report

Chemicals in recycled materials

In May 2016, H&M published our approach to chemicals in recycled materials. In short, the H&M approach for using recycled materials is based on precaution and aims to avoid recirculation of hazardous chemicals. The H&M objectives regarding hazardous chemicals in

recycled materials are that consumer products should comply with the same chemical requirements regardless of their recycled content. Any exceptions to this should be justified and transparently communicated.

Partnering with IKEA, we launched a large-scale study to review the chemical content in pre- and post-consumer textile recycling. With over 8,000 tests conducted, H&M Group will have a better opportunity to develop an action plan for the use of recycled textiles while meeting strict chemical and safety standards.