

The H&M Group Sustainability Standards for Business Partner

At H&M Group we are committed to leading the change to a better fashion future by continuously increasing the sustainability of our value chain, joining efforts with Business Partners who share similar ambitions around innovation, positive environmental impact, circularity, dialogue, fairness, and equality.

Working together is how we will influence the industry, create a deeper, more effective relationship and serve customers with ever-better value and meet their ever-increasing expectations.

Before we work together with any potential new Business Partner, we ask you to sign The H&M Group Sustainability Standards for Business Partner. It lays out what we require from you — both in your own business and your supply chains — and what you can expect from us in return.

All potential partners wanting to work with any of the H&M Group brands and affiliated companies must accept and deliver against The H&M Group Sustainability Standards for Business Partner.

Each time we review this Commitment, we raise the bar of our requirements. This is to help us all remain responsive to emerging challenges facing our world. You are expected to adhere to these updates, so be sure to alert us of any impediments in doing so. When it comes to deciding which business partners to keep working with, we favour those who share our ambition for ever-evolving human rights, labour and environmental standards — and work actively to meet them.

Honesty is always the best policy

The best way to implement The H&M Group Sustainability Standards for Business Partner is through an open and collaborative dialogue. If there are any questions about what you are signing up for, or if you think you will encounter challenges in implementing any of the requirements, let us talk. As violating the The H&M Group Sustainability Standards for Business Partner or related applicable laws and failing to engage in adequate remediation can lead to the discontinuation of our partnership, good communication is key.

Everyone at your organisation (including your subsidiaries, subcontractors or any other relevant stakeholder) is welcome to raise concerns in connection with The H&M Group Sustainability Standards for Business Partner, anonymously if preferred, at www.speakup.hmgroup.com.

Full transparency around sustainability data

Collaborative sharing of sustainability performance data helps us all make sure we are making the right impact. Just as we will happily share data relating to the areas covered by The H&M Group Sustainability Standards for Business Partner with you, we expect you to do the same when requested.

Any data collected, processed, stored, or shared in connection to monitoring your sustainability performance will be treated respectfully, lawfully, fairly, and transparently, and limited to a specific and documented purpose. Such data may also be shared with third parties for audit purposes in connection with a due diligence process.

H&M Group, our co-workers, and all third-party organisations appointed by us are committed to protecting the personal data of every stakeholder, including suppliers, customers, consumers, and workers by ensuring adequate safeguards for the accuracy and integrity of personal data.

Guided by globally acknowledged standards

The requirements in The H&M Group Sustainability Standards for Business Partner are based on internationally agreed standards, including the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and relevant UN and ILO conventions and recommendations.

The requirements also reflect our commitment to following the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. H&M Group is also aligned with the Paris Agreement goals and we follow the GHG Protocol and Science Based Targets Initiative (SBTi) Business Ambition for 1.5° C.

Requirements on H&M Group Business Partner

Transparency and collaboration

At H&M Group, we believe transparency is key to driving sustainable change by creating both comparability and accountability. It empowers customers to make more informed purchasing decisions, so we have been pioneering ever more transparent communication about our supply chain, our products, and our business standards and policies.

Mutual trust and transparent dialogue are also an essential starting point in recognising and addressing industry-wide and systemic sustainability challenges. H&M Group will continuously engage with industry, social partners, civil society, and governments to promote collective actions and systemic changes needed to improve social and environmental sustainability. We encourage our Business Partners to do the same.

We require our Business Partners to also allow for increased transparency towards the end consumers by sharing clear, accurate, and relevant information about the sustainability performance across their operations and their supply chains, in an honest and accountable way. Business Partners are obliged to keep H&M Group informed of where production and services for H&M Group take place. The scope of this obligation includes sub-contracting and home-working to produce goods or services for H&M Group.

It is the Business Partner's responsibility to demonstrate compliance with the requirements of The H&M Group Sustainability Standards for Business Partner by completing periodical self-assessments, reporting sustainability performance data, and submitting to announced and /or unannounced verifications by H&M Group or assessors representing organisations appointed by or agreed with H&M Group, in line with timelines communicated by H&M Group. Business Partners are also required to enable the same reporting and evaluation activities for their subcontractors and next-tier suppliers involved in the production of goods and services for H&M Group.

When submitting information on sustainability performance in accordance with the requirements set out in The H&M Group Sustainability Standards for Business Partner, Business Partners are required to be transparent and not intentionally mislead H&M. Non-transparency is regarded as a serious violation of The H&M Group Sustainability Standards for Business Partner.

Management Systems for Supply Chain Due Diligence

Business Partners are required to have effective management systems in place to integrate the requirements of The H&M Group Sustainability Standards for Business Partner and related applicable laws and international standards into regular business practices. The management system shall be adequate to the size, complexity and risk environment of their business and involve consultation and engagement with relevant stakeholders. It shall enable a sufficient level of human rights and environmental due diligence to identify, prevent and mitigate actual and potential adverse impacts on people and the environment in their operations, supply chains and business relationships, in line with the OECD Due Diligence Guidelines for Responsible Business Conduct.¹ At a minimum, Business Partners shall also require their next tier suppliers to acknowledge and implement the requirements stated under The H&M Group Sustainability Standards for Business Partner and shall establish practices for monitoring compliance.

Business Partners are expected to have a system in place to manage grievances related to human rights, labour rights and environmental impact, and to engage in appropriate remediation of any harms to people or the environment which they have caused, contributed to or to which they are directly linked, in close dialogue with those affected.

Business Partners who subcontract or outsource any work in executing their business contract with H&M Group, shall be responsible for the implementation of The H&M Group Sustainability Standards for Business Partner by these third parties and their employees. The scope of these obligations includes any self-employed contractors and home-workers.

¹ Sector-specific guidelines are to be followed where available, such as the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

Business Partners shall always operate in line with all applicable laws and the requirements outlined in The H&M Group Sustainability Standards for Business Partner, and where there is a discrepancy between requirements in The H&M Group Sustainability Standards for Business Partner and requirements from applicable law, the one that offers the greatest protection for workers, the environment, and animal welfare shall apply. Should any of our requirements contradict the applicable laws or regulations, the law is complied with and prevails. In such cases, you shall immediately inform H&M Group and alternative ways should be sought to honour the intention of the requirement set out in The H&M Group Sustainability Standards for Business Partner.

Impact on People

H&M Group wants to be part of a fashion industry that provides fair jobs and equal treatment for everyone. We respect human rights, promote inclusion, and champion diversity throughout our supply chain — and call on our Business Partners to do the same.

The requirements specified in this section are to be secured for all workers, including temporary, migrant, apprentices, students, contract and direct employees, self-employed, or any other type of worker under the influence of the Business Partner or its next tier suppliers. Efforts shall be made to identify specific vulnerabilities and instate measures for the protection and support of vulnerable individuals or groups.

Forced, bonded, prison and illegal labour are not accepted²

Written policies and routines shall be in place to prevent any form of forced, bonded, prison or illegal labour, with special consideration for the increased risk of vulnerable categories such as migrant workers. Workers shall not be required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice. The employer is responsible for payment of all employment eligibility fees and costs of all workers, including recruitment and termination fees. Overtime must be voluntary, with the exceptions defined by applicable legislation and collective bargaining agreements, and there shall be no threat of penalty against workers refusing overtime. Any suspected or confirmed case of forced labour shall be reported to the relevant authorities and the H&M Group shall immediately be informed.

Child labour is not accepted and children's rights are respected³

No persons are recruited 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. If any child labour case is detected, the employer shall actively engage in remediation and carry the cost for such intervention until the child has reached the legal age of working. All legal limitations and requirements regarding the employment of persons below the age of 18 must be followed. Persons below the age of 18 shall be protected from any hazardous work, night shift, and any kind of work that might hamper their development or impose any physical harm. To the extent necessary and possible, special considerations shall be given to the working conditions of parents and caregivers, so as to minimise any potential adverse impact on children in surrounding communities.

Employment is recognised and employment terms are understood and mutually agreed⁴

All work performed must be based on a legally established and recognised contractual relationship, the nature of which shall not deprive workers of the rights arising from labour or social security laws. All workers (including self-employed) are entitled to a written contract or equivalent, in a language they understand, that specifies the mutually agreed terms and conditions. These conditions cannot be changed unilaterally by the employer during the terms of the contract. All legal limitations on the use of non-standard employment forms⁵ shall be followed. When non-standard employment forms are used which may pose challenges of unpredictable and insufficient hours of work and reduced earnings, workers shall not be restricted to also take up employment with other companies or platforms. When workforce is secured via labour agencies or where recruitment companies are being used, the employer is responsible for ensuring that these companies meet the requirements of

The H&M Group Sustainability Standards for Business Partner.

² ILO Conventions 29 and 105, ILO Recommendation 35

³ 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

⁴ ILO Conventions 122, 158 and 175, ILO Recommendations 166 and 198

⁵ "Non-standard forms of employment" - also referred to as diverse forms of work - is an umbrella term for different employment arrangements that deviate from standard employment. They include temporary employment; part-time and on-call work; temporary agency work and other multiparty employment relationships.

Statutory wages and benefits are paid in full and on time⁶

Every worker has a right to a compensation for a regular work week that is sufficient to meet basic needs for themselves and their families and provide some discretionary income. Business Partners shall engage with relevant stakeholders to take appropriate actions towards realising such a level. At a minimum, wages must meet national or industry legal levels or applicable Collective Bargaining Agreement, whichever is higher. Overtime must be compensated at a premium rate as per local law, but not lower than 125% of the regular rate. Payments to workers must be made in full, on time, and on a regular basis, in accordance with contractual terms, and the particulars of the wage for a pay period must be always provided in a written and understandable form. No withdrawals or deductions from wages, other than the ones legally mandated, shall be made without prior authorisation from the workers. Deductions from wages as a disciplinary measure, or for uniforms or material needed to perform the work, shall not be permitted. All benefits mandated by law must be provided, including any type of paid leave and statutory severance. All contributions to any of the following social insurance or social security programmes are made in line with legal requirements: pension, medical, work-related injury, unemployment, maternity, other.

Working hours are not excessive

Working hours and rest time shall comply with national law, the relevant ILO Conventions⁷, or the applicable collective agreements, whichever affords the greater protection for workers, and shall be defined in contracts. A reliable system for registering working hours, including overtime, of all workers must be maintained. To secure that overtime is not requested on a regular basis, an effective process to measure, plan and monitor production capacity and output is in place.

Freedom of association and the right to collective bargaining are recognized and respected⁸

All workers, without exception or distinction, must be free to join or form a trade union of their choosing and to bargain collectively. Any infringement on workers' freedom to associate is not acceptable. Employers shall have an open and collaborative attitude towards worker representation and take a dialogue-based approach to addressing concerns raised by workers. Where the right to freedom of association and collective bargaining is restricted under law, the employer shall allow the development of parallel means for independent and free association and bargaining.

Harassment and abuse are not tolerated and are actively prevented⁹

Every worker shall be treated with respect and dignity at all times. Mechanisms must be established to protect workers from gender-based violence and any other form of physical, sexual, psychological, or verbal harassment occurring during, linked with, or arising out of work. There shall be a grievance mechanism in place enabling workers to raise complaints without risk of retaliation and effective remediation processes to address cases of harassment and abuse.

Workers are not discriminated¹⁰

There shall be 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, trade union affiliation, religion, political opinion, nationality, ethnic origin, caste, disease, or disability.

Workplaces are safe and healthy^{11 12}

The health & safety of workers must be a priority at all times and a safe and hygienic working environment shall be provided. At a minimum, this means that the Business Partners shall comply with applicable laws and regulations on health and safety and shall ensure that:

- Building, structural safety and fire permits and certificates are secured in line with legal requirements and all construction work is in strict conformity with approved building plans.
- Fire Safety is maintained through prevention of fire hazards, facility conditions, adequate and functional fire detection, emergency alarm and fire-fighting equipment, regular firefighting training and evacuation drills.
- Accident insurance is provided to all workers, covering medical treatment and providing compensation for

⁶ ILO Conventions 001, 131 and 183, ILO Recommendation 135.

⁷ ILO Conventions 001, 014, 030, 106.

⁸ ILO Conventions 87, 98, 135 and 154, ILO Recommendations 135 and 143

⁹ ILO Convention 190

¹⁰ ILO Conventions 100, 111 and 159, ILO Recommendations 90, 111 and 168

¹¹ ILO Conventions 155 and 183, ILO Recommendations 164 and 191

¹² Code of practice on safety and health in textiles, clothing, leather and footwear (ilo.org)

- work related injuries and illnesses resulting in permanent disability or death.
- Access to clean drinking water and toilet facilities is provided.
- Accommodation/Housing, when provided, is separated from the workplace and is subject to all above fundamental requirements concerning health and safety.
- Measures are in place to deal with emergencies and accidents, including adequate first-aid arrangements.
- There is no unsafe exposure to hazardous machines, equipment, substances and/or processes.
- Sandblasting is banned for all apparel production but is accepted for other production if performed according to legal requirements and the requirements specified in the *H&M Group Guideline on Processes That Can Cause Silicosis*, available on the Supplier Portal.
- Ventilation and temperature in the workplace are adequate.
- The needs of pregnant workers are reasonably accommodated.
- Appropriate training in occupational health & safety is provided.
- A functional Health & Safety Committee or other form of worker representation and consultation on health & safety is in place, as specified in national laws, is in place.

The right to privacy is respected

Business Partners must ensure compliance with all applicable privacy and information security laws when collecting, storing, processing, or sharing personal information of anyone Business Partners do business with, including suppliers, customers, consumers, and employees. Business Partners' processing of personal data shall follow the principles of respect for personal privacy and autonomy, fairness, and transparency.

There is no infringement on land rights or on the civil and political rights of marginalized populations¹³

Operations and the use of natural resources shall not contribute to the destruction and/or degradation of the resources and income base for communities, including marginalized populations, such as in claiming large land areas, use of water or other natural resources on which these communities are dependent.

Civil rights are respected, and human rights and environmental defenders are not abused

H&M Group recognises the important role of human rights and environmental defenders to bring attention to issues across our value chain. We do not interfere with the activities of human rights or environmental defenders and for topics of shared concern, we may actively support their work. We expect our Business Partners to follow the policy of non-interference and to respect the lawful activities of human rights and environmental defenders, and the right to freedom of expression, freedom of association, and peaceful assembly.

Impact on the Environment

At H&M Group, we take our responsibility to stay within the planetary boundaries very seriously. We acknowledge climate change and resource depletion as two of the greatest challenges facing our planet today. Both contribute to biodiversity loss and worsen existing human rights problems. Their consequences affect the health of our entire planet and everyone living on it – making them key challenges to all industries, including ours. To address them, it is crucial to move from a linear model — where we take, make and waste — to a circular model where we maximise the value of products and resources by reusing and repairing them as much as possible, before finally recycling them.

We expect Business Partners to have a strong commitment to reducing their environmental footprint.

Energy use and impact on climate and air quality are minimised

Business Partners shall actively mitigate their impacts on climate change and air quality by ensuring that:

- Air emissions are routinely monitored, controlled, and treated prior to discharge as required by applicable law.
- Energy and fuel consumption from all sources is accurately tracked via meters or invoices and reported to H&M Group on a quarterly basis.
- Continuous improvement in energy management and efficiency is actively pursued.
- No textile waste boilers exist in any new facility joining the H&M Group supply chain. Existing facilities still operating textile waste boilers have plans for their replacement in line with H&M Group's climate and circularity goals.
- No coal is used on-site to produce heat and/or electricity in any new facility joining the H&M supply chain after January 1st, 2022. Facilities currently part of the H&M Group supply chain that use coal for heat/energy production

¹³ UN Covenant on Civil and Political Rights, art. 1 and 2

may do repair works on coal-fired boilers till latest 2025. It is strongly recommended that coal-fired boiler requiring replacement due to poor performance/efficiency or end of design life be replaced with renewable energy solutions.

- It is recommended that Greenhouse Gases (GHG) emissions are calculated and reported according to the GHG Protocol and reduction targets are set that are aligned with the Science Based Targets Initiative (SBTi).
- Energy sources shall be selected responsibly and there is a roadmap and action plan for the transition towards renewable energy sources.

Water resources are responsibly stewarded

To prevent and mitigate any negative impacts on water resources and the access to water and sanitation for surrounding communities, Business Partners shall ensure that:

- All water withdrawals are metered and reported to H&M Group on a quarterly basis. Water used in wet production/processing is metered separately at production inlets. This also includes water used in utilities (boiler, cooler, tower chiller etc.). For optimising consumption, machine or process-level metering is recommended.
- All industrial wastewater is being treated and measured by flowmeters at discharge. In case full or partial treatment takes place in an external plant, records of treatment services are kept. Industrial On-site Effluent Treatment Plant (ETP) must be graded "Green" on the H&M ETP Assessment conducted by an approved third party or by H&M Group. Industrial Off Site or On-Off Site Treatment, facility should have engagement plan and action to enhance the quality of the of wastewater quality discharge.
- Wastewater discharged to the environment meets ZDHC Wastewater Guidelines - Foundational Level for Textile & Footwear Industry or legal water quality standards, whichever is stricter and applicable. For industries other than Textile & Footwear, wastewater quality meets legal water quality standards.
- If water is used only for domestic purposes (taps, toilets, cooling) water efficient equipment shall be implemented.
- Appropriate measures are taken to reduce absolute consumption of fresh water, such as reclaiming water from rainwater or greywater systems or treating wastewater on-site to enable the recycling of water in production.
- Targets with clear baseline and action plans are set for continuous improvement in water efficiency and reduction of the impact on water resources, based on a proper identification and understanding of current and future shared water-related challenges and ability to influence beyond the boundaries of one's own business operations.

Chemical use is properly managed

To ensure that their products are safe to manufacture, Business Partners shall ensure that:

- Documented chemical purchasing procedures are in place to prevent the purchase of chemicals containing substances restricted or banned by applicable laws, industry-standards, and customer restricted substance lists, such as the *H&M Group Chemical Restrictions*.
- No chemicals listed in ZDHC MRSL are intentionally used in production processes for textile and leather supply chain.
- A chemical inventory list is maintained and continuously updated and includes the chemical commercial name, chemical manufacturer name, identification numbers (CAS no.), hazard information, amount of storage or amount of consumption and storage location.
- All storage, handling, use and disposal of all chemicals used on site follows the instructions in the Safety Data Sheet (SDS) of each chemical product.

Circularity is promoted. Waste is minimised and recirculated for high value recovery

To enable the transition to a circular economy, Business Partners shall ensure that:

- Continuous improvement in optimisation of material usage is demonstrated, resulting in a decrease in the use of virgin raw materials.
- Waste generation at source is actively prevented; all waste streams are tracked with targets and action plans for increasing re-use and recycling.
- Proactive measures are taken to ensure that waste streams generated at their facilities do not end up in landfill.
- All hazardous waste is handled by an authorised/licensed company.
- For all waste generated in the production of goods for H&M Group, data on quantity per stream and ways of treatment is secured and reported with the requested frequency through the digital platforms nominated by H&M Group. Data accuracy is ensured, and relevant records of all waste transactions are maintained.
- Textile waste streams resulting from the production of goods for H&M Group:
 - are never sent for landfill, incineration or disposed in any way that could potentially cause negative environmental impact or affect the communities.
 - are sorted according to specifications from H&M Group (color, fabric composition etc.) to enable best value recovery possible
 - are always sent to the nominated business partners (recyclers) upon request from H&M Group.

- A packaging reduction program is implemented that aligns with and supports *the New Plastics Economy Global Commitment*.
- Solutions in-line with circular economy innovation are actively identified and implemented.

Materials are responsibly sourced and animal welfare is protected

- All products supplied to H&M Group shall comply with all the raw material specific requirements laid down in the H&M Group Animal Welfare Policy and Responsible Raw Material Sourcing Policy. Business Partners shall be able to provide all relevant information about material origin needed to verify compliance with these policies.
- To ensure animal welfare, the protection of ecosystems and biodiversity and respect for human rights in the sourcing of raw materials, it is recommended that Business Partners, based on an impact assessment of the raw materials, set a strategy with clear goals to only source materials that have reduced negative environmental and social impacts compared to their conventional counterparts. Business Partners shall strive to source raw materials that are third-party verified to ensure more sustainable farming and forestry practices.

The H&M Group Sustainability Standards for Business Partner

As a Business Partner to H&M Group, we commit to complying with the requirements outlined in The H&M Group Sustainability Standards for Business Partner, and to implement them throughout our supply chain.

Furthermore, we understand that H&M Group has the ambition to engage and continue to grow with the Business Partners that share H&M Group's sustainability ambition beyond mere compliance with the law to advance social and environmental sustainability.

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

We recognize that The H&M Group Sustainability Standards for Business Partner 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

Signature

Printed letters and title

Company stamp (where applicable):