

Materiality

For many years, H&M Group has been conducting its materiality assessment in line with applicable GRI standards. In 2023, the company began developing its process to align the approach with Corporate Sustainability Reporting Directive (CSRD) and the European Financial Reporting Advisory Group's (EFRAG) draft Implementation Guidance for Double Materiality, which is expected to come into force in 2025.

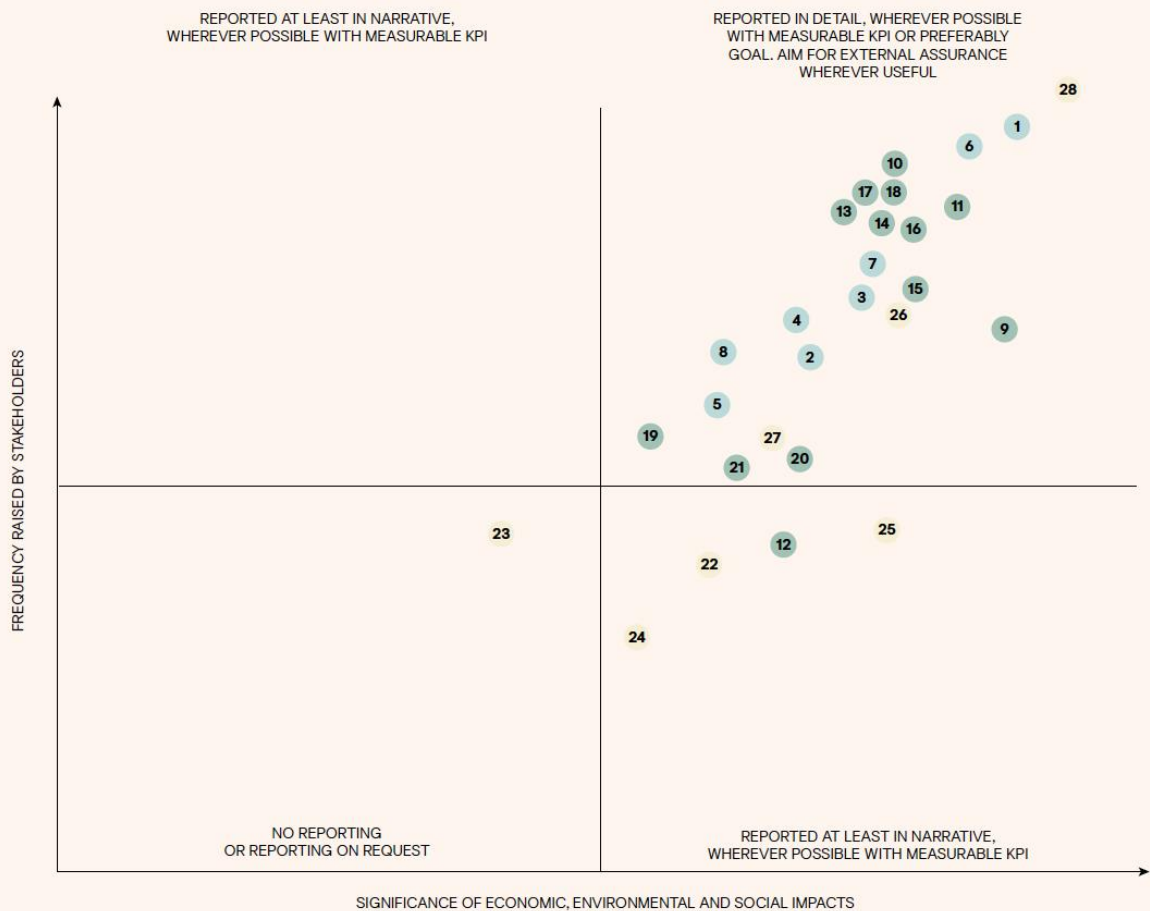
H&M Group's materiality assessment and HRDD processes are closely connected. The company identifies an extensive list of possible impacts as part of its overall risk and impact assessment, using a wide range of sources, including OECD sector risks, ESRS first set of drafts, GRI standards, a systematic analysis or ongoing dialogue with relevant stakeholders, particularly stakeholders affected by an issue, stakeholder surveys and systematic analysis of stakeholder expectations. These are prioritised to create a preliminary materiality assessment, which is subsequently reviewed by a second set of internal experts, followed by selected external stakeholders with expertise in the key impact areas, the company's auditors, and the Board of Directors.

During 2023, H&M Group followed the process described above. In 2024, as part of the ongoing development of the company's process to prepare for CSRD, the company will further refine the process in order to work towards including a financial materiality assessment based on input from internal experts and other external stakeholders. Read more about how H&M Group engages with its stakeholders in the company's Sustainability Disclosure at hmgroup.com/sustainability-reporting. H&M Group reviews its material impacts annually, with a more detailed assessment every three years.

The findings from the 2023 materiality assessment informed the company's update to its 2022 GRI-based materiality matrix. Accordingly, the company has made a number of minor adjustments:

- Waste, including packaging, increased in materiality.
- Material / resource use increased slightly in materiality.
- Water increased in materiality.

Materiality matrix 2023



MATERIAL TOPICS (RISK + OPPORTUNITIES)

1. Climate
2. Water
3. Chemicals (incl. haz. waste)
4. Biodiversity
5. Animal welfare
6. Material/Resource use

7. Waste, incl packaging
8. Deforestation
9. Health, Safety and Wellbeing
10. Freedom of Association & Collective Bargaining
11. Wages and compensation
12. Social security and protection
13. Working hours

14. Forced labour
15. Child labour
16. Discrimination and equal treatment
17. Inclusion and diversity
18. Gender equality
19. Land rights & livelihoods
20. Access to water

21. Community Engagement
22. Public policy
23. Tax payment
24. Anti-corruption
25. Data privacy and protection
26. Supply chain assessments
27. Marketing and labelling
28. Economic performance

Material topics

			WHERE IN THE VALUE CHAIN ARE THESE TOPICS MORE SIGNIFICANT? NO COLOR = LOW IMPACT; ● BLUE = MEDIUM IMPACT; ● BEIGE = HIGH IMPACT; ● ORANGE = CRITICAL IMPACT								
AMBITION AREAS	OUR FOCUS AREAS	MATERIAL TOPICS (RISK + OPPORTUNITIES)	DESIGN AND PRODUCT DEVELOPMENT	RAW MATERIAL SOURCING	MATERIAL PRODUCTION AND PROCESSING	PRODUCT PROCESSING AND MANUFACTURING	TRANSPORT AND WAREHOUSE OPERATIONS	SALES	PRODUCT USE, REUSE AND RECYCLING	HOW DO WE MANAGE THESE IMPACTS? (SD - SUSTAINABILITY DISCLOSURE 2023)	
CLIMATE AND CIRCULAR	CLIMATE AND NATURE	Climate	●	●	●	●	●	●	●	Climate strategy including approved SBTi targets, see SD p.16	
		Water		●	●	●	●	●		Water strategy, see also SD p.24	
		Chemicals (incl. haz. waste)	●	●	●	●				Chemicals strategy, see also SD p.30	
		Biodiversity		●	●	●				Biodiversity strategy, see also SD p.27	
		Animal welfare	●							Animal welfare policy, see also SD p.36	
	RESOURCE USE	Material/ Resource use	●	●	●	●	●	●	●	Resource use and circular strategy, see SD p.32	
		Waste, incl packaging	●	●	●	●	●	●	●	Waste, see SD p.47 Packaging, see SD p.51	
		Deforestation		●						Strategy under development, see SD p.27	
	FAIR AND EQUAL	FAIR JOBS	Health, Safety and Wellbeing		●	●	●	●	●	●	Policies & procedures Open Operations, see SD p.56 Supply chain, see SD p.60 GBV and sexual harassment, see SD p.65
Freedom of Association & Collective Bargaining				●	●	●	●		●	Policies & procedures Industrial Relations strategy in our production supply chain in Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Türkiye and Vietnam. See SD p.60	
Wages and compensation				●	●	●	●	●	●	●	Policies & procedures Wage strategy in our production supply chain in Bangladesh, Bulgaria, Cambodia, China, Ethiopia, India, Indonesia, Myanmar, Pakistan, Romania, Sri Lanka, Türkiye, Vietnam See also SD p.60
Social security and protection				●	●	●	●				Policies & procedures Aspects of our Wage strategy in our production supply chain in Bangladesh See also SD p.60
Working hours				●	●	●	●	●	●	●	Policies & procedures
Forced labour				●	●	●	●			●	Policies & procedures Modern slavery statement See also SD p.54

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FAIR AND EQUAL	FAIR JOBS	Child labour		●	●	●			●	Policies & procedures Our Wage strategy also supports this impact area in relation to working conditions of parents. See also our Modern Slavery statement, and SD p.54		
	INCLUSION AND DIVERSITY	Discrimination and equal treatment	●	●	●	●	●	●	●	●	Policies & procedures I&D Strategy within our own operations, SD p.56 Gender Equality Strategy in our production supply chain SD p.60	
		Inclusion and diversity	●						●		Same as above	
		Gender equality			●	●	●	●			Same as above	
	COMMUNITY RIGHTS	Land rights & livelihoods			●					●	Policies & procedures Our circularity strategy to reduce resource use, see also SD p.32 Our Material strategy, including a target of 100% FSC certified wood See also SD p.36	
		Access to water			●	●	●	●			See SD p.24	
		Community Engagement						●			See SD p.72	
STANDARDS, POLICIES AND OTHERS	CORPORATE GOVERNANCE	Public policy			●		●			Public affairs strategy, specific two sustainability strategies, such as climate. See SD p.76		
		Tax payment					●			Tax policy		
		Anti-corruption			●	●	●		●		Policies & procedures	
		Data privacy and protection	●						●		Policies & procedures	
		Supply assessments	●	●	●	●	●	●	●		Policies & procedures See also SD p.78	
		Marketing and labelling						●		●	Policies & procedures	