

# Environmental Policy

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<b>Owner:</b>	Head of Sustainability
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## Introduction

Our policies clarify the expected behaviour and output of our actions as a company and related expected behaviour from us as colleagues and external companies providing services to the H&M Group. They explain our strategic perspective for a certain topic, guide decision making and provide insight in why our standpoint is important. We follow up that our policies are being followed, any non-compliance may result in labour/employee law actions. This policy can be unilaterally withdrawn, adjusted or amended by H&M at any time without prior notice.

## Policy Statement

H&M Group has an ambition to lead the change towards achieving a circular fashion industry with net-zero climate impact, while being a fair and equal company. We aim to grow our business in a way that decouples our financial growth and profitability from the use of finite natural resources and from GHG emissions.

We firmly commit to managing all business in a way that meets local, national and international regulations and good practice in order to prevent, mitigate and remediate negative impacts on the environment. At the same time, we acknowledge that legal compliance is not enough, and we use our size and scale to drive continuous improvement and amplify the speed and impact of transformation across the industry.

We adopt a value chain approach informed by the best available science and careful consideration of social aspects and human rights implications in all environmental policies and strategies. Our efforts are focused on where we have most significant impact on the environment across our value chain. We regularly review our material issues together with internal and external stakeholders to ensure their relevance and to define prioritised efforts and engagement.

We allocate resources and work to identify, test and scale innovative business models, materials and production processes that have the potential to transform our industry. We engage with policymakers and international institutions to influence legislation in support of systemic and meaningful change.

## Policy Details

### Commitments from H&M Group

This policy is valid for all operations within the H&M Group. The areas covered in this policy have been selected based on our accumulated knowledge from working with these questions together with internal and external stakeholders since the late '90s. Yearly, we revise our priorities and finetune our strategies and roadmaps based on a risk and impact assessment process defined in our H&M Group Responsible Business Conduct Policy and H&M Group Risk Management Procedure and supporting documents. We are reporting our progress on environmental work in our Annual and Sustainability Report and other relevant reports — including tracking and disclosing details of our supply chains and testing and piloting new ways of tracing materials and collecting and sharing data. These have been important steps to push the boundaries on transparency forward across our industry.

#### *Climate*

We are committed to reducing our climate impact in line with the 1.5 degree target and the Paris climate accord. We take a holistic perspective and include our whole value chain in our reduction programs. Our overall climate targets have been approved by the Science Based Targets Initiative. We are committed to using 100% renewable electricity for our own operations and our supply chain by 2030.

We adopt a dual approach where we, in addition to decarbonizing our value chain, make meaningful contributions outside of our value chain, supporting the global goal to limit temperature increase to 1.5°C

#### *Water*

We acknowledge the significance of water as a limited resource and are working towards decoupling water use from business growth. Our ambition is to have a positive impact on water with measurable goals across all parts of our value chain, paying attention to both global and local impacts and recognizing that each basin has its unique challenges. We engage with stakeholders and partners, and encourage innovation in technology to drive transformative water stewardship actions across the industry to collectively achieve the UN Sustainable Development Goal for water (SDG6).

#### *Land*

We are working towards reaching a supply chain that is deforestation free and does not contribute to land conversion. We also work to decrease our impact by reducing the land area needed to produce our products. For the land used we will also work to improve soil health to allow the land, the soil, water, nutrients, and natural assets to regenerate themselves. Central to reducing our impact and dependency on land are our efforts to decouple resource use from business growth, increase use of recycled materials and only source preferred fibers.

#### *Biodiversity*

We are committed to contribute to reversing nature loss and the global goals of biodiversity. We do this by preventing and reducing our overall impact on the biodiversity and natural ecosystems affected by our value chain, supporting the protection and restoration of biodiversity and natural ecosystems.

#### *Chemicals*

We want to ensure safe products and value chain by using the right chemicals. Therefore, we take a progressive

approach to chemical management that goes beyond legal compliance to ensure the safety of the chemicals used and to enable the circularity of the products.

We follow the AFIRM Restricted Substances List and the ZDHC Manufacturing Restricted Substances List (MRSL), as well as the ZDHC Wastewater Guidelines and Chemical Management System. Our H&M Group Chemical Restrictions commit us to phasing out additional potentially harmful substances. We use the Screened Chemistry hazard-based scoring system (a third-party toxicological assessment) to identify safer chemicals.

#### *Resource usage and circularity*

We are committed to using resources responsibly and decoupling our growth from resource use. By reducing the use of virgin resources and enabling the circulation of products and materials, we aim to protect natural systems and support interconnected human rights such as land rights, livelihoods, and access to water.

To achieve this, we focus on creating products that are durable, using recycled, or sustainably sourced materials, increasing resource efficiency, and enabling the circulation of products and materials through circular design and circular business models.

To guide our approach, we align with the Ellen MacArthur Foundation (EMF) definition of a circular economy: eliminate waste and pollution, circulate products and materials at their highest value, and regenerate nature.

#### *Waste*

We are committed to reduce waste and we aim for zero waste ending up in landfill or being incinerated. We are guided by the EU Waste Framework Directive that aims to contribute to the circular economy by extracting high-quality resources from waste and by handling waste according to a waste hierarchy, where prevention is the preferred option, followed by recirculating waste at its highest value by directing for reuse and recycling.

#### *Materials*

H&M Group depend on natural resources for a large part of the raw materials used in our products. However, there is an increased pressure on nature globally compromising the health of ecosystems as well as the availability of natural resources associated with livelihoods and wellbeing of people. Unsustainable use of natural resources, agricultural expansion, deforestation, and land conversion are also drivers of biodiversity loss and climate change.

We are therefore committed to, first and foremost, reduce our overall dependence on virgin resources by increasing the use of recycled materials. We are also working to scale the use of regenerative practises in agriculture, especially linked to cotton and wool production, which help preserve natural resources, enhance biodiversity, and make farmers more climate resilient.

All our materials, virgin and recycled, should always be sourced in a responsible way that respect human rights and minimize negative environmental impacts.

#### *Animal welfare*

As a large global organization, we are committed to act ethically, transparently, and responsibly. Animal welfare is very important to us, and no animals should be harmed in the making of our products. We have a long-standing commitment to improve animal welfare across our global supply chains and are working to source all animal-derived materials that we use from farms with good animal welfare practices in place.

## Commitments expected from colleagues and business partners

Implementation of this policy and supporting strategies is the responsibility of the Head of Sustainability together with the Executive Management team. Accountability for implementation and performance against this policy lies with respective business functions and brands. Business functions and brands are supported by a team of experts in our Group Sustainability Department.

The implementation of this policy is supported by a series of impact/area-specific Procedures and Instructions, as well as by the Business Partner Sustainability Commitment, which outlines our expectations towards business partners, including that of cascading requirements throughout the supply chain.

## Connected policies & procedures

The below listed steering documents, along with additional function-specific procedures and instructions, enable and support the implementation of this policy:

### Governance

H&M Group Corporate Governance Policy

H&M Group Risk Management Procedure

### Due diligence in Our Operations and Supply Chains

H&M Group Responsible Business Conduct Due Diligence Policy

H&M Group Responsible Business Conduct Due Diligence Procedure

H&M Group Responsible Business Conduct Tools

H&M Group Business Partner Sustainability Commitment

H&M Group Human Rights Policy

H&M Group Due Diligence Procedure

### Climate and Nature

H&M Group Climate Transition Plan

H&M Group Chemical Restrictions

H&M Group Water Management Procedure

### Resource Use and Circularity

H&M Group Material Vision

H&M Group Animal Welfare Procedure

H&M Group Material Benchmark

Responsibly sourced materials at H&M Group

Sustainably sourced materials - definitions and reasoning

## Policy Exclusions and Exceptions

H&M Group must comply with local laws and regulations in the countries where we operate. If this policy differs from these, we aim for whatever gives the greatest protection for people to the extent possible. If a need for exception arises from above reason, the policy owner should be contacted for further actions.

## Compliance and Controls

There are a number of control mechanisms in place to measure compliance with this policy, such as through audits, self-assessments and other internal controls. There is also a process in place where H&M Group Management regularly follow up the progress of commitments, goals and ambitions covered in this policy.

## Speak up!

If you would like to raise a concern or you are aware of a suspected breach of H&M Group policies, you should report it immediately to the H&M Group *Speak Up!* channel which is also available at <https://speakup.hmgroup.com/>.