

Environmental Policy

Applies to:	H&M Group Functions and Business Partners
Corresponding Procedures:	Listed in the policy
Contact:	Head of Climate & Nature and Head of Resource Use & Circularity
Approved date:	July 2025
Owner:	H&M Group Sustainability
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Introduction

Our policies are an important part of how we do business. They explain our strategic direction and purpose, ensuring we act lawfully, responsibly, and in line with our values. This policy supports strong governance, protects our reputation, and ensures trust with each other our business partners, and customers.

Compliance with this policy is monitored. Non-compliance may lead to appropriate measures, including action under labour or employment laws where applicable. H&M may revise, update, or withdraw this policy at its discretion without prior notice by H&M at any time.

Policy Statement

H&M Group has an ambition to decoupling our growth by reducing our dependence on critical and finite resources, such as materials, water and energy sources, to build a resilient business.

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.

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. Through meaningful and effective stakeholder engagement we identify, assess and address sustainability-related potential and actual adverse impacts. We regularly review our material impacts 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 new business models, materials and production processes that have the potential to reduce our environmental impact and transform the industry. We engage with policymakers and international institutions to influence legislation in support of systemic and meaningful change.

Policy Details

Climate

We are committed to reducing our climate impact in line with the 1.5 degree target and the Paris climate accord. Our overall climate targets have been validated by the Science Based Targets Initiative.

To achieve our commitment, we take a holistic perspective and include our whole value chain in our reduction programs to reduce absolute GHG emissions.

Our key commitment areas are:

- Reduce absolute GHG emissions in our operations and across our value chain.
- Reduce the use of non-renewable energy in our operations and supply chain.

We are committed to sourcing 100 % renewable electricity for our operations and require the same from our garment 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.

Pollution and chemicals

We are committed to preventing, limiting and controlling pollution originating in our upstream activities related to chemicals use and discharge into water.

To achieve our commitment, we focus on securing chemical compliance and minimizing water pollution.

Our key focus areas are:

- Preventing and controlling presence of hazardous chemicals as Substance of Concern (SOC) and Substance of Very High Concern (SVHC) in the manufacturing processes.
- Preventing and controlling pollution of water by securing quality of wastewater discharge, including limiting the discharge of microfibers and microplastic into the environment.

We follow the AFIRM Restricted Substance List and the ZDHC Manufacturing Restricted Substance List, as well as ZDHC Wastewater Guidelines. Our H&M Group Chemical Restriction commit us to phasing out additional potentially harmful substances.

Water

We are committed to reducing our impact on water and working closely with stakeholders to manage this essential resource responsibly.

To achieve our commitment, we focus on reducing absolute freshwater usage in our upstream operations in tier 1 and tier 2 of our business partners.

Our key focus areas are:

- Improve water efficiency by supporting supply chain actors to adopt water efficient practices by scaling waterless technologies and process innovation.
- Increase water recycling in our supply chain.

To guide our approach, we are driven by contextual targets on water, and we commit to align with SBTN guidance. We work closely with stakeholders to manage water responsibly in our supply chain to address both global and local challenges recognizing that each basin has unique conditions.

Biodiversity & Ecosystem

We are committed to reverse nature loss by protecting and restoring nature and to halt and reverse biodiversity loss.

To achieve our commitment, we focus on 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.

Our key focus areas are:

- Prevent natural land from conversion.
- Reduce the size of our agricultural land footprint and minimize the degradation of the land we continue to rely on.
- Build resilience in key sourcing landscapes through protection, restoration and regeneration.

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 sustainably sourced fibers together with investing in landscape engagement and transitional projects.

The Global Goals on Biodiversity set by the Convention on Biological Diversity under the Kunming-Montreal Global Biodiversity Framework guide our approach to achieve our commitments to reverse nature and biodiversity loss.

Resource use & circular economy

We are committed to grow our business decoupled from natural and material resource use, by reducing dependencies on virgin materials and impact from material use and waste, and by scaling circular solutions and circulating products and materials at their highest value.

To achieve our commitment, we focus on key areas both upstream and downstream, both resource inflows, resource outflows as products and services, and waste in our value chain.

Our key commitment areas are:

- Increasing the use and availability of recycled or sustainably sourced materials used in our products and packaging.
- Increase resource efficiency by optimizing our resource use in our value chain.
- Increase the use and the value of resources by applying circular design principles and by scaling circular business models and solutions across our value chain.
- Reducing waste where possible and ensuring that our waste is properly handled in line with the waste hierarchy.

To guide our approach, we align with the Ellen MacArthur Foundation's (EMF) definition of that a circular economy is based on three principles, driven by design: eliminate waste and pollution, circulate products and materials at their highest value, and regenerate nature.

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 from H&M Group

This policy is valid for all operations within the H&M Group and covers the full value chain – upstream, own operations and downstream. 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 assess, and when necessary, revise our priorities and finetune our action, targets and metrics based on impact, risk and opportunity assessment defined in our H&M Group Sustainability Due Diligence Process and H&M Group Impact, Risk and Opportunity Process and supporting documents.

Commitments expected from colleagues and business partners

Our commitment to the environment is reflected in the way we run and operate our business, through our policies and procedures as well as goals and roadmaps. The implementation of this policy is supported by a series of impact/area-specific steering documents. Examples of how we operationalize such commitments are found in our Sustainability Commitment for suppliers and business partners which outlines our expectations towards business partners.

Roles and Responsibilities

Implementation of this policy and supporting strategies is the responsibility of the Chief Sustainability Officer together with the H&M Group 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.

Connected H&M Group policies and steering documents

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

Governance, Due Diligence and Stakeholder engagement

- Corporate Governance Policy
- Risk Management Procedure
- Sustainability Due Diligence Policy
- Human Rights Policy
- Sustainability Commitment

Climate and Nature

- Climate Transition Plan
- Chemical Restrictions
- Water Management Procedure

Resource Use and Circularity

- Resource use and Circularity Strategy
- Material Benchmark
- Animal Welfare Policy

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 contact persons 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. The progress of our environmental commitments and actions is communicated and reported transparently through various channels, including our Annual Sustainability Report.

Feedback

Open and constructive dialogue is appreciated as it helps to reinforce the policy's efficiency and effectiveness. If you have any feedback, suggestions for improvements, or queries in relation to this policy, please contact the policy contact person. This policy will be reviewed regularly to bring it in line with any changes that the business model may undergo, or that may occur in the context where we operate, always ensuring the effective implementation thereof.

Speak up!

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