

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
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Owner:	Chief Sustainability Officer
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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 and 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 This policy can be unilaterally withdrawn, adjusted or amended by H&M at any time without prior notice.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 decouple our growth by reducing our dependence on critical and finite resources, such as materials, water and energy sources.

We are invested in managing all business in a way that meets local, national and international regulations and good practice in order to reduce, 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 support 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 stakeholder engagement we identify, assess, reduce, mitigate and where appropriate remediate potential and actual adverse environmental impacts arising from our own operations and value chain. We regularly review our material issues together with affected or potentially affected internal and external stakeholders to ensure their relevance and to define prioritised efforts and engagement. Significant environmental impacts, emerging risks and material due diligence findings are periodically escalated to and reviewed by relevant governance forums.

We allocate resources and work to identify, test and scale new business models, services, materials and production processes that have the potential to reduce our environmental impact and contribute to industry-level change. We engage with policymakers and international institutions to influence legislation in support of systemic and meaningful change. Where we identify that we have caused or contributed to adverse environmental impacts, we seek to provide for or cooperate in appropriate remediation measures in accordance with applicable procedures.

Policy Details

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.

The Environmental Policy is made available to stakeholders internally and externally. The progress of our environmental commitments and actions is communicated and reported transparently through various channels, including our Annual Sustainability Report.

Climate

Our work to reduce greenhouse gas emissions across our operations and value chain is guided by the Paris Agreement through our validated climate targets. To achieve this, we take a holistic perspective and include our whole value chain in our programs to reduce absolute GHG emissions.

Our key focus areas are:

- Reduce energy demand through improved energy efficiency across our operations and supply chain
- Reduce the use of fossil energy in our operations and supply chain.

We are working towards increasing renewable electricity use in our own operations and garment supply chain, with progress, scope and methodology reported in our Annual and Sustainability Report. Where we have direct control, we prioritise sourcing approaches that support the development of new renewable energy capacity.

In addition, we make meaningful contributions outside of our value chain to support the global goal to limit temperature increase to 1.5°C. These contributions are complementary and do not replace the need for deep emissions reductions within our value chain.

Pollution and chemicals

We aim to implement measures to prevent and reduce pollution risks associated with chemicals use and wastewater discharge in our upstream value chain. We focus on supporting chemical compliance and minimising water pollution.

Our key focus areas are:

- Preventing, reducing and controlling presence of hazardous chemicals as Substance of Concern (SOC) and Substance of Very High Concern (SVHC) in the manufacturing processes.
- Preventing, reducing and controlling pollution of water by supporting 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 prepare us to phase out additional potentially harmful substances.

Water

We aim to reduce water-related impacts across our value chain, focusing on areas where water use is most material. We focus on reducing absolute freshwater use in our supply chain, especially in wet processing and other water-intensive activities.

We prioritise actions in locations where water-related risks, our impacts and freshwater ecosystem needs are highest. We also work with suppliers and relevant stakeholders to support water stewardship and collective action. We are moving from contextual water targets towards targets informed by the best available science, with the ambition to align with Science Based Targets for Nature on freshwater guidance.

Our key focus areas are:

- Improving water efficiency through better processes, technologies and operational practices.
- Increasing water recycling and reuse where feasible.

We track progress through relevant water metrics and use the results to guide actions, improve performance and strengthen due diligence.

Biodiversity & Ecosystem

We are working to implement a science-based approach to managing land, biodiversity and ecosystem impacts across our value chain, beginning with alignment to SBTN land targets and expanding our approach as science-based methodologies continue to evolve.

Our approach focuses on addressing our most material impacts and dependencies on land, biodiversity and ecosystems, with particular attention to agricultural raw materials and sourcing landscapes where risks to nature and people are highest.

This policy applies to our own operations and our upstream value chain, including raw material production and processing. We prioritise action in geographies and commodities with high biodiversity value or elevated risk of ecosystem degradation.

We apply the AR3T framework to manage our impacts on biodiversity and ecosystems: Avoid, Reduce, Restore, regenerate and transform.

Our key focus areas are informed by the Science Based Targets Network (SBTN) Land framework and reflect priority areas for addressing land-related impacts and dependencies across our value chain.

- Natural ecosystems
 - Support the protection of natural ecosystems through risk-based sourcing, due diligence and traceability measure
- Land use and land degradation
 - We seek to reduce pressures on land and soil through resource efficiency and improved sourcing and land management approaches. Our approach is continuously informed by evolving science-based methodologies, including the SBTN framework.

- Engagement in key sourcing landscapes
 - We support landscape-level initiatives focused on protection, restoration and agricultural practices that contribute to ecosystem integrity, climate adaptation and sustainable livelihoods in priority sourcing regions.

Central to reducing our impact and dependencies on land are our efforts to:

- decouple resource use from business growth
- increase the use of recycled materials in our products from certified or verified sources that meet our defined material production system sourcing requirements
- engage in collaborative landscape initiatives and transition projects that support long-term ecosystem health

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

Resource use & circular economy

Our ambition is to decouple our growth from resource use and extraction by reducing our dependence on critical and finite resources. We also strive to support the circulation of products and materials to their highest value, improve resource efficiency, reduce waste, and increase the proportion of products and packaging that are reused and recycled.

We focus our efforts on shifting towards using materials from certified or verified sources that meet our defined material production system sourcing requirements, reducing waste across the value chain, improving product durability and recyclability, and scaling services that extend product life such as resale.

To work towards our ambition, we focus on key areas both upstream and downstream and our own operations, both resource inflows, resource outflows, as products and services, and waste in our value chain.

Our key focus areas are to:

- Increase the use and availability of materials used in our products and packaging that come from certified or verified sources and meet defined material production system sourcing requirements.
- Increase resource efficiency by optimising resource use for materials, products and packaging in our value chain
- Increase the use and the value of resources by applying design approaches aligned with circular economy principles and by scaling solutions for products and services that extend product life such as resale.
- Reduce waste where possible, ensure that our waste is properly handled in line with the waste hierarchy and strive to eliminate landfill for waste from our own operations.

Our approach is informed by the Ellen MacArthur Foundation's definition of a circular economy, which is based on three design-driven principles: eliminating waste and pollution, circulating products and materials at their highest value, and regenerating nature.

For more information on animal welfare topics, please see our Animal Welfare Policy.

Resource Use and Circularity

H&M Group Animal Welfare Policy

Material Sourcing Requirements: Methodology, Evaluation Criteria and Evidence Expectations

H&M Group Material Benchmark

Communities

We recognise and respect the human rights of all people, including those in communities directly or indirectly affected by our operations. We aim to respecting the rights of affected communities through meaningful engagement and consideration of community perspectives in relation to land rights and environmental impacts.

We also recognise the unique rights of Indigenous peoples as outlined in international frameworks such as the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and ILO Convention No. 169, including their rights to self-determination, land, territories, natural resources, culture and traditional knowledge. We instill safeguards prioritising Indigenous peoples' rights as part of our due diligence process. Where our activities may affect Indigenous peoples, we engage in consultation and seek Free, Prior and Informed Consent (FPIC).

Expectations from colleagues and business partners

Our considerations to the environment are reflected in the way we run and operate our business, through our policies and procedures as well as targets and roadmaps. The implementation of this policy is supported by a series of impact and area-specific steering documents. Examples of how we operationalise such ambitions are found in our Sustainability Standards for suppliers and business partners which outlines our expectations towards business partners, and the Annual Sustainability Report.

Roles and Responsibilities

Approved by the policy approval forum and overseen by the sustainability department, accountability rests with the Chief Sustainability Officer. 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 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 Process

Due diligence in Own Operations and Supply Chains

H&M Group Sustainability Due Diligence Policy

H&M Group Human Rights Policy

H&M Group Business Partner Sustainability Commitment

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 Animal Welfare Policy

Material Sourcing Requirements: Methodology, Evaluation Criteria and Evidence Expectations

H&M Group Material Benchmark

Stakeholder engagement

Stakeholder engagement process

Policy Exclusions and Exceptions

H&M Group must comply with local laws and regulations in the countries where we operate, which take precedence over this policy in case of conflict. Where legally possible, we aim for whatever standard provides the greatest protection. If a conflict with local law arises, the policy owner should be contacted for further actions.

The primary intended audience of our policies are internal stakeholders, for external readers consider the following:

This policy sets out H&M Group's principles, commitments and approach to this topic. It should be read together with H&M Group's Annual and Sustainability Report, which provides information on relevant double materiality assessment outcomes, due diligence processes, actions, targets and performance.

Our approach is guided by risk-based due diligence and applicable legal requirements. As part of our ongoing due diligence processes, priorities, actions and focus areas may evolve in response to identified impacts, risks, opportunities, stakeholder input and changes in the operating environment.

Any goals, ambitions, targets or commitments described in this policy are intended to provide strategic direction and support continuous improvement. They should not be understood as guarantees of specific outcomes, results or timelines.

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, targets 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!](https://speakup.hmgroupp.com/) channel which is also available at <https://speakup.hmgroupp.com/>.