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H&M Group Material Sourcing Requirements –

Technical Reference document on Methodology, Evaluation

Criteria and Evidence Expectations

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Introduction

This technical reference document outlines H&M Group's methodology, criteria and evidence expectations for assessing materials and material production systems. It supports consistent sourcing, reporting and communication by clarifying how certified or verified sources, traceability, assurance and risk-based due diligence should be considered. It does not replace material-specific sourcing instructions, legal review or claim approval processes, and should be used alongside the latest Annual and Sustainability Report for current information on material-related targets, progress and reporting scope.

Methodology overview

H&M Group's material sourcing methodology is designed to assess the sustainability performance of materials and their sources, as well as the credibility of the evidence used to support sourcing, reporting and external communication.

The methodology takes a holistic view of materials, including environmental, social and animal welfare considerations where relevant. It draws on impact data, recognised standards and certification schemes, verification routes, traceability or chain-of-custody evidence, and risk-based due diligence.

Certification and verification are important evidence routes, but they are assessed alongside broader material sourcing considerations. These considerations help determine whether a material is supported by credible evidence, appropriate assurance and sufficient understanding of relevant impacts and risks.

Clear definitions, evidence expectations and decision criteria support consistent application across the business and help H&M Group interpret and respond to evolving regulatory and assurance requirements.

Verification routes

Certified sources are materials sourced through, by us, accepted third-party standards, certifications or programmes with defined requirements and assurance mechanisms relevant to the material and production system.

Verified sources are materials or production systems where claims, origin, performance and/or outcomes are substantiated through credible evidence. Verification may be *first-party* (verification by the organization making the claim), *second-party* (verification by an interested party (e.g. customer or buyer); or *third-party* (verification by an independent party) depending on the claim type, material risk, sourcing model and availability of credible external assurance.

Third-party certification or verification is the preferred assurance route, particularly for higher-risk materials, chain-of-custody claims, impact claims, recycled-content claims and data used for external reporting. First-party verification, including self-declarations, and second-party verification may be used where credible third-party systems are not available, not mature enough, or not proportionate to the risk and claim type.

Where first- or second-party verification is used, the rationale for using that assurance route must be documented. The evidence must be supported by transparent methodology, clear documentation, traceability evidence, defined review responsibilities and, where relevant, a plan to strengthen assurance over time.

Assurance-readiness and evidence requirements

To support CSRD reporting and assurance, materials classified as from certified and verified sources in our reporting must be supported by documented evidence demonstrating that the material source is certified or verified and meets the applicable material production system sourcing requirements. Evidence requirements may vary by material, risk level, sourcing model and claim type, but must be sufficient to support internal review and external assurance.

Minimum evidence requirements

At minimum, the evidence should demonstrate the material source and origin, material type, applicable certification or verification route, chain of custody, and how the material meets the relevant material production system sourcing requirements. Where impact, recycled-content, animal welfare, social, environmental or chain-of-custody claims are used for reporting, the evidence must be traceable to the claim and retained in a way that enables review.

Relevant evidence may include valid: scope certificates, transaction certificates (where applicable), chain-of-custody documentation, supplier or producer declarations, project documentation, verification reports, LCA reports and critical review statements, monitoring, reporting and verification records, risk assessment records, and internal approval or review records.

What Guides Material Sourcing at H&M Group

At H&M Group, our approach to material sourcing considers environmental, social and animal welfare impacts, as well as traceability, supporting evidence and risk-based due diligence. The relevant considerations vary depending on the material, sourcing model and identified risks, and may help inform how materials are classified.

Our criteria have evolved from only evaluating a material's environmental performance compared to conventional alternatives, to taking a more holistic approach that also includes social factors. We are working towards alignment with [Textile Exchange's](#) definition of [preferred production systems](#):

“Production systems that deliver reduced impacts and increased benefits for climate, nature, people, and animals against the conventional equivalent, through a holistic approach to management and transformation”.

Textile Exchange's [Fibers and Materials Matrix \(FMM\)](#), helps brands and retailers develop informed textile¹ material strategies by assessing the performance of standard systems within a material category against 76 environmental and social [indicators](#), both qualitative and quantitative. The FMM provides insight into the strengths and weaknesses of different standards, systems and programmes.

H&M Group applies a risk-based approach across all raw materials. The FMM provides important input that helps us understand how potential human rights and environmental impacts are addressed, if at all, by different standards and programmes. Where gaps remain, or where risks are not sufficiently covered by a standard or programme, additional due diligence or mitigation measures may be required. The FMM will continue to evolve over time as more standard systems, branded fibres and programmes are added; for more information, click [here](#).

Our risk-based approach

It is essential that the materials we use are sourced in ways that respect human rights, safeguard natural resources, and support the humane treatment of animals. To support this commitment, we apply a risk-based due diligence process that includes identifying and assessing actual and potential adverse impacts on people, environment and/or animals, prioritizing risks based on severity and likelihood, preventing and mitigating impacts, bringing impacts to an end where possible, tracking effectiveness, communicating progress and providing or cooperating in remediation where appropriate.

Our approach is informed by internationally recognised due diligence frameworks, including the [OECD Due Diligence Guidelines for Responsible Business Conduct](#) and the [UN Guiding Principles on Business and Human Rights](#), and is designed to support alignment with evolving sustainability reporting and due diligence requirements, including CSRD/ESRS and CSDDD. This includes assessing impacts across our own operations, business relationships and relevant parts of the value chain, based on

¹ For other materials, not within Textile Exchanges' scope, we are still guided by their definition of preferred production systems, when setting the criteria for those other materials.

severity and likelihood, and taking appropriate action to prevent, mitigate, end or minimise adverse impacts where possible.

This process covers both virgin and recycled materials and is applied in line with relevant H&M Group policies, including [Responsible Business Conduct policy](#), [Environmental policy](#), [Human Rights policy](#) and our [Animal welfare policy](#).

Identify and assess

We regularly review actual and potential adverse human rights; environmental and animal welfare impacts linked to key materials and material production systems. Key materials are assessed at least annually, and where new information indicates a potentially severe impact, additional assessment may be carried out.

Our assessments are based on a broad set of inputs, including credible global risk tools, external reports and academic research, supplier and sourcing information, stakeholder and expert input, grievance or notification channels where relevant, and internal expertise. This enables us to prioritize impacts based on severity and, for potential impacts, likelihood.

Mitigation

Where actual or potential adverse impacts are identified, we define appropriate actions based on the nature of the impact, its severity and likelihood, our connection to the impact, and our ability to influence outcomes.

Mitigation actions may include;

- sourcing certified or verified materials
- strengthening traceability
- engaging suppliers or business partners
- participating in multi-stakeholder initiatives
- Supporting local topic-specific projects
- applying enhanced due diligence.

We track the effectiveness of actions taken and integrate relevant findings into sourcing strategies, material requirements and evidence expectations. Where we identify that we have caused or contributed to an actual adverse impact, we seek to provide for or cooperate in remediation, as appropriate. Where impacts are linked to our business relationships, we use our leverage and collaborate with relevant actors to support prevention, mitigation and, where relevant, remedy.

We recognize that some impacts, especially systemic risks, cannot be fully addressed by one company alone. We therefore continue to strengthen our due diligence approach, improve transparency, engage with stakeholders and support collective action where needed. Our process is updated over time to reflect new data, regulatory developments, stakeholder insights and learnings from implementation.

Our Criteria – Detailed Requirements

General criteria applying to all materials

Materials that are certified or verified, must meet the applicable criteria below, informed by credible impact data, recognised standards, tools or programmes, and supported by H&M Group's risk-based due diligence approach. At minimum, each material or material production system must be assessed against:

Impact performance: Where relevant and measurable, the material must be assessed against priority indicators related to climate, water, land use, biodiversity, resource use, animal welfare and social outcomes, using credible data and a defined baseline or conventional equivalent within the same material group. Any conclusion about reduced impacts or increased benefits must reflect the scope, quality and limitations of the evidence available.

Credible standard or verification route: Where applicable, the material must be produced according to a voluntary sustainability standard that meets² the ISEAL Community Member Requirements and is a member of the ISEAL Alliance or has been

² Exceptions include innovative materials not yet at scale and materials where no voluntary sustainability standard exists. For these materials, we apply alternative ways to verify the material as being of lower risk from a social, environmental, and land use perspective.

formally assessed as providing an equivalent level of credibility, assurance and governance. The standard must have a defined scope, transparent criteria, governance structure, assurance mechanism and documented requirements relevant to the material and production system. It must also include a robust chain-of-custody system or a documented, time-bound plan to implement one.

Traceability and chain of custody: The material must be supported by appropriate traceability or chain-of-custody evidence relevant to the claim, sourcing model and risk level. Where a robust chain-of-custody system is not yet in place, the limitation must be documented, risk-assessed and supported by a time-bound improvement plan.

Risk-based due diligence: The material must be assessed for salient human rights, environmental and animal welfare risks where relevant. Identified risks must be addressed through appropriate mitigation measures before the material can be considered aligned with H&M Group's sourcing requirements.

Evidence and assurance: Evidence must be documented, retained and sufficient to support internal review and, where relevant, external assurance. Higher-risk materials, impact claims, chain-of-custody claims and externally reported data should be supported by stronger assurance, preferably third-party verification.

Criteria for Material Impact Data

To enable robust and comparable evaluations of raw materials, all materials must be supported by credible, transparent and scientifically sound environmental impact data. The following defines the accepted types of impact data and the criteria each type must meet.

Accepted Impact Data Types

- A. Life Cycle Impact Data
- B. Outcome-Based Environmental Performance Data

A. Life Cycle Impact data

Life Cycle Assessment (LCA) or equivalent footprint data may be used where it follows recognised LCA principles and is sufficiently robust, transparent and representative of the material or material production system being assessed. LCA or equivalent footprint data must comply with:

- ISO 14040/44 principles and requirements
- Applicable Product Category Rules (PCRs), where available
- H&M Group's LCA requirements set out in this document
- Relevant ESRS environmental disclosure needs, where applicable

Methodological and System Requirements:

- **Functional Unit:** Results must be reported per 1 kg of raw material, fibre or material output, as applicable.
- **System boundary:** The system boundary should be cradle-to-fibre gate or cradle-to-material gate, as applicable, and aligned with the relevant raw material stage used in recognised sector tools where possible.
- **Representativeness:** Data must be representative of the material, geography, technology, production system and time period being assessed. Any limitations must be documented.
- **Documentation:** Assumptions, allocation methods, cut-off criteria, data sources, emission factors and modelling choices must be clearly reported.
- **Standards Compliance:** The study must follow ISO 14040/44 and be independently reviewed or verified by a credible third party.
- **Product Category Rules:** Applicable PCRs must be followed where available, or deviations must be justified and documented.
- **Report age:** LCA documentation should not be older than three years. Older studies may only be used where a documented review confirms that the data remains representative and no material changes have occurred.
- **Data quality and uncertainty:** Data quality, limitations and uncertainty should be assessed and documented. Sensitivity analysis should be included where assumptions materially influence results.

- **Alignment with ESRS:** Indicators must align with ESRS environmental requirements, including climate impact quantification under ESRS E1.

Required Impact Indicators

At minimum, results must include:

- Global Warming Potential (GWP)
- Water use, Land use, Resource depletion

Additional relevant indicators, such as eutrophication, acidification, ecotoxicity or biodiversity-related indicators, should be included where material to the production system or relevant to the assessment.

Biogenic Carbon

Biogenic carbon must be reported separately as an inventory metric and must not be subtracted from GWP unless this is clearly justified, transparently reported and aligned with the selected methodology.

Data and Software Requirements

LCA databases and software must be credible, recognised and suitable for the material and production system being assessed. Examples of acceptable databases and tools may include Sphera/GaBi, Ecoinvent, SimaPro or equivalent recognised LCA platforms, provided the data sources, versions and modelling choices are documented.

B. Outcome-Based Performance Data

Outcome-based performance data refers to measured outcomes generated under credible standards, programmes, projects or initiatives. Examples may include soil carbon monitoring frameworks, verified biodiversity indicators, and landscape-level or farm-level environmental outcome measurement systems.

Outcome-based data may be used to demonstrate measured improvements in environmental performance at farm, farmer-group, sourcing-region or landscape level. It

serves as a complement to LCA data and should not be used as a direct substitute for LCA results unless the methodology, scope and indicators are comparable and clearly justified.

Outcome-Based Data Requirements

Scientifically Defined, Measurable Indicators

Indicators must be grounded in science, quantifiable and relevant to the material production system being assessed. Examples include:

- soil health and organic carbon
- biodiversity and ecosystem health
- land-use change or habitat protection indicators, where relevant Reduced dependency on synthetic inputs
- water quality, availability and efficiency
farmer livelihoods, animal welfare outcomes, where relevant to the material production system.

Alignment with recognised regenerative outcome frameworks

Outcome-based data should align, where relevant, with recognised regenerative agriculture outcome frameworks, such as the [Textile Exchange Regenerative Agriculture Outcome Framework](#). Programmes should demonstrate progress across relevant environmental, social and economic outcome areas and use indicators that are appropriate to the local landscape, production system and farming context.

Baseline, time period and improvement logic

Outcome-based data must define the baseline, reference period and measurement period used to assess change. Where improvement claims are made, the methodology must explain how change is measured against the baseline, conventional equivalent or other relevant reference point.

Recognised and transparent measurement methodologies

Programmes must provide evidence of methodologies covering:

- sampling design
- measurement frequency
- data collection responsibilities
- data quality control
- calculation methods
- assumptions and limitations
- monitoring, reporting and verification procedures

Representativeness and traceability

Data must be representative of the geography, production system, farm or farmer group, sourcing region and production cycle being assessed. Outcome-based data must be traceable to specific farms, farmer groups, sourcing regions or landscapes and to the relevant production cycle or reporting period.

Attribution or contribution approach

Where outcomes are linked to a standard, programme, project or sourcing initiative, the methodology must explain how the initiative contributes to the measured outcome. Any limitations in attribution, causality or data coverage must be documented.

Independent verification

Outcome-based data used for reporting or impact claims should be supported by robust monitoring, such as Monitoring, Reporting and Verification (MRV) framework covering biodiversity, soil health, water, income, gender and GHG emissions.

Independent third-party verification is preferred where feasible. Where first- and second-party verification is applied, the following needs to be clearly stated:

- Clear methodology and definitions
- Traceability of data to source
- Data quality controls and documentation
- Evidence of monitoring and verification processes
- Transparent explanation of assumptions and limitations
- Sufficient audit trail to reperform or test the information

Role of outcome-based data

Outcome-based environmental performance data is particularly valuable for demonstrating measured improvements in environmental performance at farm or landscape level, especially for outcomes that are not fully captured by LCA. It should be used alongside LCA data, risk-based due diligence and certification or verification evidence to support a robust assessment of the material production system.

Appendix – Standards and Certifications Currently Used

The standards and certifications listed below are currently used as evidence sources to support selected environmental, social, animal welfare and/or chain-of-custody requirements. Their scope varies, and not all schemes address the full sustainability scope relevant to a material production system. Inclusion in the list does not mean that a standard, certification or evidence route is sufficient on its own, nor does it automatically confirm that all H&M Group criteria are fulfilled. Each material must still be assessed against the applicable material production system sourcing requirements, including risk-based due diligence, traceability or chain-of-custody expectations, impact data requirements and assurance needs described earlier in this document.

The list reflects standards and certifications currently used and may evolve over time as schemes, sourcing models, regulatory expectations and internal requirements develop. For reporting or assurance purposes, evidence must be valid for the relevant material, claim, source and reporting period.

Material	Standard, certification or evidence route
In-conversion cotton	THROUGH FARM PROJECTS, ORGANIC CONTENT STD (OCS)
Organic cotton accelerator, OCA	THROUGH FARM PROJECTS, ORGANIC CONTENT STD (OCS)
Better Cotton Initiative	BETTER COTTON INITIATIVE
Regenerative organic cotton	REGENERATIVE ORGANIC CERTIFIED (ROC)
Organic Bast fibers	ORGANIC CONTENT STD (OCS) , GOTS
Recycled Bast fibers	GLOBAL RECYCLED STD or RECYCLED CONTENT STD (GRS, RCS)
Recycled synthetics	GLOBAL RECYCLED STD or RECYCLED CONTENT STD (GRS, RCS)
Manmade cellulosic fibers	Sourced through fibre producers with a Green Shirt rating in Canopy's Hot Button report , and RECYCLED CONTENT STD (RCS) for recycled feedstock.
Recycled animal fibers	GLOBAL RECYCLED STD or RECYCLED CONTENT STD (GRS, RCS)
Wool	RESPONSIBLE WOOL STD (RWS)
Cashmere	THE GOOD CASHMERE STD (GCS)
Mohair	RESPONSIBLE MOHAIR STD (RMS)
Alpaca	RESPONSIBLE ALPACA STD (RAS)
Recycled Down	GLOBAL RECYCLED STD or RECYCLED CONTENT STD (GRS, RCS)
Organic silk	ORGANIC CONTENT STD (OCS) , GOTS
Recycled leather	GLOBAL RECYCLED STD or RECYCLED CONTENT STD (GRS, RCS)
Wood, timber	FSC , RCS (reclaimed wood)
Paper board	FSC or GRS, RCS , FSC recycled (recycled paper)
Post-consumer recycled PET, PE, PP	GLOBAL RECYCLED STD or RECYCLED CONTENT STD (GRS, RCS)