



New goals for a sustainable future

The H&M group wants to lead the change towards a circular, fair and equal fashion industry. In 2017 we raised our ambitions further, to contribute to long-term positive change for people and the environment throughout the value chain.

The Earth has finite resources and an ever-growing population to support. Meeting the needs of current and future generations in a way that is sustainable for people and the environment requires a move from a linear to a circular use of resources.

The H&M group works to make fashion and design accessible to the many, so it is commercially vital to have a sustainable supply of materials and stable sourcing markets where people work and live in good conditions.

THE UN GLOBAL GOALS

The H&M group's operations are to contribute to Agenda 2030 – the UN's Sustainable Development Goals. In 2015 all the UN member states agreed on 17 global goals to be achieved by 2030, including ending poverty and hunger, creating decent work and economic growth, achieving equality and combating climate change. These goals are among the starting points of the H&M group's new sustainability strategy, launched in 2016.

OUR SUSTAINABILITY VISION

Our vision is for the H&M group to lead the change towards a sustainable fashion industry based on a fully circular approach and using only renewable energy. With customers around the world, we can create large-scale demand for sustainable materials and circular solutions. Our long-term approach means we can support innovations and make them scalable. We also use our size and our position to drive increased traceability and transparency throughout the value chain. The vision also includes working to achieve a fair, equal workplace both at the H&M group and among suppliers, and contributing to good communities based on diversity and inclusion.

Read more on the following pages about our sustainability work in 2017, when we raised our ambitions further with a new climate goal, more clothes recycling and innovative new materials.



H&M Conscious Exclusive, spring 2018.

100% sustainable materials by 2030

The H&M group is working to achieve its goal that by 2030, all the group's brands will use only recycled or sustainably sourced materials in their collections – a goal that reflects the vision of a circular fashion industry. In 2017 the share of the overall product range made of recycled or sustainable materials was 35 percent.

According to the Textile Exchange Preferred Fiber Market Report, the H&M group is already one of the world's largest users of organic and recycled cotton, recycled polyester, lyocell and responsibly produced down. Responsible use of water and chemicals is another important element of sustainable textile production. The H&M group's chemical restrictions are among the strictest in the industry. The goal for 2020 is for suppliers' production processes to have no chemicals that we have identified as hazardous. The H&M group also has a global water strategy, produced jointly with conservation organisation WWF, aimed at better water resource management throughout the garment life cycle.

MORE SUSTAINABLE COTTON IN 2017

Another important interim goal is for 100 percent of the cotton used by our brands to come from sustainable sources by 2020. Sustainable cotton is defined as organic, recycled or certified by the Better Cotton Initiative (BCI). H&M was one of the founders of the BCI, which works to improve conditions for cotton growers from an environmental, social and economic perspective. In 2017 sustainable sources made up 59 percent of the H&M group's total cotton use – up from 43 percent in 2016.

RAISING THE TARGET FOR CLOTHES RECYCLING

Garment collecting in stores is one example of the H&M group's circular approach. Since 2013 customers have been able to bring in old clothing and home textiles – of any brand and in any condition – to H&M stores globally for reuse or recycling. Monki, & Other Stories and Weekday also have garment collecting in stores. In 2017 alone a total of 17,771 tonnes of textiles were collected, compared with 15,888 tonnes in 2016. The goal is to collect at least 25,000 tonnes a year by 2020.

“With customers around the world, we can create large-scale demand for circular solutions.”

LONG-TERM APPROACH PROMOTES INNOVATION

More research is needed if a greater proportion of recycled fibres are to be used in garments without compromising quality. To accelerate movement towards closing the loop, the H&M group collaborates with experts such as the Ellen MacArthur Foundation.

The H&M group also supports entrepreneurs who are developing ideas within fashion, design and sustainability. One example of a company that the H&M group supports both with capital and knowledge is re:newcell, which is developing technology for recycling cellulose-based textiles such as cotton and viscose. Re:newcell's technology produces a new, more sustainable textile pulp that can be used to create new fibres for use in textile production. In the longer term the technology has the potential to become a commercial, scalable solution for the whole of the textile industry. Another example of a company supported by the H&M group is Sellpy – that helps consumers sell what they no longer need.

A climate positive value chain by 2040

Climate change affects everyone and measures to slow down global warming are urgently needed, which is why in 2017 the H&M group introduced a new ambitious climate goal: to be climate-positive across the entire value chain by 2040. This means removing more greenhouse gas emissions from the atmosphere than the H&M group's value chain emits.

To achieve this there will be a focus on greater energy efficiency, renewable energy and carbon sinks capable of absorbing unavoidable greenhouse gas emissions.

CUTTING ELECTRICITY USE IN STORES

In 2017 the H&M group also set a new energy goal for its own operations: a 25 percent cut in electricity use in the stores – per square metre and opening hour – by 2030 compared with 2016 levels. Among other things, this means investing in new technology for lighting, heating, ventilation and cooling. In 2017 the reduction was 2.7 percent compared with 2016.

“96% renewable electricity in our own operations.”

A full 96 percent of the electricity used by the H&M group in its own operations came from renewable sources in 2017. The goal is to use 100 percent renewable electricity. By creating large-scale demand for renewable electricity, the H&M group can drive the development of sustainable energy solutions in more and more countries.

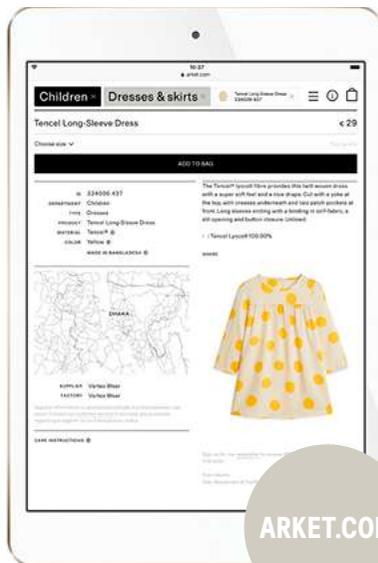
CUSTOMERS AND SUPPLIERS

A large part of the climate impact from a garment's life cycle is outside the company's own operations. To achieve its goal of a climate-positive value chain, the H&M group therefore has various partnerships and programmes aimed at increasing energy efficiency and the use of renewable energy among suppliers.

The H&M group also wants to inspire consumers to make more sustainable choices, telling them the best way to care for their clothes so as to look after both the garment and the environment – for example, by lowering the washing temperature from 60 degrees to 30 degrees. Climate-smart care labels are placed in the garments of all the group's brands.



The H&M group aims to reduce electricity consumption and to use only renewable energy. Above: campaign by Monki 2017. Left: COS store in Mall of Scandinavia in Solna, Sweden. Below: production of COS shoes at a supplier in Portugal. Far below: supplier information at arket.com



Openness and transparency

More transparency is needed so that customers can make sustainable choices. In 2013 the H&M group was one of the first fashion companies in the world to publish its supplier list, on sustainability.hm.com. The company is also a member of the Sustainable Apparel Coalition – an organisation that, among other things, is developing the Higg Index, an assessment tool that measures both social and environmental sustainability. The goal is to make the Higg Index an industry standard and to use it for labelling clothing and footwear, enabling customers to compare both products and brands and to make more sustainable choices easily.



Worker committee members at a supplier in Shanghai, China.

Working together for good conditions in the supply chain

Sustainable growth is essential if the UN goals for a sustainable world are to be achieved. As a buyer and seller in many markets, the H&M group contributes to trade that creates employment around the world – including in the textile industry, where export-led growth helps lift people and nations out of poverty.

Production of the H&M group's products is outsourced to independent suppliers, which together employ around 1.6 million people. The sourcing markets are mainly in Europe and Asia. With a strong local

“The H&M group wants to contribute to lasting improvements.”

presence, the H&M group works to achieve good, secure working conditions in the supply chain. The requirements that the company makes of partners are based on the UN Universal Declaration of Human Rights, the ILO conventions and legislation in the individual countries. All suppliers commit to fulfilling the social and environmental requirements set out in the H&M group's strict code of conduct, known as the

Sustainability Commitment. To bring about lasting improvements, the company also supports the suppliers in their own efforts to develop towards improved sustainability.

FAIR LIVING WAGES

Achieving structural changes in countries that do not have a history of good labour market dialogue is a major challenge for the industry. Well-functioning dialogue between the parties in the labour market is an important precondition for achieving long-lasting improvements in working conditions in the supply chain, including fair living wages. Through various partnerships, the H&M group conducts wide-ranging, active work to promote a textile industry in which all workers are able to organise and have their voices heard, where wages are revised regularly, where there are good relations between trade unions and employers, and where collective bargaining takes place. The H&M group's global framework agreement with the trade unions IndustriALL and IF Metall is one example of this.

At factory level, the H&M group works for fair living wages through what is known as the Fair Wage method and through training in social dialogue. Good progress has been made and to date 227 factories are included in the Fair Wage method compared with 140 in 2016, while 458 factories are included in social dialogue training, in a total of eight countries including China, Bangladesh and Cambodia.



Shanghai.

Awards and indexes

◇ The H&M group's sustainability work has been noted by those outside the company. In 2017 the H&M group was named as one of the world's most ethical companies by the Ethisphere Institute – for the seventh year in a row. The group also won the Freedom House Corporate Award for its leadership in advancing global supply chain transparency. The American organisation Freedom House gives the award to recognise businesses for their principled policies and strong leadership in the area of human rights.

The H&M group was ranked third in the Fashion Transparency Index, which evaluates supply chain transparency among the world's 100 largest fashion companies, as well as their social and environmental impact.

The company is included in the Dow Jones Sustainability Index World, the Dow Jones Sustainability Index Europe and the FTSE-4Good, among others, and is also listed among the Global 100 Most Sustainable Corporations in the World by analysis company Corporate Knights.



The H&M group conducts systematic, targeted sustainability work throughout the value chain. Pages 70–73 of the administration report provide information about follow-up, goals and key indicators for the H&M group's work in a number of important areas, including human rights and anti-corruption. The company's full Sustainability Report, which follows the framework provided by the Global Reporting Initiative (GRI) and is reported in line with the UN Guiding Principles Reporting Framework (UNGP RF), can be found at sustainability.hm.com. The code of conduct for suppliers (Sustainability Commitment), supplier list, policies and Code of Ethics can also be found here.



H&M FOUNDATION

The H&M Foundation is a non-profit global foundation with a mission to drive long-lasting positive change and improve living conditions by investing in people, communities and innovative ideas. Through partnerships with organisations around the world, the H&M Foundation works to drive change within four areas: Education, Water, Equality and Planet. The Foundation can also provide emergency relief. The H&M Foundation was formed with an original donation of SEK 60 million following a resolution passed at H&M's 2007 annual general meeting. Today the foundation is privately funded by the founders and main owners of the H&M group, the Stefan Persson family, who have donated SEK 1.3 billion to the foundation since 2013.

GLOBAL CHANGE AWARD

In spring 2017 vegan leather made using grape

waste from wine production was one of the five winning innovations to share the Global Change Award from the H&M Foundation. An annual innovation challenge initiated by the H&M Foundation to help protect our planet and living conditions, the Global Change Award aims to accelerate the shift to a circular fashion industry which eliminates waste.

The year's other winning ideas were: nylon that binds greenhouse gases, made from biomass using solar energy; a digital thread that stores information on a garment's content, making clothes recycling easier; using old jeans to dye new denim; and biodegradable textiles made of cellulose from cow manure. The winners of the Global Change Award share EUR 1 million and get access to a one-year acceleration programme run by the H&M Foundation, Accenture and KTH Royal Institute of Technology in Stockholm.

The award was presented at a ceremony in Stockholm on 5 April 2017.

The Global Change Award has attracted great interest since it was started in 2015. During autumn 2017 the H&M Foundation received 2,600 competition entries from 151 countries. The winners will be announced in spring 2018.

FOUNDATION 500

Women's economic empowerment is seen by the UN as one of the core contributing factors to overcoming poverty and increasing economic growth. In 2017 the H&M Foundation and the humanitarian organisation CARE jointly published Foundation 500, a list of female entrepreneurs growing their businesses in some of the world's harshest startup environments in 12 countries. Aiming to challenge stereotypes and change perceptions of what a business leader or entrepreneur looks like, the Foundation 500 initiative hopes to help achieve the United Nations Sustainable Development Goal on Women's Empowerment and Gender Equality.

Foundation 500 is based on what was learned in a global programme organised by

“500 female business leaders from some of the world's harshest startup environments.”

the H&M Foundation and CARE to empower women through enterprise, which ran from 2014 to 2017. In its first phase the programme reached over 100,000 women in Burundi, Côte d'Ivoire, Guatemala, Indonesia, Jordan, Nepal, Peru, the Philippines, Sierra Leone, Sri Lanka, Yemen and Zambia. The women in the list all took part in the programme. The H&M Foundation has extended its partnership with CARE for another three years to 2020.

RECYCLING BLEND TEXTILES

In 2017 the H&M Foundation and the Hong Kong Research Institute of Textiles and Apparel (HKRITA) presented a method of separating and recycling textile blends. The new method, produced jointly with Ehime University and Shinshu University in Japan, allows new materials and threads to be made from blend materials using a hydrothermal chemical process. The partnership between the H&M Foundation and HKRITA began in 2016 and will continue for four years. Visit hmfoundation.com for more information about the foundation, which can also be followed on Facebook and Instagram @hmfoundation. □



FOUNDATION
500

