# Conscious Actions Sustainability Report 2015

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How sustainable is H&M?
I am really proud of what H&M has achieved and the positive impact we are making. We are leading the way today within several sustainability areas and I want us to continue to raise the bar. This is why I am so happy to see that sustainability is on the minds of so many people at H&M – every day and in all departments. When I hear colleagues discussing sustainability over coffee, I honestly feel we have come a long way. But it is a very complex issue and we are certainly not at the end yet – there is more to do, for us and the entire industry.

What does sustainability mean to you?
Just as when my grandfather founded H&M in 1947, we are a company with a long-term view and strong values. Our sustainability commitment is deeply rooted in our culture. We are well aware of what a gift it is to grow up and live in a democratic state that respects the environment and human rights, and it is in this spirit that we also want to operate globally – today and tomorrow. I believe that the future success of any company, including H&M, depends, amongst other things, on efficient and long-term sustainability work. We are genuinely interested in how healthy H&M will be for future generations.

What do you think about buying clothes from countries such as Bangladesh and Cambodia?
Buying products made in developing countries is the most effective way to lift people out of poverty and give them opportunities for a decent life. I would say it is extremely important that developing countries have access to international markets – how else can they make progress? For many countries, the textile industry is the first step on this path. H&M indirectly creates employment for over a million people, not least women, in the countries that manufacture our products. According to the World Bank, the textile industry is an important contributor to poverty reduction. But obviously, we cannot just lean back and be content with the fact that many jobs are being created. With our size and global presence, we are working to ensure that these jobs are good jobs and that the way we do business makes places better. So the question for us is not whether we should be present in developing countries, but how we do it.

With that said, I want customers to feel proud of wearing clothes made in countries such as Bangladesh and Cambodia, but also to make sustainability demands on the companies they shop from.

What kind of results have you achieved within your Fair Living Wage strategy?
Wages are a very complex issue. This is why we seek guidance from wage experts such as global trade unions, the ILO and the Fair Wage Network. They believe our role as a brand and buyer is not to set the level of wages. Rather, wages should be negotiated between the parties on the labour market. We share this view. It would be devastating if foreign companies such as H&M determined wage levels in any countries. In addition, the fact that we share suppliers with many other companies – both high-end and high street brands – makes collaboration even more important to be able to deal with this challenge. It is a shared responsibility.

We believe that everyone working in the textile industry, no matter what brand they are producing for, should earn a fair living wage. For H&M, this is indisputable and the reason why we have developed a global fair living wage strategy that I am really proud of. As collaboration is crucial, our strategy involves not only buyers such as H&M, but also suppliers, textile workers and national governments. We also collaborate with trade unions and NGOs, making it possible to contribute to change throughout the industry. And I am happy to say that our work within wages is showing progress. For example, we signed a global framework agreement with the global trade union IndustriALL and the Swedish trade union IF Metall to further push development forward. We share the belief that a well-functioning dialogue between the parties on the labour
market and the strengthening of workers’ rights to collective bargaining are necessary for lasting improvements for workers in the textile industry.

All in all, we want to contribute to a well-functioning process that enables a fair living wage in every way we can. An important part of our fair living wage strategy is the Fair Wage Method, which has been developed by the independent Fair Wage Network. It focuses on establishing good pay structures as well as strengthening the ability for workers to regularly negotiate wages fairly.

**What is your view on consumption?**
Consumption is necessary for jobs generating taxes that pay for schools, hospitals and infrastructure, but also for developing countries to become part of international trade and thereby lift themselves out of poverty. If people stopped consuming, society would be affected negatively. H&M wants to continue growing, but we are committed to growing responsibly. Our growth must always be balanced by sustainable practices.

Like other industries today, the fashion industry, however, is too dependent on natural resources and we need to change the way fashion is made. This is why we are so committed to our mission to reuse garments and close the loop on textiles. By collecting old clothes and turning them into new updated styles instead of letting them go to waste and by investing in new innovation and technology, we are taking important steps towards a circular economy. To further speed up this development, the H&M Foundation has initiated the Global Change Award, an innovation challenge to find great new ideas that help close the loop on textiles.

We are currently in the process of setting new goals that will take our sustainability work to the next level, across various key sustainability topics: circularity, climate, transparency, equality and fair jobs, for example. We do this in dialogue with our stakeholders, experts, scientists and many others. We follow a science-based approach aimed at setting new standards for the fashion industry.
What are the main sustainability challenges for H&M and the fashion industry as a whole?

It is all about closing the loop by reusing textile fibres, suppliers paying their employees a fair living wage and the ambition to increase transparency so customers can make informed choices. We have taken several important steps towards a more transparent fashion industry. First, we have invested significant resources in developing our suppliers and building strong long-term relationships based on mutual trust and transparency. Second, we were amongst the first fashion companies to publish our supplier list to which, as the first fashion company, we have now added the second-tier suppliers. Third, this year’s reporting on our work related to human rights has been carried out in accordance with the UN Guiding Principles Reporting Framework.

We are also committed to transparent reporting on our sustainability performance. One goal is to develop a consumer labelling system that allows customers to compare products’ sustainability performance, including between different brands.

This work is done in collaboration with the Sustainable Apparel Coalition, SAC. This will make it possible for customers to influence companies to a much greater extent than today. The more informed customers become, the more pressure they will put on companies to act sustainably. I have high hopes for this collaboration.

You can only drive real change if you have a collaborative mindset, no matter if it is collaboration about consumer labelling or something else. You cannot do it on your own; it is as simple as that. This is why we want to cooperate within the industry as well as across industry borders. This is why we treasure our dialogue with innovators and experts that help us develop new ideas. This is why we are so proud of our ongoing cooperation with stakeholders such as the ILO, local and global trade unions, the UN Global Compact, NGOs, the WWF and Solidaridad. All of this makes it possible for us to set new even more ambitious sustainability goals that will be released in 2016 and that we hope will lead the way to a sustainable fashion future.

Karl-Johan Persson, CEO, H & M Hennes & Mauritz AB, Stockholm, April 2016
INTRODUCTION

About H&M Conscious

At H&M, we love to bring fashion to the world in an exciting and conscious way. With all of our brands, we offer fashion at outstanding value – but not at any price. We are a value-driven and customer-focused company and we want to help our customers explore their personal style. We celebrate differences and diversity, both outside and within of our own walls.

We care for others and how we affect the world around us. To make people wear our products with pride we have to be conscious in all of our actions.

These are the origins of H&M Conscious. With seven commitments at heart, H&M Conscious is the name for everything we do for a sustainable fashion future. It’s a mission built on passion, long-term thinking and teamwork. Everything we do needs to be economically, socially and environmentally sustainable. All highly interconnected. All important for our future growth.

Our planet is facing scarcity issues on many fronts and too many people still live in poverty. Clean water, climate change, textile waste, wages and overtime in supplier factories are some of the key challenges in the textile industry, as well as in many other industries.

Sustainable fashion choices should be available, attractive and affordable – which is our starting point with H&M Conscious. We want to use our scale to bring about systemic change to the industry and across the lifecycle of our products. Together with our colleagues, customers, stakeholders, business partners and peers, we have the opportunity to bring about serious change – all the way from improving the livelihood of a cotton farmer to lowering the impacts from washing and drying our clothes. Ultimately, we want to make fashion sustainable and sustainability fashionable.

Every year, hundreds of Conscious Actions – big and small, short- and long-term – are carried out to put our commitments into practice. We are excited and proud of the Conscious Actions we have taken and what we have achieved in this mission so far. However, we do know that there is still a long way to go, not only for us, but for the entire fashion industry.

This is our 14th sustainability report and it outlines the progress of some of our most important Conscious Actions.

It has been prepared in accordance with the GRI G4 guidelines (core) as well as the UN Guiding Principles Reporting Framework. Please see page 126 for further details on how we report. We hope that you will find the reading interesting.

Thank you for taking your time to learn more about H&M Conscious.

“We want to use our size and scale to lead the change towards fully circular and truly sustainable fashion.”

Anna Gedda, Head of Sustainability
Key performance 2015

Some 1.3 million pieces were made with closed loop material. That’s over 300% more compared with 2014.

We significantly increased our use of renewable electricity in our own operations to now represent 78% (2014: 27%) of our total electricity use globally.

Since 2013, more than 22,000 tonnes of garments have been collected in our stores. That’s as much fabric as in about 100 million t-shirts.
Top news 2015

All of our orders placed for products made with **down** are now from **certified** sources and will hit stores in autumn/winter 2016.

We entered into a **partnership** with **Ellen MacArthur Foundation** to further develop towards a circular business model.

We donated nearly **5 million** garments to charitable causes.

We signed a **global framework agreement** with **IndustriALL** and the Swedish union **IF Metall** to promote sustainable industrial relations and collective bargaining in our supplier chain globally.

**We** implemented a new stronger partnership approach, **SIPP**, to assess the sustainability performance of our suppliers and support them even better.

All of our **denim products** are now scored by Jeanologia’s **Environmental Impact Measurement tool**.

**Some 76%** of our colleagues are **women**. And so are **72%** of our **managers**.

More than **16,000 new jobs** were created in our **group** in 2015.

We are **one of the biggest users** of recyled polyester in the world.
The impacts along our value chain

We have stores and suppliers all around the world. Undoubtedly, we have an impact on the communities and the environment around us. Embracing positive impacts along our value chain, and working hard to reduce negative ones, is the core of H&M Conscious.

It is usually easier to control what happens in our own operations, but often this is not where the most critical impacts take place. Teaming up with others is therefore key to make the difference that matters the most.

Our challenge: Sustainability starts at the drawing board. We need to create sustainable fashion without compromising on style, design, quality or price. Not only minimising what ends up on the cutting floor, but also knowing how our choice of materials and looks impact the environment and the people around us.

Our challenge: Processing raw materials such as cotton is a part of the value chain that is often associated with concerns for working conditions and intense water and chemical use. By making the right choices at this stage, we can reduce such impacts significantly. Ultimately, we achieve a closed loop in which old garments can be recycled into new ones.

Our challenge: From making yarn to final fabrics, there are concerns regarding water, chemicals and working conditions as well as greenhouse gas emissions. Generally speaking, we do not have direct business relationships with mills but we work with organisations such as Solidaridad and the Natural Resources Defense Council (NRDC) to help mills improve their performance. We have started to integrate the fabric and yarn mills that are involved in making about 50% of our products into our supplier audit system, aiming for 60% by 2016.

*Climate and water impacts are based on the estimated H&M value chain footprint from our total use of cotton, organic cotton, polyester and viscose in 2011/2012. For the footprint analysis, primary and secondary data has been used and the principles of the Lifecycle Assessment methodology have been applied. The remaining 5% climate impacts result from packaging. The water footprint is based on the Water Footprint Network’s methodology and includes green, blue and grey water footprint. Deviation from 100% due to rounding effects.

**For more information about our social impact, see p. 128 and the description of our salient human rights issues.
The impacts along our value chain

**Our challenge:** Together with our suppliers we have made great improvements in developing high social and environmental standards. Achieving fair living wages, reducing overtime and ensuring workplace safety are key focus areas for the industry. To address these issues, we use our influence on our business partners to promote human rights. We don’t only monitor factory compliance but also train our suppliers and their workers. We want to encourage industrial relations and social dialogue and consequently collaborate with organisations such as the International Labour Organisation (ILO), the Fair Wage Network and the Ethical Trading Initiative (ETI).

**Our challenge:** Transport represents approximately 6% of the greenhouse gas emissions in a garment’s lifecycle. By choosing the right modes of transport, we can reduce this impact even further. And as an important customer to the transport companies we work with, we can set standards to influence their environmental consciousness.

**Our challenge:** We have over 3,900 stores across 61 markets. As we grow, enter new markets and employ new people, we need to make sure that we live up to our values across the organisation and ensure an inspiring and healthy working environment for our colleagues. Our customers rightfully expect high quality products and shopping experiences. As part of that, we ensure the data privacy of our customers and our colleagues, and advertise in a responsible way.

**Our challenge:** Caring for our clothes at home represents about 26% of all of the greenhouse gas emissions in a garment’s life. Our challenge is to create affordable fashion that our customers will love from season to season and that is easy to care for with the lowest possible impact. We need to inspire our customers to be more conscious in the way they care for their clothes, for example as regards washing and drying, and make it easy and effortless to recycle any garment that might no longer be wanted.
Our Head of Sustainability, Anna Gedda, reports directly to our CEO and holds the responsibility for the implementation of our sustainability strategy together with the executive management team. We have a total of around 200 colleagues who work with sustainability as their core task.

At our head office, our sustainability department consists of more than 20 people responsible for developing strategic directives, reviewing progress, and supporting and advising all relevant departments on the development and implementation of prioritised Conscious Actions based on continued stakeholder engagement, business intelligence and innovation research. We do this in an annual process in which our sustainability department presents priorities, new trends and recommended goals and actions to each department that has a critical impact on the matter. With this support, each department is in turn responsible for developing and carrying out their Conscious Actions to fulfil our seven commitments. Besides these department specific goals, country managers are measured against our 4C scorecard (Cash, Customers, Colleagues, Conscious), which gives all four areas equal importance.

Twice a year, our CEO, CFO and Head of Sustainability review the progress made. With the same frequency, our Head of Sustainability reports performance against key sustainability indicators to our Board of Directors.

About 130 people from our sustainability teams operate from 21 locally-based production offices around the world. They work directly with our suppliers to support them in complying with our Sustainability Commitment (previously our Code of Conduct) and help to make our supply chain more sustainable. About 50 “Conscious Coordinators” work in our different departments and country offices supporting the implementation of our global sustainability strategy in their organisations.

We have around 200 colleagues who work with sustainability as their core task.
We believe that the way to innovation goes through diversity and a multitude of voices. Stakeholder insights help us prioritise the Conscious Actions we take and invest our resources in the best possible way. Throughout the year, we hold regular open dialogues with our different stakeholders,* which are essential to us in our sustainability work.

We do this on a day-to-day basis, through regular roundtables on a global and local level, focused stakeholder reviews and strategy consultations, dedicated surveys, media analyses and participation in several multi-stakeholder initiatives, as part of our strategic business intelligence, and through our wage advisory board.

Tackling the major challenges in the textile industry – that affect everyone along our value chain – is not something we can do on our own. We therefore seek to join forces with our stakeholders such as our peers, suppliers, NGOs and others to strive together for a more sustainable fashion industry. Such collaborations can also help increase the level of influence we have and promote systemic change. At present, we are involved in a number of local and global industry collaborations, partnerships and multi-stakeholder initiatives such as the Better Cotton Initiative (BCI), Sustainable Apparel Coalition (SAC), the Fair Wage Network (FWN), Better Work and the Roadmap to Zero Discharge of Hazardous Chemicals.

*Including customers, colleagues, communities, suppliers and their employees, industry peers, media, NGOs, IGOs, policymakers and investors.

AWARDS AND RECOGNITIONS

Here are some of the indices, rankings and awards that assessed and recognised our sustainability performance during the year.

2015 and 2016 World’s Most Ethical Companies
Dow Jones Sustainability Europe Index
Dow Jones Sustainability World Index
FTSE4Good
Global 100 Most Sustainable Corporations 2015
Green Power Leadership Awards
Green Ranking Global Top 100
PETA’s Libby Award as Most Animal-Friendly Clothing Company
RobecoSAM’s sustainability award for Industry Mover in the retailing industry
Sustainable Brand Index 2015