

# **Treball de Fi de Grau**

## **Títol**

La Responsabilitat Social Corporativa en  
marques de moda de luxe i baix cost

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**Resum del Treball Fi de Grau (extensió màxima 100 paraules)**

<b>Català:</b>	Aquest TFG consisteix en una investigació en forma d'estudi de cas sobre la gestió i la comunicació de la Responsabilitat Social Corporativa de les marques de la indústria de la moda. Per a dur a terme l'estudi s'han escollit dues marques de moda: una de luxe, Burberry, i una de baix cost, H&M, per tal de comparar quines diferències existeixen entre elles a nivell de RSC.
<b>Castellà:</b>	Este TFG consiste en una investigación en forma de estudio de caso sobre la gestión y la comunicación de la Responsabilidad Social Corporativa de las marcas de moda de la industria de la moda. Para llevar a cabo el estudio se han escogido

	dos marcas de moda: una de lujo, Burberry, y una de bajo coste, H&M, con tal de comparar qué diferencias existen entre ellas a nivel de RSC.
<b>Anglès:</b>	This final thesis consists of a research shaped as a study case about the management and communication of the Corporate Social Responsibility of fashion industry brands. To carry out this case study, two fashion brands have been chosen: a luxury brand, Burberry, and a low-cost brand, H&M, in order to compare the differences between in therms of CSR.

## INDEX

<b>1. INTRODUCCIÓ</b>	<b>4</b>
<b>2. MARC TEÒRIC</b>	<b>5</b>
2.1. COMUNICACIÓ EMPRESARIAL	5
2.2. RESPONSABILITAT SOCIAL CORPORATIVA	7
2.2.1. Què és	7
2.2.2. Què no és	8
2.2.2.1. Màrqueting amb causa	8
2.2.2.2. Filantropia	9
2.2.2.3. Greenwashing	10
2.2.2.4. Acció social	10
2.3. EVOLUCIÓ I ORIGEN DE LA RESPONSABILITAT SOCIAL CORPORATIVA	11
2.4. GESTIÓ DE LA RSC	14
2.4.1. Visió estratègica de la RSC	15
2.4.2. Transversalitat	16
2.4.3. Stakeholders	17
2.4.4. Codi de conducta	19
2.4.5. Polítiques de RSC	20
2.5. COMUNICACIÓ DE LA RSC	21
2.5.1. Comunicació de la RSC	21
2.5.1.1. Comunicació de la RSC als stakeholders	21
2.5.1.2. Informes de Sostenibilitat	22
2.5.1.3. Presència informativa en els mitjans de comunicació	24
2.5.1.4. Comunicació a les xarxes socials	24
<b>3. METODOLOGIA</b>	<b>25</b>
3.1. PREGUNTES DE RECERCA	26
3.2. DISSENY DE LA INVESTIGACIÓ	27
3.3. CATEGORIES D'ANÀLISI	29
<b>4. RESULTATS DE LA INVESTIGACIÓ</b>	<b>31</b>
4.1. Gestió de la RSC d'una marca de moda de baix cost	31
4.1.1. Visió estratègica de la RSC d'H&M	31
4.1.2. Transversalitat RSC d'H&M	32



4.1.3.	Codi Ètic d'H&M.....	34
4.1.4.	Dimensions de la RSC d'H&M .....	35
4.1.4.1.	La dimensió econòmica d'H&M .....	36
4.1.4.2.	La dimensió social d'H&M .....	37
4.1.4.3.	La dimensió ambiental d'H&M .....	38
4.1.5.	Polítiques de Responsabilitat de H&M (H&M Policies overview, s.d.) ..	40
4.2.	Gestió de la RSC d'una marca de moda de luxe .....	41
4.2.1.	Visió estratègica de la RSC de Burberry.....	41
4.2.2.	Transversalitat RSC de Burberry .....	42
4.2.3.	<b>Codi Ètic de Burberry</b> (BURBERRY ETHICAL TRADING CODE OF CONDUCT, s.d.) .....	43
4.2.4.	Dimensions de la RSC de Burberry .....	44
4.2.5.	<b>Polítiques de RSC de Burberry</b> (Responsibility – Policies and Commitments. 2019).....	45
4.3.	Comunicació de la RSC d'una marca de moda de baix cost.....	46
4.3.1.	MEMÒRIA DE SOSTENIBILITAT D'H&M.....	46
4.3.2.	ANÀLISI DE LA COMUNICACIÓ ONLINE DE LA RSC .....	47
4.3.3.	PRESENCIA INFORMATIVA DE LA RSC EN ELS MITJANS DE COMUNICACIÓ .....	50
4.3.4.	COMUNICACIÓ DE LA RSC EN NOTES DE PREMSA.....	50
4.4.	Comunicació de la RSC d'una marca de moda de luxe .....	51
4.4.1.	MEMÒRIES DE SOSTENIBILITAT.....	51
4.4.2.	ANÀLISI DE LA COMUNICACIÓ ONLINE DE LA RSC .....	52
4.4.3.	PRESENCIA INFORMATIVA DE LA RSC EN ELS MITJANS DE COMUNICACIÓ .....	54
4.4.4.	COMUNICACIÓ DE LA RSC EN NOTES DE PREMSA.....	55
4.5.	Comparació de la gestió de la RSC de les marques estudiades .....	56
5.	<b>CONCLUSIONS</b> .....	58
6.	<b>BIBLIOGRAFIA</b> .....	62
7.	<b>ANNEX</b> .....	70

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# 1.INTRODUCCIÓ

La generació millennial, quan anem a comprar roba ens preguntem: “i si això ho ha cosit una nena petita?”. La conscienciació dels consumidors avui en dia està creixent, tant per la part social com l’ambiental, i per això les marques han de tenir molta més cura de la seva reputació derivada de les seves accions, degut a la immediatesa de la transmissió d’informació que permeten les xarxes socials i la gran implicació de les generacions *always-on*, que poden fer viral qualsevol *hashtag*. Des dels últims anys, el paper de la Responsabilitat Social Corporativa cada cop pren més força en les empreses: a l’estudi de Nielsen de 2015, s’arriba a la conclusió de que quatre de cada deu consumidors pagarien més per productes d’empreses socialment responsables; i a l’últim estudi sobre responsabilitat social en les empreses de Nielsen de 2018, s’estableix que dos de cada tres millenials necessiten veure de forma tangible que una marca està compromesa socialment.

Ens trobem davant d’una situació en que les marques de la indústria de la moda ja no poden cometre errors en matèria de responsabilitat si volen tenir èxit al mercat. Errors, com per exemple, oblidar les condicions de treball dels treballadors d’on es produeixen els productes d’una marca de baix cost, com va passar amb el tràgic accident de Bangladesh al 2015 en el taller on es produïa la roba per marques tant famoses com H&M, en el qual van morir més de 300 persones (El Mundo, 2013); o cremar tones de productes, com feia Burberry amb els productes que no venia i cremava per no haver-los de vendre a un preu inferior o que poguessin ser robats, tot causant un impacte negatiu mediambiental molt greu (La Vanguardia, 2018).

La gestió de la Responsabilitat Social per part de les marques de moda tèxtil, per tant, hauria de ser un aspecte prioritari a tenir en compte per la direcció de comunicació i tots els grups implicats en les activitats de l’empresa, començant des de la inclusió de la Responsabilitat en l’estratègia empresarial.

Des de l’aparició de marques de moda de baix cost, la indústria tèxtil ha patit grans canvis que han afectat no tan sols en l’àmbit econòmic sinó també en la societat, degut a la magnitud dels escàndols protagonitzats per algunes marques de moda. És per això que considero important que es facin avenços en l’estudi de la Responsabilitat

Social Corporativa de les marques i el paper que juguen dins la societat per tenir un bon clima amb els seus stakeholders. Per Responsabilitat Social Corporativa entenem que són totes aquelles accions que realitza una organització amb la finalitat de trobar el benestar socioeconòmic general, integrant les preocupacions socials i mediambientals en el desenvolupament de les seves activitats més enllà dels interessos econòmics. Per sector de la moda entenem que són totes aquelles marques de la indústria tèxtil que es dediquen a comercialitzar roba, tant de luxe com de baix cost.

Així doncs, l'objecte d'estudi d'aquesta recerca serà el rol de la Responsabilitat Social Corporativa en el sector de la moda segons si es tracta de marques de luxe o de baix cost. La intenció o l'objectiu principal d'aquest treball és conèixer si la RSC és una pràctica comú entre les marques de moda i per quines raons s'ha de dur a la pràctica en el sector. Per a fer-ho, aquest treball es durà a terme un estudi de cas en el que, després de fer una recopilació de la literatura existent sobre la Responsabilitat Social Corporativa i com s'ha de gestionar per part de les empreses, es farà la comparació de la gestió de la Responsabilitat Social Corporativa de dues marques de moda tèxtil: una de baix cost, la marca sueca H&M, i una de luxe, la marca britànica Burberry; per finalment comparar la gestió entre una i altra i extreure conclusions. A més, també es posarà especial atenció a com les dues marques comuniquen la seva estratègia de RSC i les accions seus als grups d'interès.

## 2.MARC TEÒRIC

### 2.1. COMUNICACIÓ EMPRESARIAL

La comunicació empresarial com a definició és, “el conjunt total de missatges que s'intercanvien entre tots els integrants d'una organització. Conté una gran quantitat d'elements que ajuden a la projecció d'una imatge corporativa eficient. També son els missatges que l'empresa projecta al públic amb el fi de donar a conèixer la seva missió i visió, i establir una empatia entre l'organització i el seu públic” (Alicia Sanabria. 2003. P:4).

Tal com estableix Villagra (2015), a partir dels anys 80 i 90, sorgeix un canvi necessari en la forma d'entendre les empreses en contraposició a la perspectiva tradicional, el qual donava a entendre que les empreses són centres de producció que desenvolupen productes orientats a un mercat i que persegueixen la maximització del benefici per a poder traslladar-ho als accionistes. Aquest canvi de perspectiva sobre el model empresarial estableix que l'empresa no és només concebuda com a un centre de producció (de la qual la gestió i l'èxit depenen de recursos tangibles com productes, fàbriques, número de treballadors, etcètera.), sinó que és vista com a un ciutadà corporatiu que transforma la societat i que, per tant, ha d'establir una relació responsable i de diàleg amb la societat.

Així doncs, Villagra (2015) afirma que amb aquest canvi sorgeix implícitament la necessitat de que la comunicació empresarial deixi de ser representada amb un model unidireccional per a convertir-se en un escenari interactiu on participen tots els grups socials, organitzacions i mitjans al voltant de l'empresa. Per tant, la comunicació empresarial avui en dia és un procés de gestió complex que ha de tenir coherència en tots els seus àmbits. Tal com aclareixen Enrique i Morales (2010), amb el canvi de paradigma empresarial entre els anys 80 i 90 apareix una nova forma d'entendre la gestió de la comunicació empresarial on es comença a implementar la mentalitat de comunicació global o integral de l'empresa, és a dir, aconseguir una imatge corporativa positiva i forta de les organitzacions, molt més duradora en el temps i que estigui per sobre de la imatge dels productes i serveis.

Tal com segueix Villagra (2015), a partir de la primera dècada dels 2.000 es comença a parlar sobre la gestió dels valors intangibles com a principal prioritat de les polítiques de comunicació de les grans empreses. Els principals valors intangibles que ha de gestionar la comunicació empresarial són: la identitat, la reputació, la marca, la responsabilitat social i la cultura corporativa. El paper de la comunicació d'avui en dia, doncs, és la gestió dels valors intangibles de l'empresa, els quals molts d'ells estan formats a partir de l'imaginari social i els processos constructius que la societat desenvolupa al voltant de l'empresa al llarg del temps. Quan una empresa comunica valors esta comunicant trets de la identitat empresarial que expressen la seva forma d'estar i comportar-se en la realitat i en el context social.

Amb tot plegat, estem parlant de que una de les funcions principals de la comunicació empresarial és la gestió del valor de la Responsabilitat Social, en cas de que l'empresa vulgui mantenir una convivència favorable amb el seu entorn.

## 2.2. RESPONSABILITAT SOCIAL CORPORATIVA

### 2.2.1. Què és

Com hem esmentat anteriorment, la Responsabilitat Social Corporativa, que també es pot denominar Responsabilitat Social Empresarial, és un dels valors intangibles de les organitzacions. Tot seguit s'esmenten una sèrie de definicions per entendre el significat d'aquest valor intangible.

Primerament ens podem centrar en la definició de la Responsabilitat Social Corporativa de Franc, Nezhyba i Heydenreich (2006. P: 207), que la defineixen com a una via per a que les organitzacions prenguin decisions corporatives on es tingui en compte el benestar dels seus stakeholders i el seu entorn tant intern com extern: “És un concepte basat en la conjectura, i un fet al mateix temps, en que una corporació, mitjançant les seves activitats, d'alguna manera també influeix en el seu entorn (com per exemple la comunitat, la situació social dels treballadors, etc.).”.

Tal com estableix el Llibre Verd de la Comissió Europea (2001. P: 6), la RSC també pot ser concebuda com a una obligació per part de les corporacions a compensar l'impacte causat sobre el seu entorn més immediat, ja sigui el mercat, la comunitat, el medi ambient o la societat en general, en definitiva, les empreses assumeixen que són responsables de l'impacte causat derivat de les seves activitats. Per exemple, una empresa que faci un gran ús de recursos naturals limitats per a la producció dels seus productes ho haurà de compensar amb activitats que contrarestin el gran impacte causat en el seu entorn.

Segons Francés Gómez a l'informe de Forética (2006), la RSC “és un fenomen voluntari que busca conciliar el creixement i la competitivitat, integrant al mateix temps el compromís amb el desenvolupament social i la millora del medi ambient.” En definitiva, aquesta definició de la RSC explica que el creixement de l'empresa va lligat al desenvolupament positiu de l'entorn.

A causa de la gran quantitat d'efectes a gran escala en aspectes econòmics i socials que produeixen les grans corporacions o multinacionals sobre la societat en general, la Responsabilitat Social Corporativa pot servir com a instrument de protecció del benestar de la societat davant del gran poder que tenen les grans corporacions, vetllant pel bé públic per sobre dels interessos propis de les corporacions. Per tant, també podem veure la Responsabilitat Social Corporativa des d'aquesta perspectiva explicada per Frederick (1960): "El punt clau d'aquest concepte és l'assumpció deliberada i voluntària de la responsabilitat pública per part dels directors corporatius, encara que a vegades aquesta protecció del bé del públic pugui ocasionar una pèrdua immediata de beneficis al grup de directius. La direcció, d'acord amb aquest concepte, té múltiples obligacions cap als *stakeholders*, els treballadors i el públic en general."

En definitiva, veiem com la RSC és una eina de la comunicació que per una banda serveix, bàsicament, per a garantir el benestar dels stakeholders d'una companyia, minimitzar i/o compensar l'impacte derivat de les diferents activitats empresarials i, finalment, com a eina de protecció del benestar de la societat en general davant les grans companyies.

### 2.2.2. Què no és

Per tal de delimitar ben bé què és la Responsabilitat Social Corporativa, cal saber que algunes pràctiques empresarials es poden confondre amb la RSC quan no ho són realment. Navarro (2007, p.72), explica que el factor diferencial es troba en l'equilibri entre els interessos empresarials i dels seus *stakeholders*, ja que l'interès de les dues parts per a contribuir en la millora de la societat mitjançant les activitats de la companyia ha de ser intrínsec de la seva filosofia d'empresa i manera d'actuar en tots els aspectes.

A continuació s'esmenten les principals pràctiques que no s'han de confondre amb la Responsabilitat Social Corporativa com a tal:

#### 2.2.2.1. Màrqueting amb causa

Per exemplificar el que no és la RSC, veiem com el màrqueting amb causa és una pràctica diferent a la RSC, ja que és una disciplina que pot aplicar-se de forma puntual

i consisteix en l'ús de les accions socials vinculades a una marca per a promocionar la imatge de l'empresa. El màrqueting amb causa, tal com defineixen Pringle i Thompson (1999) és una eina estratègica de màrqueting i posicionament que vincula una empresa o marca a una causa social d'interès, en una relació de benefici mutu.

“Hi ha qui podria pensar que donat que la RSC va més enllà de l'establert per les lleis i, per tant, la seva aplicació és voluntària. Això podria eximir o compensar certs incompliments legals. Res més oposat a la RSC. Quan es valoren les accions de RSC, els incompliments legals o reglamentaris han de ser considerats com una irresponsabilitat social primària.” (Navarro García, F. 2007). La RSC, per tant, no és una pràctica que serveixi per a netejar la imatge de les companyies en ocasions puntuals.

#### 2.2.2.2. Filantropia

També hem de diferenciar la Responsabilitat Social Corporativa i la filantropia. Segons Acosta (2017), “La filantropia es defineix com l'impuls generós que una persona té en favor d'altres i que sorgeix a partir de l'amor al gènere humà, així com la sensació de benestar que es deriva de la satisfacció d'ajudar a qui ho necessita.”. La RSC, doncs, no és el fet de fer grans donacions a les comunitats més vulnerables de la societat, sinó que l'empresa en sí mateixa està basada en un model de negoci d'economia social, és a dir, coneix l'impacte a nivell ambiental i social que causa en el seu entorn i s'esforça en potenciar els impactes positius i reduir els negatius, generant un creixement integral tant de l'empresa com de la comunitat.

En relació amb aquest concepte, alguns autors com Porter i Kramer (2006) o Kotler i Lee (2005) afirmen que la RSC ha d'anar més enllà de la responsabilitat ètica que l'empresa té amb la societat i el medi ambient. La RSC engloba l'estratègia, els processos i els sistemes de gestió de l'empresa, és a dir, ha de convertir-se en una forma d'aconseguir els objectius estratègics empresarials contribuint, al mateix temps, a un món millor i el desenvolupament sostenible.



#### 2.2.2.3. Greenwashing

Segons la definició d'AEDEMO (2010), El fenomen del *greenwashing* consisteix en comunicar que una empresa és ecològica o fa accions “verdes” quan en realitat no ho són. Aquest fenomen es pot produir en múltiples formes i fins i tot hi ha cops que l'empresa està exercint *greenwashing* i no en són conscients:

- Utilitzant un llenguatge difós i poc clar que no dugui a interpretacions concretes i correctes per part del consumidor
- Falta de proves sobre el compromís mediambiental que està comunicant. Sol passar quan no es facilita informació que ho suporti o sense fer referència a un organisme que ho avaluï.
- Ús de certificacions de la pròpia empresa en comptes d'una empresa de certificació externa.
- Fer referència a promeses que són veritat però no són importants o rellevants.
- Ús d'un llenguatge críptic solament comprensible per científics i tècnics.

#### 2.2.2.4. Acció social

AEDEMO (2010) també diferencia la RSC de l'acció social, que és la pràctica de la millora de l'entorn social per part d'una empresa amb l'objectiu d'obtenir una millor llicència per a operar i, que a més, aporti diferenciació en la consciència del consumidor o ciutadà. Per exemplificar-ho, una situació d'acció social seria quan una empresa concedeix beques als joves de la ciutat on opera o vol operar, invertint tant pel futur dels joves ciutadans com pel futur de la companyia, educant-los per tal d'obtenir un potencial capital humà per a l'empresa.

El Grup Cavala (2014) estableix clarament la diferència entre acció social i Responsabilitat Social Corporativa: “les accions de RSE estan integrades en l'estratègia de negocis de l'empresa i engloba preocupacions sobre els grups d'interès afectats per l'activitat de la mateixa (clients, accionistes, treballadors, subcontractistes, proveïdors, consumidors, comunitats, govern i medi ambient).” D'altra banda, estableix que l'acció social “és externa a l'empresa i té com a principal objectiu satisfer necessitats bàsiques que, per diferents motius, un grup de la població no pot satisfer. Té com a principal beneficiària a la comunitat”.

Així doncs, veiem que la principal diferència entre una pràctica i l'altre són el tipus de beneficiari de les accions que, per l'acció social és la comunitat, mentre que per la RSC són tots els grups d'interès involucrats o afectats per l'activitat empresarial, és a dir, els stakeholders i l'empresa en sí mateixa.

El Grup Cavala (2014) també presenta la següent taula per a diferenciar les accions socials i les de RSC:

**TAULA: DIFERÈNCIES ENTRE ACCIÓ SOCIAL I ACCIÓ DE RSC**

ACCIÓ SOCIAL	ACCIÓ DE RSE
Externa a l'empresa	Incorporada dins l'empresa
Comunitat com a beneficiaria	Empresa i Grups d'interès com a beneficiaris
Altruista. Reparteix riquesa	Genera beneficis compartits
No genera capacitats i valor afegir, encara que pugués fer-ho quan la comunitat sigui un grup material de l'estratègia de Responsabilitat Social d'una empresa	Genera capacitats i fomenta el desenvolupament en l'entorn intern i extern de l'empresa
Pot generar dependència	Crea compromís

Font: Grup Cavala (2014)

## 2.3. EVOLUCIÓ I ORIGEN DE LA RESPONSABILITAT SOCIAL CORPORATIVA

A continuació es fa menció a l'evolució i origen de la Responsabilitat Social Corporativa des de la teoria explicada per Navarro (2007), el qual explica que l'origen de la Responsabilitat Social Corporativa té molt a veure amb l'aparició de grans empreses a partir de la Revolució Industrial, en les quals el treball amb esclaus i l'explotació dels treballadors era molt present.

A partir de la Revolució Industrial comencen a sorgir empresaris que promouien la idea de que la producció de les empreses podia ser eficient i, al mateix temps, responsable. A l'Anglaterra victoriana, Robert Owen va ser l'impulsor d'una comunitat industrial on les normes es regien per la cooperació i el recolzament mutu. "Va introduir diversitat de mesures de benestar, que comprenien la sanitat pública i l'educació, erradicant el treball infantil i les condicions laborals més penoses" (Navarro. 2007, p.59). Els

impulsors d'aquest pensament empresarial estaven convençuts que millorant l'entorn de la classe treballadora les seves conductes es veurien modificades favorablement. Per aquest motiu, algunes empreses com les cerveseres Whitebrand i Truman, les siderúrgies de Lloyd i Darby o d'alimentació com Cardbury, van començar a dedicar part dels beneficis en millorar la vida dels treballadors com per exemple la creació d'habitatges dignes en les poblacions on hi vivia la classe treballadora.

En el cas d'Espanya, durant el segle XIX va sorgir el moviment cooperatiu en el sector agropecuari, les cooperatives de consum, les colònies industrials tèxtils... “ Una de les més destacables experiències pel seu contingut social va ser la Colònia Güell de Santa Coloma de Cervelló (Barcelona), important patrimoni arquitectònic que deixa constància de les condicions de vida de les famílies dels treballadors, amb escoles, centres sanitaris i llocs d'esbarjo i oci, reflectint la visió paternalista d'empresaris d'aquelles èpoques.” (Navarro. 2007, p.60).

Als Estats Units comencen a sorgir escoles de pensament en universitats com Harvard, Yale o Princeton entre d'altres, en les quals es van fer grans aportacions per part d'empresaris del moment que promovien el pensament de la responsabilitat individual i col·lectiva. Les grans empreses com Rockefeller o Ford van començar a dedicar part de la seva riquesa en crear fundacions de caire caritatiu, les quals podien arribar a moure més de 15.000 milions de dòlars. Aquestes fundacions també van col·laborar en projectes en l'àmbit d'arts i humanitats, creant grans centres com el Metropolitan Museum o la Metropolitan House de Nova York. De tota manera, els crítics a aquestes fundacions criticaven que “Tot i això, els crítics a les donacions empresarials tant als EE.UU. com a Europa solen afirmar, amb raó, que els recursos es concentren, en general, en projectes de prestigi i de gran repercussió pública, en perjudici de sectors locals més necessitats.” (Navarro. 2007, p. 60).

Navarro (2007), explica que no és fins als anys 50, als Estats Units, quan es comença a desenvolupar el pensament sobre la Responsabilitat Social Corporativa. Aquest pensament va passar de basar-se en el principi de caritat, referint-se a aquelles accions filantròpiques per part d'empresaris, al principi d'administratiu, en el que les accions socials s'integren en l'estratègia de l'empresa al considerar que aquesta era

responsable de l'administració de recursos públics que afectaven a la societat en general.

Tenint en compte el context actual de la globalització de les empreses, hem de tenir en compte que molts dels canvis en matèria de Responsabilitat Social Corporativa en l'últim segle van ser impulsats per la pressió dels treballadors, sindicats i altres institucions de la societat civil com les ONG, partits polítics i institucions internacionals. “Avui en dia la globalització ha desbordat la capacitat real dels Estats per a regular amb les seves polítiques públiques el mínim de dignitat que representa el respecte als Drets Humans, els drets civils i polítics, així com els econòmics, socials i ecològics.” (Navarro. 2007, p.61) Això es deu a que moltes empreses que es puguin sentir “asfixiades” per les restriccions legals del seu país sobre la producció acabin produint en països on les lleis no són tant estrictes. Arrel de la globalització han sorgit defensors a favor de la visió neoliberalista de les empreses en contra de la RSC, com per exemple Milton Friedman, Robert Nozick o T.Leavitt. Un clar exemple va ser quan Leavitt va publicar al 1958 un article anomenat *The dangers of social responsibility*, “en el qual defenia que l'única funció de les empreses era l'activitat econòmica” (Navarro. 2007, p.62), en contraposició a qualsevol assignació de responsabilitat social per part d'aquestes.

De tota manera, la realitat actual és que ja són moltes empreses que compten amb una direcció de RSC i inclouen la RSC en la seva estratègia de negoci. Cada cop més la societat és més conscient del que consumeix, i per aquest motiu exigeix, a més d'un bon producte o servei a un preu competitiu, el compliment de responsabilitats per part de l'empresa comercialitzadora. De fet, s'assumeix que quan una empresa actua amb llibertat i voluntarietat dins del mercat, significa que respon dels seus actes, és a dir, és responsable de les seves accions i l'impacte que causen en el seu entorn. En el context actual, doncs, una empresa que compleixi amb les expectatives estarà legitimada i acceptada socialment, mentre que una que no ho faci, es deslegitimarà per part de la societat, perdent la seva credibilitat, reputació i recolzament social. Tenint en compte aquest pensament per part de la societat en general actual respecte les empreses, podríem dir que avui en dia és fins i tot més rentable per una empresa ser socialment responsable que no ser-ho.

Un aspecte important que evidencia aquesta necessitat per part de les empreses de ser socialment responsables és la societat mediàtica en la que vivim actualment. Els mitjans de comunicació han traspassat les fronteres de la comunicació i la societat està comunicada de forma immediata, constant i saturada d'informació. Aquest fet provoca que els escàndols protagonitzats per les grans empreses siguin evidenciats a gran escala i, per tant, l'actuació de les empreses d'acord amb les expectatives socials sigui cada cop més necessària. Així doncs, la Responsabilitat Social Corporativa ha de ser un tema principal a l'hora de gestionar les empreses.

## 2.4. GESTIÓ DE LA RSC

Tal com Barrio, Enrique i Benavides (2017) exposen, la gestió de la RSC són tots aquells processos, polítiques, estratègies i procediments requerits per a satisfer les preocupacions dels grups d'interès. D'aquesta manera, les empreses han d'integrar a la gestió empresarial a tots els *stakeholders* i ser capaços de crear valor i establir un diàleg amb el públic. Navarro (2007) estableix que una bona gestió empresarial està basada en el diàleg i acord amb els seus stakeholders sobre quins són els temes, interessos i estratègies que més preocupen i cal satisfer.

Abans de conèixer les dimensions amb les que es pot gestionar la RSC, cal mencionar a Elkington (1990), el qual estableix que l'exercici de les empreses actualment s'ha de mesurar a partir de 3 perspectives diferents, en contra de la perspectiva tradicional de mesurar l'activitat empresarial només econòmicament. "La societat depèn de l'economia, i l'economia depèn de l'ecosistema global, i la salut de la qual representa la línia de fons definitiva.". A aquesta visió sostenible de mesura de les activitats de les companyies s'anomena Triple Bottom Line, i està formada per la perspectiva econòmica, la social i la mediambiental. En aquesta visió més sostenible del món empresarial conviuen de forma comuna la prosperitat econòmica, la qualitat ambiental i la justícia social.

Un cop hem definit el Triple Bottom Line, cal saber que per a gestionar la Responsabilitat Social, les empreses ho poden fer mitjançant aquestes 3 perspectives, les quals serveixen com a dimensions de la RSC. Segons Cuesta i Valor (2003, p: 8-11) la dimensió econòmica fa referència a "l'eficiència i la productivitat, la qual està

composta per aquelles iniciatives que comporten la creació de valor pels diferents grups d'interès.". D'altra banda, defineixen la dimensió social com a "aquelles accions enfocades a millorar el benestar". I finalment, la dimensió mediambiental és "aquelles iniciatives que contribueixen a la reducció de l'impacte que té l'activitat empresarial sobre el medi ambient.

Barrio (2019. P: 51-52) exemplifica les activitats de cadascuna de les tres dimensions. Primerament, les activitats de la dimensió social són "aquelles que puguin fomentar la conciliació de la vida laboral i familiar dels treballadors, millorar la seguretat i la salut laboral o promoure la no discriminació en la contractació de persones."; després, les activitats de la dimensió mediambiental poden ser: "l'ús de matèries primeres d'origen sostenible, la reducció del consum energètic i del consum d'aigua en tota la cadena de valor..."; i finalment les activitats de la dimensió econòmica com "les accions de formació per als treballadors o les possibilitats de desenvolupament professional i de promoció dins la companyia o la venda de productes a preus competitius pels consumidor."

#### 2.4.1. Visió estratègica de la RSC

Enrique i Serrano (2015) introdueixen el concepte de la visió estratègica de la RSC argumentant que, per tal de gestionar la Responsabilitat Social Corporativa, hem de veure-la com a una eina estratègica de l'empresa per maximitzar els seus beneficis i al mateix temps ser compatible amb el desenvolupament social i mediambiental. Per a fer-ho, la RSC ha d'estar integrada en l'estratègia, els processos i els sistemes de gestió de l'empresa, és a dir, s'ha de convertir en una forma d'assolir els objectius.

Barrio (2018) afirma que "La RSC no és només una pràctica puntual i superficial en el món empresarial. De fet, la RSC és de caràcter transversal, és a dir, afecta a tota l'empresa i en tots els nivells, un fet que suposa un plantejament estratègic que requereix treballar amb l'empresa d'acord amb la visió, missió i valors del projecte empresarial". Villafañe (1999) defineix la visió com a "l'ideal d'empresa al que es vol arribar", mentre que la missió és "el mode en el que l'empresa pensa satisfer la seva visió".

Així doncs, a partir de la visió, missió i valors de l'empresa es poden començar a planificar els objectius de Responsabilitat Social que es volen assolir, juntament amb els interessos dels stakeholders. Un cop s'hagin establert els objectius es podrà prosseguir a plantejar l'estratègia o estratègies per guiar les pràctiques de RSC i el pla d'acció, en el qual es plantegen totes aquelles iniciatives de RSC que, segons Kotler i Lee (2005, p.17), "les iniciatives de Responsabilitat Social són activitats principalment realitzades per una corporació per a donar suport a causes socials i complir els compromisos de Responsabilitat Social Corporativa.". A més, expliquen que els beneficis que s'obtenen per la companyia a partir de la realització d'aquestes iniciatives són nombrosos, com per exemple "la participació en iniciatives és ben vista pels consumidors, inversors, analistes financers, socis, als informes anuals, a les notícies i fins i tot al Congrés i els tribunals. Hi ha informació sobre que escau bé als treballadors, als clients actuals, als stakeholders i als membres de la junta. Hi ha una evidència creixent de que és bo per la marca i la comunitat. I hi ha alguns que consideren que, de fet, les corporacions amb una forta reputació per la Responsabilitat Social Corporativa, duren més temps." (Kotler i Lee. 2005, p.24),

#### 2.4.2. Transversalitat

La gestió de la RSC es caracteritza per la seva transversalitat, és a dir, ha d'implicar a tota la organització fent que hi participin tots els departaments de la companyia, ja que, tal com introdueixen Moneva i Lizcano (2004: 26) "la direcció estratègica ha de cuidar especialment que la implantació resulti exitosa en tots els nivells de l'organització, des del seu govern, alta direcció, càrrecs entremitjos i els demés nivells. La representació i sensibilitat pels interessos dels diferents grups ha de trobar-se en tots els nivells i processos de la presa de decisions."

Quan es dona el cas que en una empresa es volen implementar i executar iniciatives de RSC, Barrio, Enrique i Benavides (2017) expliquen que hi hauran de participar diferents departaments de l'empresa i també col·laboradors externs, si és necessari. Principalment hi participaran tots aquells departaments que es puguin veure involucrats en l'activitat que proposa la iniciativa, per exemple, el departament de

recursos humans, el departament de logística, els departament de màrqueting, el departament de ventes...

### 2.4.3. Stakeholders

A més del punt de vista intern que implica a les diferents àrees o departaments de l'empresa, al gestionar la RSC hem de tenir en compte als diferents stakeholders que es veuran implicats de forma directa o indirecta en les diferents iniciatives. Abans de qualsevol execució l'empresa ha de tenir clar quins són els stakeholders beneficiaris, que són aquells als quals la companyia dirigeix les accions de RSC, per exemple els consumidors, els treballadors, els proveïdors... com també els stakeholders col·laboradors, els quals participen amb l'empresa en la gestió de la RSC, com per exemple ONGs, l'administració pública, distribuïdors, mitjans de comunicació, etc. Tal com diu Elingkton (1998): "Hi ha una cosa que sí es pot garantir: cap companyia, sector de la indústria, o economia nacional podrà tenir èxit en definir i conèixer les seves responsabilitats Triple Bottom Line i els targets sense desenvolupar una molt més extensa relació i associació amb els stakeholders del que hauria estat el cas en el passat més immediat.". Veiem, doncs, que les dimensions de la RSC van molt lligades amb la gestió de la relació amb els stakeholders de l'empresa en qüestió.

Segons Freeman i McVea(1984. P:11), per tal de garantir la supervivència al mercat d'una empresa, és molt important que en la gestió dels stakeholders es formulin i implementin processos que satisfacin a tots els grups relacionats amb la companyia mitjançant la integració de les relacions i els seus interessos.

A continuació es mostrarà una classificació de les dimensions de la RSC en dues grans àrees (Fernández Garcia, 2010): la dimensió externa o la dimensió interna. La dimensió interna de la RSC, en resum, afecta als treballadors de l'empresa, en termes relacionats amb la gestió dels recursos humans, la seguretat i salut dels treballadors, l'adaptació al canvi, la gestió de l'impacte ambiental i dels recursos naturals, els treballadors, els accionistes o propietaris...

D'altra banda, la dimensió externa de la RSC afecta a la societat en el seu conjunt, és a dir, als stakeholders de l'empresa: comunitats locals, socis comercials, proveïdors,



consumidors, clients, grups d'opinió, administració pública, societat i públic en general; en temes com el respecte pels drets humans o els problemes ecològics mundials com l'efecte hivernacle.

A continuació, podem veure una taula elaborada per Barrio (2016) que recull les diferents classificacions dels stakeholders de diferents literatures existents sobre la matèria:

**TAULA: CLASSIFICACIÓ DELS STAKEHOLDERS**

<b>AUTOR</b>	<b>CRITERIS DE CLASSIFICACIÓ</b>
<b>Svendsen (1998)</b>	<p>Primaris: accionistes i inversors, consumidors, treballadors, proveïdors, competidors i socis industrials.</p> <p>Secundaris: comunitat, medi ambient, espècies no humanes i generacions futures, mitjans de comunicació i governs i ens futures.</p>
<b>Comissió europea (2001)</b>	<p><b>Dimensió interna:</b> inclou les pràctiques responsables en l'àmbit social (treballadors) i les pràctiques respectuoses amb el medi ambient dins l'empresa.</p> <p>Dimensió externa: comunitats locals, socis comercials, proveïdors, consumidors, drets humans, problemes ecològics mundials.</p>
<b>Dowling (2001)</b>	<ul style="list-style-type: none"> <li>- <b>Normatius:</b> directius, accionistes, ens reguladores i govern</li> <li>- <b>Funcionals:</b> treballadors, sindicats, proveïdors i distribuïdors</li> <li>- <b>Difós:</b> periodistes, comunitat i grups d'interès especial</li> <li>- <b>Consumidors</b></li> </ul>
<b>AECA (2007)</b>	<p><b>Partíciips primaris, contractuals o directes:</b></p> <ul style="list-style-type: none"> <li>- <b>Interns:</b> accionistes i treballadors</li> <li>- <b>Externs:</b> clients, proveïdors, creditors financers, socis comercials i comunitat (Quan aquesta inverteix en infraestructures d'utilitat per l'empresa)</li> </ul> <p><b>Partíciips complementaris, contextuals o directes:</b> comunitats locals o territorials, societat, públic en general, generacions futures, competidors, Administració Pública, agents o interlocutors socials, ONGs i mitjans de comunicació</p>
<b>Navarro (2007)</b>	<p><b>Interns:</b> accionistes, socis, directius, sindicats, treballadors i socis estratègics</p> <p><b>Externs:</b> autoritats, grups de pressió, ONGs, competidors i consumidors</p>

<b>Azuero (2009)</b>	<p><b>Els que perdrien quelcom si l'empresa tanqués:</b> treballadors i famílies, consumidors, proveïdors, administracions locals i inversors</p> <p><b>Els que poden influir en la marca:</b> treballadors, consumidors, mitjans de comunicació, ONGs, agències reguladores i la competència</p> <p><b>Grups que representen interessos que poden ser afectats per l'operació de l'empresa:</b> Grups ecologistes, grups dels consumidors, mitjans de comunicació i grups d'especial interès.</p>
<b>Freeman, Harrison y Wicks (2008)</b>	<p><b>Primaris:</b> clients, treballadors, proveïdors, financers i comunitats</p> <p><b>Secundaris:</b> govern, competència, grups de consumidors, mitjans de comunicació i grups d'especial interès.</p>
<b>Raghubir, Roberts, Lemon i Winer (2010)</b>	<p><b>Clàssics del màrqueting estratègic:</b> consumidors, proveïdors i altres col·laboradors, competidors i l'empresa.</p> <p><b>Interns:</b> inversors, treballadors i directius</p> <p><b>Externs:</b> societat, medi ambient, ens reguladores, auditors i ONGs i mitjans de comunicació.</p>

Font: (Barrio, E. 2016, p.123)

#### 2.4.4. Codi de conducta

Una part fonamental de la gestió de la Responsabilitat Social Corporativa és la gestió de la transparència. Navarro (2007), ens explica que la transparència és “la capacitat de respondre a les peticions d’informació d’uns ciutadans cada cop més exigents amb el paper social que ha de complir l’empresa i als seus propis compromisos. La transparència no es limita a la publicació, mes o menys opaca, d’uns estats financers, sinó que ha de ser una informació que reuneixi els següents requisits:”. Els requisits dels que parla Navarro per tal que la informació aportada per una empresa compleixi amb la condició de transparència són: que sigui veraç i completa, comprensible i intel·ligible, pública i fàcilment accessible. A més, afegeix que les eines utilitzades per les empreses a l’hora de gestionar correctament la transparència són:

- **El codi ètic:** “Manifestació explícita dels compromisos (posicionament de l’empresa davant la responsabilitat social i ecològica”
- **El comitè d’ètica:** “implicació en la gestió ètica dels diferents interlocutors socials”
- **Informes i memòries de sostenibilitat** o altres tipus de documents

- **Auditoria ètica:** “instrument d’avaluació i anàlisis. Compliment de la seva responsabilitat.”

El projecte ISO 26000 de 2010, el qual orienta les empreses en matèria de Responsabilitat Social Corporativa (com també fan altres guies), estableix que és necessari en les empreses tenir a l’abast uns codis ètics o de conducta. “Un codi ètic és un document que estableix, sense tenir-ne la obligació legal (d’aquí el seu caràcter eminentment voluntari), les normes i principis que defineixen el sentit d’una institució, un gremi o un sector, mitjançant orientacions, pautes i punt de referència per al seu bon funcionament. Solen denominar-se de formes molt diverses, tals com codis de conducta, codis de bones pràctiques, codis de bon govern o codis deontològics.” (Navarro, 2007).

Navarro (2007) classifica els codis de conducta en tres tipus diferents. El primer és el professional o deontològic, el qual recull les normes i pautes que s’estableixen dins d’un gremi o col·legi professional. El segon tipus és el sectorial, que són tots aquells codis ètics que es comparteixen dins d’un mateix sector d’activitat professional, empresarial o industrial. L’últim tipus és l’empresarial o organitzacional, uns codis que defineixen el projecte comú d’una empresa o organització concreta.

#### 2.4.5. Polítiques de RSC

Un dels instruments més utilitzats per a la gestió de la Responsabilitat Social són les polítiques. El quadern de Forética de 2006 sobre la RSE defineix les polítiques de la Responsabilitat Social Corporativa de la següent manera: “La política de RSE és el mecanisme inicial que l’alta direcció d’una empresa posa en marxa per a orientar o re-orientar l’organització cap a una gestió ètica i socialment responsable. La política de RSE defineix fins i prioritats en aquest àmbit, assenyala les línies bàsiques d’acció per a aconseguir-los. En un sentit, la política és el marc en que els demés instruments s’insereixen.” (Francés Gómez, 2006.P:33).

D’aquesta manera, podem dir que les polítiques són la forma de dur a la pràctica la gestió de la Responsabilitat Social Corporativa de l’empresa dins d’un marc de referència per a actuar i, a més, són una forma d’avaluar la gestió de la RSC d’una empresa, ja que com bé estableix el mateix quadern de Forética: “La RSE es manifesta

en polítiques i dissenys estratègics en els que el seu grau de compliment sigui avaluable. Només així es pot considerar que una organització ha adoptat un compromís sincer amb les seves responsabilitats.” (Francés Gómez, 2006.P:20).

## 2.5. COMUNICACIÓ DE LA RSC

### 2.5.1. Comunicació de la RSC

La comunicació de la RSE és una decisió que prendrà una empresa segons els seus objectius, ja que aquesta pràctica presenta diferents utilitats que, normalment, resulten beneficioses per a la companyia. La decisió de comunicar o no comunicar les accions de Responsabilitat Social al públic denota la gestió de, per exemple, la gestió de la relació amb els grups d'interès, ja que tal com estableix a Azuero al seu informe de Forética (2009), “la comunicació de la RSE és una forma de traslladar d’una forma creïble i transparent les principals actuacions de l’empresa de RSC”. A més, la reputació de marca es construeix també a base d’aquesta comunicació.

#### 2.5.1.1. Comunicació de la RSC als stakeholders

Per tal de conèixer el funcionament de la comunicació de la RSC cap als stakeholders, a continuació es fa una recopilació resumida dels passos principals establerts a la guia elaborada per Azuero a l’informe de Forética, en la qual estableix una sèrie de pautes a seguir per a comunicar.

El primer pas d’una estratègia de comunicació de la RSC cap als stakeholders ha de començar amb la identificació i la prioritització dels diferents grups d’interès de l’empresa, ja que cadascun d’aquests grups tindrà unes necessitats d’informació diferents i, per tant, la comunicació perseguirà uns objectius o altres. Un cop s’han identificat aquestes necessitats i objectius, s’ha de crear una política de diàleg amb aquests, la qual constitueix en si mateixa una estratègia de comunicació. Després d’identificar els públics, també podem conèixer amb més profunditat quins són els canals més adients per a comunicar-nos amb cada stakeholder, mitjançant els quals traslladarem els missatges. Finalment, podem considerar la relació del stakeholder amb l’empresa, la qual influirà en el tipus de comunicacions a transmetre.

Un cop s'hagi fet la identificació i classificació dels stakeholders amb tots els passos esmentats, s'ha de procedir a una planificació de la comunicació, cosa que implica la calendaritzar les accions i establir uns sistemes d'avaluació i seguiment de les accions de comunicació, amb l'objectiu de conèixer la seva efectivitat.

Cal considerar que la comunicació de la RSC no és només important pels avantatges comunicatius amb el públic que aporta, sinó que la bona gestió de la comunicació de la RSE és vital per al manteniment de la imatge de l'empresa, ja que tal com diu Azuero (2009): “els mitjans de comunicació constitueixen per l'empresa socialment responsable un canal de sensibilització i conscienciació social de gran abast, de benchmarking per a les empreses “que acaben d'arribar” a la RSE, de credibilitat i de reputació de la marca.”.

#### 2.5.1.2. Informes de Sostenibilitat

Medina (2018) informa al seu article que partir de 2018 ha entrat en vigor una llei de la mà de la Directiva 2013/34 de la Unió Europea d'informació no financera i diversitat, la qual estableix que les empreses que, entre d'altres requisits, superin els 500 treballadors o la seva xifra de negoci superi els 40 milions d'euros, estan obligades a publicar anualment un informe de sostenibilitat en el qual s'informi als grups d'interès sobre factors ambientals i socials, de respecte als drets humans i de la lluita contra la corrupció que tinguin a veure amb l'empresa.

Però, què és un informe de sostenibilitat o de Responsabilitat Social Corporativa? “Un informe de Responsabilitat Social Corporativa és una expressió manifesta de transparència per part de l'empresa. Es tracta de publicar i difondre les polítiques i activitats de RSC d'una empresa o organització, acte que dona credibilitat i rigor a la RSC.” (Navarro García, F. 2007).

Per a les empreses i organitzacions, les memòries o informes de sostenibilitat són una de les eines principals per a aconseguir la legitimitat de les seves accions de RSC i beneficiar la seva reputació i imatge. Per aquest motiu en els últims anys han proliferat una gran quantitat de documents i iniciatives amb la intenció d'establir unes pautes a l'hora de desenvolupar l'informe de sostenibilitat. Tot i així, la gran varietat d'estàndards existents implica que cada empresa esculli el format segons s'adeqüi a

les seves necessitats (Arrán-Jorge, M. Martínez-Martínez, D.; De Los Reyes, M. J. M; 2013).

Els principals objectius dels informes de Responsabilitat Social Corporativa que enumera Navarro (2007) són:

1. Compromís públic amb els grups d'interès comunicant l'evolució del compliment de les promeses de compromís social, ambiental, ètic... i quines mesures s'estan prenent al respecte.
2. Afrontar les exigències del mercat, degut a que l'augment de la consciència del consum responsable obliga a les empreses a complir les expectatives socials que tenen els seus consumidors i la comunitat en general.
3. Consolidar la confiança de l'empresa des d'una òptica interna (treballadors i ambient laboral) i externa (legitimitat social, aspectes legals i polítics...).
4. Facilitar la integració de la Responsabilitat Social Corporativa en la gestió d'intangibles de l'empresa.

Respecte als models d'informe de sostenibilitat que han de fer servir les empreses, cal destacar entre la varietat el Global Reporting Initiative o GRI. El GRI és un acord internacional des de 1997 en el que hi van participar grups d'interès de l'àmbit empresarial i diferents sindicats, ONGs, universitats... i el seu principal objectiu era establir un marc global per a que les empreses i organitzacions poguessin informar sobre la RSC d'una forma estandarditzada (Global Reporting Initiative. 2006. P: 4).

D'acord amb el model GRI, el contingut bàsic d'un informe de sostenibilitat ha d'incloure com a mínim els següents indicadors:

- Estratègia i anàlisi de l'empresa
- Perfil de l'organització
- Paràmetres de la memòria
- Govern corporatiu, compromisos, reptes i participació de grups d'interès
- Enfocament de gestió i indicadors d'acompliment
- Indicadors d'acompliment econòmic
- Indicadors d'acompliment ambiental
- Indicadors d'acompliment social

- Pràctiques laborals i treball digne
- Drets humans
- Societat
- Responsabilitat sobre productes

Per tant, a l'hora d'analitzar la gestió de la Responsabilitat Social Corporativa de les empreses, hem de tenir en compte que l'informe de sostenibilitat juga un paper molt important, ja que és on es veu reflectit el paper que té la RSC dins de l'estratègia de l'empresa.

#### 2.5.1.3. Presència informativa en els mitjans de comunicació

Una altra de les formes de comunicació de la RSC, segons Villagra (2008), és “ la presència en els mitjans en forma d'informació (notícies, reportatges, etc.). Normalment es centra en explicar les relacions més destacades en matèria de RSC (acció social, iniciatives amb treballadors, etc.). En un primer moment, aquest tipus de continguts sortien principalment a la premsa escrita, però en els últims anys la seva presència s'ha estès a altres mitjans de comunicació, com la ràdio o internet.”.

D'altra banda, els avantatges que aporta aquest tipus de comunicació de la RSC segons Villagra (2008) són:

- Generació de major consciència social sobre aquests temes
- Credibilitat i abast dels continguts difosos
- Transparència en les accions
- Presència de l'empresa en els mitjans

#### 2.5.1.4. Comunicació a les xarxes socials

En el món actual la presència de les empreses en les xarxes socials és essencial, tant pels seus avantatges com pel manteniment de la reputació a través d'aquestes. “Avui en dia ningú pot negar que les xarxes socials han revolucionat el món de la comunicació. Aquesta, ha passat a ser bidireccional, i els clients, ciutadans i usuaris de la xarxa, fins ara simples receptors de la informació, tenen més poder que mai per opinar sobre marques, productes, empreses i serveis. Fins i tot, el denominat

periodisme ciutadà, ha aconseguit unes quotes de popularitat impensables fins fa pocs anys gràcies a l'aparició de les xarxes socials." Ansuategui (2010).

És important considerar que, en l'actualitat, les xarxes socials són un canal molt utilitzat per les empreses per a comunicar tant les accions de Responsabilitat Social Corporativa als diferents grups d'interès com per gestionar la relació en sí mateixa, ja que tal com va exposar Fuentes al debat: *Quin és el paper de les Xarxes Socials en la Responsabilitat de les Empreses?* (2007): "Des del departament de comunicació s'ha d'alimentar la marca tots els dies i això ajuda a generar cultura corporativa. Les xarxes socials ens ajuden a ser virals i arribar a més públics. A més, els millenials no treballaran en una empresa que no sigui responsable."

### 3. METODOLOGIA

A continuació es detalla la metodologia escollida per a dur a terme la investigació sobre la Responsabilitat Social Corporativa en marques de moda de luxe i baix cost. Tal com explica Coller (2005), "investigar vol dir conèixer millor la realitat que ens rodeja, i investigar des del punt de vista social, consisteix en produir representacions que descriguin i expliquin la realitat fent referència a fenòmens que siguin socialment rellevants. Per tal d'estudiar aquestes qüestions existeixen dues corrents filosòfiques figuradament enfrontades, la qualitativa i la quantitativa."

Aquesta investigació es durà a terme sota el mètode d'investigació qualitativa, ja que, segons Munarriz (1992), aquest tipus d'investigació utilitza mètodes i tècniques diverses com a gama d'estratègies que ajudaran a reunir les dades que s'utilitzaran per a la inferència i la interpretació, per la explicació i la predicció.

Pel present projecte de recerca sobre la Responsabilitat Social Corporativa en el sector de la moda tèxtil, la metodologia d'investigació escollida és l'estudi de cas. L'estudi de cas, segons Yin (1989), és "la indagació empírica que utilitza múltiples fonts de coneixement per a investigar un fenomen actual dins del seu context de vida real, i en el que les fronteres entre el fenomen i el seu context no queden clarament delimitades". D'acord amb la definició de la tècnica d'investigació escollida, en aquest estudi de cas el "fenomen actual" investigat és la Responsabilitat Social Corporativa,



mentre que la mostra que escollim del context de la indústria de la moda per estudiar aquest fenomen són dues marques, una marca de baix cost i una altra de luxe.

Les marques escollides per a l'estudi de cas han sigut: *Burberry*, una famosa marca de moda de luxe anglesa i *Hennes & Mauritz*, una marca de baix cost sueca o més coneguda com a *H&M*. Aquestes marques han sigut escollides sota dos criteris concrets: d'una banda, el criteri d'obtenir el màxim d'informació sobre Responsabilitat Social Corporativa de les marques estudiades; doncs anualment les dues marques comuniquen públicament els seus informes i memòries de RSC. D'altra banda, sota el criteri de que aquestes marques entrin dins del rànquing sectorial d'empreses del sector del comerç al detall de peces de vestir publicat pel diari *El Economista* (2019).

### 3.1. PREGUNTES DE RECERCA

Per tal d'efectuar la investigació primerament hem de plantejar una sèrie de preguntes de recerca que, segons Yin (1989) "la pregunta d'estudi de cas cobreix amb la tècnicament distintiva situació en la qual hi haurà moltes més variables d'interès que apunts de dades, i com a resultat confia en les fonts múltiples d'evidència, amb dades que necessiten convergir en una moda triangular, i com a altre resultat beneficia el desenvolupament anterior de proposicions teòriques per a guiar la col·lecció de les dades i anàlisi."

Dit això, a continuació es mostren les preguntes de recerca d'aquesta investigació:

- Pregunta de recerca 1: Les empreses de la indústria de la moda realitzen RSC?
- Pregunta de recerca 2: Quines dimensions o àrees de la RSC treballen les empreses de la indústria de la moda?
- Pregunta de recerca 3: Hi ha diferències entre les polítiques de RSC de les marques de baix cost i de luxe de la indústria de la moda?
- Pregunta de recerca 4: Com comuniquen la RSC les empreses de la indústria de la moda de luxe i baix cost?
- Pregunta de recerca 5: Com gestionen les empreses de la indústria de la moda la RSC?

## 3.2. DISSENY DE LA INVESTIGACIÓ

Un cop hem establert les preguntes d'investigació és hora de dissenyar com s'efectuarà la investigació per tal de respondre a les preguntes plantejades en aquest estudi de cas. Segons Yin (1989) “un disseny d'investigació és un pla d'acció per a rebre d'aquí a allà, on aquí pot ser definit com el joc inicial a preguntes a ser contestades, i allà és un joc de conclusions (respostes) sobre aquestes preguntes. Entre aquí i allà es poden trobar varis passos majors, inclús la col·lecció i anàlisi de dades rellevants.”

Ens hem de plantejar, doncs, quines tècniques emprarem per a recollir les dades. En aquest estudi de cas, la tècnica utilitzada per a obtenir informació sobre la RSC de les dues marques de moda escollides és la recol·lecció d'informació mitjançant la revisió de documentació existent que tenim a l'abast sobre la temàtica i, sobretot, que sigui útil per a respondre les ja esmentades preguntes d'investigació. Aquesta tècnica ha sigut escollida ja que, tal com estableix Collier (2005), “la revisió de documents, elaborats per altres persones i que fa referència al cas estudiat, ja siguin articles de premsa, documents gràfics, articles acadèmics o altres escrits, representa una de les fonts d'informació més utilitzades en el mètode del cas com a part de l'estratègia de triangulació d'aquest, proporcionant coherència, fiabilitat i solidesa a les dades.”.

A grans trets, la documentació que podem fer servir per a la recollida de dades són les diferents fonts d'informació que parlin sobre la política de comunicació de Responsabilitat Social Corporativa de cadascuna de les marques.

Concretament, la documentació que utilitzarem són fonts de tipus secundària, ja que segons Espinosa (2011), es tracta de fonts externes a la nostra investigació, i actualment són les que tenim a l'abast per a conèixer la situació real de les dues marques en matèria de Responsabilitat Social. Aquesta documentació ha de ser sobre un període de temps determinat, que en aquest cas serà comprès en el període de 2017 a 2019 per tal de veure l'evolució de la RSC de cada empresa respecte l'últim període:

## TAULA: DOCUMENTACIÓ DISPONIBLE DE CADA MARCA PER L'ANÀLISI

Font: taula d'elaboració pròpia

Font/Document	H&M (URL)	ANY	BURBERRY (URL)	ANY
Informe de sostenibilitat	<a href="https://ja.cat/2Z5mi">https://ja.cat/2Z5mi</a>	2018	<a href="https://ja.cat/knUlg">https://ja.cat/knUlg</a>	2018
Codi ètic o de conducta	<a href="https://ja.cat/6aOaE">https://ja.cat/6aOaE</a>	2019	<a href="https://ja.cat/sZl3m">https://ja.cat/sZl3m</a>	S.D.
Comunicació online	Pàgina web corporativa <a href="https://sustainability.hm.com/">https://sustainability.hm.com/</a> Twitter <a href="https://twitter.com/hm/">https://twitter.com/hm/</a> Instagram <a href="https://www.instagram.com/hm/">https://www.instagram.com/hm/</a> Facebook <a href="https://www.facebook.com/hm">https://www.facebook.com/hm</a>	2018 a 2019	Pàgina web corporativa <a href="https://www.burberryplc.com/en/index.html">https://www.burberryplc.com/en/index.html</a> Twitter <a href="https://twitter.com/burberrycorp?lang=ca">https://twitter.com/burberrycorp?lang=ca</a> Instagram <a href="https://www.instagram.com/burberry/">https://www.instagram.com/burberry/</a> Facebook <a href="https://ca-es.facebook.com/Burberry">https://ca-es.facebook.com/Burberry</a>	2018 a 2019
Notes de premsa	<a href="https://ja.cat/9DwyH">https://ja.cat/9DwyH</a>	2018 a 2019	<a href="https://www.burberryplc.com/en/news/news.html">https://www.burberryplc.com/en/news/news.html</a>	2018 a 2019
Informe de sostenibilitat	<a href="https://ja.cat/2Z5mi">https://ja.cat/2Z5mi</a>	2018	<a href="https://ja.cat/knUlg">https://ja.cat/knUlg</a>	2018

De totes maneres, la documentació disponible de cada marca, com per exemple l'informe de sostenibilitat, en aquest estudi no s'ha considerat necessari que hagi d'haver-ne un per cada any del període establert, ja que sovint les empreses publiquen de forma bianual els seus informes, com és el cas de Burberry.

Un cop s'hagi efectuat la recollida de dades útils per a la investigació, procedirem a efectuar l'anàlisi i interpretació d'aquestes dades per a l'estudi. Segons Kelinger (1986), l'analista de la investigació descompon les dades en les seves parts constituents per a obtenir respostes a preguntes d'investigació i per provar hipòtesis d'investigació. No obstant, l'anàlisi de les dades d'investigació no proveeix per si mateix les respostes a les preguntes d'investigació, sinó que es requereix la interpretació de les dades. Interpretar és explicar, trobar significat. És difícil o impossible explicar dades brutes; primer s'ha d'analitzar les dades i llavors es podran interpretar els resultats de l'anàlisi.

L'anàlisi de la informació del contingut es portarà a terme segons les categories d'anàlisi escollides i que s'esmenten més endavant en la recerca. Les categories d'anàlisi s'han triat a partir de les preguntes d'investigació i els aspectes més rellevants

per a l'estudi de cas de les teories de diferents autors sobre Responsabilitat Social Corporativa i que han estat recollides en el marc teòric.

Els resultats que primerament hem d'obtenir en aquest estudi, després de veure la teoria recollida, els haurem d'extreure d'aquelles fonts que ens proporcionin dades sobre la gestió de la Responsabilitat Social Corporativa de cadascuna de les marques, fent referència especial a priori dels informes de sostenibilitat.

En segon lloc, es procedirà a la investigació en la informació de la qual extraurem dades sobre la comunicació de la RSC per part de les dues marques, és a dir, es farà una indagació sobre els canals de comunicació i el contingut que publiquen sobre la RSC de la companyia.

Finalment, tenint en compte que l'objectiu final d'aquest estudi de cas és conèixer la gestió i la comunicació de la Responsabilitat Social Corporativa en les marques de moda tant de luxe com de baix cost, després dels anteriors passos de la investigació esmentats, es realitzarà una comparació de la informació recollida entre cadascuna de les dues marques. En aquest estudi de cas, les categories d'anàlisi escollides actuaran com a línia comparativa que traçaré entre les dues marques que formen part de l'objecte d'estudi. En referència a la validesa de la informació extreta de la comparació de la RSC entre aquestes dues marques, tal com esmenta Yin (1989) l'estudi de cas és generalitzable a les proposicions teòriques i no a poblacions i universos. En aquest sentit, no representa una "mostra", l'objectiu és estendre i generalitzar les teories i no enumerar les freqüències.

### 3.3. CATEGORIES D'ANÀLISI

Un cop ens endinsem en l'anàlisi de les conclusions més rellevants que hem extret del marc teòric, hem de procedir a definir unes categories d'anàlisi. Per a Bravo (1998), les categories d'anàlisi són una forma de codificar la informació, ja que establint unes categories podem classificar els resultats obtinguts en l'anàlisi. Primer de tot s'assigna un codi d'identificació en aquests resultats i després es classifiquen en la categoria que encaixi millor. Un cop haguem classificat els resultats en categories, podrem comparar els resultats obtinguts en l'anàlisi i extreure les conclusions pertinents. Així

doncs, gràcies a les categories d'anàlisi podrem classificar i organitzar la informació recollida i, al mateix temps, veure quines dades ens són més útils per a contestar les preguntes d'investigació establertes prèviament.

Tot seguit es defineixen les categories d'anàlisi de la investigació a partir de les dades obtingudes del marc teòric. Cal dir que en aquest estudi de cas les categories serviran per estudiar primerament les dues marques de forma paral·lela i, un cop haguem classificat la informació de cadascuna de les marques, es compararan els resultats per a veure si existeixen diferències notòries entre elles.

## **CATEGORIES D'ANÀLISI I SUBCATEGORIES**

### **1. Gestió de la RSC en les marques Burberry i H&M**

#### **1.2. Visió estratègica de la RSC**

- Planificació de la RSC
- Alineació de la visió, missió i valors amb l'estratègia de RSC

#### **1.3. Transversalitat: stakeholders i departaments**

- Departaments de l'empresa implicats en la RSC
- A quins stakeholders de l'empresa es dirigeix la RSC

#### **1.4. Codis de conducta**

- Codis de conducta o codis ètics que orienten l'empresa

#### **1.5. Polítiques de RSC**

- Polítiques de RSC establertes per l'empresa

#### **1.6. Dimensions que treballa la RSC**

- Àmbits d'aplicació de l'estratègia de RSC: dimensió econòmica, social i ambiental.

### **2. Comunicació de la RSC de les marques Burberry i H&M**

#### **2.2. Memòries de sostenibilitat**

- Regularitat de publicació
- Profunditat de tractament de cada tema

#### **2.3. Comunicació de la RSC**

- Canals de comunicació de la RSC
- Tipus de contingut comunicat sobre la RSC

- Comunicació online de la RSC
- Comunicació de la RSC en notes de premsa
- Presència informativa de la RSC en els mitjans de comunicació

## 4. RESULTATS DE LA INVESTIGACIÓ

### 4.1. Gestió de la RSC d'una marca de moda de baix cost

#### GESTIÓ RSC D'H&M

##### 4.1.1. Visió estratègica de la RSC d'H&M:

**La visió** de la companyia H&M és “liderar el canvi mitjançant la moda circular i renovable mentre som una companyia justa i igualitària.”

**Gràfic 1:** Estratègia de sostenibilitat d'H&M **Font:** (Sustainability Report. H&M Group, 2018. p.13.)

Tota l'estratègia de Responsabilitat Social d'H&M es centra en un objectiu principal: assolir l'economia circular del negoci. Encara que el grup H&M compta amb diferents submarques amb les quals distribueix els seus productes, la companyia tracta de mantenir la visió empresarial i l'estratègia de Responsabilitat Social en totes les seves àrees, marques i estadis de la cadena de valor.



Aquesta visió estratègica implica que la companyia hagi d'establir una sèrie d'objectius i KPIs per mesurar el progrés en l'estratègia de sostenibilitat. Aquests objectius i progressos estan publicats obertament al seu informe i a la pàgina web per tal que els públics interessats en puguin fer un seguiment. Es podria dir, doncs, que l'estratègia de Responsabilitat de la marca de baix cost comporta una gran planificació.

The figure consists of two main parts: a scatter plot on the left and a table on the right.

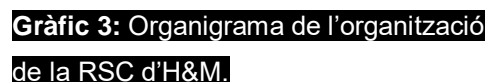
**Scatter Plot:**

- Y-axis:** FREQUENCY RAISED BY STAKEHOLDERS (increasing upwards).
- X-axis:** SIGNIFICANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS (increasing rightwards).
- Legend:**
  - REPORTED AT LEAST IN NARRATIVE, WHEREVER POSSIBLE WITH MEASURABLE KPI:** Companies 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24.
  - REPORTED IN DETAIL, WHEREVER POSSIBLE WITH MEASURABLE KPI OR PREFERABLY GOAL, AIM FOR EXTERNAL ASSURANCE WHEREVER USEFUL:** Companies 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24.
  - NO REPORTING OR REPORTING ON REQUEST:** Companies 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24.
  - REPORTED AT LEAST IN NARRATIVE, WHEREVER POSSIBLE WITH MEASURABLE KPI:** Companies 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24.

**Table:**

AMBITION AREAS	OUR FOCUS AREAS	OUR IDENTIFIED TOPICS	BOUNDARIES
100% LEADING THE CHANGE 	INNOVATION	1. Innovation	Design, raw materials, fabric and yarn production, product manufacturing, transport, sales, use
	DRIVE TRANSPARENCY	2. Drive transparency	Product manufacturing, fabric and yarns production
	REWARD SUSTAINABLE ACTIONS	3. Reward sustainable actions	Design, raw materials, fabric and yarn production, product manufacturing, transport, sales, use
100% CIRCULAR & RENEWABLE 	100% CIRCULAR	4. Recycled and other sustainably sourced materials	Design, raw materials, fabric and yarn production, product manufacturing, sales, use
		5. Animal welfare	Design, raw materials
		6. A circular approach to how fashion is made and used	Design, raw materials, fabric and yarn production, product manufacturing, sales, use
		7. Water	Design, raw materials, fabric and yarn production, product manufacturing, sales, use
	100% RENEWABLE	8. Waste	Design, raw materials, fabric and yarn production, product manufacturing, transport, sales, use
		9. Packaging	Product manufacturing, transport, sales, use
		10. Chemical management	Raw materials, fabric and yarn production, product manufacturing, sales
		11. Climate	Raw materials, fabric and yarn production, product manufacturing, transport, sales, use
		12. Fair jobs	Raw materials, fabric and yarn production, product manufacturing, transport, sales
100% FAIR & EQUAL 	FAIR JOBS FOR ALL	13. Industrial relations	Product manufacturing, sales
		14. Fair living wages	Product manufacturing, sales
		15. Human rights	Design, raw materials, fabric and yarn production, product manufacturing, transport, sales, use
STEWARDS FOR DIVERSITY AND INCLUSIVENESS		16. Inclusion & diversity	Design, product manufacturing, transport, sales, use
		17. Community development	Product manufacturing, sales
		18. Supply chain assessments	Fabric and yarn production, product manufacturing
STANDARDS & POLICIES		19. Anti-corruption	Raw materials, fabric and yarn production, product manufacturing, transport, sales
		20. Responsible marketing	Sales, use
		21. Anti-competitive behaviour	Fabric and yarn production, product manufacturing, transport, sales
OTHER IDENTIFIED TOPICS		22. Biodiversity	Raw materials, fabric and yarn production, product manufacturing
		23. Economic performance	Sales
		24. Market presence	Raw materials, fabric and yarn production, product manufacturing, sales

#### 4.1.2. Transversalitat RSC d'H&M



Actualment la companyia sueca compta amb una **Directora de Sostenibilitat**, Anna Gedda, a qui se li ha encarregat la funció de vetllar per la implementació de l'estratègia i la visió de la RSC integrant-la en tots els treballadors, consumidors i marques de la companyia. A més, la Directora de

32

compliment dels indicadors de sostenibilitat als directors de la companyia dos cops a l'any.

Tanmateix, a H&M existeix un departament exclusiu dedicat a qüestions relacionades amb la Responsabilitat Social anomenat “**Departament de Sostenibilitat Global**”. Aquest departament està format per 30 treballadors experts que tenen la responsabilitat d'establir estratègies, públics, objectius, polítiques i procediments d'avaluació que assegurin el compliment sistemàtic del treball sostenible.

A més del Departament de Sostenibilitat, **150 treballadors repartits en els 20 mercats de producció de la marca** s'encarreguen d'avaluar el rendiment del compromís de sostenibilitat i donar suport per fer millores mitjançant programes i activitats de creació de capacitats.

D'altra banda, l'estratègia de Sostenibilitat inclou un programa anomenat “**Engaging Our Changemakers**”. Aquest programa liderat per Hendrik Alpen, Director de Compromís Sostenible, està dedicat bàsicament a la creació i el manteniment de diàleg amb els stakeholders, socis, treballadors i clients de la companyia per a que la seva col·laboració sigui efectiva, és a dir, que s'acceleri el canvi a llarg termini que la companyia vol assolir en termes de sostenibilitat.

Aquest programa es resumeix en un el document “Engaging with our stakeholders” publicat a la seva pàgina web. Consisteix en un <sup>1</sup>mapa de públics de la companyia on s'hi poden veure els procediments que es segueixen per mantenir el compromís de sostenibilitat amb cadascun d'ells i els respectius punts clau a tenir en compte.

El mapa de públics principal de la companyia està format per:

- |                     |                       |
|---------------------|-----------------------|
| - Stakeholders      | - Treballadors        |
| - Business partners | - Industry peers      |
| - Treballadors:     | - Governants polítics |
| - Consumidors       | - Acadèmia i ciència  |
| - Comunitat         | - ONGs i institucions |
| - Proveïdors        | - Inversors           |

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<sup>1</sup>[Vegeu a l'annex: “Mapa de públics H&M](#)



#### 4.1.3. Codi Ètic d'H&M

El Codi Ètic de la companyia sueca està **inclòs dins les polítiques de drets humans** que estiguin relacionades amb les operacions i els “business partners”. Es tracta d'un **Codi Ètic empresarial** amb uns codis que **defineixen el projecte comú de l'empresa**. A aquest Codi Ètic s'hi pot accedir a través de la seva web i consta d'un document de 5 pàgines amb les següents parts o temàtiques:

- Corrupció i suborn
- Avantatges
- Entreteniment corporatiu i altres esdeveniments
- Drogues i alcohol
- Conflicte d'interessos
- Actius i propietats de l'empresa
- Documents i comptes de la companyia
- Informació confidencial
- Compliment del Codi Ètic + conseqüències del no-compliment

Després d'una explicació més extensa d'aquestes parts o temàtiques, els signants tenen una casella on **firmar el Codi Ètic** conforme han rebut, han llegit i han entès el Codi Ètic i estan d'acord amb el seu compliment.

*2“ In signing this document I confirm that I have received, read and understood the content of H&M Code of Ethics and that I commit to comply.”*

(Code of Ethics Employees, 2013)

Al darrer informe de sostenibilitat s'esmenta que s'han registrat 47 incidents relacionats amb el no-compliment del Codi Ètic (41 al 2017 i 39 al 2016) per part de treballadors o Business Partners.

- Codi Ètic en les operacions (Code of Ethics Employees, 2013)

En referència a la dimensió operacional del Codi Ètic, aquest està **dirigit cap als treballadors** del grup H&M. Té l'objectiu de que tots els membres de la

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<sup>2</sup> Vegeu Codi Ètic H&M a l'annex

companyia actuï de forma ètica, basant-se amb els principis de l'honestedat, la integritat, la transparència i el joc net.

Per tal que el Codi Ètic sigui conegut pels treballadors, l'han de firmar obligatòriament tots els membres de la companyia i, a més, també **reben una formació** d'entrenament pràctic per preparar-los per a situacions en que no es compleixi el Codi Ètic.

Per controlar la implementació correcta del Codi Ètic es duen a terme diverses tècniques (Sustainability Report. H&M Group, 2018. p.94.):

- Auditories internes sobre les rutines i polítiques de cada departament, en les quals s'analitza la implementació del Codi Ètic.
  - Avaluacions aleatòries en mercats o posicions de més risc.
  - Seguiment dels incidents o sospites de violació del Codi Ètic que són reportats.
  - Elaboració d'un informe cada 6 mesos per part del cap de Seguretat sobre el nombre d'infraccions i els progressos que s'han fet per tal d'informar als directius de la companyia.
  - El nombre de casos d'incidències són reportats a l'informe anual i a l'informe de Sostenibilitat.
- Codi Ètic pels "Business Partners" (Code of Ethics Business Partners Commitment, 2014.)

Per H&M, els "Business Partners" són tots aquells negocis que supleixin una necessitat de la companyia amb béns o serveis o bé actuï o col·labori amb la companyia. Concretament, els Business Partners són: proveïdors, venedors, consultories, propietaris, agents prestadors de serveis i organitzacions.

Els "Business Partners" més importants i que a dia d'avui el 100% han firmat el Codi Ètic són els proveïdors de béns comercials, però sobretot les seves polítiques posen més èmfasi en els proveïdors de països d'alt risc com són Cambodja, Bangladesh, Índia o Rússia.

#### 4.1.4. Dimensions de la RSC d'H&M

L'estratègia de Responsabilitat Social Corporativa de la companyia Hennes & Mauritz es desenvolupa des de la perspectiva del desenvolupament sostenible,

altrement conegut com a Triple Bottom Line. Tal com s'ha explicat amb més profunditat al marc teòric, aquesta perspectiva té en compte 3 dimensions a l'hora de treballar la RSC: la dimensió econòmica, la dimensió social i la dimensió ambiental.

#### 4.1.4.1. La dimensió econòmica d'H&M

**100% Leading The Change** (Sustainability Report. H&M Group, 2018. p.21.)

és la dimensió econòmica de l'estratègia de RSC de la marca, i fa referència al compromís de la marca a liderar el canvi en la indústria de la moda i millorar la forma en que els productes es fan o es dissenyen. En definitiva, són totes aquelles activitats que estan destinades a fomentar la innovació i la productivitat de la marca amb l'objectiu de liderar el canvi.

Per a H&M, la innovació és la via d'aconseguir els seus dos altres objectius: convertir-se en 100% Circular i renovable i 100% justos i igualitaris. Per això, en aquesta dimensió més econòmica, s'inclou als seus socis a l'hora d'identificar i compartir solucions innovadores per aconseguir-ho, centrant-se en 3 àrees principals:

- **Transparència:**

La companyia vol que els seus consumidors siguin conscients a l'hora de fer decisions de compra, i per això han creat un sistema que dona informació sobre on, qui i amb què s'ha produït un producte determinat de la marca. Actualment això només era possible de saber amb la col·lecció "The H&M Conscious Exclusive Collection", però al 2019 serà possible amb gairebé tots els productes mitjançant una aplicació Mòbil.

A més H&M és un dels membres fundadors de Sustainable Apparel Coalition (SAC), una aliança entre indústries que, entre altres coses, està desenvolupant el Higg Index, una eina per a fer la indústria de la moda més transparent i sostenible.

- **Innovació:**

Aquesta àrea es centra principalment en el treball amb experts per a desenvolupar solucions a l'hora de crear materials a partir del reciclatge. Algunes de les accions són la creació de sistemes digitals per a solucions d'estalvi

energètic, la implementació de la Intel·ligència Artificial i l'anàlisi de dades per a un major control de la cadena de valor i finalment el desenvolupament de projectes amb el Circular Economy CoLab, un laboratori col·laboratiu amb altres companyies interessades en el model d'economia circular.

#### - **Recompensació de les accions sostenibles**

Per tal d'incentivar les accions sostenibles al llarg de la cadena de valor s'implementen sistemes de recompensa que creen actituds i comportaments positius per la visió sostenible de la companyia a llarg termini. Aquestes recompenses es dirigeixen tant als "Business Partners", als treballadors com als consumidors, incloent-los en l'estratègia de RSC.



**Gràfic 4:** Exemple d'una acció de recompensació pels consumidors. **Font:** (Sustainability Report. H&M Group, 2018. p.29.)

#### 4.1.4.2. La dimensió social d'H&M

La dimensió més social de l'estratègia de RSC de la companyia sueca és molt important, ja que des de 2013 van haver de canviar la seva estratègia i esforçar-se més en matèria de drets humans degut a errors que van cometre i els van perjudicar molt la seva reputació. Actualment, el seu objectiu principal és ser 100% Fair and Equal (Sustainability Report. H&M Group, 2018. p.60.), que significa treballar d'acord als seus valors i respectant els drets humans. Per a fer-ho, la companyia es centra en dues àrees socials principals:

- Proveir llocs de treballs justos, tant pels treballadors del grup H&M com pels treballadors de la cadena de subministrament.
- Fomentar la inclusió i la diversitat en l'ambient de treball.

Pel que podem veure, l'estratègia de RSC de H&M es centra molt en protegir els drets humans dels treballadors en tota la cadena de valor i, sobretot, assegurar que aquesta estratègia arriba a la seva producció.

Un altre punt important de la dimensió social és el foment del bon funcionament de les relacions industrials, ja que és un dels motius pels quals es creen llocs de treball justos.

Les accions en l'aspecte relacional bàsicament tenen l'objectiu de crear diàleg entre els treballadors i els superiors, informant-los dels drets i les obligacions que tenen. També es busca la cooperació governamental per a crear marcs legals que protegeixin els treballadors a l'hora d'obtenir un treball digne.

A més del foment de la bona relació amb la indústria, l'estratègia compta amb una part d'accions dedicada exclusivament a assegurar els salaris justos, la qual es dirigeix tant als governs, a la direcció de les fàbriques i als seus treballadors mitjançant una sèrie de sistemes de gestió de salaris que estan implementant en tots els centres de producció des de 2014.

#### 4.1.4.3. La dimensió ambiental d'H&M

**Gràfic 5: Model de negoci circular** Font: (Sustainability Report. H&M Group, 2018. p.30.)

**100% Circular and Renewable** és la dimensió ambiental de l'estratègia de RSC de la marca H&M. El pilar de la seva estratègia de RSC en la dimensió ambiental, és que creuen en que la solució a la gran explotació de recursos naturals per part de la indústria de la moda és el **model de negoci circular**. Aquest model consisteix, bàsicament en maximitzar els recursos que es fan servir per produir els productes però minimitzant el malbaratament d'aquests. "Utilitzant el model lineal actual, menys de l'1% del material utilitzat per produir roba a tota la indústria es recicla en productes nous. Però en un model circular, els recursos es mantenen en ús durant el màxim de temps possible abans de ser regenerats en nous productes i materials, cosa que redueix els residus i els impactes negatius." (Sustainability Report. H&M Group, 2018. p.33.)



D'acord amb el pensament circular que guia tota l'estratègia de RSC al voltant del desenvolupament sostenible, actualment la marca té en marxa una sèrie de **mesures i accions per assolir el seu objectiu** principal d'economia 100 % circular i renovable, les quals afecten a la seva cadena de valor:

##### A. Disseny

Es centra en la qualitat i la durabilitat del producte, com també en l'ús de químics i els diferents processos de producció de producte. També es busquen maneres de reutilitzar i reciclar els productes.

### **B. Elecció de material**

L'objectiu d'aquestes accions és aconseguir que com a màxim a l'any 2030 el 100 % dels materials utilitzats per a la producció siguin reciclats o respectuosos amb el medi ambient. Actualment, tenint en compte les darreres xifres de 2018, ho són en un 57%.

### **C. Processos productius**

Donat que el màxim objectiu de la companyia és l'economia circular, es fan esforços en que tots els processos productius siguin sostenibles, que és la base d'aquest tipus de model de negoci. Per això fan un major control sobre l'ús de químics, la gestió de l'aigua i l'ús de fibres sintètiques.

“Per tal d'assegurar l'ús segur i la reutilització de materials en el sistema circular, hem d'assegurar una bona gestió dels químics. La nostra visió és liderar el canvi cap al futur de la moda de productes segurs i lliures de tòxics.” (Sustainability Report. H&M Group, 2018. p.42.). Per a assegurar el seu compromís sostenible, entre d'altres iniciatives, al 2018 van començar el procés de química filtrada, la qual permet seleccionar els millors productes químics per a la producció. També han creat la “Llista Positiva de Productes Químics”, en la que s'enumera una llista de químics sostenibles i es promouen al llarg de la cadena de valor, per tal que al 2030 hagin assolit els seus objectius sostenibles en els processos productius.

### **D. Ús de producte**

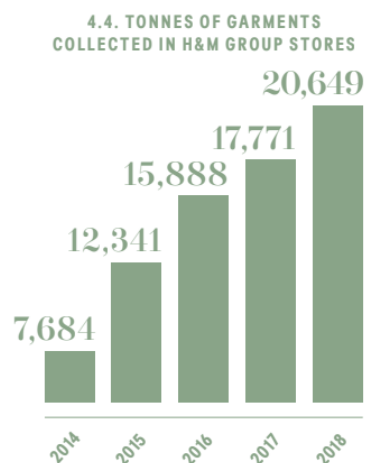
En contraposició a l'obsolescència programada dels productes de la indústria de la moda derivada del fenomen *fast-fashion*, l'economia circular fa que els productes tinguin un cicle de vida més llarg abans de ser reciclats. Una de les accions sobre l'ús de producte que ha llançat la companyia és la conscienciació dels consumidors sobre com fer un bon ús dels productes H&M per a una major durabilitat. A aquest concepte li anomenen “Take Care”. La iniciativa “Take Care” consisteix en ajudar als consumidors de productes de la marca a que les peces de vestir tinguin una duració més llarga d'ús, incloent una guia de consells per a

aconseguir-ho i una oferta de productes com per exemple detergents que siguin respectuosos amb el medi ambient.

### E. Reutilització i reciclatge de producte

L'objectiu d'aquest punt en l'estratègia sostenible és incrementar l'ús de producte reciclat o reutilitzar el producte.

Per a fer-ho, la marca ha posat en marxa diversos projectes, tals com de recollida tèxtil per a convertir-ho en nous productes, gestió dels excedents de roba de les botigues o dels residus de la producció mitjançant sistemes de reciclatge.



**Gràfic 6:** tones de peces de vestir recollides a les botigues d'H&M.

**Font:** (Sustainability Report. H&M Group, 2018. p.50.)

#### 4.1.5. Polítiques de Responsabilitat de H&M (H&M Policies overview, s.d.)

Les polítiques de Responsabilitat Social Corporativa que ha establert H&M són diverses i formen part de les 3 dimensions estudiades: la social, l'ambiental i l'econòmica.

Crida l'atenció que les polítiques de la dimensió social estan gairebé totes enfocades cap al benestar dels treballadors de la cadena de valor d'H&M, per tal de garantir els drets humans dels seus treballadors.

A continuació es mostra una taula amb totes les polítiques establertes per H&M en la seva estratègia de Responsabilitat Social Corporativa:

#### TAULA: POLÍTIQUES RSC D'H&M

**Font:** Taula d'elaboració pròpia

Polítiques de la dimensió social	Polítiques de dimensió ambiental	Polítiques de dimensió econòmica o corporativa
Política de treball infantil Política Global de No-Discriminació i No-Assetjament Política Global d'Inclusió, Diversitat i Igualtat Política de Drets Humans	Política de Benestar Animal Restriccions de Químics Política d'Ètica Material	Política Global de Relacions Laborals Política Fiscal Política Global de Reclamacions

## 4.2. Gestió de la RSC d'una marca de moda de luxe

### GESTIÓ RSC DE BURBERRY

#### 4.2.1. Visió estratègica de la RSC de Burberry

*La nostra visió és establir fermament la posició de Burberry en la moda de luxe. Intensificant el nostre posicionament en el segment més gratificant i durador del mercat, impulsarem el creixement sostenible i majors marges al llarg del temps, mentre continuem oferint rendiments atractius.* (Burberry Business, 2019)

La visió estratègica de la companyia anglesa està alineada amb la seva estratègia de RSC, ja que, en poques paraules, el seu objectiu principal és construir un futur més sostenible i un canvi positiu mitjançant la col·laboració i la innovació de la companyia. Per a fer-ho la companyia inclou les accions sostenibles en la seva estratègia de negoci de forma prioritària. A més, també podem veure aquesta visió estratègica reflectida en els valors de la marca:

*“Actuar amb responsabilitat i integritat és el nostre ADN.”* (Our Approach, 2018)

En quant a la planificació de la Responsabilitat Social Corporativa de la marca anglesa, la seva visió estratègica ha portat a la companyia a establir una sèrie d'objectius sostenibles a assolir, tant a curt com a llarg termini, per tal d'aconseguir allò que determinen a la seva visió, cosa que demostra la planificació de la seva estratègia. Des de l'última actualització de l'estratègia, la marca s'ha establert uns objectius que han de complir com a màxim fins al 2022 i que es resumeixen en el següent gràfic:



**Gràfic 7:** visió estratègica de la RSC de Burberry. **Font:** (Burberry Business, 2019)



#### 4.2.2. Transversalitat RSC de Burberry

Tal com hem establert amb anterioritat al marc teòric, per tal que l'estratègia de Responsabilitat d'una organització sigui transversal cal que impliqui a tots els departaments de la companyia o els grups afectats per l'activitat empresarial.

Així doncs, l'estratègia de Responsabilitat de Burberry té en compte els diversos públics o stakeholders als quals es dirigeix la companyia i, en conseqüència, els afecten les diverses accions i estratègia de Responsabilitat Social de l'empresa.

El **mapa de públics** que publica obertament la companyia a la seva pàgina web (Burberry Stakeholder Map. 2019) està format per:

- **Consumidors**
- **Treballadors**
- **Inversors:**
- **Partners:** Col·laboracions sostenibles, govern, majoristes, llicenciadors, Comitè Extern d'Assessorament de Responsabilitat de Burberry i socis de la cadena de subministrament
- **Comunitat**

Tal com s'estableix a l'últim informe de Sostenibilitat de Burberry de 2017 (Burberry Responsibility Reflections, 2017. P.6.), tots aquests grups d'interès són organitzacions externes a la companyia que són afectats o tenen interès en com opera Burberry, i són escollits en funció de si comparteixen el compromís de crear col·laboracions obertes amb el sector i ajudin a crear un canvi positiu del sistema.

Una de les col·laboracions més importants i destacables entre tots els stakeholders és amb els proveïdors de la cadena de subministrament, amb qui comparteixen reptes de sostenibilitat com l'establiment d'una aliança anomenada **Sustainable Fibre Alliance**.

A més de la implicació dels stakeholders, l'estratègia de RSC és transversal, ja que afecta a tots els departaments interns de la companyia. Precisament, en aquest aspecte Burberry compta amb una sèrie d'**equips dedicats plenament a la gestió i el desenvolupament de l'estratègia de Responsabilitat Social** ("Governance - Our Approach", 2019):

- **Equip de Responsabilitat:**

Treballa i col·labora amb els equips interns per a assegurar la implementació de l'estratègia de Responsabilitat i fer progressos en els objectius sostenibles. Els membres d'aquest equip estan repartits en les diferents ciutats on opera la companyia: Londres, Leeds, Florència, Hong Kong i Tòquio.

- **Comitè d'Assessorament Extern de Sostenibilitat:**

Grup de stakeholders independents a l'empresa experts en diferents àrees de sostenibilitat, els quals representen a: Elvis and Kresse, Forum For The Future, Oxfam GB i Universitat de Leeds. Aquest equip es reuneix diversos cops a l'any per escoltar i comentar els progressos en l'estratègia de sostenibilitat de Burberry.



**4.2.3. Codi Ètic de Burberry** (BURBERRY ETHICAL TRADING CODE OF CONDUCT, s.d.)

La companyia britànica Burberry compta amb un **Codi Ètic** anomenat *Ethical Trading Code Of Conduct* en el qual es recullen una sèrie de normes establertes amb la finalitat d'obtenir una bona relació tant amb els treballadors com amb els proveïdors de la cadena de subministrament.

De totes maneres, aquest codi ètic és l'únic que està a l'abast del públic i pel tractament del contingut sembla que es dirigeix més aviat a aspectes relacionats amb els partners i no tant amb els treballadors interns de la companyia.

A continuació s'enumeren els **punts tractats** en aquest document de 7 pàgines en total:

- Compromís
- Àmbit de les polítiques
- Definicions
- Implementació
- Reporting
- Auditoria i compliment

- Punts del codi de conducta del comerç ètic

#### 4.2.4. Dimensions de la RSC de Burberry

L'estratègia de Responsabilitat Social Corporativa de la marca de luxe escollida en l'estudi de cas compta amb tres dimensions principals que guien l'estratègia: la dimensió de producte, la dimensió de la companyia i la dimensió de la comunitat. Tenint en compte la teoria recollida en aquest estudi, el TBL de Burberry és el mateix, però ho anomenen diferent. A la dimensió ambiental, li anomenen producte; a la dimensió social, li anomenen comunitat; i a la dimensió econòmica, li anomenen companyia. Per tant, podem dir que Burberry també segueix amb les dimensions del Triple Bottom Line en la seva estratègia de Responsabilitat Social.

##### 4.2.4.1. Dimensió ambiental (Responsibility - Product, 2019)

Creating Tomorrow's Heritage és el compromís de Burberry en assegurar que tots els productes de la marca tinguin més d'un atribut positiu amb el límit màxim fins l'any 2022. Els atributs positius als que es refereixen són totes aquelles millores socials i/o ambientals en termes de matèria primera o producció.

En aquest aspecte, l'estratègia sobre el producte té en compte totes les activitats de la cadena de valor, les quals són guiades a partir dels seus Principis de Responsabilitat de Negoci sota la seva Política Global de Medi Ambient.

Les àrees principals en les que duen a terme accions de l'estratègia de RSC sobre el producte són:

- Estimular la demanda de productes de matèria primera sostenible
- Millorar el benestar i la vida dels treballadors
- Impulsar la sostenibilitat ambiental a la cadena de subministrament
- Augmentar la innovació en materials i processos

##### 4.2.4.2. Dimensió econòmica (Responsibility - Company, 2019)

Aquesta dimensió engloba totes les polítiques i accions que s'estableixen per tal de garantir que les activitats de la companyia siguin sostenibles, tant en la seva dimensió social com l'ambiental.

Els seus dos objectius principals o grans àrees de la dimensió de la companyia en les que hi treballen són:

- Convertir-se en neutrals en emissions de carboni en les seves operacions mitjançant l'eficiència energètica i les energies renovables.
- Revaluar els residus incentivant als fabricants i generant solucions innovadores.

Tal com s'ha explicat anteriorment amb H&M, Burberry forma part de la iniciativa del **model de negoci circular** en la indústria de la moda. En aquest cas, la companyia forma part de la iniciativa des de 2018 degut al problema de no reciclar les peces de vestir de pell que fabrica la companyia, ja que tal com s'ha explicat en varis mitjans de comunicació el darrer any, la companyia cremava les peces en comptes de reutilitzar-les o donar una altra alternativa (La Vanguardia. 2018).

#### **4.2.4.3. Dimensió social** (Responsibility - Communities 2019)

Aquesta dimensió de l'estratègia de Responsabilitat se centra en la **inversió en el desenvolupament de les comunitats** en les que opera la companyia. Per exemple, impulsen programes de voluntariat pels treballadors de Burberry en les seves comunitats locals o donen l'1% dels beneficis anuals a causes caritatives.

Les àrees clau en les quals es centra la dimensió de comunitat són principalment d'àmbit social i són les següents:

- Desigualtat educativa i millora de l'assessorament professional dels joves britànics
- Fomentar la cohesió comunitària i ajudar als joves d'Itàlia a trobar feina.
- Empoderament econòmic i social de les comunitats rurals de l'Afganistan.

#### **4.2.5. Polítiques de RSC de Burberry** (Responsibility – Policies and Commitments. 2019)

Les polítiques de Responsabilitat Social Corporativa que ha establert Burberry són diverses i formen part de les 3 dimensions estudiades: la social, l'ambiental i l'econòmica. A diferència d'H&M, les polítiques enfocades a la dimensió social no es centren únicament en els treballadors, sinó que tenen en compte altres stakeholders com la comunitat.

A continuació es mostra una taula amb totes les polítiques establertes per H&M en la seva estratègia de Responsabilitat Social Corporativa:

### TAULA: POLÍTIQUES RSC DE BURBERRY

Font: taula d'elaboració pròpia

Polítiques de la dimensió social	Polítiques de dimensió ambiental	Polítiques de dimensió econòmica o corporativa
Política De Salut I Seguretat Global Política De Drets Humans Política De Treballadors Migrants Política De Model De Benestar Política De No Compliment Dels Associats Política De Compromís Amb Els Stakeholders Locals	Política Global De Medi Ambient Política D'aprovisionament Sostenible	Política Anti Suborn I Corrupció Política De Taxes

## 4.3. Comunicació de la RSC d'una marca de moda de baix cost

### COMUNICACIÓ RSC D'H&M

#### 4.3.1. MEMÒRIA DE SOSTENIBILITAT D'H&M

- **Regularitat de publicació**

L'informe de sostenibilitat de la marca H&M es publica anualment i s'hi pot accedir públicament des de la seva pàgina web.

- **Profunditat de tractament de cada tema**

S'ha efectuat un anàlisi d'aquest informe segons si compleix (o no) amb els criteris establerts pels estàndards i els organismes de regulació esmentats per tal d'assegurar la transparència de l'empresa. D'acord amb això, veiem que **les dues marques utilitzen l'estàndard anomenat Global Reporting Initiative o GRI**, com a model d'elaboració de l'informe de sostenibilitat.

Les categories que es veuen a la taula a continuació són les categories establertes pel GRI i s'ha efectuat l'anàlisi sota aquest criteri:

## TAULA: CONTINGUT DE L'INFORME DE SOSTENIBILITAT H&M 2018 SEGONS GRI

Font: taula d'elaboració pròpia

Estratègia i anàlisi de l'empresa	"Vision and strategy" p.12-15
Perfil de l'organització	"About H&M Group" p.10
Paràmetres de la memòria	"How we report" p.100
Govern corporatiu, compromisos, reptes i participació de grups d'interès	"How we are organised" + "Engaging our changemakers" + Key collaborations" +
Enfocament de gestió i indicadors de compliment	"Key achievements" p.7
Indicadors de compliment econòmic	Full year report
Indicadors de compliment ambiental	"KPIs and Goals" p. 32
Indicadors d'acompliment social	"UN's Sustainable Development Goals" p.104
Pràctiques laborals i treball digne	"100 % fair and equal" p. 63-83
Drets humans	"Our Human Rights Policy" p. 92-93
Societat	"100 % fair and equal" p. 63-83
Responsabilitat sobre productes	"Products & materials policies" P.98

### 4.3.2. ANÀLISI DE LA COMUNICACIÓ ONLINE DE LA RSC

- Pàgina web corporativa

URL: <https://sustainability.hm.com/>

Mitjançant la pàgina web corporativa de la marca, H&M publica anualment els seus informes de sostenibilitat i dona tot tipus d'informació relacionada amb la seva estratègia de Responsabilitat Social en l'apartat anomenat "Sustainability".

Alguns dels tipus d'informació que podem trobar en aquesta pàgina són:

- Visió i estratègia
- Missatge del CEO
- Entrevistes
- Impacte al voltant de la cadena de valor
- Stakeholders

La periodicitat de publicació a la pàgina web és d'actualització freqüent, ja que està actualitzada amb informes recents.

Donat el tipus de contingut corporatiu que hi publiquen, podem considerar que aquest canal de comunicació és plenament vàlid per a comunicar-se amb els stakeholders de la marca, els accionistes, "business partners" o possibles inversors, ja que aporten molta informació sobre l'empresa en termes econòmics, corporatius i de sostenibilitat.

- Twitter

URL: <https://twitter.com/hm/>

A Twitter, la marca sueca utilitza aquest canal per a fer publicacions de tipus corporatives o de tipus promocionals de la marca o els seus productes. Almenys durant el període de 2018 a 2019, hi ha com a mínim una publicació sobre temes de Responsabilitat Corporativa de la marca. Solen ser tuits en forma de comunicats, quan hi ha algun tema relacionat amb la sostenibilitat que els afecta directament a ells o és una acció de RSC que han fet, com per exemple aquest tuit del 14 de Març de 2019, en el que la marca anunciava que havia signat un compromís per l'eliminació global del plàstic:

**Gràfic 8:** *We've signed up to @NewPlasticsEcon's Global Commitment to help eliminate plastic pollution.*

*@UNEnvironment #globalcommitment. (H&M [hm]. 2019)*

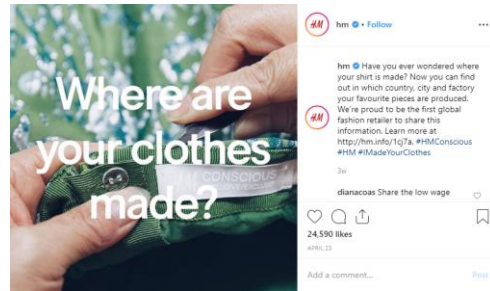


Podem veure que aquest de canal de comunicació està tant dirigit a stakeholders com accionistes, business partners o inversors, com a la comunitat o els consumidors en general de la marca, ja que no només és contingut de tipus més corporatiu. La marca, per tant, utilitza Twitter com a via de comunicació de la RSC i la promoció de la marca al mateix temps, sense diferenciar un perfil de l'altre.

- Instagram

URL: <https://www.instagram.com/hm/>

A diferència dels canals de Twitter i la pàgina web d'H&M, a l'Instagram de la marca el contingut que publiquen és molt més promocional que no pas corporatiu i, per això, les publicacions sovint es poden confondre amb màrqueting social, per exemple: últimament han fet el llançament de la nova línia de roba "Conscious Exclusive", en la que els productes estan fets de materials reciclats 100%, i per això en fan molta promoció a les xarxes socials, sobretot a Instagram.



**Gràfic 9: (H&M. 2019)**

D'altra banda, darrerament les publicacions relacionades amb la seva estratègia de RSC, el seu compromís social o econòmic estan quedant en segon pla, ja que es fa molta més comunicació de la nova línia de roba sostenible Conscious Exclusive que de les altres accions. De totes maneres, la freqüència de publicació de contingut de RSC en aquesta xarxa social són més de 1 publicació mensual en el període analitzat (entre 2018 i 2019). Podríem dir que, la xarxa social d'Instagram, és el canal de comunicació adient per comunicar la seva estratègia de RSC als stakeholders com la comunitat o als seus consumidors, donat el tipus de contingut de les publicacions que fan sobre la RSC de la marca.

- Facebook

**URL:** <https://www.facebook.com/hm>

Finalment, l'últim canal de comunicació online analitzat és la xarxa social Facebook. En aquest canal, la marca fa comunicació més aviat corporativa i promocional de la marca, i no tant de la seva estratègia o accions de RSC com fan als canals de Twitter o a la pàgina web.

La freqüència de publicació de contingut d'RSC a Facebook és molt més baixa que a les demés xarxes socials, ja que hi ha hagut mesos, entre el període de 2018 a 2019 en els que no han fet cap publicació. Durant el mes de maig de 2019, no se n'ha fet cap sobre RSC.

Degut a la falta de contingut sobre Responsabilitat Social Corporativa d'H&M a Facebook, podríem dir que aquesta xarxa social està enfocada més aviat cap als consumidors que als stakeholders i, per tant, no és una de les principals vies de comunicació amb els seus grups d'interès.



#### 4.3.3. PRESENCIA INFORMATIVA DE LA RSC EN ELS MITJANS DE COMUNICACIÓ

*“A wave of actions against poverty wages hits H&M’s largest markets and production locations”*

(Clean Clothes. 2018)



Durant l'any 2018 la companyia sueca H&M s'ha vist involucrada en una gran polèmica degut al desmantellament del no compliment del seu compromís amb els salaris justos dels treballadors de les fàbriques proveïdores dels seus productes. (Clean Clothes. 2018)

“Turn Around HM” és una campanya en contra de la pràctica de l'empresa de no complir amb el seu compromís de 2013 ("Wages", 2018), en el qual la companyia assegurava sous justos pels seus treballadors de tota la cadena de valor (Turn Around H&M. 2018). Fins i tot, la marca conté un apartat exclusivament a aquest problema social tant a la seva pàgina web com a l'Informe de Sostenibilitat.

Arrel d'això hi ha hagut una sèrie de manifestacions a favor de la causa arreu del món en països com Àustria, Bèlgica, Cambodja, Croàcia, Índia, Indonèsia, Itàlia, Alemanya, Hong Kong, Holanda, Romania, Espanya, Sri Lanka... entre d'altres. Les xarxes socials també han tingut un paper clau en el desmantellament d'aquest escàndol.

L'últim comunicat sobre el tema publicat per H&M a la seva pàgina web data de Febrer de 2019, en el qual la marca es desenten de les accions violentes que s'han produït en algunes manifestacions per la causa i explica que s'estan fent esforços per millorar el seu compromís per uns salaris més justos.

#### 4.3.4. COMUNICACIÓ DE LA RSC EN NOTES DE PREMSA

URL: <https://about.hm.com/en/media/news.html>

La sala de premsa virtual d'H&M en la seva web corporativa conté un apartat exclusiu de notes de premsa redactades per l'empresa sobre sostenibilitat, moda, corporació i informació regulatòria.

Durant el període de 2018 a 2019, es van publicar més de 40 notes de premsa sobre Responsabilitat Social Corporativa.

Alguns dels temes tractats en les notes de premsa de 2018 són:

- Iniciatives relacionades amb la recaptació de fons per causes socials
- Col·lecció 2018 de línia de roba amb material reciclat “Conscious Exclusive”
- Premis de RSC
- Transparència
- Progressos en matèria de salaris justos i condicions de treball
- Iniciatives d’innovació i medi ambient

Durant l’any 2019, els principals temes tractats en les notes de premsa d’H&M són:

- Col·laboració per a projectes socials
- Compromisos signats
- Objectius sostenibles assolits
- Comunicats per la situació de crisi a Bangladesh (en relació amb el moviment anteriorment mencionat de Turn Around H&M)

#### 4.4. Comunicació de la RSC d’una marca de moda de luxe

### COMUNICACIÓ RSC BURBERRY

#### 4.4.1. MEMÒRIES DE SOSTENIBILITAT

- **Regularitat de publicació**

L’informe de sostenibilitat de la marca Burberry, físicament, no existeix com a document en sí, sinó que l’informe de sostenibilitat de la marca es publica en forma de pàgina web. De totes maneres, és vàlid com a informe de sostenibilitat pel nostre anàlisi, ja que conté la majoria dels punts que s’han de tractar segons el criteri escollit del GRI.

- **Profunditat de tractament de cada tema**

S'ha efectuat un anàlisi d'aquest informe segons si compleix (o no) amb els criteris establerts pels estàndards i els organismes de regulació esmentats per tal d'assegurar la transparència de l'empresa. D'acord amb això, veiem que **les dues marques utilitzen l'estàndard anomenat Global Reporting Initiative o GRI**, com a model d'elaboració de l'informe de sostenibilitat.

Les categories que es veuen a la taula a continuació són les categories establertes pel GRI i s'ha efectuat l'anàlisi sota aquest criteri:

**TAULA: CONTINGUT DE L'INFORME DE SOSTENIBILITAT DE BURBERRY SEGONS GRI**

Estratègia i anàlisi de l'empresa	"Responsibility Strategy"
Perfil de l'organització	"Our Approach"
Paràmetres de la memòria	No hi ha informació
Govern corporatiu, compromisos, reptes i participació de grups d'interès	"Governance, Policies and Stakeholder engagement" p.35
Enfocament de gestió i indicadors de compliment	Responsibility Performance
Indicadors de compliment econòmic	Basis of reporting 2017-2018
Indicadors de compliment ambiental	
Indicadors d'acompliment social	
Pràctiques laborals i treball digne	"Our people" p. 25-31
Drets humans	"Human rights" p.30-32
Societat	"Our communities" p.33-34
Responsabilitat sobre productes	Our product p. 5-11
	"Responsible sourcing" p 9-11.
	"Our operations" p.13-16
	"Our Value Chain" p.17-23

Font: taula d'elaboració pròpia

#### 4.4.2. ANÀLISI DE LA COMUNICACIÓ ONLINE DE LA RSC

- Pàgina web corporativa

URL: <https://www.burberryplc.com/en/responsibility.html>

La pàgina web corporativa de Burberry, en termes de sostenibilitat podríem dir que és una versió web de l'informe de sostenibilitat. Físicament, l'informe de sostenibilitat no existeix com a document en sí, sinó que l'informe de sostenibilitat de la marca es publica en forma de pàgina web. Així doncs, a la seva pàgina web es pot obtenir informació de les accions i/o actuacions de la companyia en matèria de Responsabilitat Social, concretament a l'apartat de "Performance" on, de forma actualitzada, es van publicant els resultats a partir dels KPIs establerts en l'estratègia i algunes de les accions més importants que es fan.

D'altra banda, a la seva pàgina, Burberry publica tota la informació necessària relacionada amb l'estratègia de RSC de forma actualitzada:

- Enfocament (Visió)
- Estratègia de Responsabilitat
- Col·laboracions i associats
- Polítiques i compromisos
- Performance
- Contactes de Responsabilitat
- Twitter

URL: <https://twitter.com/burberrycorp?lang=ca>

La marca Burberry comunica les accions de Responsabilitat Social Corporativa a les seves **xarxes socials** de forma freqüent, sobretot a Twitter, on es fa més d'1 publicació sobre RSC al mes. Les accions que s'hi comuniquen formen part tant de la dimensió social, econòmica com l'ambiental, però sobretot predominen les de la dimensió ambiental.



Gràfic 10: Burberry. [BurberryCorp] 2019

En canvi, la comunicació de la seva estratègia de Sostenibilitat, que és un tipus de comunicació més aviat corporativa, no és tant freqüent en les **xarxes socials** però és existent. Aquestes publicacions solen comunicar quan s'ha assolit algun objectiu plantejat en l'estratègia inicial, quan volen donar a conèixer una nova col·laboració o projecte, o fins i tot per ser més transparents i mostrar les seves polítiques de RSC. Així doncs, les publicacions poden formar part de qualsevol de les tres dimensions mencionades anteriorment.

- Instagram

URL: <https://www.instagram.com/burberry/>

A la xarxa social Instagram, Burberry fa publicacions sobre RSC de forma molt poc freqüent en comparació a Twitter. De fet, en el període de 2018 a 2019 la marca només ha fet 3 publicacions sobre aspectes de la seva estratègia de

Responsabilitat Social. Podríem dir que aquest canal no és una via principal de comunicació amb els stakeholders més enllà dels consumidors, ja que no se'n parla gens sobre RSC de la marca.

- Facebook

URL: <https://ca-es.facebook.com/Burberry>

Tal com succeeix amb Instagram, la marca anglesa tampoc fa publicacions sobre RSC a Facebook. Durant el període de 2018 a 2019 només se n'han fet 2 relacionades amb la RSC. El target d'aquesta via de comunicació, també són els consumidors i, per tant, no es pot considerar un canal de comunicació de Burberry amb els seus stakeholders més enllà dels consumidors de la marca.

#### 4.4.3. PRESENCIA INFORMATIVA DE LA RSC EN ELS MITJANS DE COMUNICACIÓ

*“La firma de lujo británica Burberry destruyó en el último año todos los productos que no logró vender -ropa, accesorios y perfumes- con el fin de proteger su marca, según se desprende de su informe anual, difundido hoy”*

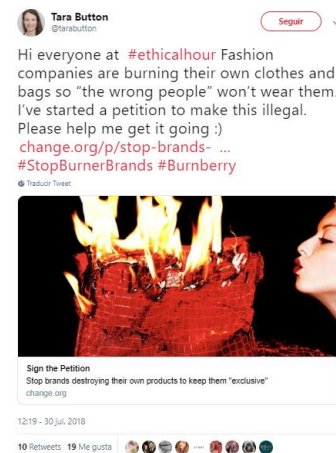
(La Vanguardia. 2018)

Malgrat que la marca anglesa tenia darrera seu un gran equip de Responsabilitat Social i la seva estratègia semblava consolidada, l'any 2018 la firma anglesa va haver d'enfrontar una crisi derivada d'una pràctica que va encendre la comunitat.

En el seu informe anual de 2018 la companyia va informar que es cremaven tots aquells productes excedents que no es venien a final de temporada, tant a les botigues físiques com online de Burberry. De fet, només al 2017 es van cremar una quantitat de productes amb un valor d'11,19 milions d'euros.

Aquesta pràctica, segons els sectors més ecologistes de la societat, és una pràctica que contamina i a més és un malbaratament innecessari de recursos; per aquest motiu, la xarxa es va inundar de publicacions en contra de la marca sota el hashtag #BurnBerry i mitjans de comunicació d'arreu del món publicaven notícies explicant la situació de Burberry.

Davant d'aquesta situació, el 5 de Setembre de 2018 la marca Burberry comunica a través de les diferents xarxes socials que està abandonant la pràctica de crema de productes excedents i que forma part d'un dels objectius de la seva estratègia.



**Gràfic 11:** Tuit d'una usuària sobre la campanya BurnBerry. **Font:** Burberry Corporate [BurberryCorp]. 2018

#### 4.4.4. COMUNICACIÓ DE LA RSC EN NOTES DE PREMSA

Burberry, igual que H&M, té una sala de premsa virtual on publica notes de premsa. Les publicacions sobre Responsabilitat Social Corporativa de la marca durant el període de 2018 a 2019 han sigut un total d'11 notes de premsa. Veiem doncs, que la freqüència de publicació de notes de premsa és més baixa que la d'H&M.


Alguns dels temes tractats en les diferents notes de premsa de 2018 a 2019 per part de la marca Burberry han sigut:

- Commemoració del Dia de la Dona
- Acció conjunta amb els partners contra el canvi climàtic
- Expansió de la companyia
- Programes culturals
- Objectius assolits
- Innovació i recerca
- Suport d'iniciatives socials i mediambientals
- Donacions

## 4.5. Comparació de la gestió de la RSC de les marques estudiades

**TAULA RESUM COMPARATIVA DE LA RSC DE LES DUES MARQUES**

Font: taula d'elaboració pròpia

		<b>BURBERRY</b>
VISIÓ, MISSIÓ I VALORS ALINEATS AMB LA RSC?	Sí	Sí
TRANSVERSALITAT RSC	<b>Departament de Sostenibilitat Global</b> <b>Engaging Our Changemakers</b> <b>Stakeholders:</b> <ul style="list-style-type: none"> <li>• Business partners</li> <li>• Treballadors</li> <li>• Consumidors</li> <li>• Comunitat</li> <li>• Proveïdors</li> <li>• Treballadors</li> <li>• Industry peers</li> <li>• Governants polítics</li> <li>• Acadèmia i ciència</li> <li>• ONGs i institucions</li> <li>• Inversors</li> </ul>	<b>Equip de Responsabilitat</b> <b>Comitè Extern d'Assessorament</b> <b>Stakeholders:</b> <ul style="list-style-type: none"> <li>• Consumidors</li> <li>• Treballadors</li> <li>• Inversors</li> <li>• Partners: Col·laboracions sostenibles, govern, majoristes, llicenciadors, Comitè Extern d'Assessorament de Responsabilitat de Burberry i socis de la cadena de subministrament</li> <li>• Comunitat</li> </ul>
CODI ÈTIC	<b>Codi Ètic en les operacions</b> <b>Codi Ètic pels Socis</b>	<b>Ethical Trading Code Of Conduct</b>
POLÍTIQUES DE LA RSC	<b>Política de treball infantil</b> <b>Política Global de No-Discriminació i No-Assetjament</b> <b>Política Global d'Inclusió, Diversitat i Igualtat</b> <b>Política de Drets Humans</b> <b>Política de Benestar Animal</b> <b>Restriccions de Químics</b> <b>Política d'Ètica Material</b> <b>Política Global de Relacions Laborals</b> <b>Política Fiscal</b> <b>Política Global de Reclamacions</b> <b>Política de Stakeholders</b>	<b>Política De Salut I Seguretat Global</b> <b>Política De Drets Humans</b> <b>Política De Treballadors Migrants</b> <b>Política De Model De Benestar</b> <b>Política De No Compliment Dels Associats</b> <b>Política De Compromís Amb Els Stakeholders Locals</b> <b>Política Global De Medi Ambient</b> <b>Política D'aprovisionament Sostenible</b> <b>Polítiques de dimensió econòmica o corporativa</b> <b>Política Anti Suborn I Corrupció</b> <b>Política De Taxes</b>
DIMENSIONS DE LA RSC	<b>Social:</b> enfocada només als públics interns <ul style="list-style-type: none"> <li>- Condicions de treball i salaris justos</li> <li>- Inclusió i diversitat</li> <li>- Relacions industrials</li> </ul> <b>Ambiental:</b> model de negoci circular. Sostenibilitat en: <ul style="list-style-type: none"> <li>- Disseny</li> <li>- Elecció de material</li> <li>- Processos productius</li> <li>- Ús de productes</li> <li>- Reutilització</li> </ul> <b>Econòmica:</b> innovació, transparència i enfocada als business partners.	<b>Social:</b> enfocada a la comunitat <ul style="list-style-type: none"> <li>- Educació comunitat jove britànica i italiana</li> <li>- Comunitats rurals de l'Afganistan</li> </ul> <b>Ambiental:</b> model de negoci circular <ul style="list-style-type: none"> <li>- Productes de matèria primera sostenible</li> <li>- Benestar treballadors cadena de valor</li> <li>- Cadena de subministrament sostenible</li> <li>- Innovació producció</li> </ul> <b>Econòmica:</b> transparència i innovació de la companyia
CANALS DE COMUNICACIÓ RSC ALS STAKEHOLDERS	<b>Twitter</b> <b>Pàgina Web</b> <b>Facebook</b> <b>Instagram</b> <b>Notes de premsa (+ de 40)</b>	<b>Twitter</b> <b>Pàgina Web</b> <b>Notes de premsa (11)</b>

<b>GESTIÓ DE LA PRESENCIA INFORMATIVA DE LA RSC EN ELS MITJANS DE COMUNICACIÓ</b>	<ul style="list-style-type: none"> <li>• És congruent el que dicta l'estratègia de RSC de la marca amb el que diuen els mitjans de comunicació?</li> </ul> <p>No ha complert amb el compromís dels salaris justos i condicions dels treballadors.</p> <ul style="list-style-type: none"> <li>• Com ho ha gestionat?</li> </ul> <p>Comunica que s'estan fent esforços per a millorar.</p>	<ul style="list-style-type: none"> <li>• És congruent el que dicta l'estratègia de RSC de la marca amb el que diuen els mitjans de comunicació?</li> </ul> <p>No ha complert amb el compromís de sostenibilitat degut a la crema de productes.</p> <ul style="list-style-type: none"> <li>• Com ho ha gestionat?</li> </ul> <p>Comunica que s'està abandonant la pràctica.</p>
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Analitzant les principals diferències que aboca la taula comparativa, primerament veiem que la visió, missió i valors de les dues marques estudiades si que s'integren a l'estratègia de RSC i viceversa.

Quant a la transversalitat de la RSC, veiem que H&M internament té un Departament de Sostenibilitat Global i un programa per a involucrar els stakeholders externs en l'estratègia de RSC. En quant a Burberry, compta amb un Equip de Responsabilitat i un Comitè Extern d'assessorament de sostenibilitat en el que hi participen alguns stakeholders.

H&M no té només un codi ètic a diferència de Burberry, ja que diferencia un codi per a les operacions al llarg de la cadena de valor i un altre per les relacions entre socis. En canvi, el codi ètic de Burberry no diferencia entre un codi i un altre, sinó que inclou tots els codis en l'Ethical Trading Code of Conduct.

En referència a les polítiques de RSC, observem que les de Burberry són més variades que les de H&M. Veiem com H&M centra les polítiques en el benestar dels treballadors i aspectes relacionats amb el medi ambient, mentre que la marca de luxe integra polítiques de les 3 dimensions del Triple Bottom Line. Cal destacar, però, que les dues marques compten amb una política específica per als stakeholders.

En relació amb les dimensions de la RSC, veiem com les dues marques utilitzen les 3 dimensions TBL, però cadascuna de les 3 està enfocada a diferents stakeholders: Burberry enfoca la dimensió social a la comunitat i H&M als treballadors. En la dimensió ambiental, les dues coincideixen en el model de negoci circular per a un futur sostenible. En la dimensió econòmica, les dues es centren en la transparència i la innovació de la companyia.

Si comparem la gestió de la comunicació de les dues marques, veiem que existeixen diferències notables. H&M, a nivell online, utilitza més canals de



comunicació per a transmetre informació relacionada amb la RSC i, per tant, la comunicació amb els stakeholders és més àmplia amb tots els seus públics que no pas Burberry. La marca de luxe limita l'ús de canals a Twitter i la seva pàgina web, donant a entendre que el target de la seva comunicació d'informació d'RSC són inversors, business partners i socis, ja que es tracta de canals més aviat corporatius.

D'acord amb la gestió de la informació publicada als mitjans de comunicació relacionat amb les dues marques, podem concloure que les dues marques han patit danys en la seva imatge i reputació donat que no han sigut congruents amb el compliment d'alguns dels compromisos de Responsabilitat Social que van integrar en la seva estratègia. Tot i així, les dues marques ho han reconegut públicament i segons comuniquen, ho estan gestionant.

## 5.CONCLUSIONS

### **Les empreses de la indústria de la moda realitzen RSC?**

Tal com hem vist al marc teòric, el Llibre Verd de la Comissió Europea estableix que “La Responsabilitat Social Empresarial consisteix en l'assumpció voluntària per part de les empreses de les responsabilitats derivades dels efectes de la seva activitat sobre el mercat i la societat, així com sobre el medi ambient i les condicions de desenvolupament humà.”.

H&M, la marca de moda de baix cost, conté una sòlida estratègia de Responsabilitat Social en la seva estratègia empresarial centrada en assolir l'objectiu d'economia circular en totes les seves àrees, marques i estadis de la cadena de valor. Per tant, d'acord amb la definició de Responsabilitat Social, veiem que H&M sí que fa Responsabilitat Social, ja que pretén que totes les seves accions empresarials minimitzin els efectes sobre el seu entorn i siguin una empresa més sostenible.

D'altra banda, després d'haver analitzat la marca de moda de luxe Burberry, podem concloure que la seva estratègia també està dotada d'una gran part de Responsabilitat Social Corporativa. Tal com la marca afirma en la seva visió

empresarial, aposten pel desenvolupament sostenible de la seva companyia sense haver de renunciar a créixer en el mercat de la moda de luxe.

### **Quines dimensions de la RSC treballen les empreses de la indústria de la moda?**

Després d'analitzar les dues marques, hem vist que l'estratègia de Responsabilitat Social d'ambdues companyies es divideix en les 3 dimensions del desenvolupament sostenible, la dimensió econòmica, la dimensió ambiental i la dimensió social, és a dir, es compleix la teoria del Triple Bottom Line.

Que les dues marques toquin les 3 dimensions en la seva estratègia de RSC no treu, però, que cada marca reforci una dimensió o una altra amb més o menys profunditat. Per exemplificar-ho, podem veure com la marca de baix cost H&M es centra molt més amb la vessant ambiental, ja que gran part de les seves accions tenen l'objectiu principal de minimitzar l'impacte ambiental derivat de la seva activitat empresarial, malgrat que això no vol dir que la marca no faci accions pròpies de les altres dimensions.

Amb això, podem extreure la principal conclusió de que la marca de luxe dirigeix les seves accions de la dimensió social cap al benestar de la comunitat, mentre que la marca de baix cost centra la seva estratègia en la dimensió social per millorar les condicions dels treballadors. Aquesta diferència suggereix que les dues marques fan més esforços en la gestió de la relació amb uns stakeholders concrets que uns altres, amb la possibilitat de que això sigui donat per una mala gestió anterior.

### **Hi ha diferències entre les polítiques de RSC de les marques de baix cost i de luxe de la indústria de la moda?**

Després de comparar les polítiques de Responsabilitat Social que empren les dues marques, i tenint en compte que les Polítiques de RSC són les línies d'acció que marca la companyia per aconseguir els objectius de RSE (Francés Gómez, 2006.P:33), s'extreuen les següents conclusions:

Ambdues marques utilitzen polítiques de forma equitativa si es classifiquen a través del criteri de les diferents dimensions de la RSC, és a dir, no es posa més

èmfasi en un tipus de polítiques que en unes altres més enllà de que el número de polítiques variï entre una o dues més, com és el cas de Burberry en les polítiques de dimensió social (les quals són més nombroses que les altres) o en el cas d'H&M amb les polítiques de dimensió ambiental.

Més concretament, les polítiques que coincideixen entre les dues marques són les polítiques de drets humans, sobre la matèria primera, sobre els stakeholders i sobre les taxes.

Amb aquesta comparació, podem concloure que el tipus de polítiques entre la marca de luxe i la marca de baix cost no varien molt, però sí trobem diferències en el nombre de polítiques dedicades a una dimensió o una altra. De tota manera, veiem com H&M en la dimensió social només té en compte els públics interns, és a dir, es preocupa per tenir un bon clima de treball mentre que pels públics externs, com podria ser la comunitat, no té cap política. La conclusió principal, doncs, és que cadascuna de les marques prioritza unes polítiques depenent de la seva estratègia de RSC.

### **Com gestionen les empreses de la indústria de la moda la RSC?**

Sota el criteri del que significa una bona gestió de la RSC que hem extret de la revisió teòrica, que es podria resumir en que les empreses han d'integrar la gestió empresarial a tots els stakeholders i ser capaços de crear valor i establir un diàleg amb el seu públic, podem concloure que:

Burberry fa una gestió de la RSC des d'una perspectiva interna amb el seu equip de Responsabilitat, però el més important és que té molt en compte els diversos públics als quals es dirigeix la companyia. H&M té una sèrie d'equips dedicats exclusivament a la gestió i el desenvolupament de l'estratègia de Responsabilitat Social, els quals es conformen per càrrecs pertanyents als diferents públics de la companyia. En aquest sentit, la marca de luxe fa una gestió de la RSC que inclou als seus stakeholders amb major grau, més enllà de la gestió de la RSC que es fa des de l'interior de la companyia.

H&M, per la seva banda, compta amb un departament intern de sostenibilitat que pren la majoria de les decisions i amb el qual reforça l'estratègia i vetlla pel seu compliment al llarg de totes les àrees del negoci. També és veritat que compta amb un programa extern dedicat a incloure els stakeholders en les decisions empresarials. En aquest sentit, la marca de baix cost fa una gestió de la RSC des d'una visió més interna, sense deixar de banda completament la perspectiva externa dels stakeholders però que en comparació s'allunya de la gestió més implicadora de la marca de luxe amb els stakeholders.

### **Com comuniquen la RSC les empreses de la indústria de la moda de luxe i baix cost?**

Per últim, respecte a la comunicació de l'estratègia de Sostenibilitat de les dues marques, la comunicació de la companyia de baix cost es dirigeix a tots els stakeholders de forma general, mentre que Burberry s'enfoca més aviat als interessos corporatius de la marca, ja que dirigeix la comunicació en temes que interessin especialment als Inversors, als Business Partners i a la Comunitat. També arribem a aquesta conclusió donat que els canals de comunicació que utilitza la marca per comunicar la RSC són més corporatius (Twitter i pàgina web). Això suggereix a quins sectors del seu públic volen comunicar amb més intensitat les seves accions de RSC, ja que Instagram i Facebook no es fa servir pràcticament per la marca de luxe.

Un altre punt diferencial sobre com comuniquen la RSC les marques de moda estudiades, és que Burberry comparteix el seu informe de Sostenibilitat en format pàgina web, mentre que H&M ho fa en forma de document i cada any. Aquesta diferència que pot semblar insignificant a primera vista, pot suggerir al públic que la marca de luxe no fa una comunicació tant transparent de la seva estratègia de RSC, ja que no es pot saber amb seguretat si la pàgina web ha estat actualitzada anualment o no. També hem de mencionar que Burberry no fa una comunicació tant freqüent de la RSC, cosa que es pot veure reflectida en la publicació de notes de premsa a la seva sala de premsa virtual. És això un motiu de que a la marca de baix cost li interessa més tenir una bona imatge i reputació degut a les seves circumstàncies o bé és que Burberry no sap gestionar correctament la comunicació de la Responsabilitat Social Corporativa?

Per acabar, cal posar especial atenció en la gestió de la crisi de reputació que han patit ambdues marques que s'ha vist als mitjans de comunicació. D'una banda, les dues marques han reconegut obertament els seus errors, cosa que denota la transparència de la seva estratègia de RSC, però d'altra banda, el fet de no complir amb els compromisos establerts en la seva estratègia, denota que la gestió de la RSC no és tant favorable a l'hora de dur-la a la pràctica.

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## **7. ANNEX**

# **TUITS I PUBLICACIONS**

## GRÀFIC 8



Segueix

We've signed up to **@NewPlasticsEcon's** Global Commitment to help eliminate plastic pollution. **@UNEnvironment** **#globalcommitment**



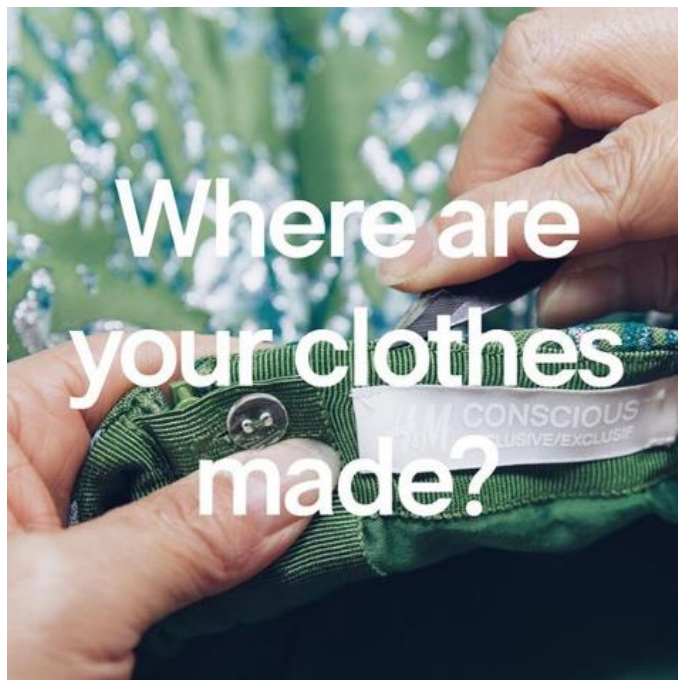
The New Plastics Economy - The Future Of Plastics - New ...

Rethinking the global plastics economy and how we can implement a plastic packaging system change.

[newplasticseconomy.org](http://newplasticseconomy.org)

4:00 - 14 de març de 2019

## GRÀFIC 9



hm • Follow



hm • Have you ever wondered where your shirt is made? Now you can find out in which country, city and factory your favourite pieces are produced. We're proud to be the first global fashion retailer to share this information. Learn more at <http://hm.info/1cj7a>. #HMConscious #HM #IMadeYourClothes

3w

dianacoas Share the low wage



24,590 likes

APRIL 23

Add a comment...

Post

## GRÀFIC 10

**Burberry Corporate**   
@BurberryCorp 

By 2025, all our plastic packaging will be reusable, recyclable or compostable. These are just some of the ways we are taking action to create a #circulareconomy for plastic. Read more on @wwd: [bit.ly/2T210Dn](https://bit.ly/2T210Dn) #globalcommitment @NewPlasticsEcon

 Traducir Tweet



2:38 - 15 mar. 2019

**Burberry Corporate**   
@BurberryCorp 

Burberry has joined the @NewPlasticsEcon Global Commitment to transform how we use plastic in our supply chain. With @circulareconomy & @UNEnvironment, we aim to eliminate unnecessary and problematic plastics [brby.co/6fb](https://brby.co/6fb) #Lineinthesand #BeatPlasticPollution #OurOcean

 Traducir Tweet





## GRÀFIC 11:



**Tara Button**  
@tarabutton

Seguir



Hi everyone at **#ethicalhour** Fashion companies are burning their own clothes and bags so "the wrong people" won't wear them. I've started a petition to make this illegal. Please help me get it going :)

[change.org/p/stop-brands- ...](https://change.org/p/stop-brands-...)

**#StopBurnerBrands #Burnberry**

Traducir Tweet



Sign the Petition

Stop brands destroying their own products to keep them "exclusive"  
[change.org](https://change.org)

12:19 - 30 jul. 2018

10 Retweets 19 Me gusta



# **INFORME DE SOSTENIBILITAT D'H&M 2018**





# H&M Group

Sustainability Report 2018



# Table of contents

<b>1. OVERVIEW</b>	<b>3</b>	<b>5. 100% FAIR &amp; EQUAL</b>	<b>60</b>
Letter from CEO	4	Key facts & figures 2018	61
Executive summary	6	KPIs and goals	62
Key Achievements 2018	7	100% Fair & Equal explained	63
Awards & recognitions	9	Fair jobs for all	64
About H&M Group	10	Enabling well-functioning industrial relations	66
Our value chain	11	Supporting a fair living wage	69
<b>2. VISION &amp; STRATEGY</b>	<b>12</b>	Addressing human rights issues	80
Our vision & strategy	13	Inclusion & diversity	83
Our ambitions	14	<b>6. STANDARDS &amp; POLICIES</b>	<b>88</b>
Our Change-Making Programme	15	Key facts & figures 2018	89
How we are organised	16	Standards & policies explained	90
Engaging our changemakers	17	Working with standards & policies	91
Interview with Head of Sustainability	18	Our human rights policy	92
<b>3. 100% LEADING THE CHANGE</b>	<b>19</b>	Our salient human rights issues	93
Key facts & figures 2018	20	Policies within our own operations	94
100% Leading the Change explained	21	Policies for our business partners	95
Innovation	22	Products & materials policies	98
Transparency	25	<b>7. HOW WE REPORT</b>	<b>99</b>
Rewarding sustainable actions	29	How we report	100
<b>4. 100% CIRCULAR &amp; RENEWABLE</b>	<b>30</b>	Materiality matrix	103
Key facts & figures 2018	31	UN's Sustainable Development Goals	104
KPIs and goals	32	Key collaborations	105
100% Circular & Renewable explained	33	Auditor's report	106
Becoming climate positive	53	Get in touch	108







OVERVIEW
VISION & STRATEGY
100% LEADING THE CHANGE
100% CIRCULAR & RENEWABLE
100% FAIR & EQUAL
STANDARDS & POLICIES
HOW WE REPORT



# Letter from CEO



A little more than 70 years ago, my grandfather opened a shop selling women's apparel in the small Swedish town of Västerås. He believed that everyone should have the opportunity to express their personality through fashion and he saw it as his mission to democratise fashion and make it available to all rather than the privileged few. The concept of "Fashion for everyone, at a great price" has remained with our company ever since.

In the same way that we took the lead 70 years ago by making fashion accessible to all, we now want to take the lead in ensuring a more sustainable fashion industry by tackling some of the most significant challenges that are facing our planet and society.

We are part of an industry which undoubtedly faces significant challenges when it comes to environmental and social sustainability – but I want H&M group to continue to be a positive force towards resolving these shared

challenges. We know that we are a large company and we therefore know that we have an equally large responsibility to ensure that we have a positive impact on our planet.

As such I am proud to say that our sustainability work is embedded in our culture and our values. A long-term approach is a natural and important part of our overall business strategy. We also believe that taking a long-term view is crucial when it comes to dealing with complex sustainability issues.

According to the UN, climate change and poverty are two of the most significant challenges of our time and will affect many generations to come. While I have a great deal of respect for the vast complexity of both of these challenges, I also strongly believe that we can make a positive contribution towards facing them. We will continue to take a long-term approach to achieve sustainable production, while at the same time creating good jobs and driving prosperity in the markets in which we operate.

In order for our company to take on these challenges in an effective way I believe that sustainability must be considered as an integral part of our business rather than being treated as an after-thought. For this reason, we work to ensure that sustainability is integrated into all aspects of our business – it should pervade everything that we do, all the decisions we make and the everyday work of all our employees.

Taking this approach makes it possible for all of us to work towards the same goal. For this reason, all functions within H&M group are assessed on the basis of sustainability objectives, which are just as important as any other benchmark.

However, it is not possible to achieve great change in isolation. We have over 70 years of experience, but we are entirely dependent on our partnerships with experts from other fields to really drive our sustainability work forward. We therefore fully support the development of the new technology and

innovation that is required to create a circular fashion industry.

Encouragement of and collaboration with other forces for positive change is especially important when it comes to the complex challenges faced by the fashion industry, and indeed all other industries. Just a few examples of our collaborations include: our work with WWF on the responsible use of water in our value chain, our investment in innovations companies that are developing technologies for textile recycling, and our close partnership with the Ellen MacArthur Foundation that is helping drive the development of a circular economy as well as our work with the UN and textile workers' global trade union who are advising us about the best way to tackle the huge issue of wages in the textile industry.

The values of H&M group also include a constant willingness to innovate and look at things in new ways. Today, we are using AI to make it easier for us to ensure a good match between production and demand, thus saving

energy, transport and resources. We are switching to renewable electricity and streamlining our use of energy. With the help of innovation, we are not only able to find new sustainable materials and recover textile fibres in a better way than before, but we can also make this scalable in the long term. I am impressed every year by the winners of the Global Change Award challenge for innovation, which was founded by H&M Foundation – it presents solid proof that a circular fashion industry is possible. The transformation of orange peel and algae into fabric and grape residue into plant-based leather, are just a few of the great ideas that have been realised. I'm convinced that technical innovations will be the solution to many of the environmental challenges the textile industry is facing and will contribute to a more sustainable consumption.

The reality is that as our population grows, so does also consumption, which already today goes beyond what the planet can afford. The key to our future is therefore to ensure that we move away from an old, linear and

environmentally hazardous system to a circular one that ensures long-term environmental and social sustainability. Big leaps towards new and greener solutions, are usually taken by companies and countries that are developing and can therefore invest in technological innovations. As such consumption that contributes to both reducing global poverty and enabling investment in modern, sustainable production is not the problem, but instead part of the solution.

This report is our opportunity to share an honest and transparent account of the positive steps that we have taken so far as well as the complex challenges we continue to face. It helps us understand both the areas in which we have made progress, and those that we need to re-think and further develop. While I am proud of our achievements, I am aware that there is still a lot more for us to do. However, I remain convinced that our long-term approach coupled with our genuine determination, will help us lead the way to creating a more sustainable fashion industry.



Karl-Johan Persson, H&M Group

# Executive summary

From the beginning, H&M group's role has been to democratise fashion. Today, that means making it sustainable: it's the only way we'll keep making great fashion and design available today, tomorrow and for generations to come.

Our sustainability vision is to use our size and scale for good, and with the help of technology and innovation, lead the change towards circular and renewable fashion while being a fair and equal company. To achieve this, we have developed an ambitious strategy with the help of a broad range of external and internal experts. Our strategy follows a science-based approach, wherever possible.





# Key achievements 2018



WE HAVE ACCELERATED OUR WORK WITH ARTIFICIAL INTELLIGENCE BY CREATING AN AI DEPARTMENT WITHIN H&M GROUP. THIS WILL FURTHER HELP US MAKE THE BEST AND MOST SUSTAINABLE BUSINESS DECISIONS POSSIBLE.

57% of all materials we use to make our products are recycled or other sustainably sourced materials.



Because investing in innovation unlocks circularity, we support companies such as Moral Fiber and Colorifix.

H&M Group has developed 2030 GHG emissions reduction goals that have been approved by the Science Based Targets initiative.

DURING 2019, H&M AND H&M HOME ARE ROLLING OUT A NEW TRANSPARENCY TOOL IN THEIR ONLINE STORES, ENABLING CUSTOMERS TO TRACE MOST OF THEIR PRODUCTS TO THE FACTORY THEY HAVE BEEN MADE IN, AND FIND FURTHER INFORMATION TO MAKE MORE CONSCIOUS CHOICES.



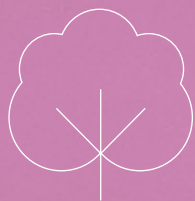
THE TAKE CARE CONCEPT LAUNCHED IN FURTHER FOUR MARKETS, OFFERING CUSTOMERS GUIDANCE AND HANDS-ON SUPPORT IN HOW TO CARE FOR THEIR GARMENTS.



655 factories and 930,000 garment workers are covered by one or both of our key programmes for workplace dialogue and Wage Management Systems. This represents 84% of our product volume.

H&M GROUP WAS RANKED AMONGST TOP 5 IN FASHION REVOLUTION'S 2018 INDEX WITH A SCORE OF 55% (HIGHEST SCORE 58%).

# Key achievements 2018



95% of cotton used by H&M Group is recycled or other sustainably sourced.

We set a new circular packaging strategy and roadmap for the entire value chain.



WE COLLECTED 20,649 TONNES OF TEXTILES FOR REUSE AND RECYCLING THROUGH OUR GARMENT COLLECTING INITIATIVE. THAT'S 16% MORE THAN LAST YEAR AND REPRESENTS THE EQUIVALENT OF 103 MILLION T-SHIRTS.

## AFOUND

We launched Afound, a brand with the mission of giving unsold products a new life.

We've reduced CO<sub>2</sub> emissions from our own operations by a further 11%. This takes us another step closer to achieving a climate positive value chain by 2040.



We have developed a new Water Roadmap for our supply chain which contains our key goals and actions up until 2022.

H&M Group has been included in the Dow Jones Sustainability Index for several years now, this year reaching the highest possible score in the categories of Quality & Recall Management, Social Reporting, Environmental Reporting and the best industry score in Supply Chain Management.

# Awards & recognitions

Here are some of the awards and recognitions that H&M Group has received during 2018:

## DOW JONES SUSTAINABILITY WORLD INDEX

H&M Group has been included in the Dow Jones Sustainability Index for several years now, this year reaching the highest possible score in the categories of Quality & Recall Management, Social Reporting, Environmental Reporting and the best industry score in Supply chain Management.

## FASHION REVOLUTION'S FASHION TRANSPARENCY INDEX

H&M group was ranked amongst the top 5 in Fashion Revolution's Fashion Transparency Index with a score of 55% (highest score 58%).

## FTSE4GOOD

H&M group has been independently assessed according to the FTSE4Good criteria and has satisfied requirements to become a constituent of the FTSE4Good Index Series. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria and are positioned to capitalize on the benefits of responsible business practice.

## ETHISPHERE® INSTITUTE

For the eight time, H&M group has been

recognized by the Ethisphere® Institute as one of the World's Most Ethical Companies.

## NEWSWEEK GREEN RANKING

H&M group was ranked number 11 in the Newsweek Green Ranking among the 500 most sustainable companies in the world for 2017 (2016: 63, 2015: 88, 2014: 95). The ranking is annually produced by the magazine Newsweek in collaboration with leading environmental research organisations.

## TEXTILE EXCHANGE PREFERRED FIBER & MATERIALS REPORT 2018

According to the Textile Exchange's Preferred Fiber & Materials Market Report 2018, H&M group was the biggest user of preferred Man-made cellulosic fibres and the biggest user of Lyocell, as well as preferred cotton, and the second biggest user of recycled and organic cotton.

## DRAPERS SUSTAINABILITY AWARD UK

For third year in a row, H&M group has been recognised by the British retail publication Drapers for their contribution to the retail industry. In the Annual Awards Ceremony, H&M group won the Sustainability Award of The Year.



H&M group UK team accepting the Drapers Sustainability Award from host Russell Kane.



# About H&M Group

Since day one, our business has been about bringing fashion and design to all people. Today, this is reflected in all our brands. We are always working to create the best offering for our customers, in the most sustainable way.

H&M group includes nine brands, each with their own specific brand DNA – H&M, COS, Weekday, Cheap Monday\*, Monki, H&M Home, & Other Stories, ARKET and Afound. Together, our brands offer customers a wealth of styles and trends in fashion, beauty, accessories and home-

ware – as well as healthy, modern food in selected stores.

We reach customers around the world through our integrated physical stores and digital channels. Our customer proximity is amplified by our 177,000 colleagues globally, operating in both sales and production markets.

*\*As previously communicated, Cheap Monday will be ending operations in 2019. The H&M group's transition work in response to the extensive changes within the fashion industry means that the company is prioritising and focusing on its core business. Cheap Monday's business model is based on traditional wholesale, which is a model that has faced major challenges due to the shift in the industry. The H&M group has therefore decided to close Cheap Monday.*



## 2018 FIGURES

4,968 stores in  
**71** markets and  
e-commerce in 47 markets.

**210** billion  
Swedish kronor in net sales.

Our products are made in  
**2,383** supplier  
factories around the world.

H&M alone has nearly  
**800**  
million customer  
transactions per year.

## ABOUT H&M FOUNDATION

H&M Foundation is a non-profit global foundation, with a mission to act as a catalyst for positive change and improve living conditions by investing in people, communities and innovative ideas. The foundation is privately funded by the Stefan Persson family, founders and main owners of the H&M group. Since 2013, the Stefan Persson family has donated 1.5 billion Swedish Krona (\$200 million/€163 million) to the H&M Foundation. Learn more about the foundation's work on pages 24, 38 and 87, and read H&M Foundation's annual report, A Catalyst for Change 2018.



# Our value chain



Check out where in the world the different stages of our value chain take place on an interactive world map [here](#).

Our vision is to lead the change towards a circular and renewable fashion industry, while being a fair and equal company. To do this, it is our responsibility to ensure our value chain works to its full potential. Our value chain describes the full sequence of processes involved in the production and lifespan of all our products, from product idea to customer use and disposal.

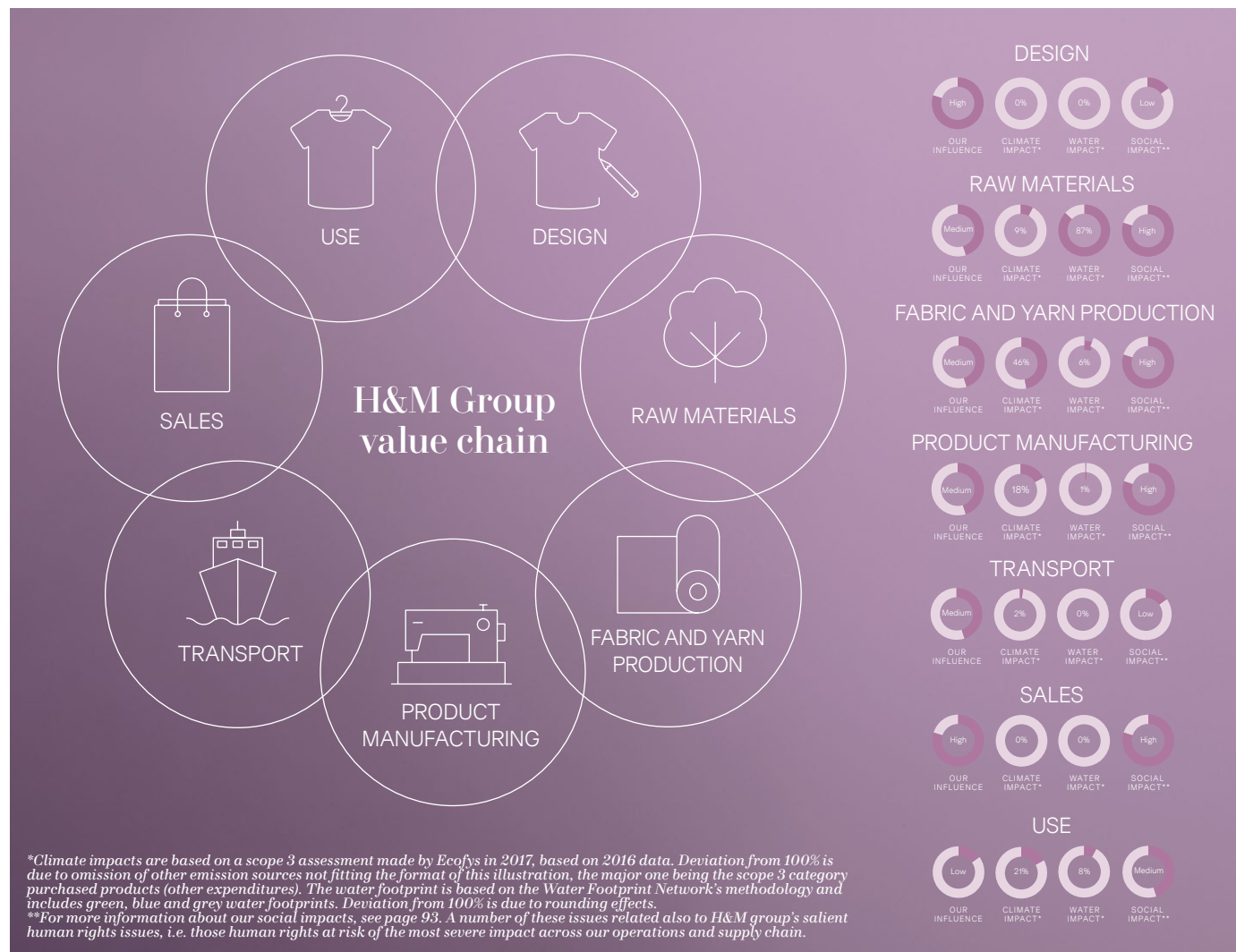
But our value chain does not operate in isolation. With nine brands selling products in over 4,968 stores and online markets in 47 countries, it is connected to countless people, communities, ecosystems and other businesses around the world.

## IMPACTS ALONG OUR VALUE CHAIN

Our vast network of value chain connections means that our social, environmental and economic impacts are significant and far-reaching. To maintain our business idea, we need to maximise our positive impacts and minimise our negative impacts throughout our value chain and along every customer's journey with us.

To make this happen, we use our size and scale to drive change and innovation in all parts of the value chain, from raw materials to customer experience.

Please see the illustrations to the right for a more in-depth look at the impacts we have along our value chain. Please also visit [sustainability.hm.com](https://sustainability.hm.com) for further information.









# Our vision & strategy

At H&M group, we've always believed that great design should – and can – be available to anyone. From the beginning, our role has been to democratise fashion. Today, that means making it sustainable: it's the only way we'll keep making great fashion and design available to many people, for many years to come.

Our vision is to lead the change towards a circular and renewable fashion industry, while being a fair and equal company. Using our size and scale, we are working to catalyse systemic changes across our own operations, our entire value chain and the wider industry. In this way, we can continue to engage our customers and provide great fashion and design choices – today, and into the future.

Our vision and strategy applies to all our brands, while allowing each of them to maintain their own brand identity.

While our business has a long and well-established history in sustainability, projected population growth figures and natural resource levels make it clear that a more focused approach to sustainable fashion is needed. Our role, as leaders in our industry, is to innovate, influence, collaborate, and lead the way towards a truly sustainable fashion future.

This vision is not only necessary from a social and environmental perspective, it also makes good business sense. Long-term investments in sustainability provide us with long-term business opportunities that will keep H&M group relevant and successful in our rapidly changing world.

We know that achieving our vision will not be easy, but our openness to tackling challenges keeps us alert to opportunity. We are strongly positioned to make a positive impact, in part because of our continuing partnership with stakeholders and industry experts who help set and shape our sustainability work. Furthermore, by applying a science-based approach to our work, we can set the best goals and roadmaps possible to drive positive change throughout our company and the wider industry.

## Our sustainability strategy



# Our ambitions

## Our vision and strategy are built on three key ambitions

### 100% LEADING THE CHANGE

- Promote and scale innovation
- Drive transparency
- Reward sustainable actions

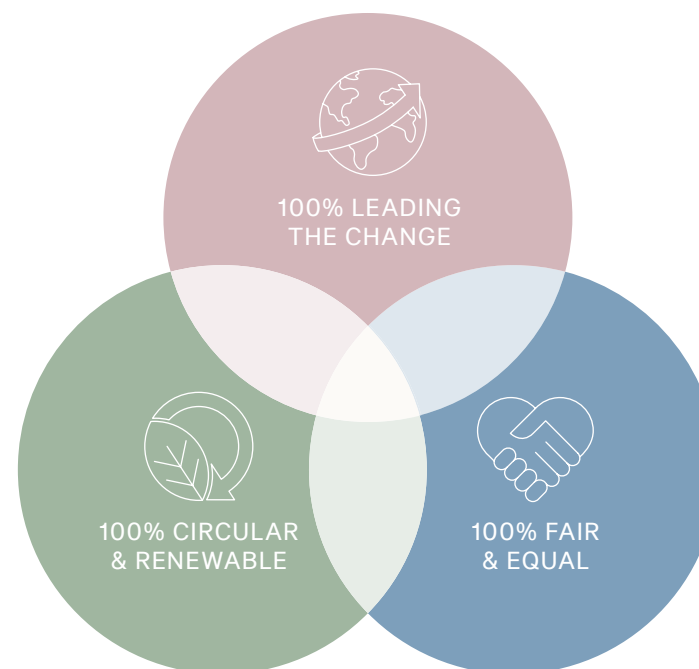
### 100% CIRCULAR & RENEWABLE

- A circular approach to how products are made and used
- Use only recycled or other sustainably sourced materials
- A climate positive value chain

### 100% FAIR & EQUAL

- Fair jobs for all
- Inclusion and diversity

To find and implement solutions to the scale and breadth of the challenges facing our industry, we must be clear, bold and visionary. Our three ambitions give us the long-term focus, direction and motivation we need to truly drive positive change through our company and across our industry.



“Big change requires bold actions and the courage to aim high. At the same time, we have to be humble to the challenges our planet is facing. So if we want to make a real change, we have to be brave, push the boundaries and not be afraid to fail.”

ANNA GEDDA,  
HEAD OF SUSTAINABILITY,  
H&M GROUP





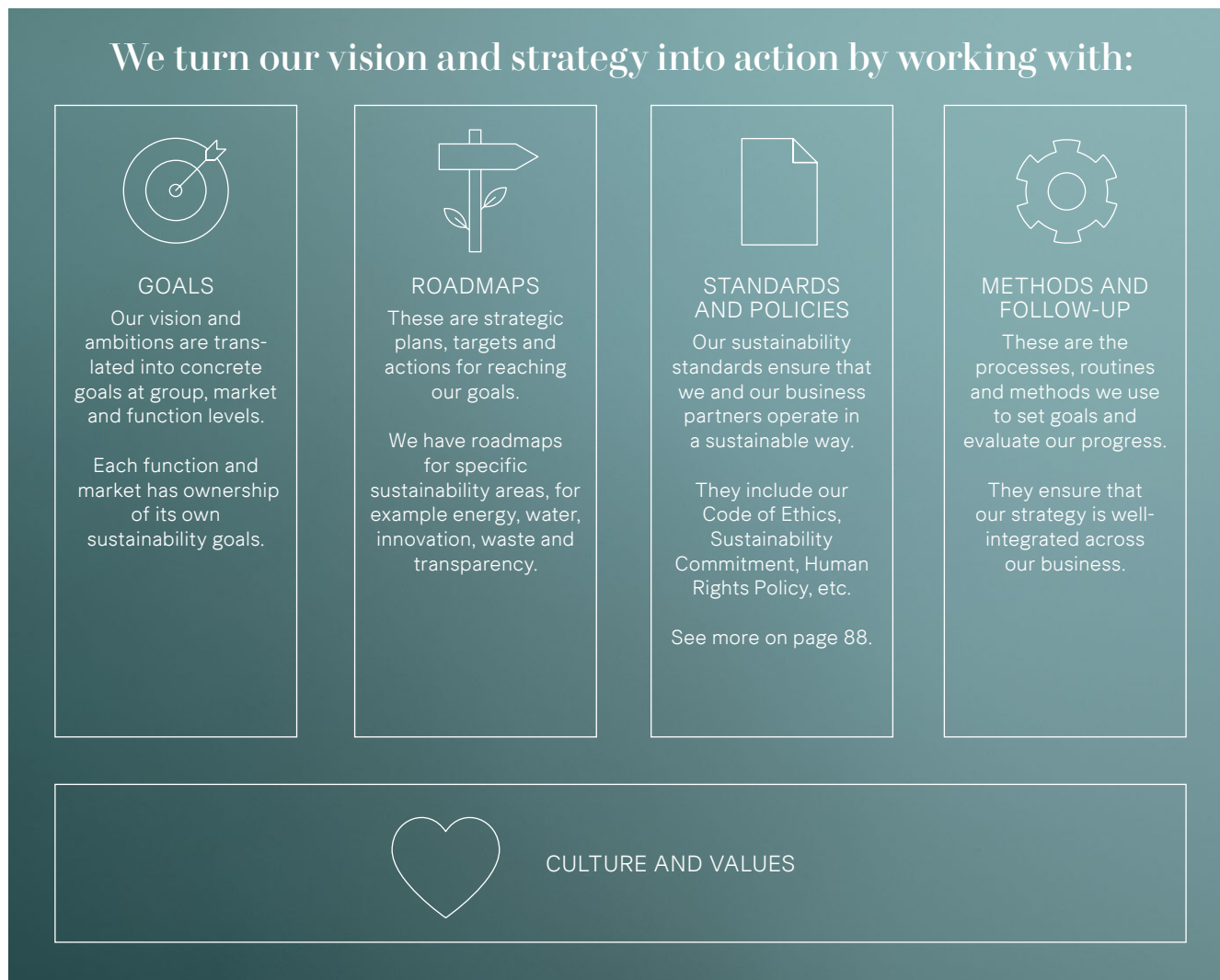
# Our Change-Making Programme

By steering and integrating sustainability across our business, our Change-Making Programme turns our strategy into action and drives long-lasting change.

H&M group is comprised of multiple brands, which operate in a variety of functions across many different countries and cultures. Similarly, our value chain is vast and complex. Along with the obvious opportunity this scale offers, it also presents a big challenge: how do we drive systematic and effective long-term change across both our business and value chain?

## HOW WE INTEGRATE SUSTAINABILITY

Sustainability is integrated as one of four equally important parameters in our company performance score card. This means that each central function and brand is measured on a set of sustainability KPI's, alongside and in equal weight to sales figures, customer satisfaction, etc. In addition to that, our Change-Making Programme brings together the goals, roadmaps, standards and follow-up methods we need to work towards our vision, while also leaving room for locally tailored implementation and activities. This enables our brands and functions to take ownership and integrate our sustainability strategy across the business, setting its own measurable sustainability goals and activities. Within each sales market, we employ a dedicated sustainability manager who drives the implementation of our strategy from a local perspective to engage all colleagues and customers.



# How we are organised

We want to make sure all our efforts keep working together, even as our vision, ambitions and strategy grow and change. This year we strengthened our sustainability steering by establishing a senior cross-functional forum, which reviews strategy performance and defines key priorities.

Reporting directly to our CEO, our Head of Sustainability is responsible for the implementation of our sustainability vision and strategy together with the Executive Management Team. Twice a year, Head of Sustainability reports performance (against key sustainability indicators) to our Board of Directors.

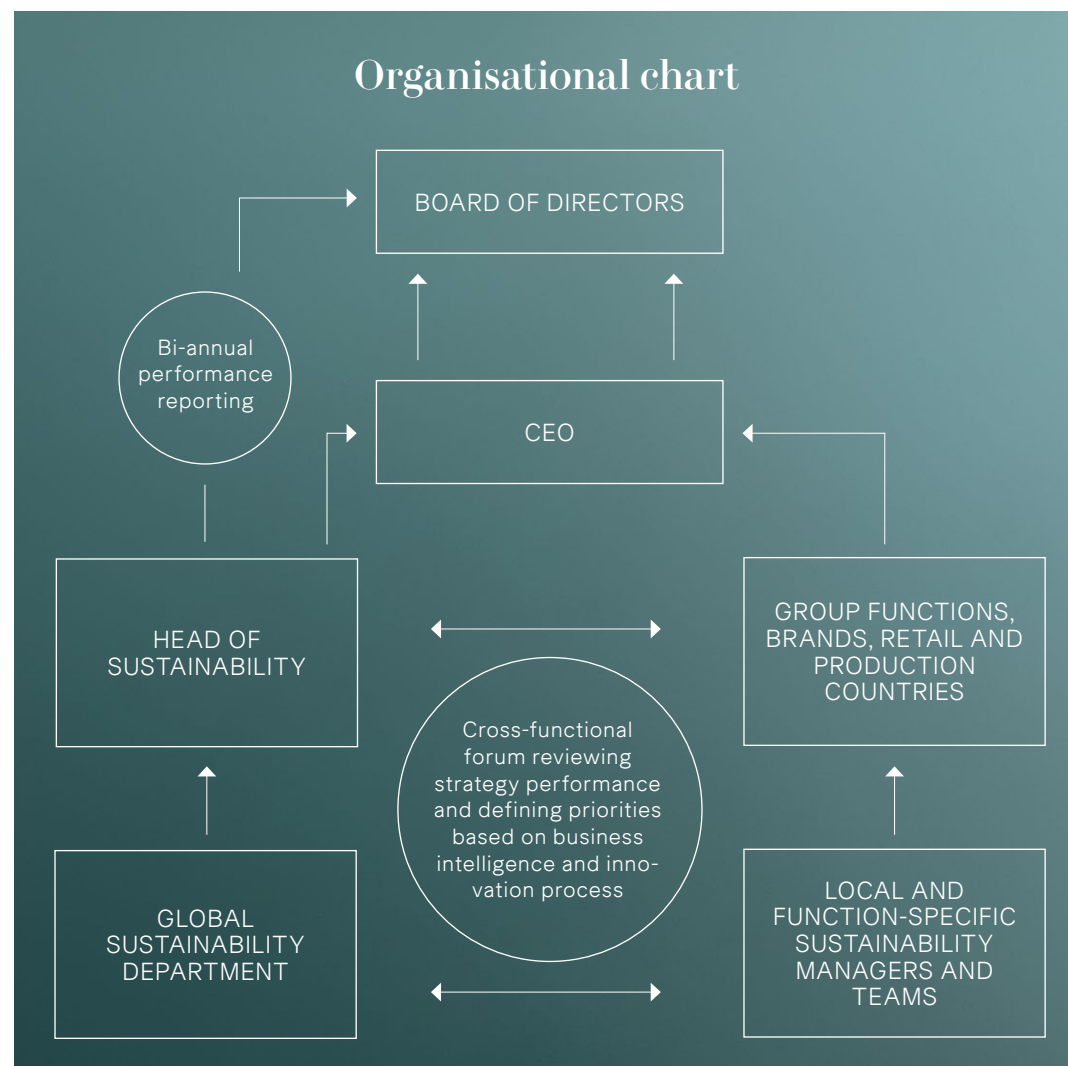
Our global sustainability department consists of more than 30 experts responsible for setting strategies, targets, goals, policies and follow-up procedures to ensure that our sustainability work is carried out systematically.

Every retail market and H&M group function has sustainability managers. In our 20 production markets, we employ more than 150 people working specifically with sustainability. These colleagues work directly with

our business partners to assess their performance against our Sustainability Commitment and support them in making improvements through capacity-building programmes and activities. Read more about our Sustainability Commitment on page 95.



ARKET.



# Engaging our changemakers

Changemakers are the people who help H&M group achieve our vision of a sustainable fashion and design industry. Through effective collaboration we can accelerate impact to drive long-lasting change.

## STAKEHOLDERS & EXPERTS

Building and maintaining partnerships and dialogue with industry stakeholders and experts is crucial to achieving our vision. Not only do they give us direction and expertise for our long-term goals and action plans, they also work with us to find the best solutions and address specific challenges.

## BUSINESS PARTNERS

We always aim to build long-term rewarding relationships with our business partners. By becoming partners, we can work together to raise environmental and social standards across our industry.

## OUR COLLEAGUES

Everyone at H&M group should feel they can contribute to our sustainability vision and goals. By enabling our employees to use their unique talents, skills and passions in their daily work, our business can lead the change our industry needs.

## OUR CUSTOMERS

Our size and scale means we have many customers, so every single action, no matter how small, makes a huge collective difference. That is why it is so important that we inspire and enable our customers to make sustainable choices for the environment, people and communities. One example of how we engage with customers is the garment collecting initiative that we have across our group. Read more on page 29.

To read further on how we engage with our stakeholders, please visit [sustainability.hm.com](https://sustainability.hm.com).



“Engaging with our many and diverse stakeholders gives us new perspectives and helps us build partnerships for solutions that we could not achieve on our own.”

HENDRIK ALPEN,  
SUSTAINABILITY ENGAGEMENT  
MANAGER, H&M GROUP





**INTERVIEW WITH ANNA GEDDA, HEAD OF SUSTAINABILITY, H&M GROUP**

# “We must continue to dare and push the boundaries”

**The fashion industry is going through a major transformation. How is H&M group positioning itself to be a part of this journey?**

As a major player in the industry, we are well-positioned to not only be part of, but to also lead the change on this journey. One area that we have been focusing on for a while is the shift from a linear to a circular business model, where we have the ambition to become fully circular.

We are also constantly innovating and developing our sustainability work in line with other developments in the industry. For example, we have accelerated our investments in AI and algorithm-driven retail and see them as important tools to not only grow our business in a sustainable way, but also reach our sustainability goals.

**How do you see the customer becoming a part of H&M group's sustainability journey?**

Today we see a positive trend in customer behavior, where more and more customers want to know where and how the garments are made, and how they can contribute to a sustainable fashion future. This year, we have developed a customer-facing transparency layer where our online customers can see sustainability information such as materials used, or in which factory the product has been made.

We have also expanded our Take Care concept across more markets, which we see as

an important step in helping our customers care for their favorite pieces longer and in that way prolong the lifespan of the product.

**Looking back over the year, what has been the greatest achievement?**

There are many things I'm proud to have been a part of, but one that stands out this year is our results from the five-year Fair Living Wage Strategy. We have not only achieved, but exceeded in all our goals, affecting the lives of almost one million garment workers. This has been the result of many of my colleagues' tremendous efforts to make an impact and drive change in a very challenging area. There is still a lot to be done and I can't stress enough the need of alignment between different actors throughout the whole industry.

Another achievement is our new packaging strategy, which is an important milestone towards our circular ambition. With our goal to only use recycled or sustainably sourced packaging materials by 2030, we will be able to have a big environmental impact, create a better shopping experience for our customers, and a better work environment for our colleagues.

**... and what are the biggest lessons learned?**

That big change takes a long time. For example, even though I am very proud of our results of our Fair Living Wage Strategy,

I also wish that we could have come even further. But the issue of wages goes far beyond our own suppliers and their factories and we alone cannot change the industry. This also goes for many other sustainability challenges, such as scaling technologies for garment recycling, developing solutions for microfibre shedding and driving transparency on sustainability performance across the industry.

Another important lesson from this year is the need to constantly keep sustainability integrated into the business, which can be a challenge given the rapid change and transformation that the retail industry is undergoing. In the light of the hoodie incident, we have learned that we need to do even more to integrate inclusion and diversity across our operations and beyond.

**Back to H&M group leading the change in the fashion industry transformation.****Where do you see us in five years?**

I hope that we will continue to lead the change towards a sustainable fashion industry. With all the technological advancements and ever-changing expectations from customers, it's hard to have a clear picture of what exactly will be happening five years from now. But I am positive, that by then we will see a wide use of both circular technologies and renewable energy that will move the fashion industry within the planetary



Anna Gedda (right) with colleagues during the Fair Living Wage Summit in Cambodia.

boundaries. I hope that we will continue to stay true to our long-term direction and at the same time keep our agility. And of course, that we continue to dare, push boundaries, test, and never be afraid to fail.

# 100% LEADING THE CHANGE



Photo credit: James Morgan/WWF.





# Key facts & figures 2018

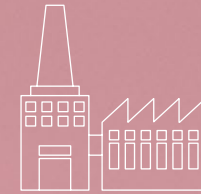
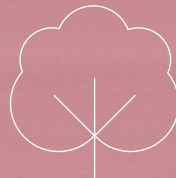


We have accelerated our work with artificial intelligence by creating an AI department within H&M group. This will further help us make the best and most sustainable business decisions possible.

During 2019, H&M and H&M Home are rolling out a new transparency tool in their online stores, enabling customers to trace most of their products to the factory they have been made in, and find further information to make more conscious choices.

H&M Group was ranked amongst top 5 in Fashion Revolution's 2018 index with a score of 55% (highest score 58%).

Because investing in innovation unlocks circularity, we support companies such as Moral Fiber and Colorifix.



Since 2013 we make names of suppliers, addresses and other factory information public. Today this includes 100% of our tier 1 supplier factories and tier 2 factories who make about 65% of our products – and fulfills the requirements of the transparency pledge.



OUR LEADING THE CHANGE AMBITION CONTRIBUTES TO SDG 9, SDG 12 AND SDG 17.



# 100% Leading the Change explained

**100% Leading the Change** is our commitment to catalyse change across the entire fashion industry and improve the way our products are designed and made. To do this, we bring diverse partners together to identify and share the challenges and innovative solutions that will push boundaries and deliver results.

This approach to leadership underpins our entire strategy, helping us fulfil our ambition to become both a 100% Circular & Renewable and a 100% Fair & Equal business. Our work centres on catalysing business and industry-wide change in three focus areas:

- Innovation
- Transparency
- Rewarding sustainable actions



H&M Conscious Exclusive.



The new brand AFOUND, which resells great fashion, is H&M group's most recent business venture.



Weekday collaboration with Peace Force for a non-violent world.



# Innovation

## Innovation is the key to achieving industry-wide change.

Many of the sustainability challenges facing our industry require intense innovation to find solutions. These challenges also present us with business opportunities. For example, there is not yet a viable technology for recycling of blended fibres at scale, which means we cannot make new products from as many old products as we would like. To tackle this, we are currently working with experts who are developing new scalable technological solutions that will transform the way our industry works with materials.

At H&M group, we have a responsibility, as well as an opportunity to identify, invest in and promote sustainable innovations, from digital systems that provide traceability information to new energy-saving solutions. Our size and global reach means we can take the most promising sustainable innovations to scale and help create the transformation our industry needs.

### HOW WE APPROACH INNOVATION

To make our business better, we use innovation to challenge our thinking and give us new perspectives. Across our company, we prototype ideas that

## “Working with innovation is a constant adventure”

At H&M group, we have an internal innovation department called the Laboratory. It is our home for research and development and it exists to challenge our thinking and give us fresh perspectives, turning research into action through co-creation, launching new business and service models. Laura Coppen works as Creative Business Development at the Laboratory.

### What is it like to work with innovation?

Working with innovation is a constant adventure, one has to navigate through a global landscape of trends, both macro and micro, identifying the key areas that will disrupt our industry. For me, working with innovation means collaborating; we work with an external and internal network of experts to support us and make our concepts come to life. In today's ever increasingly complex landscape it's necessary to look at the whole picture, the whole system.

### What trends do you see when it comes to innovation?

The trend I'm most focused on is the rise in responsible businesses and service models. These have an action-driven agenda

towards changing the fashion industry and are transitioning to a circular economy model while building a socially and environmentally positive supply chain. That is a huge shift, and much more than a trend, it is the necessary future. We are proud to be one of the leaders on this journey.

### What projects are you working with right now?

We are working on a concept that is centred around the future of local, smart and circular manufacturing. This model enables us to be faster to customers' demands and test new technologies like custom fit, customization and small batch collections with new machinery. We are also looking into several areas within service models, from remaking, to renting and renewing products. Alongside new packaging solutions and the greater system around online logistics.

### How can innovation help us achieve our sustainability goals?

Innovation is a necessary part of reaching our sustainability goals. With the huge shift that we need to make in the fashion industry, we can't rely on what already exists. We need new materials, processes and busi-



Laura Coppen

ness models, which we are on the journey of creating with many of our partners. Right now, an intrapreneurial spirit is needed – in all companies, including ours – to achieve the sustainability goals. It's an 'all hands on deck' time!



demonstrate – both internally and externally – that our commitment to sustainability demands both a new way of working and a new way of thinking.

Our approach to innovation always starts by looking at our customers' needs alongside the macro and micro trends that are changing our industry and the world around us. We then employ a design and system thinking approach to problem solving and innovation. Finally, we take the best and most promising innovations and use our size to help them scale.

This involves looking at the wider systems and trends we are a part of – both now and in the future. We have an opportunity to rethink how we organise global production and consumer demand, and to access cutting edge technologies and innovative business models. We have a wide network of partners that help us identify and pilot innovation and take them to scale.

### ALGORITHM-DRIVEN RETAIL

To further secure an organization that drives innovation and optimizes business decisions which enable sustainable choices, H&M group is working with advanced analytics and artificial intelligence. Our new AI department supports various processes across our entire value chain – from design to customer experience. For example, by amplifying the decision making of our designers and buyers we can ensure that we are designing the right products. We also use advanced analytics and AI to better forecast trends, make sure the right products are in the right stores, and to give our customers even more relevant and customized recommendations and offers. Used right, AI is one of the most powerful tools we have to secure that we meet our future in a sustainable way through the lens of a circular economy.

## Moving towards sustainable fashion with the help of AI

### Arti Zeighami, Head of Advanced Analytics and AI at H&M group: How are your colleagues using AI tools in their work?

When we talk about AI at H&M group, we mean Amplified Intelligence. Advanced analytics and machine learning are tools that enhance our human intelligence. Amplified intelligence is the collaboration between machines and humans – between science and art, data and gut feeling. We are creating solutions that help our colleagues make more precise decisions, and enable them to focus on the most relevant and creative parts of their work.

### What is the connection between AI and sustainability?

Circularity is ultimately about using resources sustainably, where one central aspect is to avoid over-production. With the help of



Arti Zeighami.

advanced analytics and AI, we can be much sharper in aligning supply and demand. This could also entail less transport and warehousing, which means less energy is used. It's really a win-win situation: while creating an

even more relevant offering for our customers, we are reducing the environmental impact of our operations. AI and advanced analytics are great tools for reaching our sustainability goals, and it is equally important to have a sustainable and ethical approach when we work with AI. This is a high priority for us, and our work on sustainable and ethical AI is part of the overall vision of leading the change towards circular and renewable fashion while being a fair and equal company.

### If you look ahead, what part do you think AI will play in the journey towards a circular business model?

I think it is one of the most powerful tools we have in the transition towards a circular and sustainable fashion system. With AI we can make sharper and better decisions that impact our world in a sustainable way.

### PROGRESS

- We have created an AI department within H&M group and are setting strategies on how to advance algorithm driven retail technology in a sustainable way.
- H&M group's the Laboratory joined IDEO's Circular Economy CoLab, a collaborative innovation lab with member companies interested in exploring the potential of circular economy business models. We worked in a human-centered design process, building

prototypes together as cross-company and cross-industry teams.

- Our company's extensive prototyping and testing of new ideas means that different functions sometimes come up with the same ideas. To capitalise on this culture of innovation and ensure we're all pulling in the same direction, we have streamlined our processes and put cross-functional teams in place that can identify and push the best ideas forward.

- We are in the process of identifying key stakeholders and partners to drive ethical AI work within our field.

### LEARNING

- Advanced analytics and AI are great tools in helping us reach our sustainability goals, and it is important to have a sustainable approach when we work with AI. Sustainable and ethical AI is at the top of our agenda and we appointed a Head of AI Policy in 2018.

## Investing in fashion future

H&M CO:LAB is a business area which invests in companies that can add value to our business. During the last few years, we have invested in innovative companies such as Worn Again, Re:newcell, TreeToTextile, Thread, amongst others. In 2018, we have further expanded our portfolio with the following investments:

**Moral Fiber** was among the first winners of the Global Change Award in 2016. The American innovation company focuses on chemical recycling of polyester fabrics. Our investment in Moral Fiber helps us speed up the acceleration of recycling technologies available at scale.

**Colorifix** has developed the first commercial biological dyeing process to help the textile industry reduce its environmental impact by using fewer chemicals, and less energy and water. The technology is scalable and does not require existing infrastructure to be rebuilt. We will work closely with Colorifix to support their pilot projects in the textile supply chain.



## H&M Foundation's Global Change Award

The Global Change Award is one of the world's biggest challenges for early-stage fashion innovation. Initiated by the non-profit H&M Foundation, it calls for ideas that accelerate the shift from a linear to a circular fashion industry. This means changing the way garments are designed and produced, shipped, bought, used, and recycled, by adding disruptive technology or new business models.

With almost 15,000 entries from 182 countries since its inception, the award is the go-to competition for circular innovation and has been called the Nobel Prize of fashion.

The award's five annual winners are selected by a panel of international experts. Amongst this year's innovators was a company making sustainable bio-textiles by using left-overs from food crop harvests. As well as their share of the € 1,000,000 grant, winners are invited to an innovation accelerator provided by H&M Foundation, Accenture and KTH Royal Institute of Technology in Stockholm, which offers focused support to further develop their innovations.

During the fourth year of Global Change Award, H&M Foundation kept an extra eye on digital innovation. "Digital innovations can make significant impact on efficiency planning and resource use – all the way from making



H&M group's CEO Karl-Johan Persson together with the winners of Global Change Award 2018 at the ceremony in the Stockholm City Hall.

raw material to a garment's end of life. Digitalization has the potential to disrupt at the root, reinvent how things are done and help producers, sellers and customers to become circular", says Erik Bang, Innovation Lead, H&M Foundation.

Neither the H&M Foundation nor H&M group take any equity or intellectual property rights in the innovations. The aim of the challenge is to find innovations that allow major change for the entire industry, and the winners can collaborate with whomever they want.



# Transparency

Transparency is the key to build trust and enable customers to make conscious choices. It is also an important driver for improved performance and creation of stronger impact across our value chain. Beyond disclosing where and by whom our products are made, we also work to make the impacts of how they are made measurable and comparable.

We are convinced that transparency is the foundation for gaining trust and building strong relationships – with our customers, colleagues, investors, business partners and other stakeholders. That's why we provide transparent information about our business and value chain through various channels and dialogues – this report being just one of them. By sharing our ambitions, challenges, solutions and progress in an open and honest way, we can collaborate more effectively with others, and gain mutual trust.

However, we believe there is more to be done. We want all the players in our value chain to be able to make conscious and informed choices. That means we need to make it easier for consumers to understand where and how the products they buy have been made. It also means we need to create even greater traceability in our value chain, and make impacts

measurable and comparable across the industry. In this way, transparency becomes a key tool to lead the change towards a sustainable fashion industry.

We are working on transparency in two key areas:

## 1. TRANSPARENCY TO EMPOWER THE CUSTOMER'S CHOICE

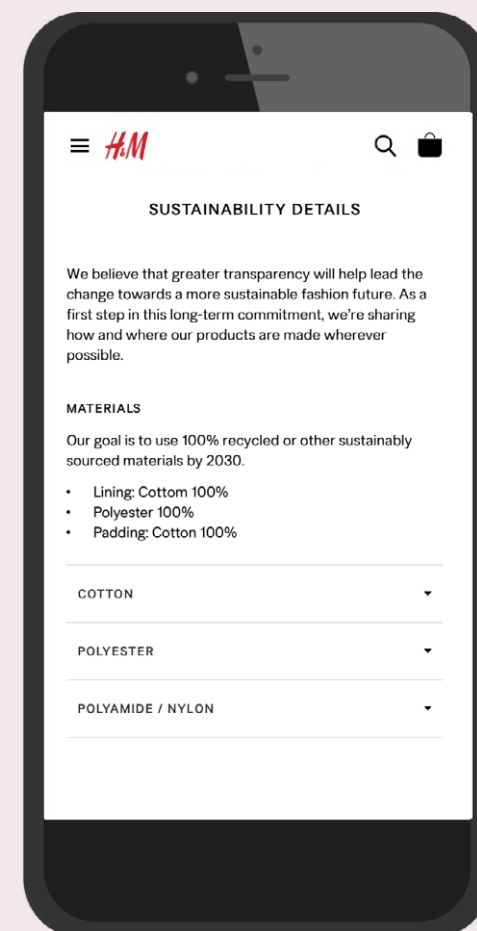
We are committed to inspiring our customers to make more sustainable choices. One way we can do that is by bringing the story behind the product closer to the customer, which means being transparent about exactly where and how it has been made, the materials used, and its social and environmental impacts. In recent years, we started sharing product stories for H&M's Conscious Exclusive collection and ARKET's regular assortment. For some ARKET products, we also share the material supplier's name. In 2019, we will take this a step further and

## Helping our customers make conscious choices

During 2018, a tight-knit team of sustainability experts, IT architects, business developers and other experts from across H&M group has worked intensely to develop a solution through system integration and automation. Combining this solution with the results of our in-depth customer research, during 2019 we will be offering the following in our online stores:

- Information about each product's material, including how sustainable it is, and our specific sustainability goals for it.
- Where each product is produced, down to a country, supplier and factory level.
- Information about how to recycle the garment and why it is important to do so.

This function will be available for all our own textiles, footwear, and accessory products in our online store at H&M and H&M Home. Looking ahead, we want to see an industry standardised index for each product that makes it even easier for our customers to make sustainable choices.





make it possible for H&M and H&M Home customers to see more specific information for most of our products. This includes information such as in which factory a product was made and what materials were used to make it.

Creating this transparency is a big and important step, but it doesn't immediately show how sustainable a product is. To answer this question, we need a common measurement for fashion products that allows consumers to compare in a simple and trusted way. This is why we have been involved in developing the Higg Index.

H&M group is one of the founding members of the Sustainable Apparel Coalition (SAC), an industry-wide alliance that, among other activities, is developing the Higg Index – a tool to help create a more transparent and sustainable fashion industry. The Higg Index aims to score sustainability performance, making it easier for customers to benchmark brands, manufacturers and individual products so that they can make more sustainable choices.

Creating the required alignment within the fashion and design industry is taking longer than we expected. We have been pushing for this alignment from the beginning but, as with other collaborations, bringing many actors together is a significant challenge. Nevertheless, we are confident that the Higg Index will become a trusted tool for consumers.

## Enabling informed decisions through consumer-facing transparency

### **Sarah Ditty, you are a Policy Director at Fashion Revolution: What is consumer-facing transparency for you?**

For Fashion Revolution, transparency means credible, comprehensive and comparable public disclosure of data and information about brands and retailers' supply chains, business practices and impacts of these practices on workers, communities and the environment. Transparency is not just sharing the good stories, nor disclosing only compliant, well-performing suppliers. It's about presenting the full picture, both good and less good, in the effort to allow for greater scrutiny and to help drive faster improvements. There is power in sharing the challenges we all face, as well as where progress has been made.

### **Why is it important?**

Transparency information allows consumers to make more informed decisions about the impacts of the products they buy. If companies truly want to build sustainable businesses for the future, they need their customers to act more responsibly and sustainably and that requires awareness, information and education. This is what consumer-facing transparency can do. Companies can literally help create better future customers.

**How do you see H&M group's role and performance in this area so far?**  
H&M was one of the first major brands



to publish a list of its manufacturers and suppliers, a crucial step towards greater accountability. This information helps trade unions and other civil society organisations to better understand where products are being made. H&M scores within the ten highest brands in our annual Fashion Transparency Index, and this shows that H&M is striving year-on-year to provide more information about its sustainability policies, practices and impacts. We hope to see even more comprehensive, compa-

table, easy-to-use and verifiable data and information about H&M group's practices and impacts in the future. We are excited to see transparency information provided at the product level. This is a huge step forward, enabling customers to make more informed decisions about the products they buy from H&M. Hopefully in the future this sort of transparency will be available to consumers on every product they purchase from any brand or retailer, big or small.

## PROGRESS

- We were ranked in the top 5 of Fashion Revolution's Fashion Transparency Index, scoring 55% (highest score 58%). While we acknowledge this recognition, we know there is more for us to do.
- Scaling our transparency work, we developed a solution that will provide our customers with sustainability information on products for H&M and H&M Home.
- We arranged a Transparency Hack in Los Angeles, USA, bringing together future generations, thought leaders and change-makers with tech, sustainability and fashion expertise for a day full of ideation sessions. The aim was to present scenario solutions for a transparent fashion future. We believe that if we collaborate across the industry and use new technologies such as blockchain and AI, we can push the fashion industry towards becoming fully transparent.
- ARKET has conducted a pilot project to better understand the usage of blockchain in connection to transparency. Blockchain is a ledger or table that businesses use to keep track of their credit and debit. The distinguishing feature of block chain is that it cryptographically chains verified data into blocks. That means once info is added into the system it can't be modified without everyone connected into the chain being informed.

## LEARNINGS

- We are working hard to promote a consumer-facing Higg Index so our customers can compare a product's sustainability performance across brands. SAC has a



H&M group hosted a Transparency Hack in Los Angeles.

diverse membership, each with their own commitments and timelines. While we are confident that the Higg index will deliver as a ground-breaking tool for transparency and comparability, we acknowledge that creating a common standard for so many actors takes time.

• Over the years we have learned that it is very difficult to find solutions that suit customers' needs for sustainability information. There is currently little knowledge available on how exactly customers want further information. That is why, amongst other things, we are conducting further

research to address this gap. H&M joined an insight study with several other fashion brands in SAC to learn more about customer expectations in China, Europe and the US.





## 2. TRANSPARENCY TO DRIVE SUSTAINABILITY IMPACT IN SUPPLY CHAIN

In 2013, we were one of the first fashion retailers to make our supplier list public. This list includes tier 1 manufacturing supplier factories for 100% of H&M group products and tier 2 factories, which account for 65% of our products. Creating greater traceability in our supply chain means knowing exactly where our products (and their materials) come from. One of the biggest challenges in creating greater traceability is collecting trusted data throughout our supply chain. We see that new emerging technologies such as blockchain can potentially help us tackle this challenge.

Mapping the apparel industry's complex supply chains is both a joint effort and a groundbreaking and unparalleled initiative. Within the frame of SAC, the sharing of data for brands, textile manufacturers, mills and material suppliers' locations and sustainability performance on a joint platform is a significant step towards public transparency. However, because of some unanimity issues within SAC membership, the timelines for developing a transparency platform for data sharing are somewhat delayed.

H&M group recently joined the Executive Board of SAC to further drive industry-wide transparency of the fashion and apparel industry. This is needed now more than ever, with the increased expectations from customers, stakeholders and legislators for

transparent supply chains and disclosures on the impact on people and the planet. SAC's Higgs Index creates a 'common language' for transparent product information, allowing comparability across brands.



### PROGRESS

- H&M group signed the [Transparency Pledge](#) and added more detailed information to our public supplier list. Our supplier list covers 100% of our tier 1 and 65% of our products with tier 2 suppliers. We have also added strategic tanneries this year.
- 100% of our tier 1 and tier 2 supplier factories\* used the Higgs Index Facility Environmental Module during 2018, making us one of the widest users of the first tool developed by SAC. For more information on the performance, see page 96.

\*Apparel and footwear supply chains excluding factories with less than 25 employees.



# Rewarding sustainable actions

We believe it is important to encourage and empower sustainable actions throughout our value chain. Because we know incentives and reward systems help achieve long-term, positive behavioural changes, we are using them to engage our business partners, colleagues and customers to accelerate progress towards our sustainability vision.

We have developed and are using different reward systems, tailored to the needs of our three changemaker groups.

## BUSINESS PARTNERS

We are working with our business partners through our Sustainable Impact Partnership Programme (SIPP) to raise their environmental and social performance. We reward high-achieving and ambitious partners with more orders, training opportunities and long-term contracts. This helps drive environmental and social progress across our whole industry. Read more about SIPP on page 95.

## COLLEAGUES

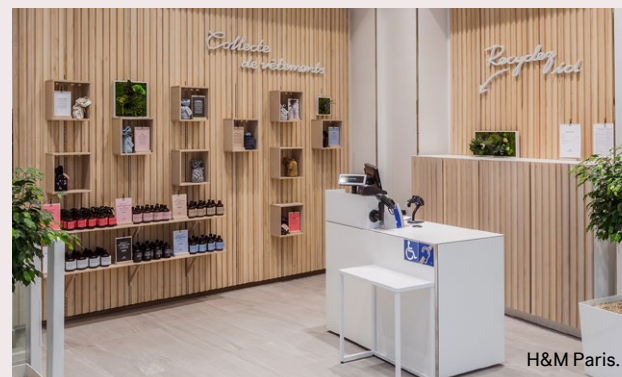
We want all our colleagues to contribute to our sustainability work and we reward them for doing so. This involves implementing and measuring sustainability goals at different levels and

across functions within H&M group. Crucially, this includes goals set at an executive level. We include sustainability goals in our overall management evaluation process and we regularly follow up on function specific goals.

We encourage colleagues to contribute to change in the workplace and in their communities through a range of strategies and activities.

## CUSTOMERS

To achieve our sustainability ambitions and drive change across our industry, we also need active participation from our customers. We offer our customers incentives for sustainable actions, which can increase customer interest and knowledge in sustainability and create positive behavioural change. In this way, we encourage our customers to re-wear, reuse and recycle unwanted clothes whenever possible.



H&M Paris.



& Other Stories.

## Rewarding customers for garment collecting

**H&M** All H&M stores around the world encourage customers to bring unwanted garments and textiles for recycling, re-wear or reuse. Customers can use the in-store garment collecting scheme to return garments from any brand, in any condition. As a reward, we offer a voucher towards their next H&M purchase.

**& OTHER STORIES** As well as collecting textiles via H&M group's partner-

ship with I:CO, & Other Stories also encourages customers to return the brand's empty beauty containers for recycling. Customers are rewarded for sustainable behaviour with 10% off their next purchase.

**MONKI** All Monki customers are rewarded with a "10% off your next purchase" voucher when they bring a bag of unwanted textiles for the garment recycling service.

These can be found in all Monki stores, anywhere in the world.

**WEEKDAY** All Weekday stores in Sweden currently offer garment collecting. This initiative will be rolled out worldwide during 2019 and will offer customers who bring in their unwanted garments a 10% discount on their next purchase.

**AFOUND** Offers garment and shoe collecting in all physical stores.





# 100% CIRCULAR & RENEWABLE



COS.



# Key facts & figures 2018

We reduced CO<sub>2</sub> emissions from our own operations by a further 11% compared with 2017.

## AFOUND

We launched Afound, a brand with the mission of giving unsold products a new life.

57% of all materials we use to make our products are recycled or other sustainably sourced materials.



We collected 20,649 tonnes of textiles for reuse and recycling through our garment collecting initiative. That's 16% more than last year and represents the equivalent of 103 million t-shirts.



WE HAVE DEVELOPED A NEW WATER ROADMAP FOR OUR SUPPLY CHAIN WHICH CONTAINS OUR KEY GOALS AND ACTIONS UP UNTIL 2022.

H&M Group has developed 2030 GHG emissions reduction goals that have been approved by the Science Based Targets initiative.



We set a new circular packaging strategy and roadmap for the entire value chain.



95% of cotton used by H&M Group is recycled or other sustainably sourced.



OUR CIRCULAR AND RENEWABLE AMBITION CONTRIBUTES TO SDG 6, 7, 12, 13, 14, 15, 17.



# 100% Circular & Renewable: KPIs and goals

Goal-setting is an ongoing process. We work with experts – both internally and externally – and follow a science-based approach to define targets and actions wherever possible. The KPIs and goals below represent the initial key milestones along the way to achieving our ambition to become 100% Circular & Renewable.

## 100% Circular & Renewable

KPI	2015	2016	2017	2018	GOAL
% of recycled or other sustainably sourced materials of total material use (commercial goods)	20%	26%	35%	57%	100% by 2030 at the latest
% of recycled or other sustainably sourced cotton (certified organic, recycled or Better Cotton)	34%	43%	59%	95%	100% by 2020
Tonnes of garments collected through garment collecting initiative	12,341t	15,888t	17,771t	20,649t	25,000t per year by 2020
% of stores with recycling systems for main types of store waste	61%	71%	64%	63%	100%
% of facilities in own operations with water-efficient equipment	37%	51%	51%	64%	100% by 2020
% supplier factories in compliance with ZDHC wastewater standard for conventional parameter*	75%	82%	84%	87%	100%
% renewable electricity in own operations	78%	96%	95%**	96%	100%
% change in CO <sub>2</sub> emissions from own operations (scope 1 + 2) compared with previous year	-56%	-47%	-21%	-11%	Climate positive by 2040
% change in electricity intensity (kwh/sqm per opening hour compared with 2017)	n/a	n/a	-2.7%	-8.2%	-25% by 2030

\*2017 data is compliant with BSR, 2018 data and forward is compliant with ZDHC.

\*\*Due to inaccuracy in calculation, the 2017 share has been corrected from 96% to 95%.

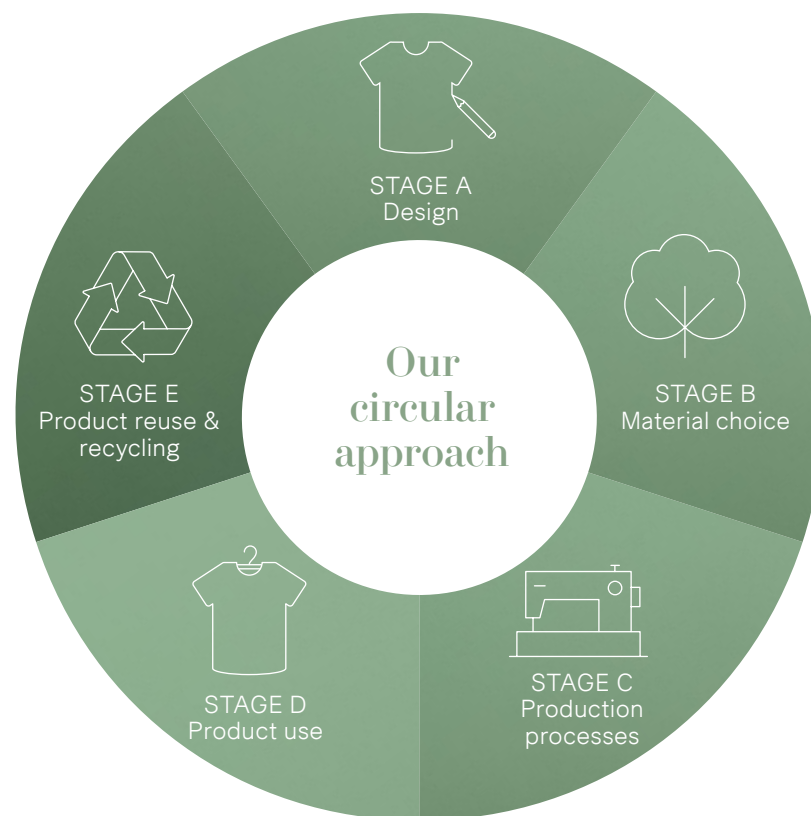


# 100% Circular & Renewable explained

Our planet provides us with an abundance of natural resources. However, with global demand rapidly outstripping supply, the fashion industry cannot continue to operate as it has in the past. At H&M group, we believe that an industry-wide shift from a linear to a circular business model is the only solution.

Circular models maximise resources and minimise waste. Using the current linear model, less than 1% of material used to produce clothes across the industry is recycled into new products.\* But in a circular model, resources stay in use for as long as possible before being regenerated into new products and materials, resulting in a reduction in waste and negative impacts. They also open for new business opportunities, such as our newly launched Take Care concept that offers products, services, inspiration, and guidance on expanding the life of garments (read more on page 49).

To fulfil our 100% Circular & Renewable ambition, we are building circularity into every stage of our value chain; from the products we design and make, to the packaging, materials and processes we use, to how our



customers care for and dispose of our products. A business model can only be truly circular if it's powered by renewable electricity, which is why we are planning to use 100% renewable electricity throughout our own operations. Ultimately, our goal is to achieve a climate positive value chain – a value chain that creates a net positive impact on the climate by 2040.

Making fashion circular also presents a strong business case. By designing for circularity, maximising resource use by working with recycled or other sustainably sourced materials, prolonging product lifespan and creating a climate positive value chain, we will increase the efficiency and the value of our operations and products. This will enable us to continue designing and producing great, sustainable products while creating positive social and environmental impacts.

To become 100% circular, we are focusing on five key stages within our value chain that are applicable to both commercial and non-commercial products:

- A. Design
- B. Material choice
- C. Production processes
- D. Product use
- E. Product reuse and recycling

\*Source: A New Textiles Economy: Redesigning Fashion's Future by Ellen MacArthur Foundation and CFI.

## STRATEGIC TARGETS FOR SUSTAINABLE FASHION

H&M group is working strategically on sustainability, using science and partnerships to help us lead the change towards a circular and renewable fashion industry. We are continuously developing new goals and roadmaps in all areas of our circular approach.

One example is our research project with the Ellen MacArthur Foundation and Stockholm University's Stockholm Resilience Centre. The project, "A circular fashion industry within planetary boundaries", is an ongoing collaboration continuing through 2019. The project team is using a science-based approach to help H&M group and the wider industry set targets for a more sustainable fashion future.

The project adopts a global perspective and incorporates the whole fashion value chain. It combines the principles of the circular economy from the Ellen MacArthur Foundation with the science of planetary boundaries from the Stockholm Resilience Centre.

The principles of a circular economy act as guidelines for how the fashion industry can thrive while remaining within the earth's limits. That means designing out waste and pollution, keeping products and materials in use, and allowing nature to regenerate. Planetary boundaries highlight the extent to which human activities can impact the environment without harming our planet's critical 'life support systems'. In other words, planetary boundaries mark the edges of the playing field while the circular economy shows us how to play.



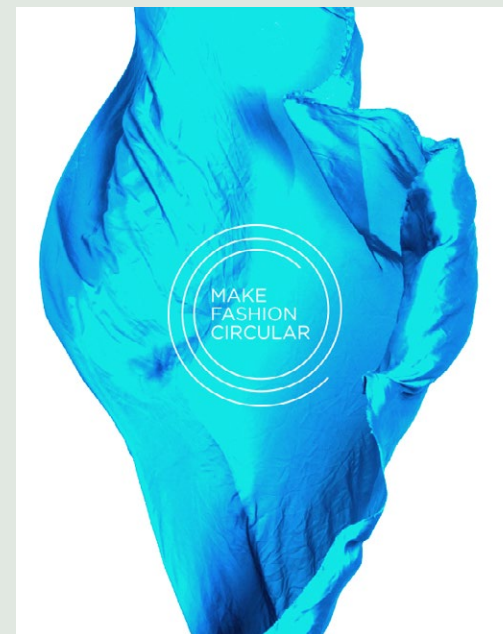
Photo credit: Tiffany Tsang.

## Collaboration with MFC: Creating a fashion industry of the future

Make Fashion Circular (MFC) exists to drive the level of collaboration and innovation necessary to create a fashion industry that can thrive in the future.

The group brings together leaders from a wide range of backgrounds, including brands, cities, philanthropists, NGOs and innovators. H&M group is a core partner of MFC, which means we are collaborating with other core partners to lead the transition to a circular economy.

This year, MFC has created working groups to focus on new business models that increase clothing use, inputs that are safe and renewable, and solutions for turning used clothes into new ones.



**“Collaboration and innovation are key to creating a fashion industry where clothes are used more and never become waste. As a core partner of Make Fashion Circular, and a brand with significant global presence, H&M group is playing an essential role in driving momentum towards this new vision for the industry.”**

FRANCOIS SOUCHET, LEAD,  
MAKE FASHION CIRCULAR





## OUR PACKAGING STRATEGY

We take a holistic circular approach to packaging, taking all the stages of the value chain into account. Packaging, particularly when it's made from plastic, has a big environmental impact – from raw materials, to manufacturing, to use and disposal. Our industry, as well as others, need to shift from a linear to a circular packaging model. Plastic packaging is front-of-mind for customers, colleagues and legislators, which means we have a good opportunity for rapid change in this area.

During 2018, H&M group collaborated with the Ellen MacArthur Foundation to develop a circular packaging strategy that covers the reduction of packaging used, circular design, material use and re-use, and recycling systems.

We want to lead the change in circular packaging, both for commercial and non-commercial goods, and have set the following goals:

- We have set a circular design goal that all packaging should be designed to be reusable, recyclable or compostable by 2025.
- We will use 100% recycled and other sustainably sourced materials by year 2030.
- We will reuse or recycle 100% of packaging waste from our own sites by 2025.

In addition to our circular packaging strategy, H&M group has signed the New Plastic Economy Global Commitment,

developed between the Ellen MacArthur Foundation and UN Environment. This represents a unique opportunity for businesses and governments to step forward as global leaders working on solutions that address the root cause of plastic waste and pollution. In the agreement, we commit to:

- Take action to eliminate problematic and unnecessary plastic packaging by 2025.
- Take action to move from single-use towards reuse models where relevant by 2025.
- 100% of plastic packaging to be reusable, recyclable or compostable by 2025.



& Other Stories beauty products.



H&M store in Stockholm built using mainly reused materials.

## CIRCULAR BUILT ENVIRONMENT

We want to lead the change and take a holistic approach towards circular built environment, increasing our operational efficiency and the longevity of our stores and offices. To do this, we are developing a strategy that covers the whole value chain within our built environment. While we're working on this, we continue to collaborate with suppliers and external experts to identify and implement actions that can shift us from linear to circular stores and offices.

We have continued to work with the Ellen MacArthur Foundation to develop tools to assess the circularity of our non-commercial goods and suppliers. We have started the implementation and are continuing our work to achieve the already set goal, that at least 80% of new store concepts (H&M brand to begin with), should be circular by 2025.

For example, we recently rebuilt one of our H&M stores in Stockholm, Sweden, using mainly building materials and interiors from existing store materials, production samples or previous purchase leftovers. This shortened the lead-time along the entire value chain, maximised the value and use of the resources, and reduced our climate impact. We are currently looking into scaling this project.

# A. Design



**Design is our first opportunity to bring circularity into our value chain. Incorporating circular thinking early on paves the way for later stages to follow suit.**

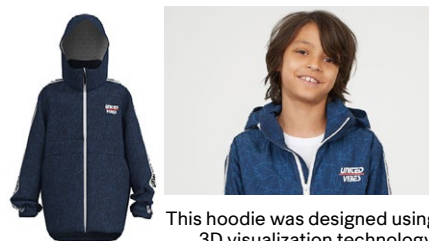
Circular design involves addressing the quality and durability of products, as well as their chemical input, materials and production processes. It also means finding ways to expand product lifespan, enabling better care and repair for our products and creating greater opportunities for rewear, reuse and recycling. We also apply circular design to our NCG (Non-Commercial Goods), such as packaging and stores, to increase their operational efficiency and longevity.

## CIRCULAR GARMENT DESIGN

All H&M group brands have their own teams of designers and buyers. Having a circular approach in the design stage is crucial for creating circular products. Our designers are trained in choosing the right materials, which means choosing materials that are recycled or sustainably sourced and suited to longevity, reuse and recyclability.

We are continuing to develop our circular design strategy. During the past few years we have been utilizing the latest technologies in 3D visualization of fabrics and products, which has led to a reduction

in sample rounds and use of resources. Now, designers are able to iterate on products in 3D, until they are sure it's the right style. This removes the room for error both in designing the desired products for our customers, but also removes potential communication errors between us and factories.



This hoodie was designed using 3D visualization technology.

## PROGRESS

- We have set a circular design goal that all packaging should be designed to be reusable, recyclable or compostable by 2025.
- H&M group has signed up to the Global Fashion Agenda's Circularity Commitment. This exists to encourage more companies in the fashion industry to support and practice the principles of circularity, including circular design goals. We continue to report progress on the Global Fashion Agenda Circularity Commitment.



## COS: Repurposing cut offs through design

COS has always worked according to the principles of timeless, functional and considered design. This approach honours longevity and durability, and therefore translates well into circular thinking. Following the recent success of the capsule collection "10", which focused on clever patternmaking and garment construction to reduce cut off waste, the brand launched the Repurposed Cotton Project.

Despite minimising cut offs as much as possible, COS knew there was still some high-quality cotton going to waste in their supply chain. Through the Repurposed Cotton Project, these

cut offs are now collected, shredded, compacted, spun, knitted, dyed and constructed into sweatshirts. The recycled cotton is blended with some virgin cotton to ensure its quality meets our customers' high expectations.

COS used a new recycling supplier to process the fabric, but the sweatshirt itself is produced in the same factories and using the same high standards as all other COS garments. That means not only is this product made from recycled fabric, it is also durable by design. It's early days, but the project could save up to 1.5 tonnes of cotton cuttings from going to waste every year.





## B. Material choice



**Our goal is to use 100% recycled or other sustainably sourced materials by 2030 at the latest.**

**In 2018, we achieved 57%.**

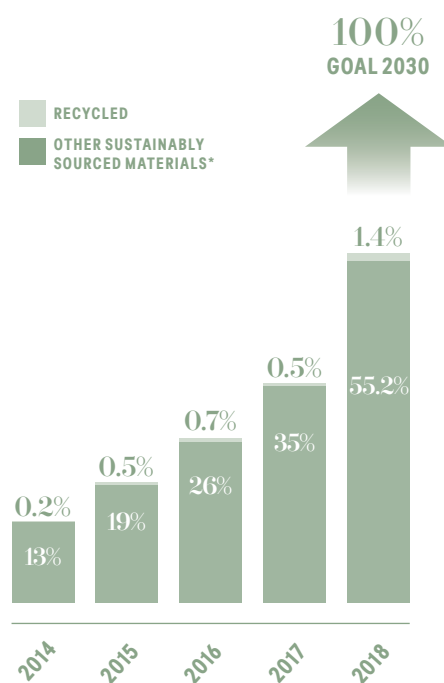
Recycled materials are a win-win: they stop waste material from going to landfill and reduce the use of virgin raw materials (as well as chemicals, energy and water used to make them). Similarly, sustainably sourced bio-based materials are naturally grown or cultivated, and better from an environmental perspective.

We use third-party verified lifecycle assessment data to evaluate the sustainability credentials of recycled and sustainably sourced materials. This includes LCA data as well as external material benchmarks based on LCA data, such as the Material Sustainability Index within the Higg Index.

We have specific sourcing policies for many of our raw materials. These typically require the use of credible third-party certification schemes to ensure sustainable sourcing, such as Organic and recycled standards, the Forest Stewardship Council (FSC) and the Responsible Wool Standard (RWS).

We are collaborating with industry experts to ensure we successfully integrate recycled and sustainably sourced materials into our value chain. For example, we are working with Fashion Positive

### 4.1. SHARE OF RECYCLED OR OTHER SUSTAINABLY SOURCED MATERIALS



\*Not all sustainably sourced materials can be naturally grown or cultivated i.e. minerals or stones. In these instances, we set up material-specific policies such as the use of external standard schemes to secure sustainable sourcing.

PLUS, an initiative which seeks to identify, optimise and accelerate sustainable materials while making them widely available. So far, it has awarded grants to three recycling technology developers – Worn Again, Moral Fiber and Tyton BioSciences.



### Recycled materials

H&M group uses several types of recycled materials, including recycled cotton, polyester, nylon, wool, cashmere, plastic, silver and down. We are constantly working to increase our use of recycled materials. However, for many types of textiles, particularly blended fibres, viable recycling solutions either do not exist or are not commercially available at scale.

To tackle this challenge, we are creating demand for solutions and working with scientists and innovators, including investments in Worn Again, Re:newcell and Moral Fiber, and engagement in, for example, DEMETO/GR3N, Fashion Positive PLUS and H&M Foundation's Hong Kong Research Institute of Textiles and Apparel (HKRITA).



## PROGRESS

- 57% of the materials used by H&M group were recycled or other sustainably sourced. This is an increase from 35% in 2017.
- We have set a goal to only use recycled or other sustainably sourced material for packaging by 2030.
- H&M group is the second biggest user of recycled cotton in the world, and the sixth biggest user of recycled polyester. This is according to The Textile Exchange's Preferred Fiber & Materials Market Report 2018.
- We used the equivalent of over 325 million plastic PET bottles in our recycled polyester.
- Several of our brands continued to replace conventional polyester and nylon with recycled alternatives. ARKET and H&M worked with a 100% regenerated nylon fibre material called Econyl®, while all Weekday swimwear was made from recycled nylon and recycled polyester.
- We used recycled silver to make jewellery in H&M's Conscious Exclusive collection 2018. By recycling metals, we avoid the negative impacts of mining.
- We invested in Moral Fiber, an American innovation company developing a unique technology for polyester recycling.



*\*The DEMETO project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement no 768573.*

- H&M group is part of DEMETO, a research project for polyester recycling with an objective to build a pilot plant designed to treat about 500 tons of polyester waste per year. The project is funded by the EU and its partners.\*

## LEARNINGS

- The use of any synthetic fibre creates the challenge of microfibre shedding. We are taking this very seriously and are looking for solutions. You can read more on page 48.
- We want to further accelerate the use of recycled fibres in our products. However, to do this and to be able to recycle all fibre types and blends at scale we need more technological advancement in recycling technologies. H&M group supports this development by investing and collaborating with innovators such as Worn Again, Re:newcell and H&M Foundation's Hong Kong Research Institute of Textiles and Apparel (HKRITA).



The award-winning hydrothermal recycling technology has been put into practice at scale, using only heat, water and less than 5% of a biodegradable green chemical to recycle cotton and polyester blends into new fibres.

## H&M Foundation launches ground-breaking textile-blend recycling facility

In 2016, the H&M Foundation and the Hong Kong Research Institute of Textiles and Apparel (HKRITA) formed a four-year partnership which, in 2017, led to a technological breakthrough. Using a hydrothermal method, HKRITA presented a solution for recycling cotton and polyester blends into new fibres.

In autumn 2018, the H&M Foundation and HKRITA

opened a recycling facility in Hong Kong, the first of its kind, putting the new technology into practice at scale.

"This is a significant step towards a new fashion industry that operates within the planetary boundaries. As we scale up and make this technology freely available to the industry, we will reduce the dependence on limited natural resources to dress a

growing global population," says Erik Bang, Innovation Lead at H&M Foundation.

The H&M Foundation's 5.8 million euro projected investment in HKRITA has been made possible through the surplus from the H&M group's in-store garment collecting programs. The H&M Foundation allocates 50% of the total donated surplus to research on textile recycling.

## Sustainably sourced materials

The production of many of the raw materials used in our products both depends on and impacts natural landscapes and their biodiversity. We depend on ecosystem services like pollination, water cleansing and carbon sequestration that forests, wetlands and other natural systems provide. It is therefore critical that the sourcing of our raw materials is done in a responsible way that respects people, animals and the environment by protecting and enhancing human rights, natural systems and biodiversity. We also aim to source materials that have the potential to be used as closed-loop materials. This means they can be recycled or regenerated, making them typically less polluting than other materials.

In 2018, H&M group joined **EFFECTIVE**, a multi-national research project with a focus on developing bio-based polyamide (nylon) fibres to make recyclable textile products. The project is funded by the EU and its partners\*.



\* This project has received funding from the Bio-Based Industries Joint Undertaking (JU) under grant agreement No 792195. The JU receives support from the European Union's Horizon 2020 research and innovation programme and the Bio-Based Industries Consortium.

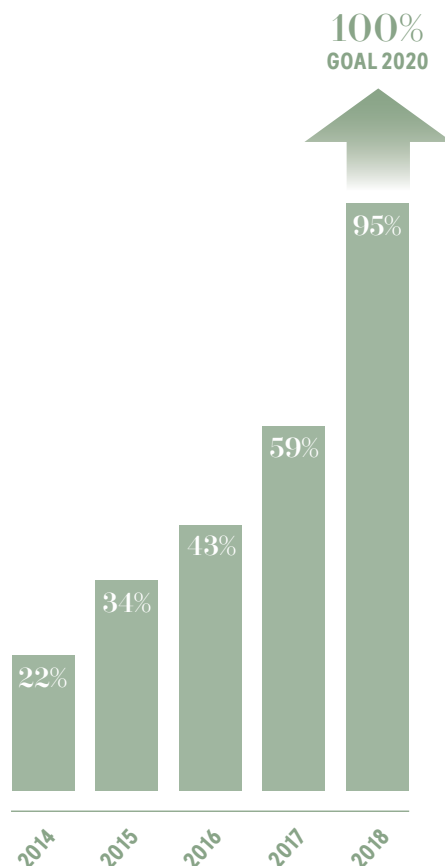
### COTTON

Our goal is to use 100% sustainably sourced cotton by 2020, which includes certified organic cotton, Better Cotton (BCI) and recycled cotton.

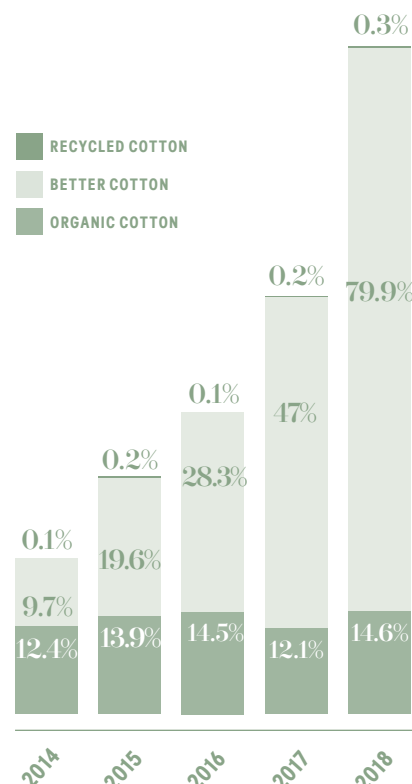
We are a founding partner of the Organic Cotton Accelerator (OCA) and are an active member of the board. The OCA was

formed to tackle sector-wide challenges and accelerate the growth of the organic cotton market. In 2018, prototype-sourcing pilot projects in India delivered results and learnings to guide us in securing supply chain transparency and integrity. It was also an important year in the initiative's strategy formation for long-term farmer capacity building and sustainable sourcing.

4.2. SUSTAINABLE COTTON  
IN % OF TOTAL COTTON USE



4.3. BREAKDOWN OF  
SUSTAINABLE COTTON SOURCES



An independent assurance statement related to GRI 301-1 is provided on page 106.

### PROGRESS

- 95% of our cotton was recycled or other sustainably sourced cotton (Better cotton, organic or recycled cotton).

- H&M group is the biggest user of preferred cotton (for H&M group this consists of better cotton, organic and recycled cotton), and the second biggest user of recycled and organic cotton, according to The Textile Exchange's Preferred Fiber & Materials Market Report 2018.

- In autumn of 2018, Monki reached its goal to source 100% of its cotton products sustainably. Monki's sustainably-sourced cotton includes organic cotton, recycled cotton and Better Cotton sourced through the Better Cotton Initiative. Cheap Monday has also reached their goal to use 100% sustainably sourced cotton, in their case, meaning organic or recycled cotton during 2018. As for Weekday, all cotton in their denim and basics range is recycled or organic.

- We joined the EU project EFFECTIVE, with a focus on developing 100% bio-based and recyclable nylon.

## WOOD-BASED MATERIALS

H&M group depends on forests for many of our materials, including solid wood, man-made cellulosic (MMC) fibres, paper and board material. Forests make up some of the world's largest and most important ecosystems; tropical rain-forests cover less than 10% of the planet's surface yet contain at least two-thirds of its biodiversity.

However, forests are rapidly being destroyed through illegal (or badly managed) logging and unsustainable land conversion. Responsible sourcing policies promote sustainable forest management practices and help combat illegal logging and deforestation. We commit to not source wood and forest materials from:

- Forests with threatened high conservation values (HCV)
- Forest areas that have been illegally harvested
- Natural forests cleared for plantations or other use
- Forest areas where traditional or civil rights have been violated

We aim to exclude the above by increasing our use of FSC (Forest Stewardship Council) certified materials, and by increasing our use of alternative fibre sources, such as agricultural residues and post-consumer textiles. These can work as replacements for wood fibre in, for example, man-made cellulosic materials and paper.

## PROGRESS

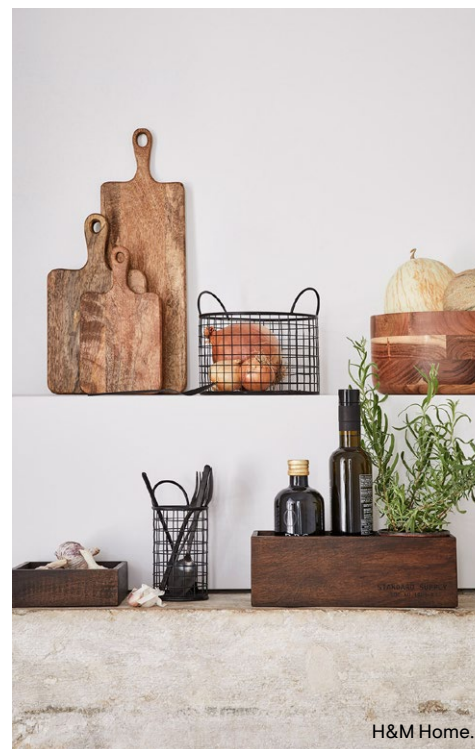
- According to the Textile Exchange's Preferred Fiber & Materials Market Report 2018, H&M group was the biggest user of preferred MMC fibres and the biggest user of preferred Lyocell.

- We released the updated version of our man-made cellulosic sourcing policy in 2018.

- H&M group is committed to the [Changing Markets Roadmap](#) for responsible viscose and modal fibre manufacturing. The objective of the roadmap is for viscose and modal producers to move towards a closed-loop manufacturing system. By 2025 H&M group will only use viscose and other man-made cellulosic fibre producers with good environmental practices that align with the roadmap, such as closed-loop processing of water and chemicals. We are working to reduce the chemical intensity of viscose in partnership with the Zero Discharge of Hazardous Chemicals (ZDHC) initiative. Please read more about this work in the chemical management section on page 42.

- H&M group is one of the investors in TreeToTextile, a Swedish innovation company that is working with new technologies that use wood pulp to make textile fibres in an environmentally friendly way.

- H&M group has contributed to the development of ForestMapper, a new public interactive tool that identifies ancient and endangered forests. ForestMapper was developed to support the marketplace in making responsible sourcing decisions. You can take a trip through the world's forests [here](#).



## MAN-MADE CELLULOSIC FIBRES (VISCOSE, RAYON, LYOCCELL)

Man-made cellulosic (MMC) fibres are one of the world's biggest group of fibres, and an important material group for us as well. MMC fibres include viscose, lyocell and modal, and are made by dissolving pulp, which today is mainly produced from wood. However, since the world's forests face challenges such as forest depletion and deforestation, H&M group has engaged with others to push this industry in a more sustainable direction.

We are collaborating with the not-for-profit group Canopy and more than 160 other brands to eliminate the use of MMC

fibres sourced from ancient or endangered forests and other controversial sources, and to replace them with sustainably sourced alternatives. H&M group is one of the founding members of the CanopyStyle Leader for Forest Conservation and has been actively working with the CanopyStyle initiative since 2014. This initiative is working to eliminate sourcing from ancient and endangered forests, as well as closing the loop for textiles and supporting the development of alternative MMC fibres made from more innovative sources, such as agricultural residues and recycled textiles.

In our MMC sourcing policy (updated end of 2018), we commit that by the end of 2020, 100% of our man-made cellulosic fibres will be sourced from low risk suppliers that have completed CanopyStyle audits and attained a "green shirt" in the Hot button report\*. This means they will indicate a low risk of sourcing from ancient and endangered forests. By the end of 2025, all H&M group MMC fibres will come from either FSC certified forests or from other, more sustainable and innovative sources, such as agricultural residues or post-consumer textiles.

## WOOL

Although wool represents a small share of our total material use, it is still an important fibre and has benefits that are currently hard to replace. Our goal is that, by 2022, we will only source our virgin wool from farms certified to the Responsible Wool Standard (RWS).

\*The Hot Button Report is a tool that enables brands and retailers to assess producers' impact on the world's forests, as well as their leadership in finding solutions to eliminate endangered forest fibre from their supply chain.



This will ensure we only source wool fibres from farms that respect animals and the environment.

### PROGRESS

- 100% of our tier 1, 2 and 3 suppliers have been briefed on the new RWS.
- ARKET became one of the first brands in the world to introduce the Responsible Wool Standard in their collection.

### LEARNINGS

- Industry challenges and lack of traceability and transparency in the mohair supply chain made us act decisively. PETA revealed systematic animal abuse in the mohair industry in May 2018. We stopped buying products containing mohair in mid-2018 and by 2020, we will have phased out mohair completely.
- While cashmere is popular for its soft texture and known as a high-quality material, it comes with both environmental and animal welfare challenges. As part of our 2030 goal to only use sustainably sourced materials, we have decided to gradually phase out conventional cashmere and replace it with more sustainable options with similar high value for our customers.

### LEATHER

We are continuously working towards a more transparent leather supply chain. Even though leather stands for a very small fraction of our total material use, we want all the animal-derived leather we use to come from sources we know are proactively addressing their environmental, social and animal welfare impacts.



ARKET, one of the first brands in the world to introduce Responsible Wool Standard in their collection.

We have teamed up with other brands and organisations to work together for a more sustainable leather supply chain. This includes working with the Responsible Leather Roundtable, driven by the Textile Exchange, the Leather Working Group and its sub-group on animal welfare.

We are systematically working to integrate tanneries into our social and environmental sustainability assessments. During 2018 we have further reinforced our sustainability commitment for leather products, putting the focus on chrome-free solutions for the coming years. By 2025, all our animal-based leather will be chrome-free and originate from more sustainable sources.

However, because leather has so many sustainability challenges – from farm level up to finished product – we are also focused on finding more sustainable non-animal leather alternatives made using plants and other bio-based materials. We are increasingly optimistic about the potential of these innovative alternatives.

### OTHER SUSTAINABLY SOURCED MATERIALS

All the virgin down we use in our products comes from farms certified to the Responsible Down Standard (RDS). In 2018, we also introduced recycled down and feathers into our products, which is collected from post-consumer goods. According to the Textile Exchange's 2018 Preferred Fiber Market Report, H&M group is the world's largest user of preferred down, which includes both RDS certified, and post-consumer recycled down.



## C. Sustainable production



Sustainable production processes are central to circular systems. In the fashion and design

industry, we rely on water and chemicals in most of our production processes. To achieve sustainable production and our larger 100% Circular & Renewable ambition, we must address our chemical and water management, and tackle the microfibre challenge that comes from using synthetic fibres.

### CHEMICAL MANAGEMENT

To ensure the safe use and reuse of materials in the circular system, we must ensure good chemical management. Our vision is to lead the change towards safe products and a toxic-free fashion future.

In 2018, we started the process to adopt Screened Chemistry to enable us to select the best available chemicals for our production. Screened Chemistry goes beyond Restricted Substance List /Manufacturing Restricted Substance List chemicals and identifies best-in-class chemicals and safer alternatives. It includes a

hazard-based scoring system to rate chemicals and formulations based on human health and environmental toxicity, and automatically designs hazardous substances out. This is a prerequisite for circular economy.

We have also re-launched a Positive List of chemicals that we promote throughout our supply chain. This Positive List will be included in the Zero Discharge of Hazardous Chemical (ZDHC) Gateway, as a web-based industry platform to choose the best chemicals. We are working to align all the tools and standards within the fashion industry, which will help achieve our goal of zero discharge. By 2030, all products on our Positive List should be assessed by their hazard to secure our vision for a toxic-free fashion future.

We have continued to work alongside other brands and stakeholders on the ZDHC programme, raising awareness and developing shared industry standards and tools.

Using recycled materials is a key element in the circular economy. However, increasing the use of recycled materials while staying toxic-free presents a challenge. We have therefore initiated mapping of textile waste streams and assessing chemicals. In this way, we can make sure that textiles containing hazardous substances are not allowed to re-enter the production cycle.

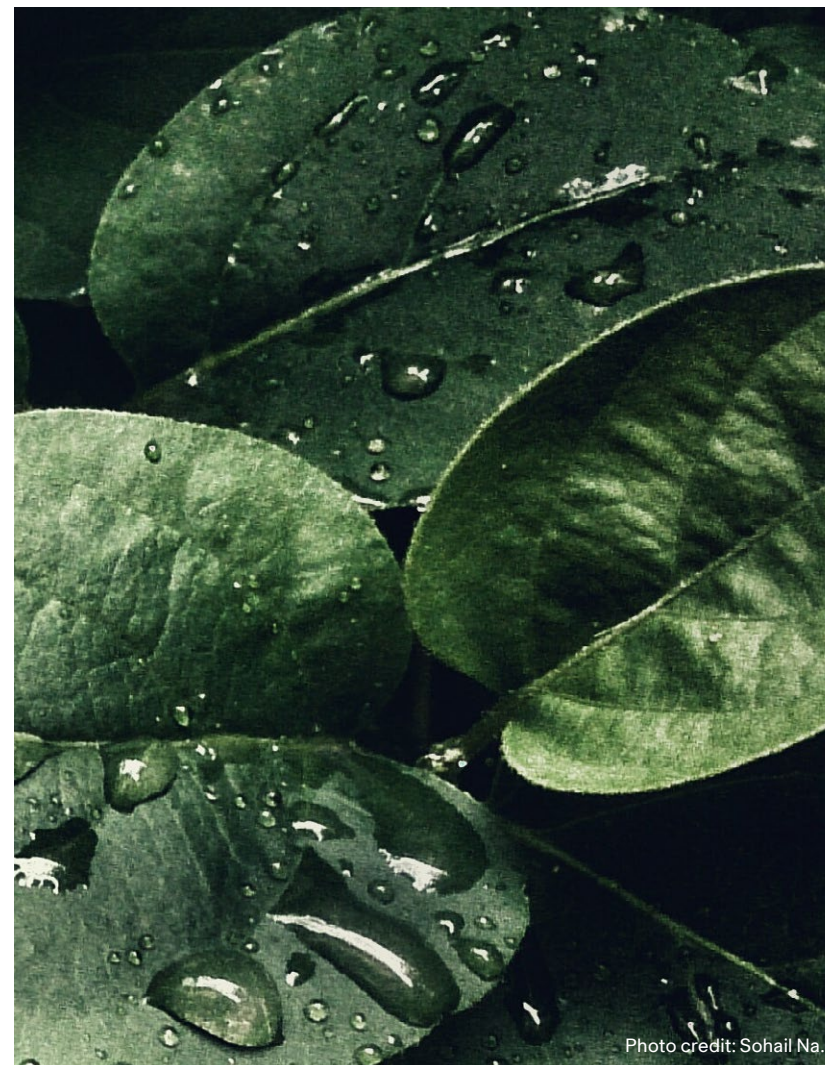


Photo credit: Sohail Na.



## PROGRESS

• We adopted Screened Chemistry as a method to choose the best available chemicals. Currently we have 5,300 chemical products on our positive list and 53 chemical suppliers who apply Screened Chemistry, and we are actively expanding this list by working closely with the chemical industry. To further promote and develop Screened Chemistry we hosted an industry dialogue sharing our chemical vision and roadmap.

• 272 of our suppliers participated in wastewater testing using ZDHC wastewater guidelines and the results are published in the ZDHC Gateway.

• The Environmental Emissions Evaluator (a tool to help suppliers assess and improve their chemical usage and discharge) is now being used by 204 of our suppliers (49 suppliers in 2017) in China, Bangladesh, Pakistan, Cambodia, Vietnam, India, Turkey, and Indonesia.

• We participated in Re-TEX, a project within the CE100, where mechanically recycled cotton was tested for restricted substances. We will further evaluate and continue testing recycled materials in collaboration with other brands.

• Together with ChemSec we published a joint letter to push for stricter legislation of recycled materials and to put pressure on suppliers to increase chemical transparency and use of safer alternatives.

## Chemical management roadmap

### WORKING AREAS

Leading the Change	Traceability
	Engagement
	Transparency
Safe Products	Best Available Chemistries
Toxic Free	Zero Discharge
	100% Circular
	Cooperation

### LONG-TERM GOALS & AMBITIONS

100% traceability of input chemicals by 2030.

Push legislation and support public policies promoting progressive chemical management.  
Push for higher ambition levels within the industry.

Share information with customers, right-to-know principle.  
Full public disclosure on wastewater discharge test data.

Identify and promote better chemicals/technology to enable use of best available chemistries in supply chain.

No discharge of hazardous chemicals in the supply chain; factories apply 100% best chemical management practice and better chemistries/processes without any impact of harmful chemicals on environment or health.

Enable the circular goal to use 100% recycled or other sustainably sourced materials by 2030, from the chemical perspective (materials and processes).

Clean factories.  
Drive common practice in the development of industry standards, systems and tools.



## Water management

In 2018, a report on SDG 6 Clean Water and Sanitation stated, “the world is not on track to achieve the global SDG 6 targets by 2030 at the current rate of progress”. With 2.3 billion people lacking basic sanitation services, along with worsening worldwide water pollution, we are resolved to push harder for action and progress on this issue, both within our value chain and beyond.

H&M group has been working to reduce water impacts throughout our value chain for over ten years. We began a long-term partnership with WWF in 2011, with the goal of becoming a leading water steward within the fashion industry. With the help of WWF, we developed a five-step water stewardship strategy.

During World Water Week in 2018, H&M group and WWF called for action from the textile and apparel industry to join forces with stakeholders, governments, development partners, wider industry and water users to find solutions to today's water-related challenges in basins where we operate.

### OUR WATER STEWARDSHIP STRATEGY

H&M group's water stewardship strategy takes an innovative and integrated approach, going beyond factory lines to address large scale, local, environmental and social impacts across our whole supply chain.

In 2018, we revised our Water Management requirements for suppliers. This meant raising the bar for functional effluent treatment plants and requiring the measurement and tracking of water streams for efficiency and benchmarking.

## Our 5-step water stewardship strategy

### 1. WATER AWARENESS

Building water awareness at our company, at our suppliers' factories and amongst our customers to ensure high level understanding of the global water challenges and their dependence on freshwater.

### 2. KNOWLEDGE OF IMPACT

Measuring water impact and risk within our stores, warehouses and suppliers' factories.

### 3. INTERNAL ACTION

Improving the use of water within our stores, warehouses and our suppliers' factories.

### 4. STAKEHOLDER ENGAGEMENT

Increased focus on collective action with other companies, governments and NGOs in multi-stakeholder platforms to address water issues in specific focus regions.

### 5. INFLUENCE GOVERNMENTS

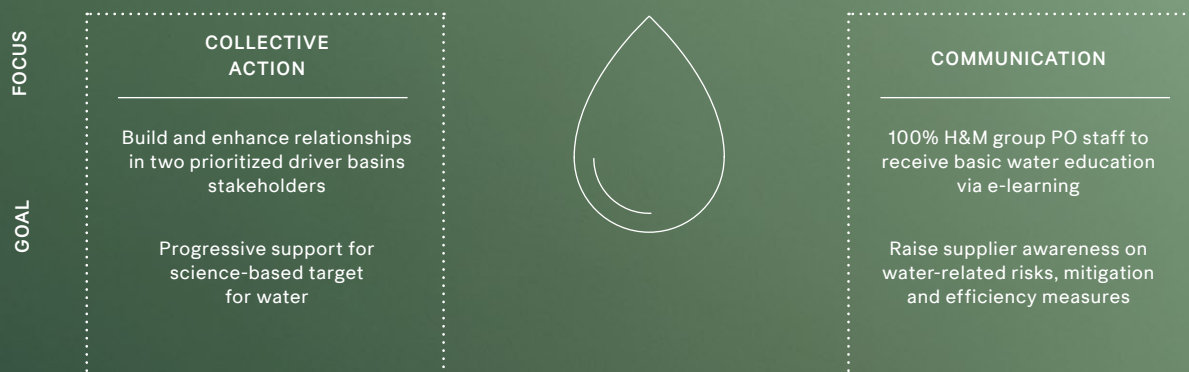
Increased focus on government influence by engaging with public policymakers to manage water basins in a sustainable way.



## Water roadmap 2018–2022



Our vision is to have a positive impact on water in our value chain by stewardship actions.



## Water roadmap for supply chain

As part of our water stewardship strategy, in 2018 we launched our new Water roadmap for our supply chain, which contains our key goals and actions up until 2022. It addresses the water-related challenges we face around the world in a way that puts our industry, and others, on the right path to SDG6, to “ensure availability and sustainable management of water and sanitation for all”.

The roadmap represents a paradigm-shifting move towards integrated water management that values water as a shared resource. For example, we set an ambitious goal to recycle 15% of wastewater back into production processes by 2022. We have started to use five new water recycling solutions for textile and apparel production processes, which will improve the quality and create opportunities for water recycling in many of our production countries.

H&M group operates in many medium-to-high risk water basins where challenges vary from water scarcity to water pollution. We have assessed the risk of our suppliers' production facilities with the WWF Water Risk Filter and integrated the necessary actions and goals in our roadmap. We have also aligned our ambition with SAC/Higg FEM3.0, which we will use to measure the water sustainability performance of our suppliers' facilities.

## PROGRESS

- We have assessed all onsite industrial Effluent Treatment Plants (ETP) in our value chain and worked with our suppliers to secure appropriate technology, operational control and high levels of relevant competence. We now have 93% functional ETPs in our supply chain.

- Our current rate of compliance with ZDHC wastewater standard for conventional parameters is 87%.

- We trained all our tier 1 and tier 2 facilities on Higg FEM 3.0. This supported them in making self-assessment of their environmental performance. We also rolled out our Towards Circular & Renewable training for facilities, which includes capacity building on cleaner production with a focus on water, energy and chemicals.

- Our work with resource efficiency and cleaner production programmes has continued to help our suppliers to reduce their water consumption. In 2018 our efforts projected water consumption reduction by 4.7 million m<sup>3</sup>.

- We also encourage our suppliers to use a rain water harvesting system to efficiently capture, store and use natural water sources whenever feasible. In 2018, our partner Hamza Textiles Ltd in Bangladesh harvested 18.9 million litres of rain water.

- We have further improved our understanding of where the water in our supply chain comes from. 38% of water comes from the ground, 5% from surface water, 52% from municipal water, 5% from Produce /Process Water. (Self reported data Higg FEM 3.0 in 2018).

- 30.8% of our denim products have achieved a green level EIM (Environmental Impact Measurement), which means they used a maximum of 35 litres of water per garment during the treatment processes.

- We have installed water-efficient equipment in 64% of our own stores, offices and distribution centres. Our goal is to install water-efficient equipment across all our operations by 2020.

- Our partnership with WWF contributed to bringing in more global fashion brands to the WWF water stewardship program in Taihu, China. The first standardized supplier training material was digitized and implemented for suppliers in autumn 2018.

## LEARNINGS

- In many countries where we operate, water is not considered as a valuable, natural resource. This lowers awareness and creates a perception that water is dispensable. We are supporting the Bangladesh government's Water Valuation Study to develop an operational shadow price for water, so its value can be considered in policy, projects and investment decisions in the public and private sector.

- Many countries lack the required innovation to provide solutions for reducing water consumption. Processes for washing and dyeing textiles still depend on water as a carrier, and often require huge volumes of water. Newer technology and innovation can significantly reduce water usage in textile processing. We are exploring new recycling techniques for textile processes with more efficient water consumption.



- Most existing water management platforms work in silos, making it much more challenging to reach common industry goals. The many organisations working to improve

water management means there are both gaps and overlaps. If we could join forces, it would help us align and use available resources more effectively.



## Promoting cleaner production in the Büyük Menderes basin

Water facilities often require financial support to adopt cleaner production processes. In many basins where we operate, such financial mechanisms are either absent or not promoted. Providing easy access to finance increases resource efficiency and maximises profit for the facility. Between 2017 and 2018, we worked with WWF to promote cleaner production in the Büyük Menderes river basin in Turkey. This involved engaging relevant ministries and industrial bodies, as well as contributing with training programmes, feasibility studies, favourable financing programmes and knowledge-boosting activities for programme participants. Through this project, we are facilitating financing options for the textile facility so they can adopt cleaner production techniques in their production. In May 2018, several major brands emphasised the importance of cleaner production to their global supply chains at a textile engagement event. This was followed by a Cleaner Production Guideline launch in September 2018.



Photo credit: Cenk Oruç.

“We will continue our work in the Büyük Menderes region and scale to the heart of the textile industry in Turkey, the Ergene region, during 2019. Other companies

will also join us, which is excellent. We feel that we are gaining momentum”, says Julia Bakutis, Sustainability Manager, H&M group Europe.

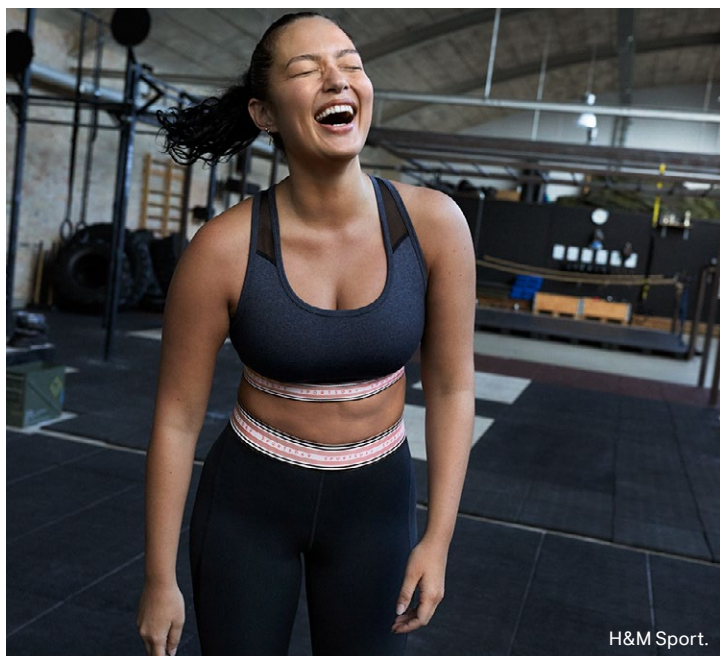


Photo credit: Charlotta Järnmark/WWF.

**“Healthy rivers and freshwater ecosystems are central to achieving the Sustainable Development Goals. WWF’s partnership with H&M group has set ambitious targets on water stewardship, reducing supply chain water impacts, supporting collective action and strengthening water governance in key regions – targets which will help to restore and protect rivers and freshwater ecosystems for the benefit of people, business and nature.”**

STUART ORR,  
WWF PRACTICE LEAD,  
FRESHWATER



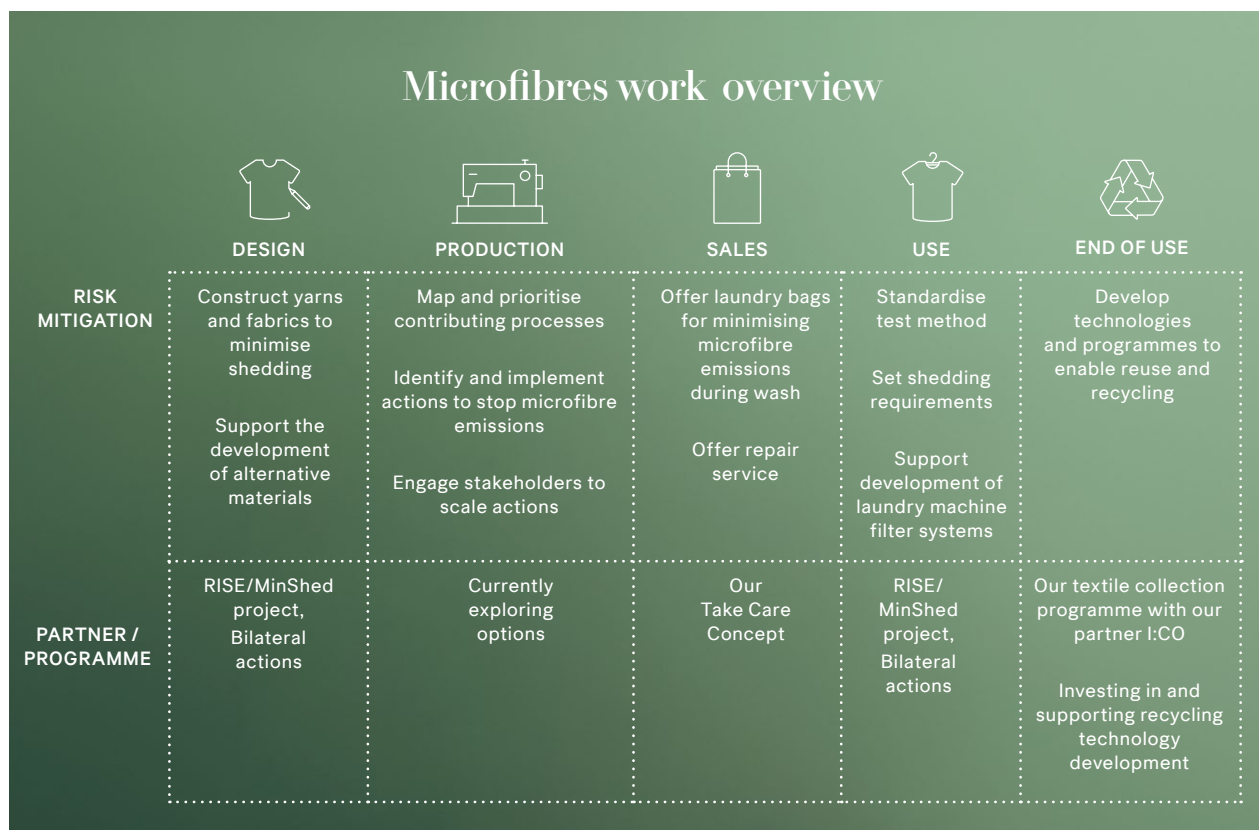


## MICROFIBRES

When synthetic fabrics like polyester, nylon and acrylic are washed, they release microfibres into the water system, which disturbs natural ecosystems. Each year, approximately 500,000 tonnes of microfibres – the equivalent of 50 billion plastic bottles – enter the ocean as a result of clothes-washing.\*

H&M group is highly concerned about the environmental impact of microfibres and is engaged in driving research and contributing to a global solution, together with many others in the fashion and design industry. The issue of microfibres needs to be addressed at several stages throughout the value chain, including design, production, usage and end-of-life. We are also investigating our own synthetic textiles to see how the fibre composition sheds during the washing process. This way, we will be able to see if we can make any adjustments in the making of the fibres to reduce the shedding.

\*A New Textiles Economy: Redesigning Fashion's Future by Ellen MacArthur Foundation & CFI page 39.



## PROGRESS

- We joined the Swedish research group RISE in their project MinShed, which aims to find methods of designing clothes with minimized microfibre shedding. Testing and evaluation of fabrics to find parameters that affect the shedding behavior is currently in progress. Through MinShed, we also support an investigation to understand how and if washing machines can be equipped with filters to reduce microfibre emissions. Read more about MinShed [here](#).

- We are developing a research programme to create a better understanding of how and where to best reduce microfibre emissions in textile production. The purpose of this programme is to study microplastics generation and management in the textile production processes. This covers polyester, recycled polyester, nylon, and acrylic.

- We have added laundry bags that specialize in filtering microfibres to the assortment and are rolling this initiative out to more and more mar-

kets. Microfibre-reducing laundry bags aim to prevent the release of microfibres into the water system during the wash. We recognize this is a short term solution, and more robust system solutions must be developed for the long term.

- We are closely monitoring the development of alternative bio-degradable fibres that potentially could be used as alternatives for today's synthetic fibres.





## D. Product use



Circular products stay in use as long as possible before they are recycled. For most products, a major part of the lifespan is with their owner. We have a responsibility to ensure we create long-lasting products and that we help our customers keep them for longer.

We can prolong the lifespan of our products and create a truly circular system by designing durable products and empowering our customers to care for and use the products in a sustainable way.

### CUSTOMER USE

We encourage our customers to make sustainable choices while using our products. We do this by providing information about garment care, encouraging customers to use products for as long as possible and offering opportunities for reuse and recycling, rather than disposal. For many years, our garments have had the Clevercare label included in their washing instructions. This encourages washing at lower temperatures and hang drying instead of tumble drying. Simple behavioural changes like this can dramatically

reduce the environmental impact of our products after they leave our store, as well as increasing their overall lifespan.

Now we have taken further steps to create more products with emotional durability through H&M's Take Care concept, Monki's Re:Love event and Weekday's in-store workshop. Read more on these initiatives on page 51.

### PROGRESS

- After the initial pilot project in Germany we launched the Take Care concept in several markets including France, UK, Sweden, and Norway.

## Take Care concept expands to more markets

Our Take Care concept inspires and enables our customers in caring for their fashion favourites – from the moment they leave the store with their new clothes up to the time they bring them back for reuse and recycling. Because 21% of the climate impact in a garment's life occurs after it has left the store, we want to help our customers keep their clothes fresh and prolong their life. The Take Care concept does this by offering guidance and hands-on support for smart repairs and easy modifications. We also offer a range of products to support this behaviour change, including eco-friendly detergents, sewing kits, deco-patches and innovative washing bags that collect micro-fibres, to mention a few.

During 2019 we will roll out the Take Care concept to more markets. Several brands in the H&M group have ongoing initiatives similar to the Take Care concept, personalized to their customers

and reflecting their brand identity. Together we can make fashion last longer.

“Many customers want to take care of their favourite wardrobe pieces, but often

don't know how. With Take Care, we can offer them guidance and provide the services and products to make it happen”, says Johan Lindström, Take Care Group Manager at H&M.



H&amp;M.



# E. Product reuse & recycling



At H&M group, we work hard to increase the number of our products that are reused or recycled.

We run renewal and remake projects, turning old clothes into new fashion favourites through reprinting, re-purposing and remaking.

We also continue to collect unwanted clothes and home textiles from our customers through our garment collection initiatives. In 2016, H&M brand set a goal to collect 25,000 tonnes of unwanted clothes annually by 2020. In 2018, we collected over 20,649 tonnes.

We started collecting unwanted textiles (from any brand, in any condition) in H&M stores in 2012 in Switzerland, rolling out the initiative globally in 2013. We also offer the service in all & Other Stories, Monki and selected Weekday stores. & Other Stories also offers instore collection and recycling of beauty product containers. Our new brand Afound offers collection service not only for garments, but also shoes.

*\*Sorting results vary due to geographical and seasonal changes.*

We collaborate with I:CO (a global partner for collection, reuse and recycling of used textiles and shoes) to run our garment collecting scheme. I:CO and their partners sort all collected textile and shoes according to the EU Waste Hierarchy which promotes reuse before recycling.

About 50–60%\* of the textiles are sorted for re-wear or reuse: wearable pieces are kept in their current condition and marketed as second hand garments. Some are even used to create new products in both regular and special collections for H&M group brands.

About 35–45%\* of the textiles are recycled to become products for other industries or made into new textile fibres. For example, some textiles are used to make cleaning cloths. Other textiles are mechanically shredded into fibres and used to make insulation materials or painters' drop cloths. During this process, buttons and other hard materials are sorted out. Even the dust, which is left over from shredding is kept and used for felt board production.

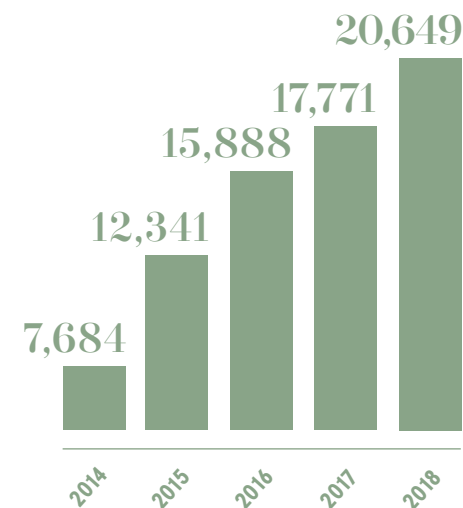
A still rather small share of the recyclable textiles is also recycled



Used clothing and shoes are sorted for reuse and recycling at I:CO's partner facility plants. Photo credit: I:CO/SOEX.

into new textile fibres and yarns for our closed loop collections. This is something we want to change and dramatically increase through investing and engaging in solutions for scalable recycling technologies available for all types of textile fibres and blends. The remaining 3–7%\* that can't be reused or recycled are used as combustibles for energy production. Sending textiles to landfill is not an option.

## 4.4. TONNES OF GARMENTS COLLECTED IN H&M GROUP STORES



Please find an independent assurance statement related to our tonnes of garment collected for reuse and recycling on page 106.

We are constantly working to increase the share of textile-to-textile recycled materials in our products. As new recycling technologies become available at scale, we will be able to create more products from the post-consumer waste we collect via our garment collecting scheme. This will help us reach our goal to use only 100% recycled or other sustainably sourced materials by 2030.





Weekday.



Monki.



Cheap Monday.



Cheap Monday.

## Product re-use and on-demand production

**MONKI** recently teamed up with the University of Borås on Re:Textile, a project that finds new ways for fashion to be kinder to the environment. The brand hosted a two-day Re:Love event in Gothenburg and Stockholm. Customers were invited to bring old clothes or find new Monki favourites. Over half of those attending brought old Monki favourites and customised them for free with graphics, stickers and prints.

**WEEKDAY** launched the Weekday Workshop in August 2018, a mini manufacturing hub inside the store in Stockholm. Customers were offered production on-demand of local trends, testing new designs before producing in bulk, and replenishing stock on the fly – all in all reducing the amount of unsold products and increasing accuracy to demand. The workshop also invited Weekday customers to co-create products with prints to their liking. After the success of the workshop, Weekday is scaling up to nearshore facilities that make use of new printing, embroidery and custom fit technologies, all part of a circular production innovation plan. We've seen in research, if a customer is part of the process of creating their product, it is more likely that the product will last

longer in their wardrobes and be worn more frequently. Weekday's experiment has proved successful: customers become more interested in how products are made and are eager to be part of new experiences, like printing in store and on-demand production. This initiative has resulted in permanent printing services in one of Weekday's stores in Stockholm.

**CHEAP MONDAY** launched their yearly C/O collection for AW18, which in this capsule creates new products by upcycling workwear. The collection consists of jackets, work chinos, t-shirts, sweats and a shopper bag, all made from discarded workwear with that sought-after worn look. The project aims to shift the context from workwear to fashion, rescuing the value of pieces that have become worthless for their primary purpose. By saving old, quality garments from going to waste, the collection is saving virgin materials, carbon emissions, water and chemical use.

The project was initiated by Cheap Monday together with Re:Textile, a project within Science Park Borås in Sweden that focuses on developing structures for circular processes and re-design in the textile industry.

**PROGRESS**

- With our newly created brand Afound, we use a new business model that gives unsold fashion new life by selling overstock, both from H&M group brands as well as over 100 external brands.
- We collected 20,649 tonnes of garments through our garment collecting initiatives. This is an increase of 16% from last year, meaning we have achieved our 2018 goal.

**LEARNING**

- Mechanical recycling techniques are advancing, but are restricted as to which fibres they can be used for and how the fibres are affected by the process. We know it takes time for new recycling technologies to scale and are therefore involved in research projects such as DEMETO and H&M Foundation's Hong Kong Research Institute of Textiles and Apparel (HKRITA), to support breakthroughs and make solutions more mainstream. Through H&M group's investments in Worn Again, Re:newcell and Moral Fiber, we also speed up the acceleration of recycling technologies available at scale.

**WASTE MANAGEMENT WITHIN OUR OWN OPERATIONS**

To make sure we operate in a truly circular way, we always aim to reuse or recycle the waste generated within our own operations. During 2018, we rolled out Sustainable Workplace Standard (SWS). SWS is our commitment to create the best possible sustainable working environment in our offices, distribution centres and stores, such as waste management and recycling. The other categories within waste management are faulty products and store and distribution centre waste.

**FAULTY PRODUCTS**

Waste, particularly product waste, is an emerging topic in our industry. We believe one product going to waste is one too many, whether that's after customer use or before. We have a strict policy in place that prohibits the destruction of any products that could be sold, used or recycled. We naturally want to avoid any overstock; it's in our interest to sell everything we produce. We put a lot of time and effort into forecasting the demand of our customers as accurately as possible, which involves using advanced AI tools. If we plan incorrectly, we will discount a product and sell it, but we will never destroy it.

We also apply very strict quality requirements to all our products. If, despite preventive measures, a product is made that does not meet these quality requirements, we have a responsibility not to sell it. When this happens, we either give the product to charity or recycle it. The same goes for samples or any damaged or faulty products returned to us by our customers. There are very rare instances in which a product cannot be sold, given to charities or recycled. This is the case if a product has failed certain chemical tests, has been contaminated by mould, for example, during transportation or when there is no viable recycling or downcycling solution available. In those rare cases the product unfortunately can't be reused, donated to charities or recycled.

We work preventively to minimize any such instances wherever possible and to accelerate new recycling technologies that can handle these challenges.

However, if they occur, we follow a strict ban on landfill. Due to lack of solutions and to keep the risk of circulating unsafe materials to an absolute minimum, such products unfortunately have to be destroyed (prioritizing incineration for energy recovery where possible).

**STORE & DISTRIBUTION CENTRE WASTE**

We focus on managing the most common forms of waste within our stores and distribution centres (DCs) – cardboard, plastic and paper. These materials are usually collected in our stores and then sent to our local DC facilities for recycling. We occasionally face a challenge when a country or region does not have the necessary recycling systems available. In 2018, the share of stores that had enough recycling systems for our waste equated to 63%. This indicates a decrease from last year's result (2017: 64%), which can be attributed to improved data collection.

In 2018, 92% of waste originating in our DCs and waste delivered to our DCs from stores was recycled compared to 93% in 2017. Our aim is to recycle 100% of the waste collected in all our stores and 95% of waste originating or delivered to our DCs.

**PRODUCTION WASTE**

In 2018, H&M group started developing a strategy that focuses on the management of waste generated by our group's supplier factories. Over the next two years, we aim to set goals and roadmaps that will help in managing the waste resources through reduction, reuse and recycling. In 2019, we will focus on waste sources and waste disposal, and continue to evaluate options for waste recovery in the different production markets we operate.

**PROGRESS**

- 0.453% of our total product assortment was reused (including charity donations) or recycled due to the products being faulty.
- 0.052% of our total product assortment was destroyed due to the products having failed certain chemical tests, were contaminated by mould, for example, during transportation, or when there was no viable recycling or downcycling solution available.
- This year, the share of stores with recycling systems is 63%.
- We recycled 92% of waste originating at our DCs and waste delivered to our DCs from our stores (2017: 93%).
- In 2018, we launched the Sustainable Workplace Standard and plan to roll it out to all our offices, distribution centres and stores worldwide during 2019.

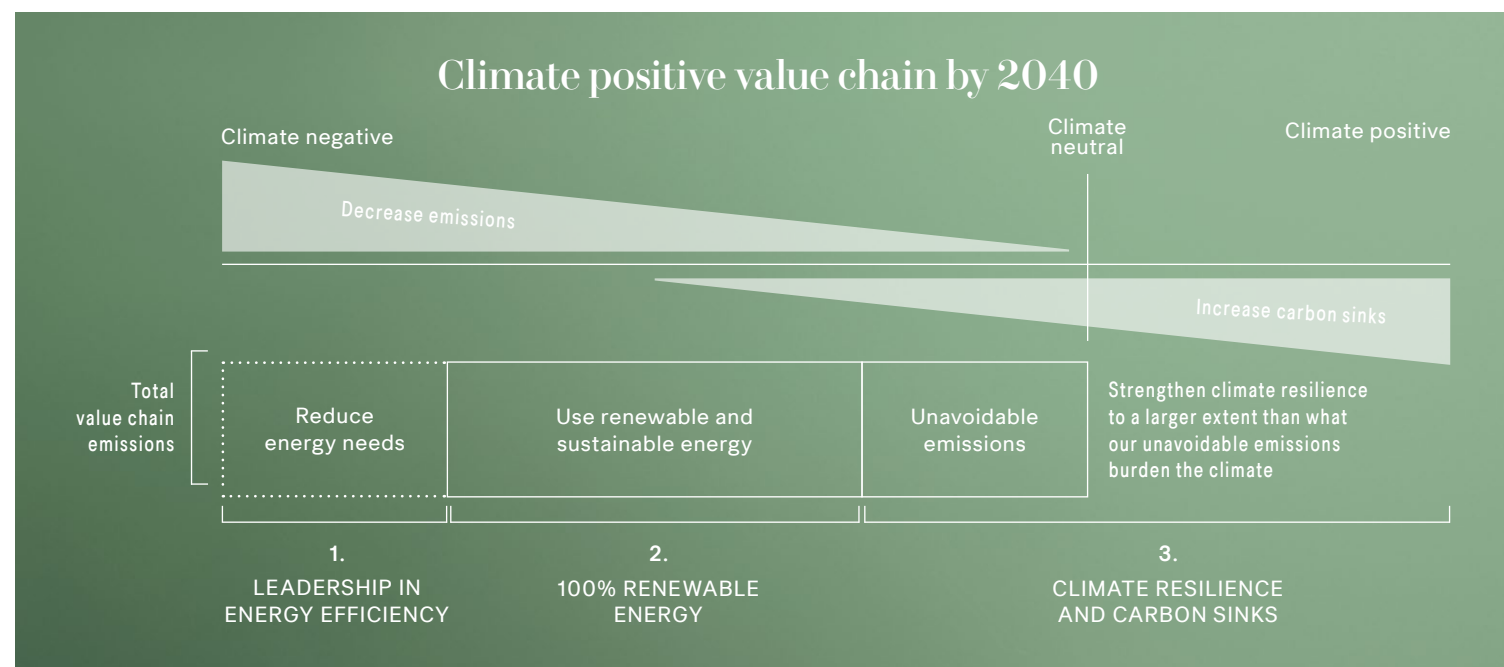




# Becoming climate positive

Becoming circular and climate positive are closely linked. Climate change remains one of the greatest challenges of our time. Its consequences will affect our entire planet and everyone living on it. To tackle the challenge of climate change, we need to collaborate across sectors. For example, by creating energy-efficient products and services, sustainable and innovative material use, and improvements in supply chains.

We at H&M group are determined to take the lead in tackling the challenge of climate change. That means going way beyond simply cutting our emissions, committing instead to make a significant contribution to help our planet stay below the 2°C global warming limit as set by the Paris Climate Agreement. In addition, a recent landmark report by the UN Intergovernmental Panel on Climate Change (IPCC) described how we must stay below



1.5°C of warming to avoid the worst impacts of climate change and called for all sectors to hasten the transition to climate neutral or positive operations.

We have set an ambitious goal to become climate positive by 2040, which includes everything from raw materials to the consumers' use of our products. It means removing more emissions from the atmosphere than our value chain emits. We don't

yet have all the solutions we will need to achieve this goal, but the urgency of imminent climate change means we must start taking bold, decisive action now. Together with the help of expert scientific organisations and the WWF Climate Savers, we have identified three key priorities for action.

- Priority 1 focuses on leadership in energy efficiency to enable us to use as little energy as possible.

- Priority 2 tackles our 100% renewable energy goal, which will help us to ensure the energy sourced by H&M group and our supply chain is renewable.

- Priority 3 targets climate resilience and carbon sinks to address unavoidable emissions and emissions beyond what our value chain is responsible for. These three priorities relate to both our own operations and those across our value chain.



## OUR KEY COMMITMENTS

Besides the efforts across our value chain to reach our climate positive goals, we are also engaging with other actors within the industry and beyond in driving policy change, by adopting science-based targets and committing to global climate reduction goals:

**SBTs** As testament to H&M group's leadership, and as an important milestone on the journey towards becoming climate positive by 2040, our science-based targets aligned with the Paris agreement have been approved by the Science Based Targets initiative (SBTi). H&M group commits to reduce absolute GHG emissions 40% in our own operations (scope 1+2) by 2030. H&M group also commits to reduce scope 3 GHG emissions from raw materials, fabric production and garment manufacturing 59% per product by 2030. Both targets are set against a 2017 baseline.

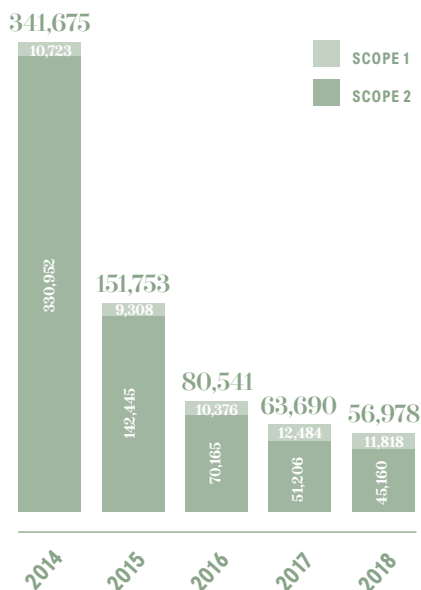
**TCFD** H&M group has publicly endorsed the Task force on Climate Related Disclosure (TCFD) and aims to comply with its recommendations. We are in the process of analysing our climate risks according to the TCFD guidelines and will follow the recommendations for disclosure.

**UNFCCC** We are a signatory of the Fashion Industry Charter on Climate Action initiated by UNFCCC. The UNFCCC's Fashion Industry Charter for Climate Action is an industry-wide collaboration to set a decarbonization pathway for the fashion industry, complementing and supporting other fashion sector initiatives, and aimed at increasing climate action.

**Policy Push** Through a series of seminars, meetings and correspondence, together with IKEA Group, WWF and RE100, we informed the European Parliament and the Council about the importance of high ambitions in The Clean Energy for All Europeans Package, with special focus on energy efficiency and renewable energy.

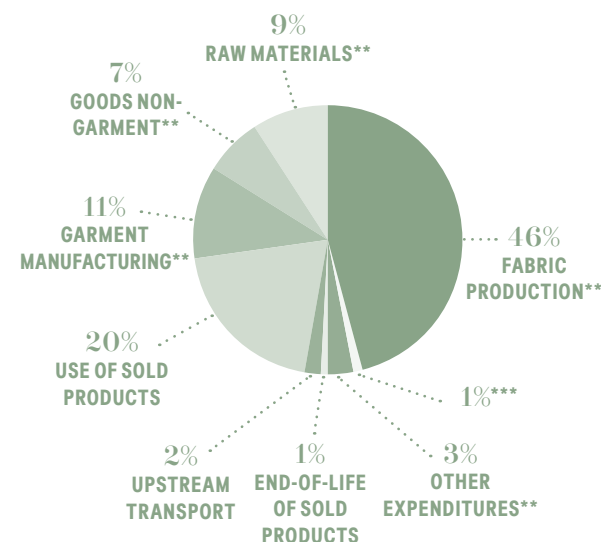
## Our emissions throughout our value chain (scope 1 + 2 and 3)

4.5. TOTAL CO<sub>2</sub>e EMISSIONS IN TONNES (SCOPE 1 + 2) INCL. RENEWABLES\*



\*Our GHG emissions accounting and reporting is aligned with the GHG protocol. Scope 2 emissions under the market-based approach is equal to 45,160 tonnes CO<sub>2</sub>e. Under the location-based approach (using grid average emission factors), comparable to emission figures in our 2013, 2015, 2016 and 2017 reports, scope 2 emissions were 662,739 tonnes. For further details and data, please see our CDP Climate Change Investor Response 2018. CO<sub>2</sub>e emissions include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>). An independent assurance statement related to GRI 305-1 and 305-2 is included on page 106.

4.6. TOTAL SCOPE 3 CO<sub>2</sub>e EMISSIONS\*: 18,215KT



\*Climate impacts are based on a scope 3 assessment done by Ecofys in 2017, based on 2016 data. The categories are based on GHG Protocol. Calculations in the footprint analysis are based on calculations on a combination of high-quality H&M group data combined with the best available public data sources on CO<sub>2</sub> emissions, using conservative assumptions. We are working to further improve the calculations by using primary data from our main suppliers.

\*\* GHG Protocol Category 1: Purchased products.

\*\*\* Including fuel & energy related activities (0,1%), employee commuting (0,2%), business travel (0,4%), waste generated in operations (0,02%), franchises (0,1%).

## What are scopes?

According to the Greenhouse Gas Protocol, emissions can be categorised into three groups known as scopes:

**Scope 1 emissions:** are defined as “direct” emissions the we (H&M group) either own or have direct control over.

**Scope 2 emissions:** are defined as

“indirect” emissions created from the consumption of purchased electricity. Purchased electricity is defined as electricity that is bought or otherwise brought into the organisational boundary of the company.

**Scope 3 emissions:** are defined as any emissions that are produced out-

side of our own operations and that we therefore have indirect control over. This includes our suppliers and the producers of raw materials used in our products, as well as emissions from the use of products, for example when our customers use washing machines to wash their clothes.

## Priority 1

### Leadership in energy efficiency

We need different approaches to energy efficiency in different parts of our value chain. We have a varying level of control over energy efficiency across our value chain, with greater control over some parts than others. Despite this, we are committed to increasing energy efficiency at all stages of our value chain by optimising maximum possible energy output from the smallest, necessary energy input.

#### OUR STORES

We have a primary focus on improving energy efficiency in our stores, because – with over 4,968 stores – our bricks-and-mortar portfolio accounts for the majority of H&M

group's own electricity consumption. We have increased our store energy goal from a 20% reduction in electricity intensity by 2020 to 25% by 2030. With 2016 figures as our baseline, we are measuring this by taking into account the amount of electricity used per square metre of sales area and opening hours. Our store energy management strategy targets improvements in lighting and HVAC (heating, ventilation, air-conditioning), which accounts for 90% of the electricity we use in our stores. By putting more specific demands on HVAC systems and replacing HID with LED lighting systems, we are confident that by 2030 every store we construct will use 40% less energy per square metre and opening hour than those we constructed in 2016.

#### PROGRESS

- In line with our 2025 goal, we achieved a 8.2% decrease in electricity use per store square meter in 2018 (2017: 2.7%), compared to 2016 baseline. This decrease was mainly driven by 'low hanging fruit' initiatives, such as improving behavior and routines to prevent wasteful light consumption. At scale, these simple actions had a significant impact.
- In 2018, we reduced carbon emissions from our own operations by a further 11% compared to 2017.

- We are gradually replacing all existing lighting with LED, while phasing out high-intensity discharge (HID) lighting.
- We have made substantial energy savings in the US and Poland. In 2017 and 2018, the US saw decreases of around 5% both years; Poland has decreased by 20% over the last five years. These results have mainly come from replacing older HVAC units with newer technology and focusing on building management steering.

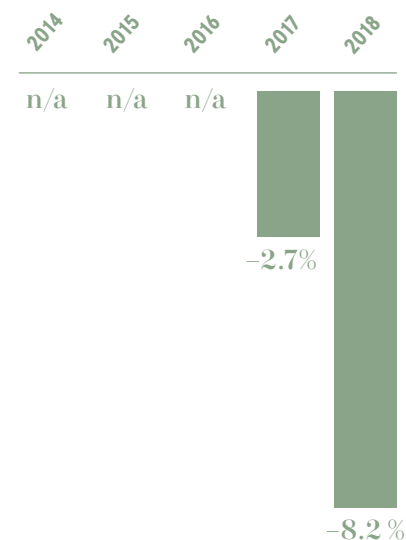
## 4.7. Energy use within our own operations

ENERGY USE IN GIGAJOULES	2014	2015	2016	2017	2018
Building diesel	3,586	716	3,241	3,791	4,355
Direct heating	68,208	44,953	43,347	98,921	134,801
Electricity*	3,804,291	4,399,990	4,995,002	5,575,996	5,841,296
Building natural gas, oil and others	155,937	161,959	178,128	214,558**	205,826
<b>TOTAL</b>	<b>4,032,022</b>	<b>4,607,618</b>	<b>5,219,718</b>	<b>5,893,266</b>	<b>6,186,278</b>

\*Energy related to electricity based cooling consumption is included. CO<sub>2</sub>e emissions include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>). An independent assurance statement related to GRI 302-1 is included on page 106.

\*\*We unfortunately reported the wrong figure of 214,451 in 2017 report. The correct figure is 214,558.

## 4.8. ELECTRICITY USE REDUCTION PER SQM AND OPENING HOUR (2016 BASELINE)



An independent assurance statement related to GRI 302-3 is included on page 106.

## TRANSPORT & DISTRIBUTION CENTRES

We work to reduce energy emissions in several ways within our transport and distribution centre operations. We monitor our own energy consumption and ensure that our distribution centre operations and logistics are as energy efficient as possible.

We work with transport companies and ensure we use the most energy-efficient options where possible. This involves optimising routes, as well as looking at energy efficient vehicles and alternative fuel options. Transport represents 2% of our emissions and, with a growing online business, this is becoming an important focus area for reducing our impact.

We are members of the Clean Shipping Network, Clean Cargo Working Group, Green Freight Asia and

Network for Transport Measure Pathways Coalition. We are also working with the Global Logistics Emissions Council (GLEC) to support work to find a global standard that accurately measures logistics-derived emissions.

### PROGRESS

- We formed a transport coalition with Scania, Eon and Siemens called the Pathways Coalition. Its vision is to create fossil-free heavy commercial transport by 2050 or earlier, in line with the Paris Agreement. The group aims to accelerate decarbonisation of heavy transport and increase electrification. By collaborating across sectors, we can speed up the pace of change and form a louder voice for advocacy and leadership.

- We hosted our second Global Logistics Sustainability Week. The event aims to engage our logistics and distribution centre teams in our sustainability work and raise awareness about the importance of improving energy efficiency, reducing CO<sub>2</sub> emissions for transport, improving waste recycling and reuse, and collecting unwanted garments. 80% of distribution centres participated, 12.7 tons of garments were collected.

### LEARNING

- Increased air shipments in some of our markets in Southeast Asia due to expansion to new geographical areas, has caused our upstream air transport emissions to increase. We are concerned about this and will look for other ways to distribute our garments in these areas.



## OUR SUPPLIERS

Our goal is to create a climate neutral supply chain for our tier 1 and tier 2 suppliers by 2030. This commitment will involve both an increase in energy efficiency and a transition to renewable energy. It includes the following:

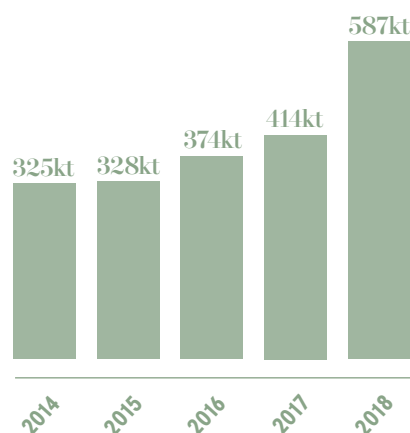
- 100% of factories enrolled in an energy efficiency programme by 2025.
- 30% GHG reduction per product by 2025 compared to 2017 baseline.
- 30% of factories will be enrolled in energy efficiency programme by the end of 2019. For 2018, the goal was to enroll 20% of factories in energy efficiency programme. If we calculate our progress using the number of factories we had at the time of this goal-setting, we reached this goal. However, because the number of factories has substantially increased since we set the goal, programme enrolment is currently at 18%.

### PROGRESS

- We are reducing greenhouse gas emissions at a factory level through supplier factories energy efficiency programmes in Bangladesh, China, India and Turkey. The energy savings from our 2018 efficiency improvement programs in Europe, China, Indonesia, Vietnam and Pakistan are 633,587,214 kWh, which equals a reduction of 183,296 tonnes of GHG emissions.

- We have created a new engagement strategy to achieve our goal for energy efficiency and GHG reduction in the supply chain. This strategy allows us to work with our remaining suppliers who are diverse in size, energy profile and maturity of energy management. Having conducted a supplier categorisation exercise, we created targeted strategies and actions that directly address each group's unique level of maturity, capacity and resulting needs.

**4.9. CO<sub>2</sub>e EMISSIONS IN KILO TONNES FROM UPSTREAM TRANSPORT AND BUSINESS TRAVEL\***



\*Please find an independent assurance statement related to GRI 305-3 on page 106. Reported scope 3 emissions include energy use, goods transport and distribution, and business travel. CO<sub>2</sub>e emissions include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>). Increase in emissions from transport is mainly related to an increase in air freight. Emission data from previous years was likely underreported and actual historic emission data is unavailable.



## Priority 2

### 100% renewable energy

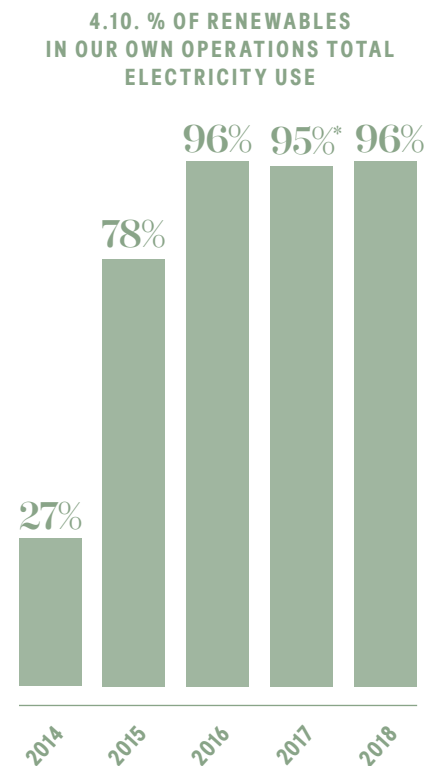
We are committed to maximising the use of renewable energy in our value chain. We know that by using more renewable energy and helping our suppliers and customers do the same, we are supporting the transition to fossil-free energy use.

#### OUR OPERATIONS

We want to source 100% renewable energy in our own operations. This year, 96% of the electricity purchased was renewable. We understand that adding new renewable energy (RE) generation capacity is needed to contribute to the necessary decarbonisation of energy systems, and we see that it makes good business sense too. As a result, our RE purchasing strategy will evolve from today's focus on Environmental Attribute Certificates (EACs) to a balanced portfolio of Power Purchase Agreements (PPAs) supporting large-scale renewables projects, rooftop solar PV and EACs. We are also members of RE100, a group of businesses committed to using renewable electricity.

#### PROGRESS

- 96% of the electricity purchased was renewable.
- Solar panels covering 800 m<sup>2</sup> were installed at our Head Office in Stockholm. A production of 105 000 kWh clean energy is expected annually.
- This year we have concluded our five-year initiative 'Double Sales – Half Impact' for our IT operations to break the link between business growth and



\*Due to inaccuracy in calculation, the 2017 share has been corrected from 96% to 95%.

An independent assurance statement related to GRI AF21 is included on page 106.

environmental impact. Despite a 75% increase in the number of H&M group stores, we reduced our IT operations' energy consumption by 48%. This is thanks mostly to new capacity from solar panels and heat recovery from data centres. The initiative was limited to in-store IT systems, office IT systems, servers and data centres. In total, we saved over 27 million kWh, the equivalent of 10.9 million kilograms of carbon dioxide and electricity cost savings of EUR 4 million.



## Going electric in transport operations

To guide our work in terms of reducing CO<sub>2</sub> emissions from transportation we have put together a Renewable fuel strategy. The key components are to support the use of electrical vehicles and second generation bio-fuels.

In recent years, we have actively supported the shift to more last-mile deliveries by electric vehicles. So far, we use electric trucks in Cyprus, France, China, Italy and Finland. Although this represents a small share globally, in certain markets a significant percentage of deliveries are performed by electric trucks. For example, in China, 50% of last-mile deliveries for store distribution were made using

electric trucks in late 2018. In Italy, we are working with a pioneering transport service provider that is advocating the usage of electric vehicles in the Italian market. This makes up 19% share of total transport in Italy, and 79% of the total transport in the major cities of Milan, Brescia, Florence, Turin and Rome. All deliveries for & Other Stories and COS in Italy are served by electric vehicles.

We are working to overcome several obstacles that are currently slowing the introduction of more electrical vehicles. This includes a changing policy and taxation landscape, which makes long-term investments risk-

ier for our transport service providers. The widespread lack of infrastructure for electric vehicle charging is also a challenge, as is the relatively short lifecycle for batteries, and the fact that electric vehicles can spend less time on the road because they need longer to charge.

In addition to electrical trucks and renewable fuel, we are striving to reduce the carbon impact of our operations through other measures, including optimising transport routes and number of deliveries per trip, filling grade, and training drivers to reduce fuel consumption through efficient driving techniques.

## OUR SUPPLIERS

To reach our climate positive goals, we want to help all our suppliers use renewable energy. However, although some partners already source clean energy, many have limited access to viable renewable energy, particularly in new markets. We are working closely with stakeholders, including government bodies, to change this.

### PROGRESS

- In Vietnam, we signed a Declaration of Support to encourage the government in its efforts to simplify and expand access to renewable energy. We stand ready to offer further support and advice in pursuit of smart, clean and secure economic growth.
- We continued working with the International Finance Corporation (IFC) to finalise low-carbon roadmaps in our sourcing markets. Working together, we engaged suppliers in several rooftop solar projects and demonstrated the business case using results of feasibility studies conducted last year.
- We have initiated several projects with our suppliers in China and India for the installation of rooftop solar panels.



Solar energy is one of the most feasible clean energy solutions.  
Photo credit: Angie Warren.

## Accelerating solar energy in our supply chain

We are engaging our suppliers to accelerate the adoption of renewable energy. The installation of solar panels on factory rooftops is one of today's most feasible clean energy solutions. In China, we have been working with stakeholders to educate suppliers and support feasibility studies, as well as project design and implementation.

Like other suppliers, Wuxi Shilead Dyeing Co., Ltd was convinced by the feasibility studies to embrace rooftop solar. Once live, the 1,98MWp rooftop solar project will generate significant positive economic and environmental impacts, such as annual 1,883-ton reduction in greenhouse gas emissions, along with the reduction of other air pollutants. On average, the 22,000 m<sup>2</sup> rooftop solar system can gen-

erate 2,133,200 kWh electricity every year; >90% of this will be used on-site. The project should make a return-on-investment in less than six years and have GHG reduction of 1,755 tonnes.

This is just one of the rooftop solar projects commissioned by our suppliers in 2018, as a result of our low carbon roadmap.



## Priority 3

### Climate resilience & carbon sinks

Our commitment to the elimination of greenhouse gas emissions from our own operations remains as strong as ever. However, we know there will still be unavoidable emissions in our value chain, whatever action we take. We are therefore engaging in activities to absorb carbon (both within and beyond our direct control) to become truly climate positive.

These activities include supporting mechanisms that reduce existing emissions while strengthening climate resilience. We need to further develop this approach and collaborate with experts to move solutions forward, and are currently exploring opportunities in three areas:

1. Natural carbon sinks – these are nature's existing mechanisms for absorbing greenhouse gases. Potential strategies include protecting valuable biomass (such as rainforests) and investing in more sustainable agriculture.
2. Technological carbon sinks – these are technological innovations that absorb existing greenhouse gases and turn them into new products and materials.
3. Reductions outside our value chain – these activities reduce greenhouse gases coming from sources unrelated to our value chain. We urge innovators and experts to collaborate with us and like-minded partners to develop these opportunities.



SCALE project in Cambodia.

## PROGRESS

- We partnered with WWF to launch SCALE (the Supply Chain and Landscape approach) in the Eastern Plains Landscape (EPL) of Cambodia – home to diverse habitat types and endangered species, as well as valuable ecosystems services. SCALE exists to design a landscape investment program that will transform the textile industry and energy supply chains, starting in one of Cambodia's most precious areas of biodiversity, while bringing multiple benefits to an important but threatened forest region. This is a pilot project, which we will use to define a broader set of strategic actions across our production areas and supply chains.



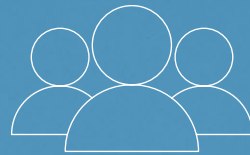


# Key facts & figures 2018

H&M Group's global supply chain directly contributes to 1.6 million jobs in our tier 1 and tier 2 factories.



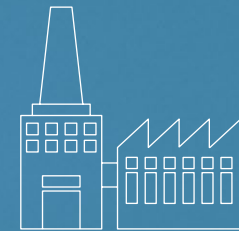
We have signed a new partnership agreement with ILO.



Our Board of Directors is represented by a 60%:40% (female:male) gender split.

**93%**  
of our business partners rate H&M Group as a fair business partner.

H&M Group hosted a Fair Living Wage Summit in Phnom Penh in December to share the impact, results and main learnings from the last five years' work with the Fair Living Wage Strategy.



655 factories and 930,000 garment workers are covered by one or both of our key programmes for workplace dialogue and Wage Management Systems. This represents 84% of our product volume.



OUR FAIR AND EQUAL AMBITION CONTRIBUTES TO SDG 1, 2, 3, 4, 5, 8, 10, 16, 17.





# 100% Fair & Equal: KPIs and goals

Our goal-setting process is ongoing. We work with internal and external experts and, wherever possible, follow a science-based approach to defining targets and actions. The KPIs and goals in the table below represent key milestones towards our ambition to become 100% Fair & Equal.

100% Fair & Equal					
KPI	2015	2016	2017	2018	GOAL
No. of supplier factories implementing improved Wage Management Systems (% of production volume covered)	69	140 (29%)	227 (40%)	500 (67%)	50% of product volume by 2018
No. of supplier factories that have implemented democratically-elected worker representation (% of production volume covered)	132	290 (42%)	458 (52%)	594 (73%)	50% of product volume by 2018
% of business partners regarding H&M group as a fair business partner	84%	83%	94%	93%	90% by 2018
% of employees agreeing with the statement "I feel comfortable being myself at work", and % of employees agreeing with the statement "I am treated with respect and dignity":*	n/a	n/a	n/a	83%, 81%	Year on year improvement
% of remediated issues (defined by the Bangladesh Accord**)	61%	81%	90%	98%	100%

\*New baseline replacing our previous KPI % of employees agreeing with the statement "People here are treated fairly regardless of age, ethnicity, sex, sexual orientation, disabilities", as we have made a shift to a new engagement survey platform.

\*\*From beginning of 2019, orders will only be placed with supplier factories that are 100% compliant with the Accord requirements.



# 100% Fair & Equal explained

We believe that everyone connected to our business deserves fair and equal treatment. At H&M group, being 100% Fair & Equal means living by our values and respecting human rights – within our own company and across our supply chain. By providing fair jobs, promoting diversity and growing our business in an increasingly inclusive way, we can contribute toward fair and equal societies.

Our 100% Fair & Equal ambition has two focus areas:

1. Providing fair jobs for all
  - within H&M group
  - within our supply chain
2. Inclusion and diversity

A fair job is defined as one with fair compensation, a safe and healthy workplace, an environment free from discrimination and one in which every employee is heard. At H&M group, we believe that a fair job should make every individual feel valued, respected and engaged within their workplace. Fair jobs enable people to enjoy life and provide for themselves and their families.

Alongside this, we believe we have a responsibility and an opportunity to drive inclusion and diversity. We want to con-

tribute to a more open society where everyone is welcome, and we recognise we can promote diversity and equality through our actions, products and marketing.

Ultimately, by providing fair jobs, being inclusive and encouraging diversity and equality, we can make a positive impact on the lives of employees within H&M group, workers within our supply chain, our customers and wider society. We also believe our approach is good for business. It makes us an attractive employer and business partner, it contributes to stable markets in which we operate, and it makes our business more resilient, productive and sustainable.



Embroidery work at one of our supplier factories.



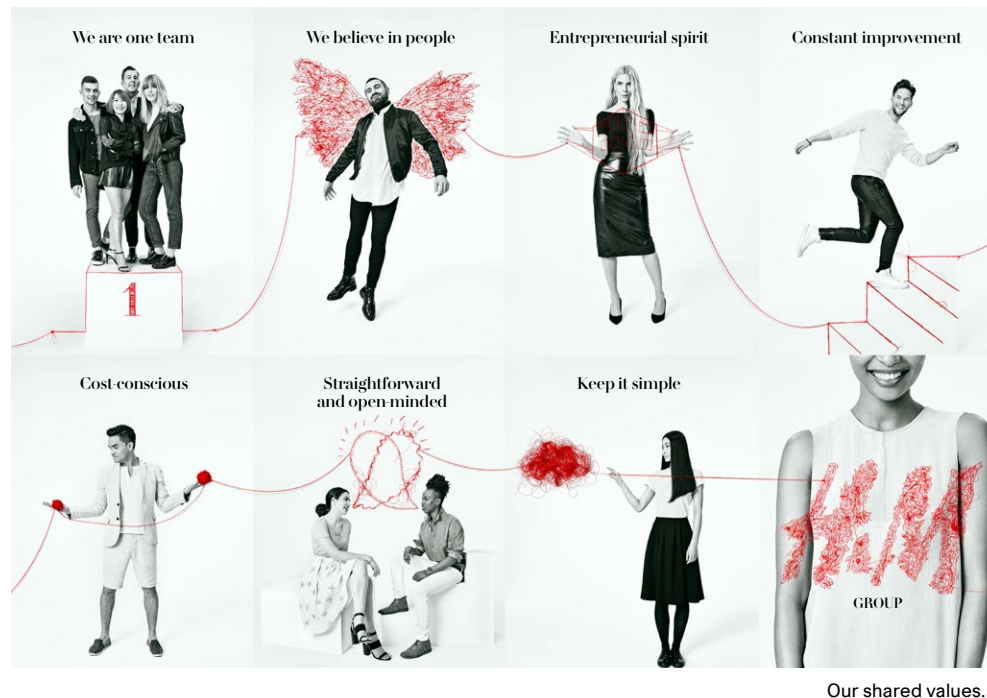
# Fair jobs for all: within H&M Group

As one of the world's biggest fashion and design groups, we strive to be a fair and equal employer to 177,000 colleagues.

We work hard to create a transparent, trustworthy, fair and equal workplace with great opportunities for everyone. Our values are the red thread that runs through the fabric of our company. They come to life in our everyday work and create a unique culture that attracts the people we need for our continued business success.

Creating fair jobs within H&M group is about:

- Providing a solid foundation of fair and attractive working conditions. These include fair labour standards, high health and safety standards, fair and competitive compensation, a comprehensive grievance procedure and a cooperative workplace dialogue.
- Promoting a values-driven way of working. Our values are the starting point for how we do business and how we interact with the world around us.



They give us a competitive advantage and ensure a sustainable way of working. We expect all employees to contribute to our company culture by being ambassadors for our values.

- Making sure we have the right people in the right positions. We secure this through our internal and external

recruitment processes and by providing quality introductory trainings. Offering all our employees the opportunity to grow and develop within their role or move on to new roles and responsibilities in different parts of our company. Our leaders are role models who lead the way, and we provide them with clear expectations and ongoing support.

## PROGRESS

- We recognised all winners of the Erling Persson Award in early 2018. This award gives all H&M group employees the opportunity to nominate colleagues who contribute to our company culture by living our values and creating great results.
- We focused on supporting and empowering our leaders to navigate change in a global, fast-paced business. We provided workshops and tools, including the Lead the Way podcast where inspirational internal leaders and external influence experts share their insights.
- Because the engagement of our employees is critical for our business success, we launched the People Engagement Pulses (PEP) in October. This is a new survey platform where our employees can voice their opinions and give feedback that helps us improve. Overall PEP score for employee engagement was 75 out of 100.



# Fair jobs for all: within our supply chain (production)

We are working with our suppliers to achieve our ambition that everyone in our supply chain has access to a fair job. Although the concept of a fair job sounds simple, many of the production markets in which we operate are developing countries and they either lack or face challenges in implementing the legislation that would make fair jobs available to all. This creates an industry-wide challenge.

H&M group directly contributes to 1.6 million jobs\*, and the textile industry has helped many people and countries out of poverty. H&M group has been working for many years to ensure that all jobs within our supply chain are fair jobs. Back in 1998, we started an assessment programme to help monitor working conditions in supply chain factories, which has led to improvements ever since. However, certain issues are complex and require collaboration and systemic industry-level action to ensure lasting change.

In 2013, in close dialogue with a variety of external experts, unions and international organisations, we updated our social sustainability strategy. It now takes a more holistic approach with an increased focus on capacity building,

collaboration and structural change at factory, industry and country level.

Our assessment programme continues to provide a solid foundation for our work and is an integral part of our company risk and human rights due diligence framework (read more on page 92). The programme ensures our requirements are met, drives continuous improvement and informs our core social sustainability strategy. Our strategy covers salient global and local human rights issues, with a focus on the rights we believe will help us meet our ambition to ensure fair jobs for all.



Worker at Seduno Cambo  
Knitting factory in Cambodia.  
Photo credit: Tiffany Tsang.

\* Tier 1 and tier 2.





# Enabling well-functioning industrial relations

We believe well-functioning industrial relations are crucial to the creation of fair jobs. We have seen how good working conditions and better wages are more likely to come from good relationships between workers, their representatives and management, and effective interactions and negotiations between social partners at a factory, industry and country level. Good labour relations also support stability and performance in our production markets.

However, many markets lack the necessary systems to make well-functioning industrial relations a reality. That is why, as part of H&M group's strategy to achieve 100% fair jobs in our supply chain, we are working to improve industrial relations across our industry and in all our production markets. This is a highly complex challenge and involves working to:

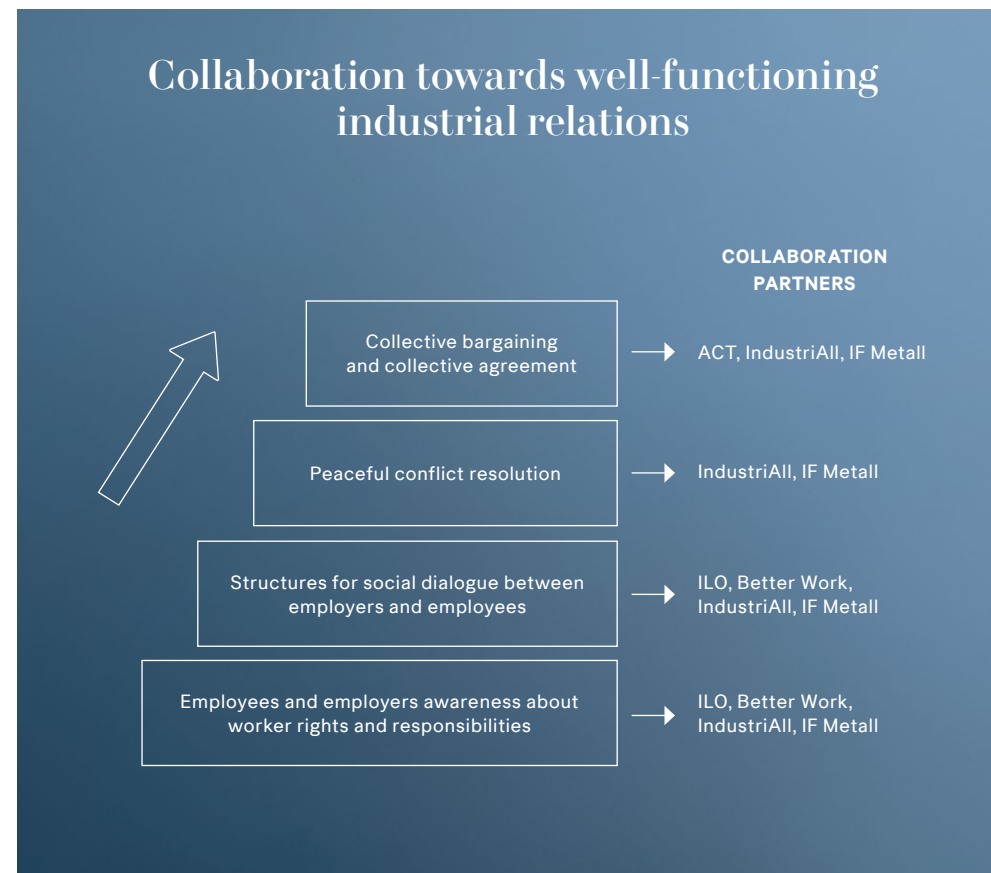
- make sure workers are heard
- build industry collaborations
- engage with local governments

## MAKING SURE WORKERS ARE HEARD

H&M group has a production office (PO) team in almost every country in which our products are made. Each PO team is responsible for working with our various industrial relations programmes to facilitate stronger relationships between

local factory employees and factory management. For example, they implement our workplace dialogue programmes with workers and management to raise awareness of rights and obligations, including the importance of freedom of association and collective bargaining. PO teams can also provide worker and management training around the democratic election of workers' representatives in the factories.

Worker representatives, trade unions and workers' committees are important components for making sure workers are heard. These can address issues such as working hours, health and safety, grievances, etc. Unions are particularly well suited to negotiate wages in good faith with employers, while worker representatives can use the trust from their peers and respect



from management to bridge the gap that often exists between the two parties. When workers are represented by a trade union or democratically-elected

representatives, it creates an important communication channel and provides a crucial first step towards enabling well-functioning industrial relations.



## Meeting an elected worker-representative

Our supplier, Newage Apparels LTD, elected their first worker participation committee in June 2014. Here, we meet Ms. Shahida Khanom, who joined the factory in 2010 and works as a machine operator. She was elected as Vice Chair of the nine-person committee in 2014 and re-elected to the position in September 2017.



**Name** Shahida Khanom  
**Role** Machine operator

### Why did you want to be re-elected as Vice Chair?

I find my daily communication and dialogue with workers and managers in my factory inspiring, so I decided to stand for re-election in 2017. I am very happy

I was re-elected because I really enjoy contributing to a better dialogue between management and workers.

### What do you think is important in your role?

My role is to gain trust from the workers by always listening carefully to what they have to say so I can deliver their messages to the managers. I always try to explain the overall picture of a challenge in the factory so that workers are not disappointed if they don't see quick fixes.

### What are the best things about being a Vice Chair?

It has been great professional and personal development for me. I have improved my communication skills and strengthened my dialogue with both workers and managers. I am more confident overall. It is also a great feeling to know I am contributing to improving the workplace dialogue in this factory.



The Executive Director at Newage Apparels LTD during info session with trainees.

In Newage Apparels LTD, absenteeism decreased from 4.8% in 2017 to 3.56% in 2018. The Managing Director, Arif Ibrahim, thinks the improved dialogue between managers and workers in the factory is one of the key factors behind this improvement.

**“Efficient workplace dialogue is the key to become one force, together we can build a better future!”**

ARIF IBRAHIM, MANAGING DIRECTOR,  
NEWAGE APPARELS LTD

## BUILDING INDUSTRY COLLABORATIONS

We believe that industry-wide collaboration is essential to establish the agreements and strategies needed to further improve industrial relations. One of the key relationships we have built is with the trade unions, IndustriALL and IF Metall. We have a Global Framework Agreement (GFA) in place to improve industrial relations in our supply chain. The GFA focuses on the right of freedom of association and collective bargaining.

We have set up National Monitoring Committees (NMC) as a collaborative mechanism under the Global Framework Agreement (GFA) in Bangladesh, Cambodia, Indonesia, Myanmar and Turkey. NMCs are composed of local IndustriALL-affiliated trade union representatives and local H&M group production office representatives. NMCs work with partners to co-develop action plans, establish long and short-term goals for the implementation of the GFA and deliver agreed action points, most of which concern the facilitation of conflict resolution for both employers and employees.

The role of an NMC is:

- To create, monitor and evaluate national strategies to implement the GFA.
- To create collaboration between trade unions, workers' representatives and H&M group suppliers to support well-functioning industrial relations, with a focus on dispute prevention and resolution.

H&M group is also a founding member of Action Collaboration Transformation (ACT), a partnership between international brands, retailers and trade unions that exists to address the issue of a living wage through industry-wide collective bargaining. Read more about our work with ACT on page 75.

## ENGAGING WITH GOVERNMENTS

Enabling legal and institutional frameworks is crucial for well-functioning industrial relations. We engage with governments and policy makers directly and indirectly, conduct advocacy work and have an agreement with ILO to cooperate and collaborate around the implementation of the Decent Work Agenda. Through our partnerships, we are in a good position to engage with governments and other national stakeholders.

As a partner of ILO, we promote ILO conventions and engage in the debate on important public policy issues that affect the well-being and rights of the workforce.



Photo credit: Tiffany Tsang.

## PROGRESS

- Our industrial relations and workplace dialogue programmes reached 594 factories in 2018 (2017: 458, 2016: 290, 2015: 132). Our 2018 programmes included factories in China, Bangladesh, Cambodia, India, Indonesia, Turkey, Ethiopia, Myanmar, Pakistan and Vietnam. In total, we reached 840,000 workers.
- Factories producing 73% of our product volume implemented democratically-elected worker representation.

- In December 2018, we held our annual global meeting for National Monitoring Committees (NMCs) in Phnom Penh, Cambodia. Each NMC reported on its progress during for 2018 and shared experiences from the past year. The meeting was attended by experts from both the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation (ILO), who hosted workshops on due diligence in supply chains, procedures for dispute resolution, and the definition of International Labour Standards.

- We have been working with Ethical Trading Initiative (ETI) to raise our concerns about Cambodia's change in trade union law.
- Our Memorandum of Understanding (MOU) with the Swedish development agency Sida shares the common goals of supporting ILO's Decent Work Agenda and developing opportunities that contribute to sustainable development in our supply chain.

## LEARNING

- Our Global Framework Agreement (GFA) with IndustriALL and IF Metall is an agreement between the global union of textile workers and its affiliated unions to collaborate for well-functioning industrial relations in our supply chain. The GFA is a framework that can create awareness and maturity between labour market parties to effectively negotiate and engage in dialogue. It will take time to build up the necessary structures, and we are only at the beginning of this long journey.





# Supporting a fair living wage

A living wage is a human right. Unfortunately, it is not a reality for many people working in many different industries around the world. The fashion industry is no exception.

In 2013, we launched our Fair Living Wage Strategy in an endeavour to change this. As part of this, we set out a vision for all textile workers to earn a fair living wage. This vision was supported with concrete goals and actions, in our supply chain and across the textile industry.

## OUR FAIR LIVING WAGE STRATEGY

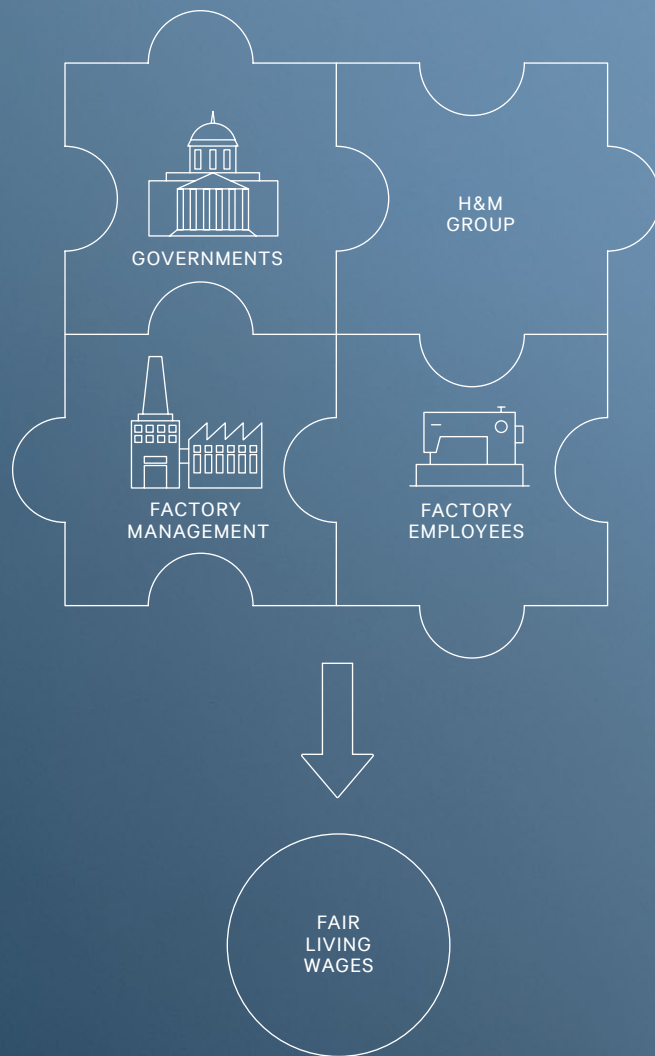
We launched our global Fair Living Wage Strategy in 2013 with guidance from multiple experts, trade unions, suppliers and NGOs.



Photo credit: Tiffany Tsang.

## Our Fair Living Wage Strategy

Our strategy sets out clear goals and actions for four target groups: governments, factory owners, brands and, most crucially, factory employees.



### GOALS AND RESULTS

When we devised our Fair Living Wage Strategy, we set measurable goals, milestones and actions to be achieved between 2014 and 2018. As we started to accomplish these, we used what we'd learned to increase our ambitions, setting further goals, expanding our scope and improving our measurements. This process led to the development of five key goals for 2018:



#### Governments

**Goal** Continue to advocate governments and the public on wages.

**Result** In 2017, ACT was recognized as a credible initiative to work on living wages by G20.



#### Factory management

**Goal** Ensure that supplier factories producing 50% of

H&M group's product volume have democratically-elected worker representation in place by 2018.

**Result** We exceeded the goal. 73% of our product volume is made in factories that have democratically-elected worker representatives in place. This covers 594 factories and about 840,000 workers. You can find more information about this goal and other elements of our strategy to strengthen industrial relations on page 66.

**Goal** Ensure that 100% of supplier factories in Bangladesh have democratically-elected worker representation in place by 2018.

**Result** We reached this goal ahead of schedule. 100% of our tier 1 supplier factories in Bangladesh had democratically-elected worker representation by December 2017.



#### H&M Group

**Goal** 90% of business partners should regard H&M group as a fair business partner by 2018.

**Result** We exceeded this goal, 93% of our business partners see H&M group as a fair business partner. We assess this figure on an annual basis through an extensive anonymous supplier survey.



#### Factory employees

**Goal** Ensure that supplier factories producing 50% of

H&M group's product volume are implementing improved Wage Management Systems by 2018.

**Result** We exceeded the goal. 67% of our product volume is made in factories that are implementing improved Wage Management Systems. This covers 500 factories and about 635,000 workers.

You can find an overview of all our goals and results [here](#).



## KEY IMPACTS OF OUR FAIR LIVING WAGE STRATEGY

Achieving our goals means that today, 930,000 garment workers work in factories that are either implementing improved Wage Management Systems or have democratically elected worker representation – or, in most cases, both. This is an important achievement that lays the foundation for structural changes by making sure workers' voices are heard in a better way.

Over the last five years, we have analysed data from hundreds of factories in some of our most important sourcing markets to gain further understanding of the impacts that have and can be created at a factory level. We have learned that our work can achieve great progress in individual factories, but it has limitations – we need broader perspectives, involvement at industry level and legislation.

## UNDERSTANDING THE DIFFERENT COMPONENTS OF WAGES

Wages are a complex issue. In order to achieve fair living wages for all garment workers, it is important to understand the components of a textile worker's monthly take-home wage and how they can be influenced. In general, there are two components:

The biggest component is minimum wages which are stipulated by governments and the lesser component is individual wage setting and factory benefits. Combined, these components make up the take-home wage for garment workers.

We believe that improved Wage Management Systems will help factories become fairer and more transparent in the way they work with individual wage setting and bonuses. We have supported our suppliers in establishing transparent wage grids in their factories, which show

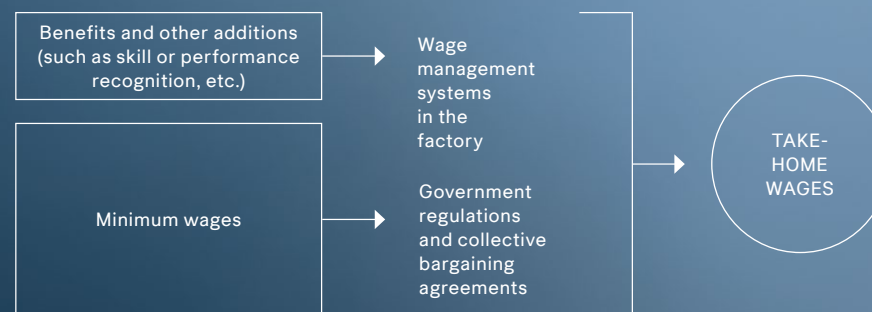


Seamstress in one of our supplier factories.  
Photo credit: Tiffany Tsang.

## Functional wage management system should include:

1. Proper and correct payment of wages according to individual contracts, legal regulations and existing collective bargaining.
2. Internal development of human resources policies and processes to ensure competitiveness, high motivation and sustainable social climate in the factory.
3. A progressive and coherent pay system that rewards workers according to their skills, education, performance and experience, etc.
4. Proper mechanisms for workers' involvement in factory decisions, including those that generate a process of communication and possible negotiations on the content of wages and payment structures.

## Wage components



workers how they are rewarded for different skills, tasks, education, and seniority, etc. This allows workers to understand how they can influence their wage by improving their skills and performance, etc. At the same time, the improved Wage Management Systems strengthen and mature Human Resources management systems, which should lead to increases in motivation, retention and productivity among the workforce.

When analysing the data from supplier factories in our key market suppliers, we can see that the factories which are implementing improved Wage Management Systems pay higher take-home wages than

those which don't (see tables no. 5.1. and 5.2.). In 2017, the difference ranged from 8% higher take-home wages in Bangladesh to 29% in Indonesia. In 2018, the difference ranged from 2% in Turkey to 11% in Indonesia. In Myanmar first factories started implementing improved Wage Management Systems in late 2017 which is why first results show a positive development since 2018.

Besides higher take-home wages, the factories that are enrolled in our Wage Management System programme (but also all other factories) increasingly provide workers with non-monetary benefits, such as subsidised or free meals, housing subsi-

dies, medical insurance, free child care or health services, and transport subsidies. This is not reflected in the take-home wage figures mentioned in graph 5.1., but it means workers spend less money or receive additional benefits.

By creating incentives and structures that reward workers' skills, performance and loyalty, etc., we can make significant improvements to the situation of workers and the operations of our supplier factories. However, there is a limit to both how much can be achieved at a factory level, and to how much above the industry standard a factory can pay without losing their competitiveness. So, while it

is important for factories to implement improved Wage Management Systems and similar measures, this is not the whole solution to a future of fair living wages for workers.

For this reason, our strategy has always looked beyond individual factories to find solutions that can increase minimum wage in a sustainable and competition-neutral way. These solutions bring together all relevant actors, from governments, factory owners and other brands, to workers and trade unions. Learn more about how we work with Wage Management Systems [here](#).

## 5.1. Impact of Wage Management Systems\*

	2017	2018
Bangladesh	+8%	+5%
Cambodia	+19%	+10%
China	+8%	+5%
India	+12%	+5%
Indonesia	+29%	+11%
Myanmar	-6%	+3%
Turkey	+10%	+2%

Difference in take-home wages, between supplier factories implementing improved Wage Management Systems vs factories not yet enrolled in such a programme

## 5.2. Progress of take-home wages 2017–2018\*

	2017 IN USD	2018 IN USD	INCREASE
Bangladesh	123	136	11%
Cambodia	250	294	18%
China	553	636	15%
India	164	199	21%
Indonesia	235	255	8%
Myanmar	115	152	32%
Turkey	615	706	15%

Increase in take-home wages at factories implementing improved Wage Management Systems

\*The figures are based on data gathered from tier 1 textile supplier factories. Time frame of data for 2017 is 1 Jan–31 December 2017. Time frame of data for 2018 is 1 Jan–30th June 2018. The data has been collected through our SIPP method and has been validated by H&M group's developers in the different production markets. The data is weighted by factory in flat averages. We are currently working to further improve our data method and instead report wage data as a weighted average per worker, since we see it as a better and more representative measure of salary in a country. We plan to report according to this new method with our 2019 report. The Conversion to USD is based on Swedish Central Bank average exchange rate for the period.





Melek Bozova and Aynur Akbaba.



Durmus Bozkurt and Huseyin Akir.

## Improving Wage Management Systems at Ekpen Tekstil

H&M group is working with suppliers in ten production countries to implement improved Wage Management Systems. We want factory management to understand why and how they should be rewarding their workers for their skills, experience, etc.

Ekpen Tekstil, a supplier factory in Turkey, is one of 500 factories we're working with in this way. It has been producing for H&M group for 16 years and today, employs about 200 workers. We've been working with employers and employees locally for two years to improve their Wage Management System. Julia Bakutis, Sustainability

Manager at our production office in Turkey, says the work creates a 'win-win situation': "The steps taken by Ekpen Tekstil to implement improved Wage Management Systems taking employees' individual skills, education and experience into account, supported by open and constructive communication, contribute to a more positive work environment."

As part of the improvements to its Wage Management System, Ekpen Tekstil has involved worker representatives in choosing which parameters wages should be based on and what development skills should be offered.

Ahmet Yavuğehre, the factory owner, is convinced of the benefits of this new approach: "I believe this system gives workers more opportunities and increases their trust in the company. It also contributes to a happier work environment as well as improved productivity".

The changes have also been well received by employees: "I worked in some other companies before and the salary was the same for all employees. I find the payment system in Ekpen quite fair. It is linked to the performance and effort, and open to workers' feedback.", says Hatice Ertekin at packing department.



Julia Bakutis, H&amp;M group.



Ekpen Tekstil.

**"I work in a more motivated way as I already know how my salary can be increased by my performance."**

DUDU OZALTUN, MACHINE OPERATOR,  
SEWING DEPARTMENT



Photo credit: Tiffany Tsang.

### 5.3. Average monthly wages (excluding overtime) at H&M Group factories vs applicable minimum wages in key production markets\*

	Minimum wages 2013 in USD**	Average wage (excl. overtime) 2013 in USD**	Minimum wages 2018 in USD**	Average wage (excl. overtime) 2018 in USD**	Difference between average wages (excl. overtime) and min. wages 2018 in USD**
Bangladesh	42	64	67	100	49%
Cambodia	97	99	177	219	24%
China (Guangdong)	183	385	225	501	122%
India (Bangalore)	91	115	115	145	26%
Indonesia	104	149	155	194	25%
Myanmar	53	75	79	116	47%
Turkey	370	475	432	598	38%

\*The scope is all tier 1 and tier 2 suppliers, all product types.

\*\*Conversion to USD based on Swedish Central Bank average exchange rate for the period. Time frame of data for 2013 is 1 Jan–31 December 2013. Time frame data for 2018 is 1 Jan–30th June 2018.

When looking at all H&M group's supplier factories, including those not enrolled in our Wage Management System programme and excluding any overtime compensation, we can see that H&M group supplier factories pay significantly higher wages than the relevant minimum wage. For 2018, this ranges from 24% more in Cambodia to 122% more in China (Guangdong).

Increases are in most markets often above inflation rates according to the IMF. However, even if the wage increments are higher than the inflation rate in a majority of the countries, workers are facing increments of housing rents, food prices, etc. which leads to no real wage increment for the workers in the end.

#### FROM MINIMUM WAGES TO INDUSTRY-WIDE COLLECTIVE BARGAINING

To achieve industry-wide living wages, minimum wages must increase. The minimum wage is the most important benchmark for wages in the industry and usually defines the biggest portion of a worker's income. Today, it is usually defined by minimum wages, which are set by governments.

Over the past five years, minimum wage levels have increased substantially in several countries – wages are up by 82% in Cambodia and 60% in Bangladesh. While this is a positive development, these increases are not enough. Too often, they simply reflect the poverty line in these countries and neither keep up with inflation nor the growth in industry in these markets. As a result, the minimum wage in most markets is not a living wage.

We share the view of the UN body ILO and many other experts, that the only lasting and viable way to achieve substantial and sufficient increases in the minimum wage for all workers is through fair negotiations between workers, trade unions and employers. This requires collective bargaining agreements that empower workers' representatives to engage in fair negotiations. This approach replaces the idea that global brands should impose specific wage levels, a short-sighted tactic that undermines the role of workers, unions, employers' organisations and governments to effect lasting change. Wages are an industry-wide challenge, and therefore need to be solved at an industry level to stand the test of time. Instead of imposing specific wage levels, brands should ensure that our purchasing practices facilitate the payment of a living wage and enable collective bargaining. Brands also need to advocate governments because they can set the necessary legal framework, ensuring the right to freedom of association and enabling collective bargaining.

This is not an easy thing to achieve, especially considering trade union representation is low in many sourcing markets and industrial relation systems are often immature or even legally restricted. However, we believe this is the only way that workers wages can increase in a sustainable way, with a level playing field. While it takes time to change complex systems like this, we can see significant progress and a growing consensus between relevant stakeholder groups to collaboratively drive structural change at an industry and country level.





**“By addressing the structural barriers to living wages, ACT has the best chance of increasing garment workers’ wages in a way that is scalable, sustainable and enforceable.”**

JENNY HOLDCROFT, ASSISTANT GENERAL SECRETARY,  
INDUSTRIALL GLOBAL UNION

## **ACT: ACTION, COLLABORATION, TRANSFORMATION**

The formation of ACT represents a significant milestone on the journey to fair wages. ACT is a ground-breaking coalition of 22 global brands, including H&M group, and IndustriAll Global Union. The group’s mission is to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining at industry level.

One particularly game-changing component in ACT’s approach is to include brands’ purchasing practices in the equation. While local employers and trade unions should negotiate wage levels and working conditions with each other, brands can contribute with a commitment to responsible purchasing practices. For example, they can offer long-term commitments to source from suppliers and markets that are willing to enter such a collective bargaining agreement. To support this, all ACT brands have signed a Memorandum of Understanding with IndustriAll Global Union, which commits them – amongst other things – to ensure that their purchasing practices facilitate the payment of a living wage.

You can read more about ACT and the meaning of an industry-wide collective bargaining agreement [here](#).

## **PURCHASING PRACTICES**

A brand’s purchasing practices are an important contributor to achieving fair living wages. We developed a purchasing practice guide as part of our 2013 roadmap. It helps ensure best possible capacity planning, timely payments and much more. Thanks to these measures, 93% of our suppliers regard H&M group as a fair business partner.

We also developed a ‘scientific pricing method’. This involves suppliers sharing with us all the major cost components that contribute to a product’s price, including the labour cost component. This means merchandisers can and will negotiate the price of a garment with our suppliers around all component costs except one: labour. This takes garment workers’ wages out of the equation for price negotiations. If wages increase as a result of a collective bargaining agreement, our method ensures the money needed to pay for these wages is accounted for. Together with the other brands within ACT, we are committed to ensure that higher wages are covered by our purchasing price. We believe this systematic isolation of the labour cost is important as an enabler to an industry-wide collective bargaining agreement.



David Sävman.

**“Our purchasing practices should make it possible to fulfil our business idea and give long-term benefits to workers, suppliers, customers and the environment.”**

DAVID SÄVMAN, HEAD OF PRODUCTION,  
H&M GROUP

## Creating win-win-win situations with good purchasing practices

DAVID SÄVMAN, HEAD OF PRODUCTION, H&M GROUP

### What does the term purchasing practices mean to you?

It simply means doing good business! Our purchasing practices should make it possible to fulfil our business idea and give long-term benefits to workers, suppliers, customers and the environment. During 2018 we focused on suppliers' production plans, our execution and follow up of production volumes, as well as how we can secure ring-fencing labour costs in price negotiations. This means when we negotiate price with a supplier, the labour cost is taken out of the equation.

### How do you isolate the labour cost?

We exclude the labour cost from our price negotiations with the supplier. When we negotiate the price, it can only affect the material and quality, for example, and not the workers' wages.

### What does the isolation of the labour cost mean to workers, suppliers and our business?

By isolating the labour cost,

we can be more concrete and credible towards both suppliers and production countries, and show that we can and will stand by our purchasing practices. It also means that we can do better business and minimize challenges for workers to get better working conditions.

### How does the scientific pricing method work?

We transparently look at all parts of producing a product and make sure we have the right cost that creates win-win-win situations: for the workers, our business partners and for H&M group.

### You developed an app based on this method that other companies can use to isolate labour costs in the same way?

Yes! The app is called SEA (SMV Estimation Application), and it's basically old facts packaged into a modern and user-friendly way! We believe that the only way to create change in the industry is to get as many brands as possible to join us.



## WORKERS AND SUPPLIERS ARE BETTER PREPARED FOR COLLECTIVE BARGAINING AGREEMENTS

As part of our Fair Living Wage Strategy, we have placed a strong focus on establishing well-functioning dialogue and democratically elected worker representation in factories. We exceeded our 2013 goal for 50% of our product volume to come from factories with democratically elected worker representation, reaching 73% by 2018. Democratically elected representation provides workers with better opportunities to make their voices heard and resolve any issues that arise.

Democratically elected worker representation also helps prepare suppliers for an industry with maturing industrial relations. Many of our supplier factories undergo a mindset shift when they initiate this kind of change, in which they recognise the benefits of improved dialogue with their workers and worker representatives. In turn, this leads to an openness in addressing specific key issues such as worker well-being, health and safety, or wages and compensation.

Alongside this mindset shift, we have also seen an increase in the number of supplier factories with one or more trade unions. While this is a positive development that we will continue to support, more needs to be done by all actors involved. You can find out more about our Industrial Relations strategy on page 66.

## PROGRESS

- We reached and exceeded the Fair Living Wage Strategy goals we set in 2013. In five years, this work has reached 655 factories and more than 930,000 garment workers in ten different countries. Read more on page 79.
- ACT has brought together 22 different brands as well as trade unions to work together to achieve industry-wide collective bargaining agreements, supported by brands' common commitments on purchasing practices. As part of this, all signatory brands have signed Memorandums of Understanding, which commit them, amongst other things, to ensure their purchasing practices facilitate the payment of a living wage.
- H&M group developed and implemented a 'scientific pricing method', which systematically removes labour costs from price negotiations with suppliers, therefore ensuring that labour costs are paid and accounted for with each product order.
- We asked the Ethical Trading Initiative (ETI) to review our Fair Living Wage Strategy and implementation, and to compile an independent evaluation report. We recognise and have already addressed several of the report's findings, such as further developing our purchasing practices using the above-mentioned scientific pricing method. With help from other stakeholders, we'll continue to address issues as we develop our strategy. ETI's report is publicly available [here](#).

- In December 2018, we shared the ETI's feedback from 150 key stakeholders at an event in Phnom Penh. Through this kind of openness, we can jointly advance best practices, learn from shared challenges, and set the framework for joint steps forward to ensure fair living wages for all garment workers.
- In Ethiopia, the Government has not ratified the ILO Minimum Wage and has not set a minimum legal wage for the private sector. In 2018, together with the ILO we have engaged with the Ethiopian Government to advocate for a minimum wage-setting mechanism for the textile industry. Although we believe this process might take a long time, we are fully committed to support the ILO driven agenda.

## LEARNINGS

- Together with trade unions and other experts, we have learned that the best way to achieve wage increases in a scalable, lasting and competition-neutral way is through industry-wide collective bargaining agreements.
- We recognise that we cannot achieve industry-wide living wages only through factory level interventions. To achieve sustainable increases, minimum wages have to increase. Although there have been significant increases in minimum wages in several markets, the change has been too small and too slow to achieve industry-wide living wages.



Panel discussion at the Fair Living Wage summit in Phnom Penh, Cambodia.

## Interview with Frank Hoffer, Executive Director of ACT

ACT (Action Collaboration Transformation) is a group of 22 brands and retailers that are working together with IndustriALL towards a future in which all textile workers earn a fair living wage.

### What makes ACT different?

ACT is something that has never been tried before. It's a joint initiative between major brands in the garment and textile industry, plus IndustriALL, which has a clear objective to work together to achieve living wages for

workers in the garment and textile producing countries.

### What role does H&M group play in ACT?

H&M group has been at the forefront of our discussions, particularly around finding practical solutions. For example, it is important that the brands buying from textile suppliers make sure their respective purchasing practices support a living wage. One of the agreements H&M group helped with is that the wage cost on a product is

not up for negotiation, which ensures that workers' wages are not negatively affected.

### Why does the industry need ACT?

We are trying to prove that worker representation can lead to positive change. Some of the countries we work with have experienced other forms of worker representation, including bargaining by riot. We show these countries a different way – that it is possible to build systems to create stable and predictable development.

### What has ACT achieved so far?

Bringing all these stakeholders together was our first achievement. Our second was to agree to use industry-wide collective bargaining to engage with national actors in countries like Cambodia, Myanmar, Turkey and Vietnam. Our third achievement was to present the shared message that international brands – like H&M group – will make a country a preferred country of sourcing if they share our vision of a living wage for textile workers.



Frank Hoffer.

## NEXT STEPS

We remain committed to our vision of achieving fair living wages for all textile workers. We will continue to work with our supplier factories to further build on the positive learnings and impacts from the implementation of improved Wage Management Systems, as well as the implementation of democratically elected worker representatives. Beyond this, we know we'll continue to need strong collaboration

with various actors. Therefore, we will further expand our work with key partners in the industry moving forward. This includes continuing to work with ACT and its ground-breaking approach to achieving fair living wages.

We will continue to take a leading role in driving such collaboration forward, and continue to contribute by sharing our future learnings, challenges and achievements.

**“Progress against the H&M group's 2018 targets already points to the measurable contribution such strategies can make towards key Sustainable Development Goals. The company's next targets must maintain and increase the pace of change. And even more companies within and beyond the apparel sector should feel challenged to follow suit.”**

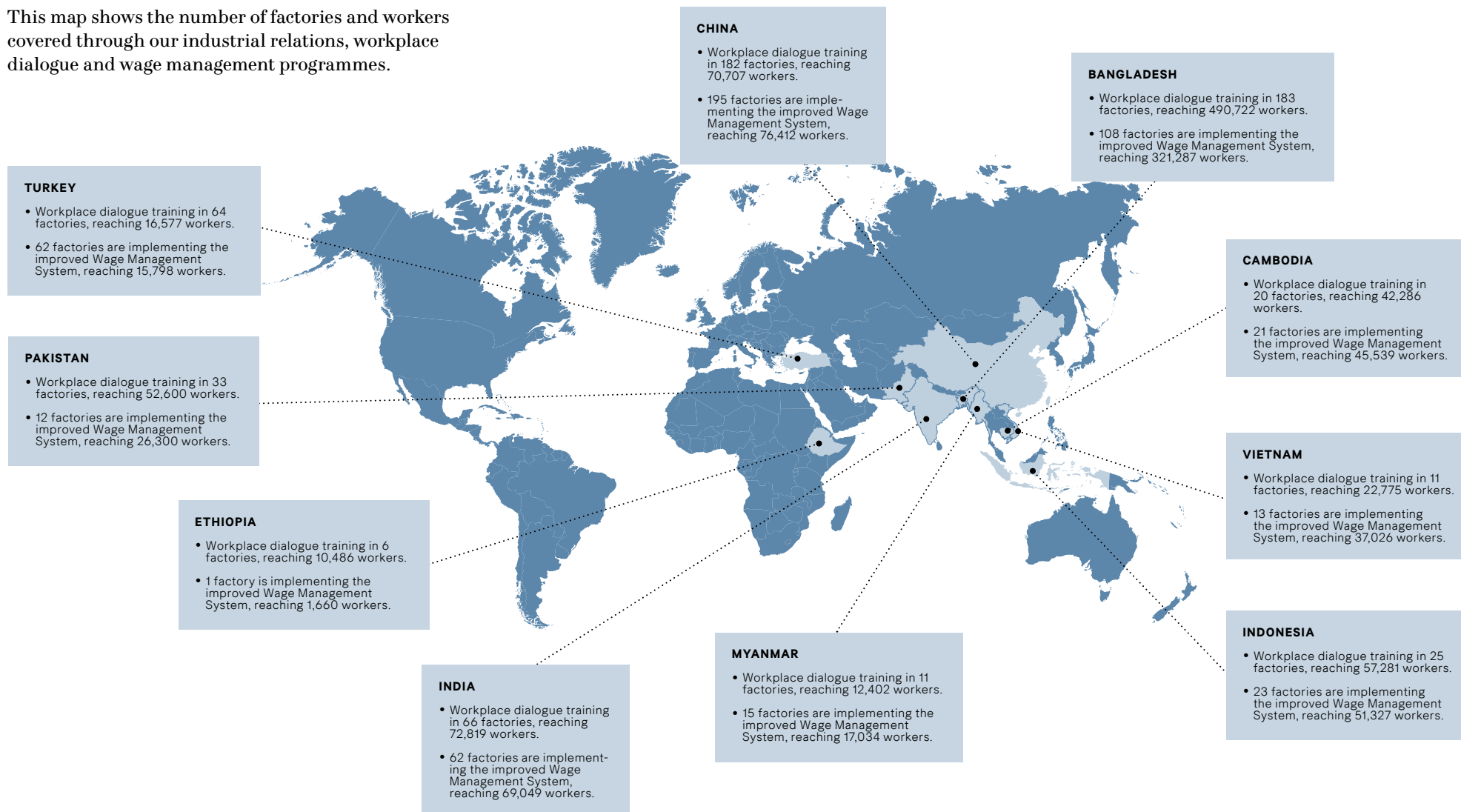
CAROLINE REES,  
BUSINESS & HUMAN RIGHTS EXPERT,  
PRESIDENT AND CO-FOUNDER OF SHIFT





## Overview of our industrial relations, workplace dialogue and wage management system programmes

This map shows the number of factories and workers covered through our industrial relations, workplace dialogue and wage management programmes.





# Addressing human rights issues

## Respecting human rights is a fundamental part of H&M group's responsibility as a company and vital to the sustainable operations of our business.

Our Human Rights policy requires us to have sound due diligence and risk assessment processes in place to identify any risk of doing harm in our operations and our supply chain. Our due diligence process is described on page 92, along with how we identify salient human rights issues. Read more about H&M group's policies at [sustainability.hm.com](https://sustainability.hm.com).

We have identified a living wage, freedom of association and collective bargaining as human rights issues that are most important to address in securing fair jobs for all. Not only are they important rights by themselves, but they also enable the establishing of other rights. In the previous section of this report, we describe how we address them. In this section, we will describe how we identify and address additional human rights issues.

### ADDRESSING CHILD RIGHTS AND CHILD LABOUR

We recognise the importance of contributing and strengthening children's rights by improving life for children and young people, both directly and indirectly. For

example, our Fair Living Wage strategy can make an indirect positive difference to children's lives because it helps parents earn a sustainable living. We also collaborate with the Centre for Child Rights and Corporate Social Responsibility (CCR CSR) to improve and develop young workers' life skills. This is described in a [film](#) produced by Global Child Forum and CCR CSR.

We make it an absolute, minimum requirement for all factories producing for H&M group to be free from child labour and this compliance is continuously monitored. The likelihood of child labour taking place in an H&M group-supplying factory is very small. During 2018 we identified 1 case of an underage worker in a factory in China. The boy was 15 years and 10 months old (in China minimum working age is 16 years). In dialogue with the boy and his family it was agreed, that he should attend a vocational training school until he reached legal working age. During this time, the factory compensated him in line with the legal minimum wage and

paid his schooling fees. Read more about our requirements on page 96. If we find any person below the minimum age working in any of our supplier factories, then our Child Labour Policy guides us (and our supplier) to act in the best interests of the child. This can include ensuring that the individual enrolls in school, providing compensation to the family for lost income and partnering with civil society organisations. Please find a full list of our Salient Human Rights issues [here](#) and further details on how we address human rights issues in our supply chain on page 80–82.

### PROGRESS

- H&M group actively participated in the multi-stakeholder Responsible Mica Initiative (RMI), which is working towards responsible Indian mica mining. We took part in working groups for 'Traceability and Specifications' and 'Community Empowerment', in which 40 villages were selected for empowerment programmes. We have also had continued dialogue regarding mica mining with stakeholders in our own supply chains.
- In Myanmar, we are in the third year of a successful collaboration with Centre for Child Rights and Corporate Social Responsibility (CCR CSR). In 2018, we engaged 10 of our factories in a project to prevent child labour and protect young workers. The project aims to train factory management and raise awareness among workers on the prevention and remediation of child labour. We have now covered all our supplier factories, in total 45 in Myanmar over the course of our work with [CCR CSR](#).
- We engage and support UNICEF and NBIM's (Norges Bank Investment Management) work on the framework to the Children's Rights Principle in the Garment and Footwear Supply Chain, which focuses on the fashion industry's impact on children with working parents.

## ADDRESSING FORCED LABOUR

As with our approach to child labour, we continuously monitor compliance with the absolute minimum requirement that all factories producing for us are free from forced labour.

We have due diligence processes in place to ensure we identify and address any risks of forced labour. We describe our ongoing work to address the specific risks of forced labour in our Modern Slavery Statement, which is published each financial year alongside our annual sustainability report.



Worker at one of our supplier factories in Cambodia.  
Photo credit: Tiffany Tsang.

## PROGRESS

- We collaborated with Mekong Club, Hong Kong, which produced training material on forced labour and modern slavery. We incorporated this material into the relevant training for various functions within H&M group.

- We engage with AMCO (Amsterdam Coalition), a group of leading brands who are developing a sector-wide approach that focuses on due diligence and responsible sourcing from India. This group consults regularly with important civil society stakeholders, and in 2018 established an industry platform for responsible business conduct with Indian manufacturing businesses and the OECD's Responsible Business Conduct unit. The platform exists to address due diligence challenges and opportunities in Indian supply chains through shared research and capacity-building activities.

- In India, three of our spinning mill suppliers are participating in the Ethical Trading Initiative's Tamil Nadu Multi-Stakeholder programme (ETI TNMS). This programme focuses on awareness training around workers' rights, health, safety and nutrition in spinning mills in south India.

- We continue to refine the due diligence process in our supply chain. We have included target outcomes in our goal-setting process at a global and national level.

- In Vietnam, together with IOM (International Organization for Migration) we have provided awareness training to 13 of our suppliers on forced labour and modern slavery.

## ADDRESSING HEALTH & SAFETY

Our priority is to ensure that all workplaces in our business and supply chain are places that always prioritise health and safety for workers. Where hazards do occur, these workplaces must take preventative measures to safeguard and protect workers' safety. One of these preventative measures is to involve workers in health and safety awareness-raising, and to secure grievance channels that enable workers to raise safety concerns. This requires worker representation, dialogue with factory management about issues of concern, and worker involvement in decisions that affect workplace-related health and safety issues.

## ADVANCING THE BANGLADESH ACCORD

H&M group actively supports the Bangladesh Accord, which was set up in May 2013 to help improve fire and building safety in the textile industry in Bangladesh. We were one of the first companies to sign the Accord and have been on the steering committee since day one. The Bangladesh Accord is now monitoring over 1,600 factories.

Initially, the Accord was meant to be transferred to a local national regulatory body by May 2018. However, this transfer process depended on the local body satisfactorily demonstrating its capacity to inspect factories, protect workers, provide transparency and offer confidential complaints mechanisms. A Transitional Accord was signed in 2017 and became effective in June 2018.

## PROGRESS

- The High Court of Bangladesh intervention has changed the scenario and we keep monitoring the situation closely. H&M group has a close and constant dialogue with the Bangladesh authorities, BGMEA, ILO and other stakeholders. Our position is that the timeline must secure the possibility for a smooth and progressive transition of the Accord to a national regulatory body. Our presence and commitment in our production markets is long-term. H&M group has been sourcing from Bangladesh over three decades and currently we source from around 250 production units. For further reference, our supplier list has been public since 2013 at [sustainability.hm.com](https://sustainability.hm.com).

- 98% of our suppliers have remediated issues as defined by the Bangladesh Accord. Effective January 2019 we only place orders with factories that 100% comply with the Accord requirements.



## ADDRESSING SOCIAL SECURITY

Social security is a human right, and includes benefits such as healthcare, sick pay, work-related injury coverage and maternity leave. Social security can be undermined by recruiting and hiring methods that exclude people from social security schemes. Modern slavery is the worst example of this. Permanent forms of employment usually entitle employees to social security benefits, but in many countries, employment schemes do not always entitle their workers to the same kind of protection. In fact, some schemes can limit a worker's ability to exercise their rights.

At H&M group, we seek to minimise these limitations by working with suppliers to improve the terms they offer their workers. This starts by ensuring suppliers and factory management are both aware of and meeting their obligations under labour and social security laws. We then look to identify instances in which social security obligations are being systematically avoided. For example, some suppliers avoid providing better employment schemes through the continued use of short-term contracts rather than the offer of full-time employment.

We also ensure that especially vulnerable groups such as refugees can access social security system through proper registration.

## PROGRESS

- In Cambodia, the legislation regarding Fixed Duration Contracts (FDCs) and Undetermined Duration Contracts (UDCs) was amended by the government during 2018 to better facilitate the use of UDCs – which are typically more secure for workers. We have started to map the ratio of UDCs to FDCs in our supply chain, and in 2019 we will work with suppliers and workers to increase the transition from FDCs to UDCs. Although progress on this issue has taken longer than expected since we first identified the problem, we have recently started to see signs of positive change.

- In Turkey, H&M group is building capacity and collaborating with various stakeholders to enable the formal employment of Syrian refugees in our supplier factories in Turkey. As of 2018, more than 300 Syrian refugees are employed in over 20 approved units in Turkey, supported by the United Work programme. The ILO SCORE initiative invited factory units employing Syrian refugees to participate in a training programme. Four facilities have participated so far, and the programme focuses on functional workplace dialogue and health and safety committees.

- In Italy, we engaged in a working group to map resources amongst local trade unions and government programmes that ensure responsible conditions for migrant workers.

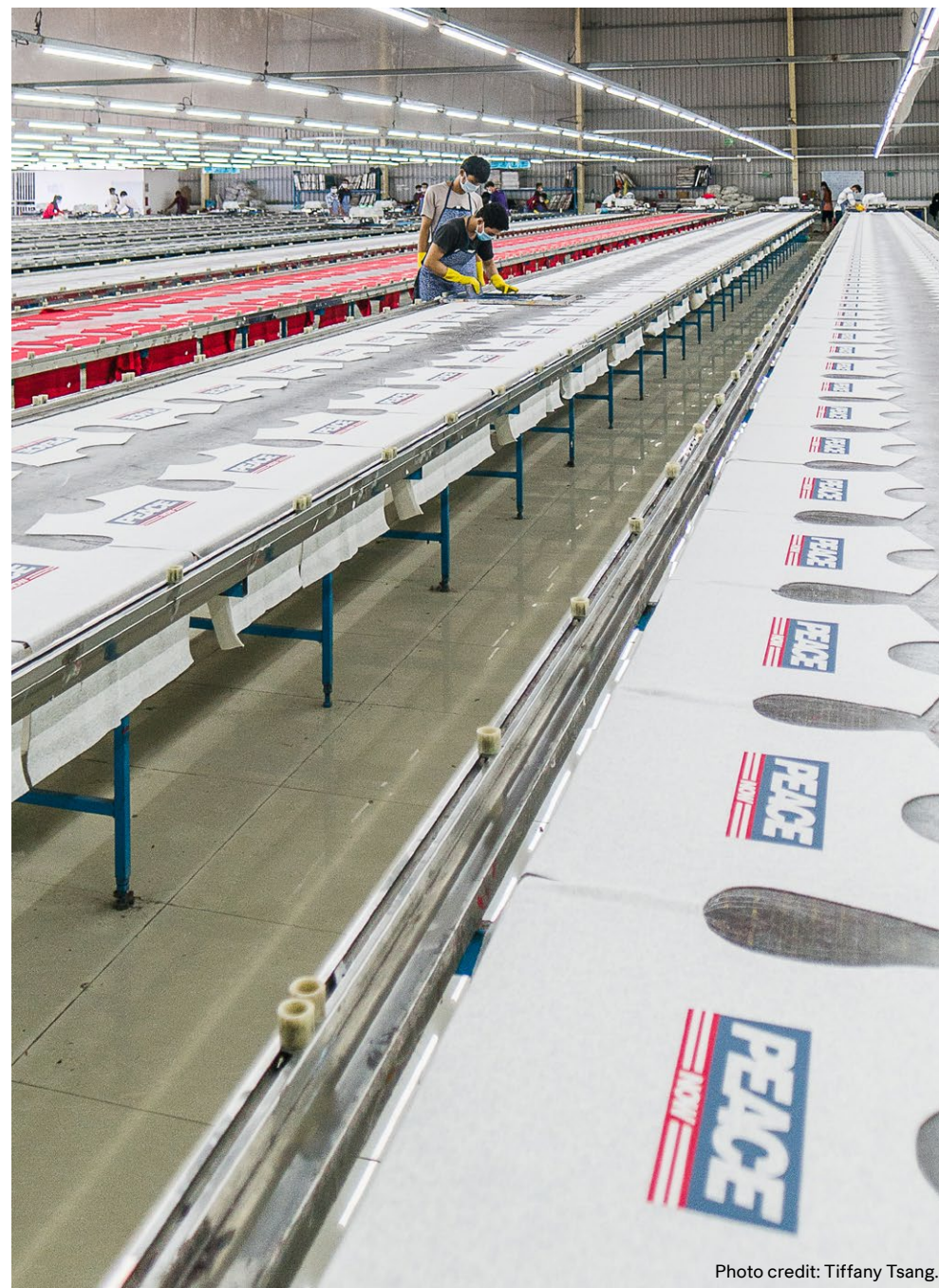


Photo credit: Tiffany Tsang.



# Inclusion & diversity

Through relationships with our employees, business partners and customers, and through our global presence, H&M group represents and connects with a huge number of people around the world. This presents us with a unique opportunity to drive inclusion and diversity.

We believe each and every individual should be treated fairly and equally, and are therefore dedicated to advancing inclusion and promoting diversity. We aim to understand, reflect and advance the inclusion of every person we connect with – from suppliers to customers – in all the diverse markets in which we operate. We believe this is the foundation for great customer experience and key to our ongoing success.

In 2018, we intensified our continuing work around inclusion and diversity. One of the reasons was the key learning from the children's hoodie, which many perceived as racist. This was unintentional and consequently had to be addressed comprehensively. As a result, we have increased our emphasis and attention to our inclusion and diversity work. During 2018 we updated our strategy on inclusion and diversity and broadened the scope of our ambitions. We use our size and scale to advance inclusion and diversity towards our customers and the communities around us. An important

step in implementing our strategy was the roll out of a new training programme on inclusion, diversity and unconscious bias, which raises awareness and helps us shape our goals, as well as identify improvement areas. Several markets, including South Africa and USA, have teamed up with external partners to customise their own training on inclusion and diversity.

Our ambition is to be inclusive and become more diverse at all levels of our company. This will optimise our decision-making and team performance, and ensure we reflect and respect the diversity around us. We want to be inclusive across our wide customer offering, continue to promote diversity through our marketing and campaigns, and contribute to positive social impact through inclusion and diversity initiatives where we are present.

Rooted in our values, and through our global reach, we also want to be advocates for everyone's right to be included and accepted, and to express who they are.



H&M colleagues starring in "Love for All" campaign in Amsterdam during Pride week.

**PROGRESS – INTERNAL**

- According to our employee survey, 83% of H&M group employees agree with the statement “I feel comfortable being myself at work”. 81% of H&M group employees agree with the statement “I am treated with respect and dignity”.
- In 2018, 74% of all H&M group employees were female and 72% of management positions were filled by female employees (2017: 76%, 72%).
- Our Board of Directors was represented by a 60%:40% (female:male) gender split.
- Our Internship for Integration programme focuses on providing refugees in Germany, Sweden and Italy with work experience opportunities. In 2018, Spain launched a similar programme. The internship initiative

has been around for three years and has had a positive impact for all participants. Going forward, we will work to strengthen our social impact measures as well as look into possibilities to scale up.

- Our initiative to provide safe transport to and from work for our female H&M store employees in India continued. In addition, we are working with vocational schools, such as the World Class Skill Centre and Infrastructure Leasing and Financial Services Skills Development Corporation Limited, and NGOs such as the Magic Bus and Oasis, to attract and recruit new colleagues from less advantaged socio-economic backgrounds. Approximately 5% of our employees have a chance to be hired through these partnerships.
- All our head office functions, including

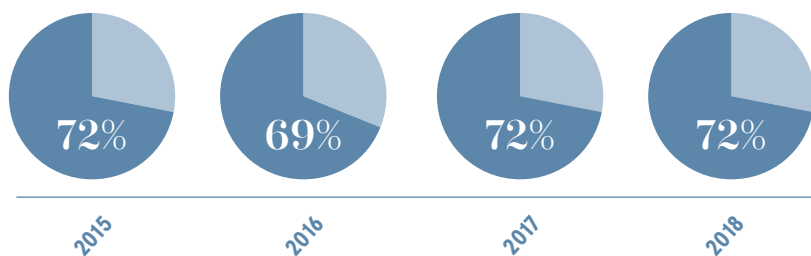
the executive management team and the CEO, have completed our internal training programme for inclusion and diversity and unconscious bias, which covers aspects across our value chain.

- In 2018, we initiated a further roll-out of trainings to reach most of our employees. The training programme aims to ensure more intentional goal-setting around inclusion and diversity throughout the employment lifecycle, and to identify clear action points related to an inclusive customer offer, advancing inclusion and promoting diversity.
- We have worked with different focus markets throughout the year. For example, we partnered with the Institute for Justice and Reconciliation in South Africa to conduct internal training for the ZA organisation. We

also participated in the Anti-Racism Network conference. In the USA, we partnered with Accenture to offer internal training, and put a Diversity Officer in place to drive our inclusion and diversity strategy forward.

**LEARNING – INTERNAL**

- During the roll-out of internal training on inclusion, diversity and unconscious bias, we realized there are a lot of learnings for us as an organization. We are a global company but need to adapt to, and address, issues of local relevance. This is why we have started to review our policies and processes to further improve an inclusive approach and way of working. A key insight from the training on unconscious bias is that we constantly need to challenge our perspectives. In 2019, we will continue to look into how we can effectively measure inclusion and diversity.

**5.4. % OF FEMALE EMPLOYEES AT H&M GROUP IN MANAGEMENT POSITIONS**

**“We commend H&M group for its investment in a series of our interventions. The increasing complexity of the issues facing society often make people long for simple answers. However, for H&M group to provide an opportunity for their staff to engage with the issues is a proactive move to contribute positively, not only to internal company culture and values, but also to building a more cohesive and inclusive society.”**

STANLEY HENKEMAN, EXECUTIVE DIRECTOR AT THE INSTITUTE FOR JUSTICE AND RECONCILIATION IJR IN CAPE TOWN, SOUTH AFRICA



## Advocating for gender equality in Turkey



Nur Ger.

Ms. Nur Ger is the founder of the Suteks group, an H&M group supplier since 1982. She is also the Chair of the Board of Suteks group, the Business Spokesperson for the UN on Women's Empowerment Principles (WEPs) and the founding President of the Yanindayiz Association.

### Why is it important for you to work with gender equality?

I have always cared about participation in civil society activities, as well as business life. As a student and as an entrepreneur, I have experienced various difficulties and realized the sacrifices that women need to make in order to succeed in the business world. This should not be the case, women and men should have equal opportunities in all aspects of life, at home and at work.

### What kind of role can your business play?

The business world has a great responsibility in this area in addition to government policy. Gender equality is at the very heart of human rights and a cornerstone on which I founded my company. Suteks is based on gender equality which not only involves the opportunities

that we offer to our female employees during pregnancy and the first period of motherhood, but also all employees taking advantage of the opportunities to keep a good work and family balance in life. Non-hierarchical management, as well as the profit share system are unique management tools.

### How can we advance gender equality?

In my opinion, women's access to education is one of the best ways to eliminate gender inequality. As the level of education increases, so does women's participation in the labour force. But gender equality isn't possible without including men. For many years now, women in this country have been alone in their struggle for women's rights and social gender equality. That is why I founded Yanindayiz (Stand By You) together with 40 male members, all advocating for gender equality in Turkey. In order to get changes in the laws, institutions and social life, we aim for the better awareness and active involvement of men in the struggles against all obstacles and prejudices that cause gender inequality and sexual discrimination.

**“In a global society, there is still work to be done to achieve gender equality. It is an explicit priority for the world, through the sustainable development goals, and it is a priority for us. As a large company where the majority of people employed by us directly or indirectly are women, we need to ensure that we address both structural and unconscious inequalities. We are signatories to the Women's Empowerment Principles and use these principles to guide our strategy development, goals and actions.”**

SOFIE NYSTRÖM, STRATEGY LEAD  
INCLUSION AND DIVERSITY,  
H&M GROUP





**PROGRESS - EXTERNAL**

• Monki HQ was LGBTQ certified by the Swedish Federation for Lesbian, Gay, Bisexual and Transgender Rights (RFSL). This certification came as a result of employee-participation in workshops held by RFSL that provided education in norms and the impact they have on the working conditions and health of LGBTQ people.

• Monki also entered into a partnership with Mental Health Europe (MHE), a non-governmental organization committed to the promotion of positive health that works closely with a large network to end mental health stigma. Monki and MHE collaboratively launched the Monki campaign, “All the Feels”.

• H&M launched a Pride collection to advocate for equal rights and to celebrate that everyone should be free to love who they want. We donated 10% of the sales from the collection to the UN Free & Equal Campaign, which was set up by the Office of the High Commissioner of Human Rights (OHCHR) and advocates for equal rights and fair treatment for LGBT+ people.

• Weekday launched a swimwear collection and accompanying campaign that was created by women for women. “My Body, My Image” was a collaborative campaign that invited 25 women to contribute self-portraits of themselves in one of the brand’s eight new swimwear designs. With complete creative control, the women had

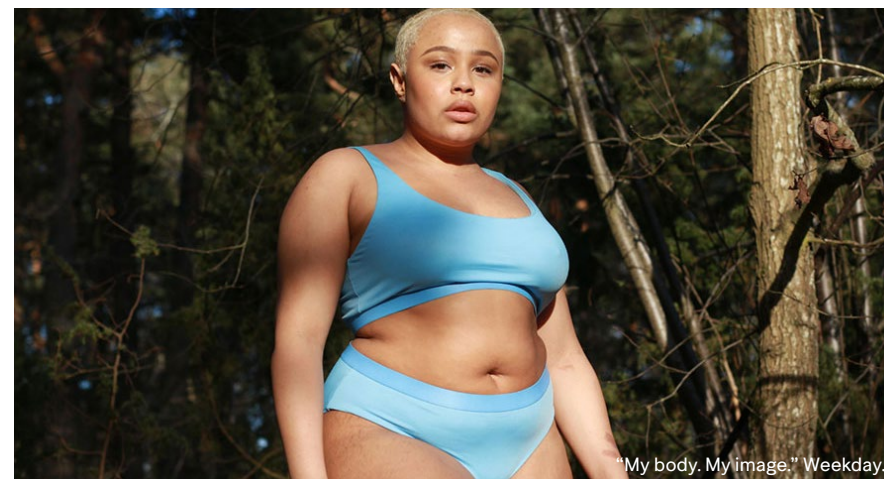
an unrestricted opportunity to create the sort of images they wanted to see.

• Weekday collaborated with UNHCR, the UN Refugee Agency, to create a collection of five original designs that encouraged action in support of the millions of refugees and forcibly displaced persons worldwide. The collection’s designs were printed on organic cotton t-shirts and totes, a belt, a key chain and a porcelain coffee cup; 100% of all proceeds (30% of sales price) was donated to UNHCR.

• H&M launched the first collection of bras for breast cancer survivors. The “Close to My Heart” collection was

inspired by an H&M employee who survived breast cancer and couldn’t find affordable and functional undergarments. H&M created this collection for her and all those fighting breast cancer around the world, and to shine a light on the social stigma sometimes experienced. In the USA, 100% of sales from the collection was donated to the American Cancer Society.

• We continued to support a project providing equal opportunities for people with disabilities in Indonesia. In this project, suppliers involved ensure the hiring and accommodation of people with disabilities in supplying factories.



**“We want to engage women to take control and reflect over how the female body is portrayed in media.”**

NADINE SCHMIDT, HEAD OF MARKETING AT WEEKDAY  
ON THE CAMPAIGN “MY BODY, MY IMAGE”





Participants at TEDx event at Kakuma Refugee Camp.

## H&M Foundation supported the world's first TEDx event at a refugee camp

In June 2018, the Kakuma Refugee Camp in the north of Kenya hosted the world's first TEDx event in a refugee camp. The theme was "Thrive" and it focused on life as a refugee away from the image of suffering, and towards stories of resilience, contribution and creativity. The event was a powerful demonstration of how

empowered refugees can shape a peaceful and tolerant future.

The TEDx was part of a 30 million SEK collaboration between UNHCR and H&M Foundation. The project's main focus is supporting half a million refugee children with the school supplies they need to attend school in Chad, Ethiopia,

Iran, Kenya, Malaysia, Pakistan, Rwanda, Sudan, South Sudan, Syria, Uganda and Yemen.

"H&M Foundation wants to contribute to positive change for refugees, and we do this by supporting UNHCR efforts in many different countries. By also supporting the arrangement of

the world's first TEDx in a refugee camp, we want to highlight perspectives and stories from people with their own experience of being on the run. It is crucial to counter prejudice and contribute to important knowledge, needed now more than ever," says Diana Amini, Global Manager at H&M Foundation.

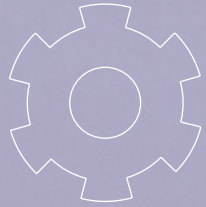
Speakers included current and former Kakuma Camp refugees. Pur Biel spoke about growing up in Kakuma Camp and competing at the 2016 Summer Olympics as a member of the first ever Refugee Olympic Team. Halima Aden spoke about her journey from a childhood in Kakuma Camp to becoming a supermodel.





Monki.

# Key facts & figures 2018



We measured the sustainability performance of our tier 1 and tier 2 supplier factories by conducting 884 desktop validations and 1,430 onsite validations.

We launched an updated version of the Animal Welfare and Material Ethics policy.



**100%** of our suppliers have signed our Code of Ethics.



100% of our suppliers have signed our Sustainability Commitment.



After completing 9,715 safety and security audits in our stores, we reached a worldwide compliance level of 85%.



We have rolled out a new standard for Sustainable Workplace, which addresses everything from reducing waste to using LED lights. The standard makes sustainability part of our daily working lives and helps us set a good example across our business and beyond.



# Standards & policies explained

Our standards and policies are critical to achieving our sustainability vision and goals. Our values are essential for us – they define who we are and what we stand for. We use our standards and policies to integrate and implement these values for all our employees and business partners.



& Other Stories.

Where applicable, we base our policies and standards on international norms and well-recognised initiatives. Among others, these include ILO Conventions and the UN Guiding Principles on Business and Human Rights.

We group our standards into three categories:

- our own operations
- our business partners
- our materials/products

Our human rights policy sits above these categories and applies to all areas of our work. In this chapter, we will show you how we implement our standards and policies along our value chain, and how we assess and monitor them to ensure compliance and improvement.





# Working with standards & policies

Our business is always changing, with new needs, risks and opportunities arising all the time. Sometimes this is a result of external factors, such as exploring a new business model; sometimes it comes from within our business, such as setting a new sustainability goal. We are aware of changes and respond appropriately. When we become aware of a new need, risk or opportunity, we address it through a range of different actions. One action is to create a new set of standards

and policies, together with a strategy to implement and evaluate it.

Our standards and policies are part of our change-making programme and are an essential component in turning our strategy into action and making our vision a reality.

To ensure we work with the correct standard and policy for the given need, risk or opportunity we always apply the

same steps: we identify, we address, we implement, evaluate and report.

## 1. WE IDENTIFY

We identify new risks and opportunities by looking at our key long-term sustainability needs and conducting in-depth assessments of our own and our business partners' operations. We use both internal and external assessment tools. Three focus areas require particular attention:

**Human rights** To respect human rights throughout our value chain, we require ongoing due diligence processes. We continuously work to ensure human rights are an integral part of all relevant processes. Our processes help us identify risks and impacts, and address them effectively.

**Environment** We make sure to conduct daily assessments on water, chemicals, climate change, biodiversity and animal welfare as part of our basic risk management operations.

**Corruption** We assess levels of risk for corruption according to country, industry and position/function. Once we know the level of risk, we set short and long-term goals for mitigation. Every year, we map our biggest corruption risks using a combination of our own assessments and

experience, and external sources such as the Maplecroft Country Risk Tool and the Transparency International Perception Index.

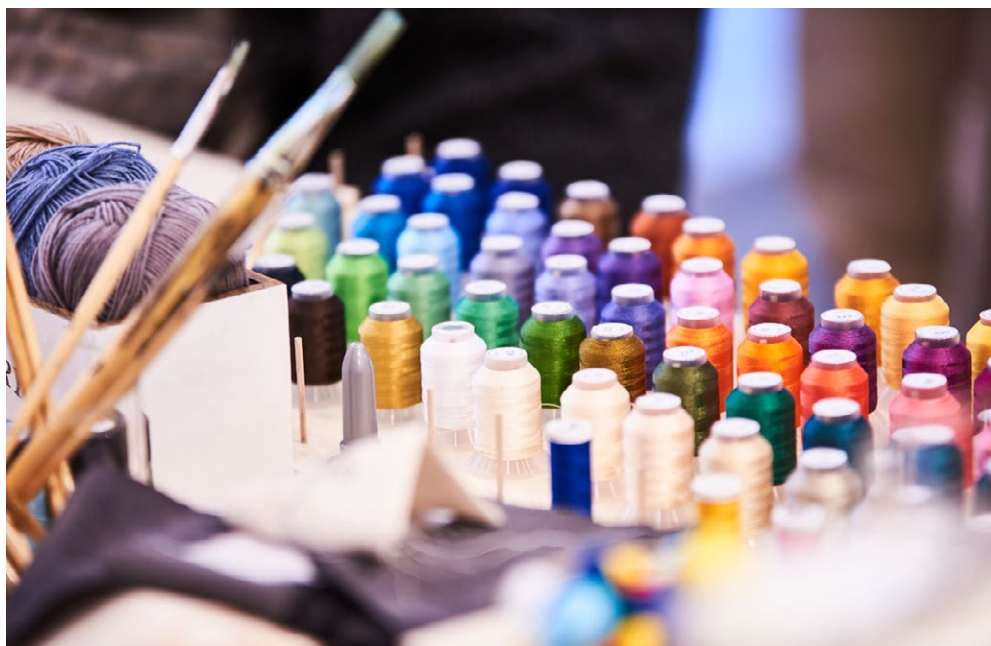
We use the results of this mapping to identify high-risk countries and to allocate our resources in the best way. We have a zero-tolerance policy for corruption.

## 2. WE ADDRESS

Having identified a new need, risk or opportunity, we use a framework to address it in the best possible way. For risks, this means prevention, mitigation and remediation. The framework is either prescribed by an existing standard or policy, or is developed along with a new and more suitable standard or policy.

## 3. WE IMPLEMENT, EVALUATE & REPORT

We use a tailored strategy to implement the standard or policy that addresses the need, risk or opportunity we have identified. We track and evaluate this implementation to gain insight on how we can further strengthen and improve our programmes. We report our progress and findings to internal and external stakeholders through continuous dialogues, public communication channels and regular reports.



# Our human rights policy

Respect for human rights is fundamental to any successful business.

As our human rights policy states, we work to integrate this respect across all operations and relevant activities. To do this, we must both understand the risks and impacts on human rights in our value chain and seek ways to prevent, mitigate and remediate these risks and impacts.

## HUMAN RIGHTS DUE DILIGENCE

Our human rights due diligence is an ongoing process that monitors the practice of and respect for human rights throughout H&M group. We conduct this due diligence systematically during relevant assessment processes including, for example, risk management processes, business partner due diligence, stakeholder engagement, grievance handling and all internal training. Each assessment process contains a clear component that enables us to identify, address and report on any risks or impacts that relate to human rights.

## HUMAN RIGHTS MANAGEMENT

Our human rights due diligence serves as the basis for implementing our human rights management. The main processes and activities connected to our human rights management include:

- Identifying and addressing salient human rights issues.
- Annual sustainability risk assessments, conducted by all functions within the business.
- Business partner due diligence conducted prior to entering a new contract.
- Country sustainability risk assessment for production and retail markets.
- Business partner management follow-up through SIPP (Sustainable Impact Partnership Programme).
- Human rights due diligence process in production markets.
- Material/process/product risk assessments.
- Incident-handling routines with integrated analysis according to the UN Guiding Principles (UNGPs).
- In-depth training on UNGPs and our Human Rights Policy.
- Continuous stakeholder engagement at global and local levels.

## TRAINING

We provide ongoing in-depth training across our business to raise awareness and competence in human rights issues. We customise our training to suit different functions and roles, but it all covers the following:

- A basic introduction to human rights.
- An outline of our responsibilities as per the UNGPs.
- An explanation of how we work with human rights due diligence and how we address situations that may have a human rights impact.

## INCIDENT MANAGEMENT

We have specific policies and standards to help prevent human rights impacts from occurring. Despite this, incidents may still arise that we need to address and resolve. If an incident should occur within the factory walls, our Sustainability Commitment and Minimum Requirements apply. This is handled in accordance with our set routines. However, when human rights violations occur in a country but not directly linked to textile industry, we as a company need to to

take a stand. For example, in Myanmar, when the military-led operations in northern Rakhine intensified in 2017, H&M group and other brands used their leverage to express concerns to the government on a number of occasions, increasingly so after the UN Fact Finding Mission was released end of August 2018. EUCham Garment Advocacy Group was formed in March 2018, and met with ministries in September 2018 to discuss the Rakhine situation. Read more on our advocacy work [here](#) and [here](#).





# Our salient human rights issues

We conducted a thorough process to identify our salient human rights issues in 2015. Salient human rights issues are the human rights at risk of the most severe negative impact because of our operations and supply chain. This process supplements our materiality analysis in the area of human rights, with an understanding of risk to people.

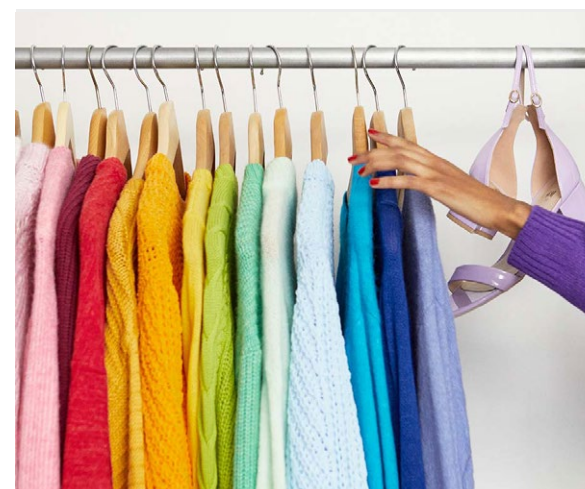
Besides guiding us on the human rights issues relevant to report according to the UNGP's Reporting Framework, the process also informs our strategies and works to address these issues going forward. To ensure our list of salient human rights issues remains relevant, we will review these issues annually. The full process, including input from external stakeholders, will be conducted approximately every three years, or more frequently if necessary. While we take steps to mitigate all risks, salience guides us in what to focus on within human rights and hence informs our strategies and work.

Consequently the most recent review took place in 2017, and resulted in slightly adjusted definitions on, for example Child Labour changed to Child Rights.

Here is the full list of our [Salient Human Rights issues](#).

## PROGRESS

- Having increased our knowledge of the UN Guiding Principles and how to approach them, we will update our Human Rights Policy during 2019.
- We assessed human rights issues for all our production countries to inform our prioritisation going forward. Actions on identified issues can be found on page 80.
- We see a trend where the migrant workforce is growing, contributing to a higher risk for forced labour in several areas of our value chain. Alongside our ongoing work with our manufacturing partners, we've initiated a review of how we work with human rights issues in our logistics operations, as well as construction and facility management services. This will ensure that we can better identify and address human rights risks related to, for example, forced labour.
- We fine-tuned the Human Rights due diligence processes for our main production markets.
- We trained staff from the Legal department, as well as Expansion functions, country managers and functions' sustainability managers on the risk assessment process.



# Policies within our own operations

## CODE OF ETHICS (FOR H&M GROUP EMPLOYEES)

Working in an ethical manner is an important part of our business. H&M group conducts business based on the principles of honesty, integrity, transparency and fair play. We have developed a Code of Ethics to make sure our employees know and practice these values. This code has a zero tolerance for bribery and corruptive practices and can be read in full on [sustainability.hm.com](https://sustainability.hm.com).

The Code of Ethics is the same in all markets and we have translated it into all languages spoken at H&M group. All employees are required to sign the Code of Ethics and receive practical training on how to act, and how to talk about and report violations. They will also learn about our whistleblowing procedure, through which potential breaches can be reported confidentially without any risk of reprisal.

Our security, IT and expansion functions, along with several others, conduct internal audits of their department's routines and policies. These audits include an analysis of how the Code of Ethics is being implemented. We also conduct random assessments on specifically risky markets or positions.

We follow up on all reported incidents or suspicions of violation. Our Security department conducts the investigations and consequences can vary from a warning to termination of employment.

Every six months, our Head of Security reports on the number of breaches and case progress to the Board. We analyse cases to help us further improve our risk mapping for the future. We report the number of cases in our Annual Report and our Sustainability Report.

## GLOBAL SECURITY POLICY

It is our responsibility to make sure our customers and colleagues feel safe. We conduct an annual store audit consisting of safety, loss prevention and information security. We have identified employee training, as the area with most opportunity to improve our compliance rates. Training our employees includes how to work safely, prevent loss and comply with local legal safety training demand. We are working with HR to increase the safety and security awareness amongst our people through trainings.

## WHISTLEBLOWING POLICY

We have a whistleblowing procedure in place so that potential breaches can be

reported by H&M group employees confidentially without any risk of reprisal.

## GLOBAL SOCIAL POLICIES

Our business is global and has a growing presence in many markets around the world. We are expanding rapidly, which means a lot of new recruits. We recognise that our success depends on our people, so we take care to implement and improve our social policies. These include our global policy on inclusion, diversity and equality, and our global non-discrimination harassment policy, labour relations policy and grievance policy, all of which are founded on our respect for human rights and on UN and ILO conventions, amongst others.

Our social policies set our minimum expectations and complement our company values. They contain clear directions that help managers and employees to meet daily business needs, understand how to work and act towards business partners, and create fair and equal working conditions in safe and healthy workplaces. Our social policies are global and set the minimum standard regardless of local legislation where we operate. Our guiding principle is to use whatever gives the greatest protection for all colleagues.

## TAX POLICY

H&M group works in accordance with the tax laws and regulations set by each and every country in which our business operates.

See the full list of our policies on [sustainability.hm.com](https://sustainability.hm.com).

## PROGRESS

- In 2018 we rolled out a new Sustainable Workplace Standard (SWS), which states a minimum level of sustainability requirements ensuring colleagues are working in sustainably functioning workplaces. The SWS also describes an aspirational level of performance, designed to encourage colleagues to tailor further sustainable adaptations in their workplaces.

- In 2018, our goal for the global store audit was 90% compliance. We completed 9,715 store audits and achieved 85% compliance, where the safety area result of the global store audit was 87% compliance across all stores and brands. In 2019 we're aiming to be 90% with the e-learning security-awareness training.



# Policies for our business partners

In order to be an H&M group business partner, all new (and existing) business partners must sign and comply with our policies. Two of our most crucial policies are our Code of Ethics and our Sustainability Commitment.

## CODE OF ETHICS (FOR OUR BUSINESS PARTNERS)

We set an expectation of mutual trust and transparency in all our business partner relationships. We underpin this expectation with our Code of Ethics (CoE) and by building awareness, providing education and maintaining a strict no-gift policy.

We define business partners as any business that supplies us with goods and/or services, acts on behalf of our business or collaborates with us. That means business partners include suppliers (commercial and non-commercial), vendors, consultants, landlords, agents, service providers, and organisations. Our biggest group of business partners is our commercial goods suppliers; 100% of them have signed our CoE.

We will always address any kind of bribery (including facilitation payments), and this may result in terminating a business relationship. We believe that taking such

a firm line on bribery will encourage others in our markets to share our values. We focus our efforts on high-risk countries, such as Cambodia, Bangladesh, India, and Russia, by providing training and awareness-building activities to both employees and business partners.

We provide all our new commercial suppliers with face-to-face training on our CoE. This training is focused on our zero tolerance of bribery and corruption, gifts and hospitality, and on our position on confidential information and compliance.

## SUSTAINABILITY COMMITMENT

We launched our Sustainability Commitment in 2016; it replaced our Code of Conduct, which had been in place since 1997. It outlines our basic requirements for all H&M group's suppliers for commercial goods and frames a long-term aspirational level of performance we expect them to aim for. We want our suppliers to take this ownership of their sustainability performance because we believe it is the best way to achieve long-lasting and sustainable change.

Any suppliers that want to start or continue working with any H&M group brand must sign the Sustainability

Commitment. The Sustainability Commitment summarises the areas we are working on to make our supply chain more sustainable. The three major focus areas are healthy workplaces, healthy ecosystems and animal welfare. The Sustainability Commitment also describes how we work with our suppliers to create progress in these areas.

We use a performance evaluation (see "How we assess our suppliers' performance beyond compliance") to identify and reward those partners that commit to and meet the aspirations.

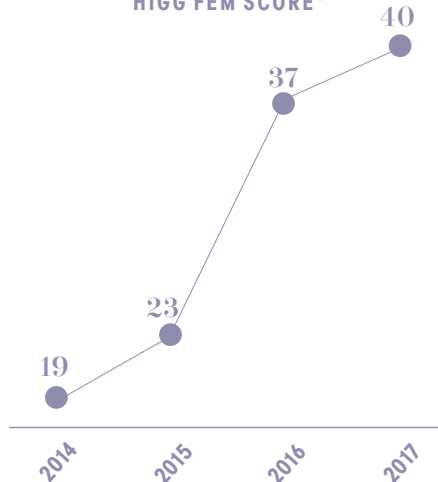
## ASSESSING OUR SUPPLIERS COMPLIANCE AND PERFORMANCE

SIPP is our Sustainable Impact Partnership Programme, and it applies to our suppliers. We use SIPP to assess levels of compliance with the Sustainability Commitment and to further measure our suppliers' performance over time and drive constant improvements beyond compliance. SIPP consists of five major components: minimum requirements verification, self-assessment, validation, capacity building and case handling.

## How we assess our suppliers' performance beyond compliance

1. Self or joint assessment within agreed timeline
2. Validation of self-assessment via desktop and/or onsite review
3. Sustainability index score (incl. Higg facility score and additional own criteria)
4. Supplier ownership and capacity building based on strengths and weaknesses
5. Monitor progress through annual SIPP cycle (i.e. repeat from step 1 above)

### 6.1. H&M GROUP SUPPLIER FACTORY HIGG FEM SCORE\*



\*Scores 2014, 2015 and 2016 follow the SAC/Higg FEM 2.0 module. Score 2017 follows the SAC/Higg FEM 3.0 and is preliminary, pending SAC correction of a limited but known score calculation malfunction. Data is self reported and covers tier 1 and tier 2 factories in the apparel and footwear supply chain with more than 25 employees.

#### MINIMUM REQUIREMENTS

Before starting any working relationship with a supplier, we conduct an “entry level minimum requirement verification”. All suppliers must pass the verification to begin working with us. (See Becoming an H&M group business partner for commercial goods illustration). Within the apparel and footwear supply chain an additional, “basic level” is required in order to begin working together. Other supply chains are permitted an agreed timeline (maximum 18 months) in order to fulfill the basic level. We also have ongoing minimum requirement checks and in 2018 performed 2,223 across our tier 1 and among our tier 2 suppliers. Please see more on minimum requirements verification findings on page 97.

#### SELF-ASSESSMENT

We empower our suppliers to use their initiative to further their sustainability credentials. Once our suppliers have passed our initial minimum requirement verification, we provide them with the training and tools to self-report their sustainability credentials and performance on an ongoing basis.

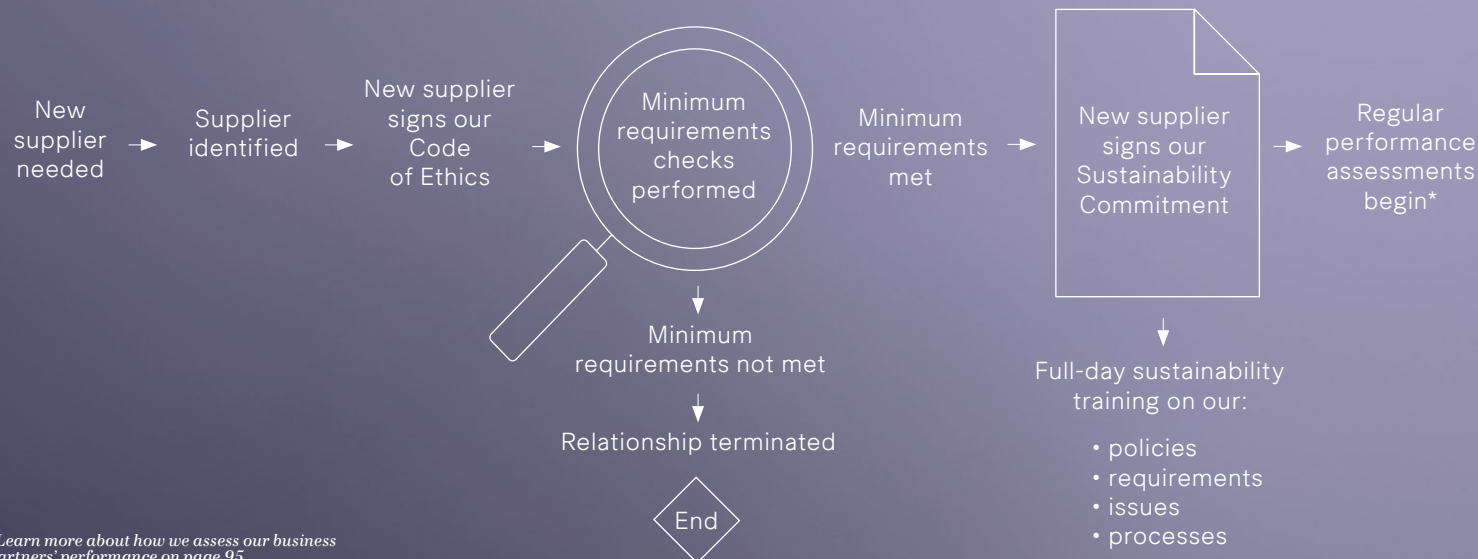
We assess our partners’ capacity to manage their sustainability issues and track their performance. This component of SIPP is closely linked to the evaluation methodology of the Sustainable Apparel Coalition’s (SAC) Higg Facility Modules, part of the Higg Index suite of tools. The results of this SIPP assessment are captured in our Sustainability Index (SI). This index has a score of between

zero and 100, which we assign based on the Higg Facility Modules and our own criteria.

We were one of the first brands to incorporate the Higg Facility Modules (both environmental and social) into our supply chain sustainability programme. The main advantage of the Higg facility scores is that all brands can use them, so suppliers only need to complete one assessment rather than several brand-specific ones. As a result, factory assessments are fairer and more comparable, regardless of the brand.

Manufacturers use the Higg Facility Environmental Module (Higg FEM) to measure the environmental performance of their facilities. Higg FEM began being used by all our tier 1 apparel suppliers in

## Becoming an H&M Group business partner for commercial goods



\*Learn more about how we assess our business partners’ performance on page 95.

2015 (who base their self-assessment on the previous year’s data) and by 2018 it was rolled out to 100% of tier 1\* and tier 2 factories representing 65% of our products in 2018. The SAC which owns the tool has developed the content over the years, so the comparability over time is not perfect. However, we still want to share the journey of the supplier factories using the Higg FEM (see graph 6.1.). The Facility Social and Labor Module has been under development for years and will be launched by SAC for the 2019 reporting cycle.

So far we are the only brand disclosing our results, but we hope our industry peers will follow. To learn more about the Higg facility modules, visit [SAC’s webpage](#).

\*Factories in the apparel and footwear supply chain, with more than 25 employees.

## VALIDATION

Our suppliers self-report through SIPP and we validate the results. We determine what level of validation is appropriate for each factory based on their history, overall performance and risk assessments, among other indicators. We perform an onsite check at least once a year for all new and high risk suppliers. We may use desktop validation (checking data and paperwork for anomalies and inconsistencies) if the supplier is low risk.

We encourage our suppliers to set their own goals, priorities and focus areas. We reward those who set ambitious goals and maintain good performance, which incentivises our suppliers to improve their sustainability performance. These rewards include long-term business commitments and growth opportunities.



## CAPACITY BUILDING

We use the validated assessments of our suppliers' sustainability performance to identify their strengths and weaknesses. We use this information to ask our suppliers to set their goals and act to strengthen their capacity to better manage their sustainability performance. We work with our partners to identify areas where H&M group can best provide support through capacity-building workshops, training and management systems analysis. We also build connections between our suppliers and other functions at our production offices, such as our merchandising and quality departments. We use these connections to encourage our suppliers to develop their own strategies and solutions to challenges, as well as providing incentives to shift impacts from negative to positive

ones. This consistent presence helps us build long-term and mutually rewarding partnerships.

Our capacity-building programme is a tool to support our suppliers in different focus areas, such as industrial relations, clean water, climate neutral supply chain, etc. Read more about our capacity-building programmes on pages 46, 58 and 68.

## CASE HANDLING

If we learn about a problem or incident linked to a supplier, our sustainability team will log the case and investigate. Cases cover a broad range of issues and can concern anything from a specific facility to a regional natural disaster. If we have a confirmed case of non-compliance towards our minimum requirements by a supplier, we send a Letter of Concern, and further action depends on the number and kind of violation. We require a corrective action plan to be submitted by the relevant supplier, which we must approve before any further business is conducted. At this stage, we evaluate if the supplier involved is the right type of partner for H&M group. If we decide it is not, we phase them out and cease conducting business with them.

During previous years, we have seen the year-on-year decline continuing in what we call "business practice" violations, such as use of child labour (read more on page 80 on one remediated case for 2018) or any lack of transparency on the part of a supplier. Among our tier 1 suppliers non-compliance against our social and environmental minimum requirements has remained at a consistent level, despite expanding and strengthening these requirements over

recent years. As a result of expanding our scope, we have seen an increase in the number of violations. All these cases have been resolved according to our standards and policies, with a total of 108 Letters of Concern sent. We had 0 terminations of business relations with our factories.

## PROGRESS

- 100% of our suppliers have signed our Code of Ethics and Sustainability Commitment.
- We performed 2,223 minimum requirements verifications across tier 1 and tier 2 suppliers.
- The self-assessment component of SIPP has been improved with the new 3.0 version of SAC's Facility Environment Module Higg FEM. With contributions from H&M group, the methodology has upgraded content and a more customized questionnaire leading to fairer scoring. This year we released the first Supplier Environmental Performance Score and for 2017 our score is 40 (2016: 37). See graph 6.1. on page 96 for historic data and reporting boundaries.
- We continued to align SIPP and industry standards and tools by piloting the assessment framework of the Social Labour Convergence Project.
- We investigated and closed 47 incidents\* of potential non-compliance with the Code of Ethics (2017: 41, 2016: 39). These investigations led to terminations or written warnings to employees or business partners in 12 cases.

\*Please find an independent assurance statement related to GRI standard disclosure 205-3 on page 106.

# Products & materials policies

H&M group's standards and policies cover both our operations (ours and our suppliers'), and our products and materials. When our suppliers sign our Sustainability Commitment, they are also legally agreeing to comply with our Animal Welfare and Material Ethics policy, and our Chemical Restrictions policy.

## ANIMAL WELFARE AND MATERIAL ETHICS POLICY

Securing our supply of raw materials ethically is very important and we are committed to ensuring that the natural raw materials used in our products are produced in a way that respects human rights and animal welfare, preserves natural resources and helps maintain biodiversity.

We define our standards on responsible sourcing in our Animal Welfare and Material Ethics Policy, as well as setting our long-term direction in line with our goal for 100% recycled or other sustainably sourced materials by 2030.

We aim to have all our virgin animal-derived materials coming from farms that are certified to a credible animal welfare standard and are fully traceable.

We also support the use of recycled animal fibres, as well as innovative and more sustainable materials that offer the same qualities but are from non-animal origin.

For a full list of our animal welfare policies please visit [sustainability.hm.com](https://sustainability.hm.com).

### PROGRESS

- We launched a new updated version of the Animal Welfare and Material Ethics policy at end of 2018.

## CHEMICAL RESTRICTIONS

To ensure the ongoing safety of our products and to limit negative impacts on the environment and surrounding communities, we implement a strict global chemical management programme and work towards alignment across our industry. Our vision is to lead the change towards safe products and a toxic-free fashion future. Our key goal is to achieve zero discharge of hazardous chemicals throughout our supply chain by 2020.

H&M group's Chemical Restrictions List bans and/or limits any chemicals that are considered hazardous. It is mandatory for all our suppliers to comply with our restrictions. As a



H&M.

minimum, our chemical restrictions are based on laws and regulations in each of our sales markets, as well as up-to-date information from authorities, NGOs and scientific reports. We apply the precautionary principle, which means we preventively restrict chemicals even where there is scientific uncertainty. Accordingly, our requirements usually go further than the law demands. In 2018, we adopted Screened Chemistry to enable us to select the best available chemicals for our production. Screened Chemistry goes beyond Restricted Substance List /Manufacturing Restricted Substance List chemicals and identifies best-in-class chemicals and safer alternatives. Please see more information about

chemical management on page 42. We require all our suppliers to take responsibility for their own chemical management and we monitor compliance via a series of self-assessment processes. Suppliers send samples for third-party testing and the test results are submitted to H&M group for review and final approval. We also conduct dedicated chemical audits at our suppliers' factories and work with experts and our suppliers to promote better chemical management practice throughout our industry.

### PROGRESS

- Together with our suppliers, we have conducted 48,700 chemical tests to ensure compliance with our Restricted Substances List.
- We have invested in the train-the-trainer programme based on Best Chemical Management Practice (BCMP) to implement cleaner production. Our BCMP guidelines help our suppliers to minimise the use of hazardous chemicals by developing a strong chemical management system. BCMP is also closely linked to the new Higg FEM 3.0, ensuring that chemical performance is captured in suppliers' overall evaluation.





# HOW WE REPORT

H&M Home.



# How we report

## We are committed to transparent reporting on the progress we make towards achieving our sustainability strategy.

H&M group produces an annual sustainability report that covers sustainability strategies, challenges, activities, goals and performance for the global group operations of H & M Hennes & Mauritz AB (also called H&M group in this report). The report includes all H&M group brands (H&M, COS, Weekday, Cheap Monday, Monki, H&M Home, & Other Stories, ARKET, Afound), as well as its wholly- or partially-owned subsidiaries globally during our financial year from 1 December 2017 to 30 November 2018 unless stated otherwise. Please see our Annual Report 2018 for a full list of entities.

Wherever possible, we report how we are addressing our key positive and negative impacts across our value chain. This often involves reporting beyond or even outside our own operations, for example when we report on the suppliers manufacturing our products. We always clearly state when information is limited in scope, such as for specific brands, parts of our operations or our value chain.

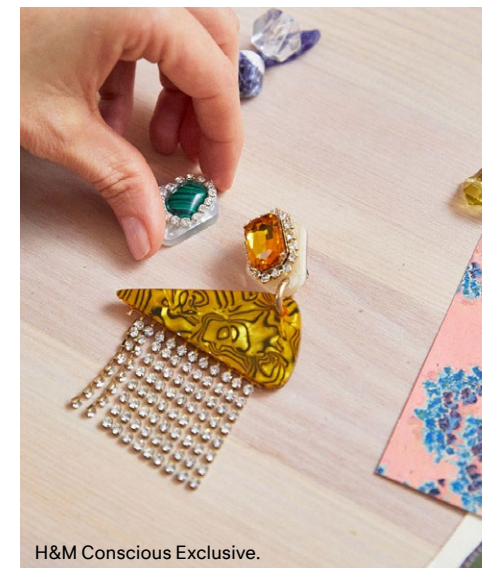
Unless otherwise stated, we do not cover franchise operations. The report has been reviewed by the highest executive management and external assurance has been performed for selected indicators (clearly marked where applicable, as well as in regards to materiality and stakeholder engagement). We have included stakeholder comments and interviews throughout this report.

Our sustainability teams collect data from the relevant functions within H&M group and from external parties such as suppliers or implementation partners. This data is always reviewed by our internal controlling team, relevant experts in our sustainability team and expert functions following a two-tier quality control principle. We clearly indicate any extrapolations or estimations. The same rule applies for any changes in data methodologies or scopes that may influence data comparability. We always base our data on the best possible systems that are currently available to us and, where applicable, align it with recognised standards. However, it is important to understand that there are continued improvements in data systems, methodologies and scientific uncertainties. For example, while our GHG emissions accounting and reporting is aligned with the GHG Proto-

col, the emission factors we use are from publicly-available sources such as the International Energy Agency (IEA 2017), the Network for Transport Measures (NTM), Reliable Disclosure System for Europe (RE-DISS) and supplier-specified emission factors. The global warming potential (GWP) factors used in the calculation of CO<sub>2</sub>e are based on the IPCCs Fourth Assessment Report (AR4) over a 100-year period.

The scientific knowledge used to determine emission factors is incomplete. This means GHG emission data, as with other data, is subject to inherent uncertainties that ultimately affect all measurements and estimations. Our reported energy usage is based on invoiced data, data from real-time electricity meters and data as reported by transport providers. We convert between fuel usage and energy content using energy values specified by the supplier or by using tabled values provided by national bodies.

We are required to make certain assumptions about waste factors, weight per sizes, etc. for our material reporting. We are continuously working to improve those aspects of reporting that may lead to minor updates in our yearly material consumption reporting, as well as our



H&M Conscious Exclusive.

data systems and accuracy to report on material consumption.

Unless otherwise specified, all data concerning business partners and supplier factories includes all suppliers and factories that were active and approved for production during the reporting period. We include the following factories in our scope: tier 1 manufacturing or processing (i.e. washing or dyeing), factories that are owned or subcontracted by our suppliers and, where stated, selected tier 2 suppliers and suppliers for non-commercial

goods (such as store interior suppliers). The tier 2 suppliers we have selected so far are mostly fabric and yarn suppliers that account for about 60% of our products. We report monetary amounts mainly in the currency of transaction. Additional currency values are conversions as approximate figures based on the conversion rate on 30 November 2018, unless stated otherwise. We provide additional information at [sustainability.hm.com](https://sustainability.hm.com) and in our financial and corporate governance reporting. Our most recent sustainability report was published in April 2018. We are signatories to the UN Global Compact and our annual sustainability report also serves as our Communication on Progress (COP) for the UN Global Compact as well as the CEO Water Mandate.

### GLOBAL REPORTING INITIATIVE (GRI)

We have prepared this report in accordance with the GRI Standards: Core Option. We have also included material indicators from the pilot of the Apparel and Footwear Sector Supplement. You can download a detailed GRI index at [sustainability.hm.com](https://sustainability.hm.com).

### UN GUIDING PRINCIPLES REPORTING FRAMEWORK

We were one of the first companies in the world to report on human rights in line with the UN Guiding Principles Reporting Framework. This framework is the first comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights set out in the UN Guiding Principles on Business and Human Rights. Detailed references to the UN

Guiding Principles Reporting Framework can be found at [sustainability.hm.com](https://sustainability.hm.com). We identified our salient human rights (page 93) in 2015, following a comprehensive process that involved a variety of internal and external stakeholders. We plan to conduct this process every third year, or as deemed necessary. On an annual basis, we will review the relevance and definitions of the issues identified and discuss emerging issues. This complements our materiality assessment (described below), which identifies human rights as a highly material topic.

### PROCESS FOR IDENTIFYING THE MOST MATERIAL TOPICS AND THEIR BOUNDARIES\*

#### 1. Identification: Mapping aspects and creating a gross list

We conduct an annual review of our gross list of aspects. This is based on an analysis of external standards, such as the GRI Standard topic list, legislation, investor and NGO questionnaires, peer reviews, business intelligence, lifecycle assessment results, stakeholder dialogues and stakeholder reports, and media coverage. The gross list has been checked against GRI's Sustainability Context and Stakeholder Inclusiveness tests most recently in 2016.

#### 2. Prioritisation: Scoring and prioritising topics\*\*

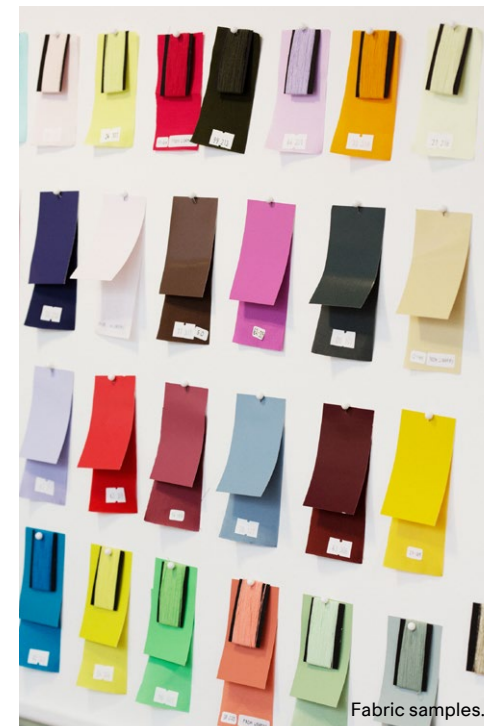
We prioritise the most material topics from this gross list by scoring different aspects on their frequency (how often they are raised by stakeholders) and their significance for economic, environmental and social impacts. We then break these categories down further. For frequency,



H&M Beauty.

we look at frequency raised by key defined sustainability stakeholders and experts (weighted x3), frequency featured in media (weighted x1) and frequency raised in key sustainability benchmarks, rankings and indices (weighted x1). For impact, we look at social and environmental impacts (weighted x1) and importance to business strategy (weighted x2). At least two internal experts per category gave scores, which were based on lifecycle assessment (LCA) data and existing strategy documents.

We also chose at least one representative from each of our key stakeholder groups (which includes customers, colleagues, communities, suppliers and their employ-



Fabric samples.

ees, industry peers, NGOs, IGOs, policy-makers and investors). We asked eleven stakeholder representatives to feedback on our materiality matrix.

#### 3. Regular review of our materiality matrix with key stakeholders\*\*\*

We review our materiality matrix on an annual basis. This can mean conducting a full materiality analysis (as conducted in 2013 and 2016) as described in points 1 and 2 or a review of previous year's matrix considering feedback received.

\* Please find an independently-verified assurance statement on defining report content and topic Boundaries GRI 102-46 on page 106.

\*\* Please find an independently-verified assurance statement on list of material topics GRI 102-47 on page 106.

\*\*\* Please find an independently-verified assurance statement on defining report content and topic Boundaries GRI 102-46 on page 106.



## REVIEW OF MATERIALITY MATRIX IN 2018

In spring 2017, we launched our updated sustainability strategy, developed in close cooperation with several external and internal key stakeholders, partners and experts. In connection to this, we arranged a large-scale stakeholder meeting inviting over 300 representatives from our stakeholder communities to a full day of workshops and discussions, including feedback on our report and the focus areas chosen in our strategy.



MoschinoXH&amp;M.

In 2017 we conducted our first stakeholder survey developed with Business for Social Responsibility (BSR). The survey assesses both the quality of our stakeholder engagement work, as well as feedback on our strategy and performance towards it. For this year's survey, the feedback we received widely confirmed our materiality matrix, with some adjustments made, such as an increased focus on inclusion and diversity.

## PROCESS FOR DEFINING OUR SALIENT HUMAN RIGHTS ISSUES

We started the process by defining who we impact through our business activities along our value chain. We paid special attention to those who are potentially more vulnerable and hence are more at risk, such as migrant workers, women and children. This mapping process resulted in a list of both potential and actual human rights impacts. From this list, we identified salient impacts by applying two criteria: the severity of the potential impact and the likelihood of occurrence.

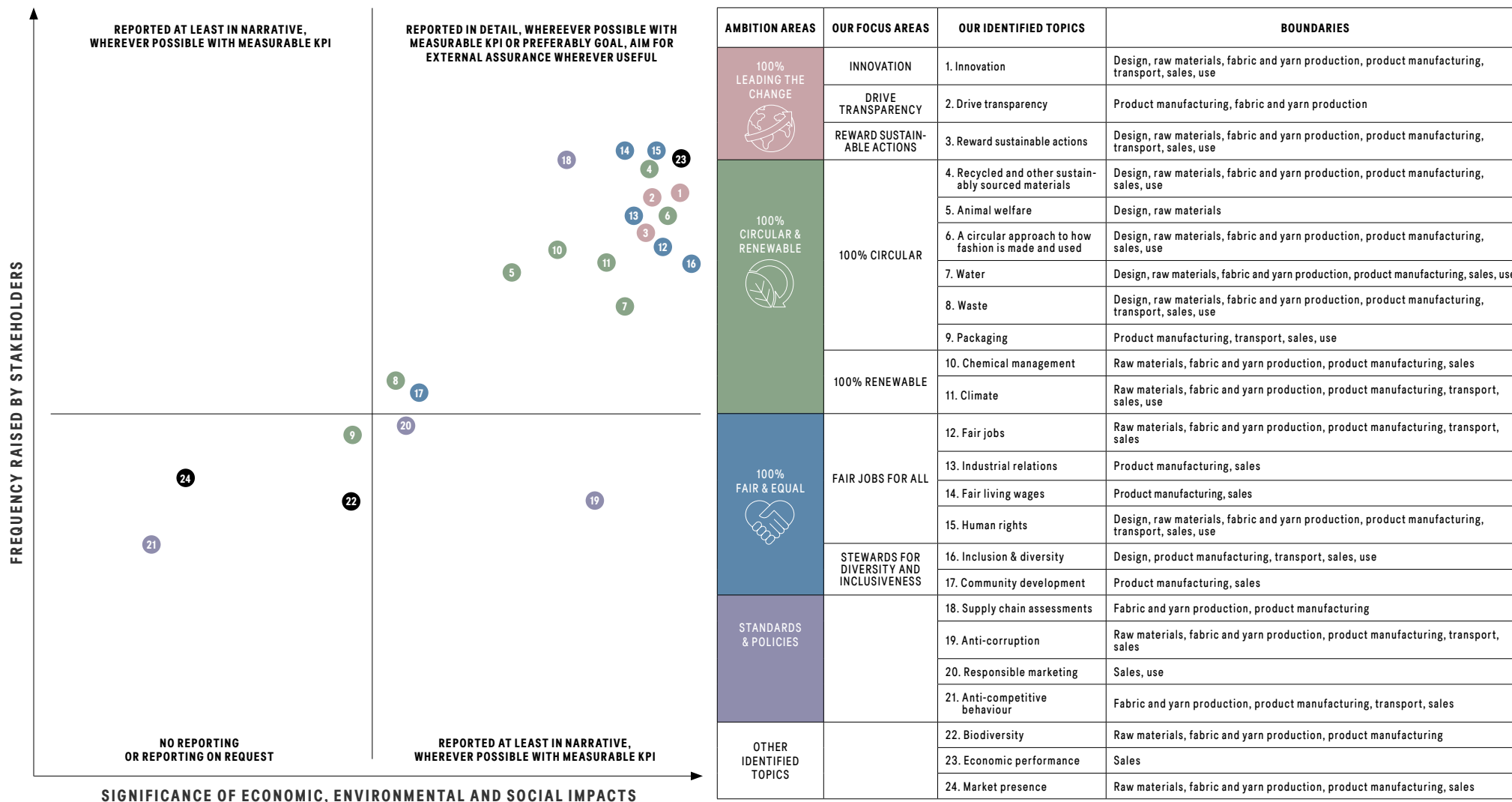
We then held internal and external consultations about the method and input to the identified salient human rights issues with almost 100 people. Internally, we conducted workshops and opened dialogues across all levels and functions of our company. Externally, we held consultations with experts, organisations, academia and local stakeholders. We review our salient human rights issues annually and adjust them accordingly. For an update on our salient human rights issues, read more [here](#).



H&amp;M Home.



# Materiality matrix



# UN's Sustainable Development Goals

The UN's Sustainability Development Goals (SDGs) and the 2030 Agenda for Sustainable Development call on governments, business and civil society to take action to address social and economic challenges. We believe this collaborative approach is essential and, as you can see below, our sustainability strategy aligns well with the SDGs.



## CONTRIBUTION THROUGH PARTNERSHIPS

- SDG2 Zero hunger
- SDG4 Quality education
- SDG5 Gender equality
- SDG6 Clean water and sanitation
- SDG7 Affordable and clean energy
- SDG8 Decent work and economic growth
- SDG9 Industry, innovation and infrastructure
- SDG10 Reduced inequalities
- SDG12 Responsible consumption and production
- SDG13 Climate action
- SDG16 Peace, justice and strong institutions
- SDG17 Partnership for the goals

## INDIRECT INFLUENCE AND IMPACT

- SDG1 No poverty
- SDG3 Good health and well-being
- SDG11 Sustainable cities and communities
- SDG14 Life below water
- SDG15 Life on land

## Our business activities directly contribute to the following SDGs



# Key collaborations

- Accord on Fire and Building Safety in Bangladesh (The Accord)
- ACT (Action, Collaboration, Transformation)
- Afirm Group
- Amsterdam Coalition (AMCO)
- Better Cotton Initiative (BCI)
- Better Than Cash Alliance (BTCA)
- Better Work
- Canopy
- CCWG (Clean Cargo Working Group)
- Chemsec Business Group
- Clean Shipping Index (CSI)
- Cradle to Cradle Products Innovation Institute
- Ellen MacArthur Foundation
- Ethical Trading Initiative (ETI)
- Fair Wage Network (FWN)
- Global Deal
- Global Fashion Agenda
- Global Logistics Emissions Council (GLEC)
- Green Freight Asia (GFA)
- Humane Society International (HSI)
- I:CO
- IFC
- ILO
- IndustriALL /IF Metall
- Make Fashion Circular
- Mekong Club
- Mistra Future Fashion
- Network for Civil Rights Defenders
- Network for Transport Measures (NTM)
- New Plastic Economy Global Commitment
- Organic Cotton Accelerator (OCA)
- Responsible Mica Initiative (RMI)
- Shift
- Sida
- Social & Labour Convergence Project (SLCP)
- Solidaridad
- Stockholm Resilience Centre (SRC)
- Sustainable Air Freight Initiative
- Sustainable Apparel Coalition (SAC)
- Sweden Textile Water Initiative (STWI)
- Textile Exchange
- The Climate Group (RE100; EP100)
- The Global Deal
- The Pathway Coalition
- Transparency International Sweden
- UNDP
- UNFCCC
- UN Global Compact (UNGC)
- UNI Global Union
- WRG
- WWF
- Zero Discharge of Hazardous Chemicals (ZDHC)

For more information about the above listed collaborations and memberships please visit [sustainability.hm.com](https://sustainability.hm.com).



# Auditor's report

## AUDITOR'S LIMITED ASSURANCE REPORT ON SPECIFIED INFORMATION IN H&M HENNES & MAURITZ AB'S GROUP SUSTAINABILITY REPORT

### TO H & M HENNES & MAURITZ AB, CORP ID 556042-7220

We have been engaged by the management of H & M Hennes & Mauritz AB (H & M) to perform a limited assurance engagement on the information in H & M's Group's Sustainability Report 2018 with regards to the following indicators referred to in the GRI index that can be found in the 'GRI content index 2018':

- Identified material topics and boundaries (Disclosures 102-46, 102-47), p. 101-103
- Stakeholder engagement (Disclosure 102-40, 102-42, 102-43, 102-44), p. 17, 101-103
- Energy: Energy consumption within the organization (Disclosure 302-1), p. 55  
Energy intensity (Disclosure 302-3), p. 55  
Percentage of renewable energy (AF21), p. 57
- Emissions: Direct (Scope 1) GHG emissions (Disclosure 305-1), p. 54  
Energy indirect (Scope 2) GHG emissions (Disclosure 305-2), p. 54  
Other indirect (Scope 3) GHG emissions, limited to transportation (Disclosure 305-3), p. 56
- Materials: Materials used by weight or

volume, limited to cotton (Disclosure 301-1), p. 39  
Tons of garments collected for reuse and recycling, p. 50

- Anti-corruption: Confirmed incidents of corruption and actions taken (Disclosure 205-3), p. 97

The H & M Group Sustainability Report 2018 covers the period 1 December 2017 – 30 November 2018.

### MANAGEMENT'S RESPONSIBILITY

The Management of H & M is responsible for preparing and presenting the H & M Group Sustainability Report 2018 in accordance with the reporting criteria as set out in the company's own reporting guidelines as well as the Global Reporting Initiative's (GRI) Standards. As discussed in the section "How we report", page 100 in the H & M Group Sustainability Report 2018, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the above specified indica-

tors in the H & M Group Sustainability Report based on the limited assurance procedures we have performed. The selection of indicators to be reviewed has been made by the management of H & M Hennes & Mauritz AB. We do not accept, nor assume responsibility to anyone else, except to H & M for our work, for the limited assurance report, or for the conclusion that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. The ISAE 3000 standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that the above specified information in the H & M Group Sustainability Report 2018 has not been prepared, in all material respects, in accordance with the reporting criteria. A limited assurance engagement is provided only on the information disclosed in the H & M Group Sustainability Report, not on information linked to and disclosed on other web pages. The pre-

sented information in the H & M Group Sustainability Report is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by H & M. This independent limited assurance report should not be used on its own as a basis for interpreting H & M's performance in relation to its principles of corporate responsibility.

Our review procedures are designed to obtain limited assurance on whether the above specified indicators are presented in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative, in all material respects. A limited assurance engagement consists of making inquiries, primary of persons responsible for the preparation of the H & M Group Sustainability Report and applying analytical and other evidence gathering procedures, as appropriate. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that



we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of H & M in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our procedures are based on the criteria defined by the Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

### **CONCLUSION**

Based on our work described in this report, nothing has come to our attention that causes us to believe that the information regarding the above specified indicators in the H & M Group Sustainability Report has not, in all material respects, been prepared in accordance with the reporting criteria stated above.



Stockholm, March 29, 2019  
Ernst & Young AB

Åsa Lundvall  
Authorized Public Accountant

Charlotte Söderlund  
Authorized Public Accountant

# Get in touch

If you have any questions about the report, need help locating specific information or want to find out the latest on our sustainability work including our strategy, goals, standards and policies, please contact:

[Laura.Cars@hm.com](mailto:Laura.Cars@hm.com) or  
[Nathalie.StjernfeldtGrumme@hm.com](mailto:Nathalie.StjernfeldtGrumme@hm.com)

We appreciate your feedback.





A woman with long blonde hair is sitting in a field of tall grass, looking off to the side. She is wearing a teal sweater, a patterned scarf, and patterned pants. The background shows rolling hills under a cloudy sky.

THANK YOU

# **INFORME DE SOSTENIBILITAT DE BURBERRY 2017<sup>1</sup>**

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<sup>1</sup> Per a l'estudi de la marca Burberry s'han utilitzat tant l'informe de sostenibilitat físic de 2017 com l'informe actualitzat de la seva pàgina web



**BURBERRY**

*London, England*

**CORPORATE RESPONSIBILITY**  
**FEBRUARY 2017**

**AS A GLOBAL LUXURY RETAILER AND MANUFACTURER,  
EMPLOYING NEARLY 11,000 PEOPLE IN 52 COUNTRIES AND  
OPERATING NEARLY 500 RETAIL LOCATIONS WORLDWIDE, WE  
ARE ACUTELY AWARE OF OUR RESPONSIBILITY TOWARDS OUR  
PEOPLE, OUR PARTNERS, OUR CUSTOMERS AND OUR  
ENVIRONMENT.**

**TO MAKE OUR PRODUCTS WE SOURCE MATERIALS FROM ALL  
OVER THE WORLD. THROUGH OUR FINISHED GOODS SUPPLIERS  
ALONE WE TOUCH THE LIVES OF TENS OF THOUSANDS OF  
WORKERS AND THEIR FAMILIES.**

**TO CONTINUE TO FLOURISH LONG INTO THE FUTURE, WE  
DEPEND ON SPECIALIST TALENT, A HEALTHY NATURAL  
ENVIRONMENT AND A STABLE SUPPLY CHAIN. WE ARE  
THEREFORE COMMITTED TO LEVERAGING OUR BRAND TO DRIVE  
POSITIVE SOCIAL AND ENVIRONMENTAL CHANGE GLOBALLY.**

**THE FOLLOWING PAGES SUMMARISE HOW WE ARE TRYING TO  
ACHIEVE THIS AND THERE IS MORE DETAIL AVAILABLE ON OUR  
WEBSITE**

# BUILD OUR CULTURE

## **BUILD AND NURTURE A CULTURE THAT STRENGTHENS OUR BRAND THROUGH ITS PURPOSE AND VALUES GLOBALLY**

- Core values: Protect, Explore, Inspire
- Global team mind-set and pioneering spirit
- Commitment to social and environmental responsibility

## **FOCUSED ON**

- Nurturing and rewarding talent
- Connecting and engaging teams globally
- Promoting fair and responsible employment practices
- Investing in our communities
- Driving environmental sustainability



## FY 2015/16 HIGHLIGHTS

1%^

Percentage of group profit before tax donated to charitable causes

548^

Number of audits and assessments in the supply chain

217^

Number of training and engagement activities in the supply chain

12,000^

Hours dedicated by employees to impactful volunteering projects in 74 cities around the world

12<sup>th</sup>

Listed by LinkedIn as 12th most sought-after employer in the UK and 29th in Europe, Middle East and Africa

67%

Out of 10,613 employees worldwide, approximately 67% were female, with women in 40% of senior management roles



**OUR PRODUCT**

# OUR PRODUCT - SUMMARY

## GLOBAL ENVIRONMENTAL IMPACT ASSESSMENT (2012)

- Nearly half of our overall environmental impacts occur at raw material stage
- Set 15 targets to reduce impacts and improve traceability
  - Owned and monitored by members of the senior leadership team
- Underpinned by Burberry's Responsible Business Principles including:
  - Global Environmental and Responsible Sourcing Policies ([available here](#))
- Review supply chain partners' performance regularly

## HERITAGE RAW MATERIALS

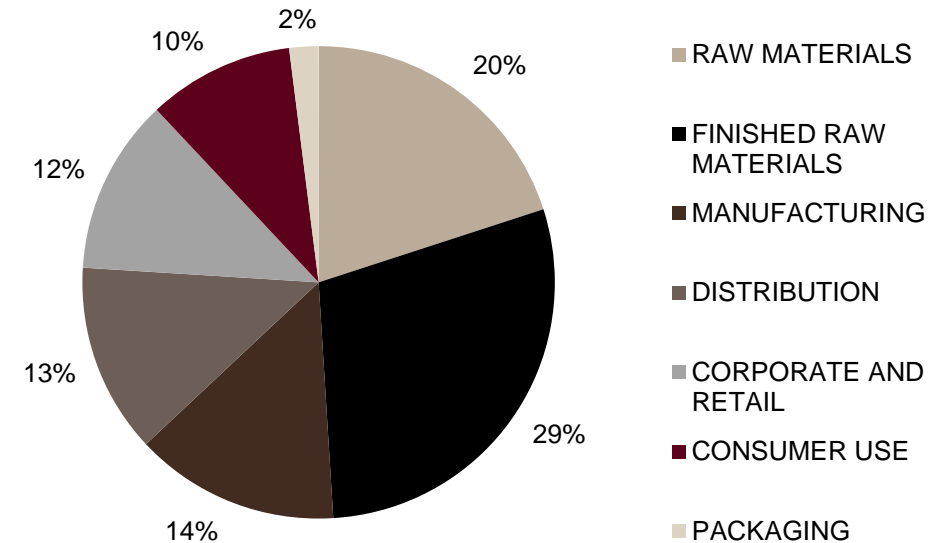
- Cotton
- Cashmere
- Leather

## RESPONSIBLE SOURCING

## CHEMICALS

## ENVIRONMENTAL BASELINE ASSESSMENT\*

AW12 and SS13 as % of CO<sub>2</sub>e



\* Data represents CO<sub>2</sub>e emissions arising from materials, energy, water and chemical inputs as well as waste. DEFRA 2011 and EcolInvent v.2.2 conversion factors are used throughout

# HERITAGE RAW MATERIALS

## COTTON

- In 2012 introduced a three year farmers' training programme in Peru in partnership with Cotton Connect to:
  - Increase awareness amongst farmers
  - Encourage adoption of more sustainable cotton farming practices
- In 2015 farmers involved in the programme reported (compared with a control group):
  - 26% reduction in chemical fertiliser use
  - 68% reduction in chemical pesticide use
  - 16% higher yield
- Ban on use of Uzbek cotton



## CASHMERE

- Founding partner of the Sustainable Fibre Alliance (SFA- an NGO working with key stakeholders in Mongolia)
- In 2015 the Alliance:
  - Drafted an Animal Welfare and Land Management Code of Practice, with the aim of creating a certified source of sustainable cashmere
  - Established a training programme for herders, covering agricultural practices and goat husbandry

# HERITAGE RAW MATERIALS (II)

## LEATHER

- Leather accessories account for >10% of Burberry's total greenhouse gas emissions
- Over 55% of leather used in Burberry's accessories is sourced from tanneries holding one or more of the LWG, ICEC and ISO certifications\*
- Working with tanneries supplying 70% of our accessories leather to:
  - Monitor water, energy and chemical consumption
  - Validate effectiveness of waste water treatment processes and air emissions management
- Traceability
  - Working to improve visibility and promote accountability for environmental impacts and animal welfare across the supply chain
  - Burberry will not knowingly use leather from the Amazon Biome

## Progress against 2017 raw materials targets:

2017 Targets	Progress
<u>Raw materials</u>	
Improve the environmental and social impacts of how we source:	
• Cotton	On plan^
• Cashmere	On plan^
Reduce the environmental impact of:	
• Leather	On plan^

^Selected information denoted by this symbol has received limited assurance by Ernst & Young LLP. See [External Assurance](#) for more information.

\* Data refers to FY 2015/16

\* Leather Working Group (LWG), Italian Istituto di Certificazione della Qualita per L'Industria Conciaria (ICEC) and International Organisation for Standardisation (ISO)



# **RESPONSIBLE SOURCING (I)**

## **RESPONSIBLE SOURCING POLICY**

- Commitment to preserving natural resources, ensuring animal welfare and protecting people and communities
- Burberry will never knowingly source raw materials if there have been any concerns over animal welfare and we actively engage welfare experts to ensure good husbandry of animals in our supply chain

## **EXOTIC SKINS**

- Founding member of the Responsible Ecosystem Sourcing Platform (RESP)
  - Involved in pilot project testing innovative traceability technology to track skins
  - Additional workstream focusing on reptile welfare
- Fully compliant with CITES\*

## **DOWN**

- Only use responsibly sourced down (Responsible Down Standard developed by Textile Exchange in 2014)
- Down suppliers required to complete annual self-declaration of humane practices

## **FUR**

- Only sourced from regulated farms within the EU and Norway
- Well-established traceability programme
- Founding member of BSR\*\* coordinated Fur Luxury Industry Roundtable

## **WOOL**

- Working to support promotion and adoption of The Responsible Wool Standard

## **BEAUTY**

- Finished product beauty blacklist and fragrance concentrate blacklist implemented
  - Risk management and commitment to phase out or reduce use of controversial compounds globally in finished product formulas

\* Convention on International Trade in Endangered Species of Wild Fauna and Flora

\*\* Business for Social Responsibility

# RESPONSIBLE SOURCING (II)

## PVC

- Using bio alternatives to PVC in key lines
- Working with major suppliers and wider industry to develop alternative materials
- Strongly committed to removing PVC from products and actively pursuing research to accelerate that outcome

## PACKAGING

- 100% of paper and baseboard used in retail packaging is from certified sources
  - Baseboard made from 100% post-consumer waste (PCW)
- 100% of ribbon used from certified recycled polyester
- Continue to explore opportunities to reduce volume of packaging and increase recycled content
- In 2014 we engaged our key paper supplier
  - Enrolled them in the HIGG Index\*
  - Mapped their full supply chain and reviewed against the World Wildlife Fund Water Risk Tool.

## Progress against 2017 targets:

2017 Targets	Progress
<u>Packaging</u> 100% of point of sale packaging to be sustainably sourced (where alternatives are available)	On plan
Reduce the environmental impact of:	
• PVC	Behind plan

\* Environmental assessment tool launched by the Sustainable Apparel Coalition

# CHEMICALS

## REDUCING THE ENVIRONMENTAL IMPACT OF CHEMICAL USE IN OUR SUPPLY CHAIN

- Target to eliminate chemicals that have a negative impact on the environment, beyond legal limits, by 2020
- Testing effluent, product and raw materials and piloting testing of chemical formulations
- Adopted the latest Manufacturing Restricted Substances List “MRSL” released in 2015 by the Zero Discharge of Hazardous Chemicals “ZDHC” Group
  - With an addendum banning the use of perfluorinated compounds “PFCs”
- Further information can be found [here](#)

### Progress against 2017 environmental targets:

2017 Targets	Progress
<a href="#">Chemical use in manufacturing</a> Eliminate chemicals from use that have a negative impact on the environment, beyond legal limits	On plan <sup>^</sup>

<sup>^</sup>Selected information denoted by this symbol has received limited assurance by Ernst & Young LLP. See [External Assurance](#) for more information.





# **OUR OPERATIONS**

# **OUR OPERATIONS - SUMMARY**

**COMMITTED TO MINIMISING THE ENVIRONMENTAL  
IMPACTS OF OUR OPERATIONS WORLDWIDE**

**BY REDUCING ENERGY CONSUMPTION ACROSS RETAIL  
AND OFFICE SITES**

**BY REDUCING WASTE TO LANDFILL OR INCINERATION  
BY GIVING IT A SECOND LIFE**

**BY ENSURING A SUSTAINABLE APPROACH TO THE  
CONSTRUCTION AND REFURBISHMENT OF STORES**



SEOUL FLAGSHIP, KOREA

# ENERGY REDUCTION AND RENEWABLE SOURCES

## ENERGY USED ACROSS OUR RETAIL LOCATIONS REPRESENTS C.75% OF OUR DIRECT GREENHOUSE GAS EMISSIONS

- Since 2014 all new builds and full store refurbishments have used LED lighting
- Energy KPIs have been introduced into teams' objectives
- In 2015/16 absolute energy reductions were achieved at 75 retail locations

## RENEWABLE ENERGY

- 42% of total energy consumption came from renewable sources
- All offices, stores, warehouses and internal manufacturing sites in the UK and Italy as well as 25 locations in the Americas (representing 37% of our global net selling space) are powered by renewable energy
  - Solar panels installed at UK head office, US distribution centre and LA flagship store generate >1m kWh per year

## ENERGY SAVING AND REDUCING EMISSIONS

- 11% reduction in energy consumption at Horseferry Campus by energy saving schemes in 2015/16
- Reduced Scope 1 emissions by 9% and Scope 2 by 5%

## Progress against 2017 energy targets:

2017 Targets	Progress
<u>Energy use reduction</u> Reduce Burberry controlled store and office energy usage by up to 15%*	Behind plan
<u>LED lighting</u> 75% of lighting is LED or energy efficient in new concept stores	Achieved
<u>Renewable energy</u> All Burberry controlled stores and offices to be powered either by on site or green tariff renewable energy (where available)	Behind plan

\* When normalised by a relevant productivity factor.

# CONSUMABLES, WASTE AND CONSTRUCTION

## OFFICE CONSUMABLES AND WASTE MANAGEMENT

- While not a major impact, important for engaging teams
- 43% of all corporate office consumables sustainably sourced in 2015/16
- >95% of general waste from UK sites is diverted from landfill, majority is recycled
- For information on waste recycling in the supply chain see our [website](#)

## SUSTAINABLE CONSTRUCTION

- 85% recycling rate across major construction projects in 2015/16
- All newly built stores are certified against internationally recognised sustainability schemes
  - Seoul flagship (2015) G-SEED, Green 3
  - London headquarter expansion (2014) BREEAM, Excellent
  - Chicago flagship (2012) LEED, Silver
- >60% of wood used in furniture, flooring and in-store fixtures certified from responsibly-managed forests

### Progress against 2017 construction targets:

2017 Targets	Progress
<u>Build certifications</u> All new builds will be sustainable build certified LEED (silver), BREEAM (very good) or Greenmark (silver)	On plan
<u>Sustainable construction materials</u> 30% of wood by spend is either recycled materials or sourced from certified supply chains	Achieved <sup>^</sup>
<u>Construction waste recycling</u> 30% of construction waste to be recycled for global major projects	Achieved

<sup>^</sup>Selected information denoted by this symbol has received limited assurance by Ernst & Young LLP. See [External Assurance](#) for more information.



# **OUR SUPPLY CHAIN**

# OUR SUPPLY CHAIN - SUMMARY

## MINIMISING ENVIRONMENTAL IMPACTS AND MAXIMISING POSITIVE SOCIAL IMPACTS

- Both internal and third-party manufacturing sites
- Majority of production in Europe
  - Italy largest sourcing country
- Heritage trench manufactured in house in England
  - Burberry Mill at Cross Hills, Yorkshire
  - Factory in Castleford, Yorkshire
- Heritage cashmere scarf manufactured in Scotland

## UPHOLDING LABOUR AND HUMAN RIGHTS

- Ethical Trading Programme
- Training and engagement
- Modern Slavery Statement (available [here](#))

## REDUCING ENERGY AND WATER USE

## IMPROVING WASTE MANAGEMENT

## REDUCING TRANSPORT EMISSIONS



# UPHOLDING LABOUR AND HUMAN RIGHTS

## GLOBAL SUPPLY CHAIN A KEY AREA OF POTENTIAL RISK

- Human Rights Impact Assessment in 2014, confirmed many priorities and also identified new areas of focus e.g.
  - Workers' health in leather tanneries and workers' welfare on construction projects
  - New mitigation measures and KPIs have been developed to address potential human risks in these areas
- We require all our supply chain partners, whether they are providing products or services, to agree with our Responsible Business Principles, including:
  - Burberry Ethical Trading Code of Conduct, Migrant Worker and Homeworker Policy (available [here](#))
  - The Ethical Trading Code of Conduct is underpinned by the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the International Labour Organization and the Ethical Trading Initiative Base Code
- Suppliers are audited against international labour standards
  - Particularly important in places where local labour laws are weak, absent or poorly enforced
  - Where non-compliances are identified, Burberry works with suppliers to resolve these
- Targets to promote fair and responsible employment practices have been set and integrated into the performance objectives of our sourcing teams as well as at an individual level
- Burberry's Ethical Trading Programme operates a strict sourcing approval process which currently does not authorise sourcing from certain countries including but not limited to Bangladesh, Pakistan and Cambodia
- Modern Slavery Statement (available [here](#))

\* For more information on Human Rights beyond our supply chain, please see Our People section

# ETHICAL TRADING PROGRAMME

## ANNOUNCED AND UNANNOUNCED AUDITS, MONITORING AND IMPROVEMENT PROGRAMMES

- Covering vendors and including all manufacturing sites, subcontractors and licensees
- Extended in 2015 to cover key raw material, fragrance, make-up and leather suppliers
- Verifies compliance with local and international labour and environmental laws as well as Burberry's Responsible Business Principles

## ETHICAL TRADING TEAM

- Based in London, Florence, Hong Kong and Tokyo
- Visiting supply chain partners on a regular basis, engaging with both management and workers to review performance and drive improvements

## 2015/16

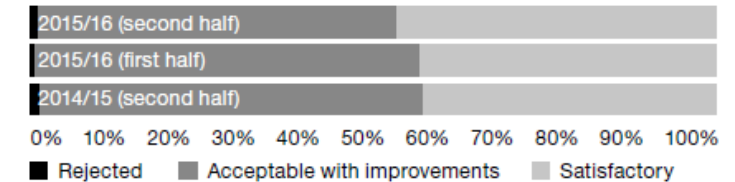
- 548 audits and assessments
- Overall positive shift in performance by apparel and non-apparel partners^
- Manufacturers not meeting key requirements rejected

*Number of audits and assessments*

**548<sup>^</sup>**



*Ready to Wear, Accessories and Shoe Supply Chain<sup>^</sup>*





# IMPLEMENTING TRAINING AND ENGAGEMENT RATHER THAN INCREASING AUDITS

## VENDOR OWNERSHIP PROGRAMME

- Capacity building programme with strategic Italian vendors
- Increasing their ability to manage working conditions within sub-contractors and introduce own monitoring programmes

## SKILLS ENHANCEMENT AND PRESERVATION

- Pioneering innovative skills building in supply chain
- Supporting artisanal skills development and relevant reward

## FACTORY IMPROVEMENT PROGRAMMES

- Identifying and addressing areas for improvement such as increasing productivity and efficiency, reducing average working hours and increasing average worker wages

## WORKERS' ACCESS TO REMEDY

- Confidential, NGO-run hotlines
- In 2015/16 hotlines provided almost 20,000 workers across 33 Asian factories with confidential support

## WORKERS' WELFARE AND HEALTH PROGRAMMES

- Implemented tailored welfare and health programmes
- Partnered with BSR's\* HER Project and local specialist academic institutions, such as the medical faculty at Sun Yat Sen University

*Number of training and engagement activities*

**217<sup>^</sup>**



Burberry appointed Ernst & Young LLP to provide limited external assurance over selected statements and 2015/16 performance data. The statements and data that formed part of the review are denoted with a <sup>^</sup>. See the full independent assurance statement and Burberry's basis of reporting [here](#)

\* Business for Social Responsibility

# REDUCING ENERGY AND WATER USE IN THE SUPPLY CHAIN

## MORE EFFICIENT INTERNAL MANUFACTURING

- Lighting improvements and steam trap maintenance
  - 15% energy reduction per unit achieved in Castleford
  - 28% energy reduction per unit achieved at the Burberry Mill

## FIVE KEY DISTRIBUTION CENTRES ACCOUNT FOR 7% OF GLOBAL GREENHOUSE GAS EMISSIONS

- Digital energy monitoring, passive infrared (PIR) sensors, lighting changes and temperature controls
  - 33% energy reduction per unit of throughput

## SUPPLIERS AND MILLS

- Using the HIGG Index environmental tool for facilities, produced by the Sustainable Apparel Coalition “SAC”, to address energy and water consumption in the supply chain
  - 115 supply chain partners have completed the Index
- 20 key supply chain partners are now part of an ongoing impact reduction programme
  - Modelled on the Natural Resources Defence Council’s ‘Clean By Design’ programme
  - >70 supplier visits, identifying c.180 energy and water saving opportunities

## Progress against 2017 energy and water targets:

2017 Targets	Progress
<u>Internal Manufacturing</u>	
Reduce the energy use from Burberry’s two UK manufacturing sites by 25%*	Behind plan^
<u>Distribution centres</u>	
Reduce energy use in Burberry’s five third-party distribution centres by 10%*	Achieved^
<u>Suppliers</u>	
Work with key suppliers to assist them in reducing their energy use by up to 20%*	Behind plan^
<u>Mills</u>	
Work with key mills to assist them to reduce their water consumption by up to 20%*	Behind plan^

\* When normalised by a relevant productivity factor.

# IMPROVING WASTE MANAGEMENT AND REDUCING TRANSPORT EMISSIONS

## COMMITTED TO GENERATING LESS WASTE

- Partner with Avena Environmental and John Cotton Group in the UK
  - Recycling damaged garments into insulation materials
  - Using defective textile waste in the home furnishings industry
- All cardboard and polythene waste from Blyth distribution centre now recycled
- Partner with Greenline to recycle textile waste from key Italian vendors into new yarns
  - >150 Italian supply chain partners participated, recycling 17 tonnes of textile waste

## TRANSPORT REPRESENTS C.10% OF TOTAL GREENHOUSE GAS EMISSIONS

- Operate exclusively through third party carriers
  - Encourage involvement in groups, such as SmartWay and Green Freight Europe
- Carbon emissions from transport linked to volume rather than weight
  - 15% reduction in carbon emissions per unit by increasing the number of units transported per box, from distribution centres to stores

## Progress against 2017 transport targets:

2017 Targets	Progress
<u>Transport</u>	
Reduce carbon emissions from the transport of Burberry products by 10%*	On plan

\* When normalised by a relevant productivity factor.





**OUR PEOPLE**

# OUR PEOPLE - SUMMARY

## FOCUSED ON

- Attracting the best talent
- Providing meaningful development opportunities
- Rewarding and recognising high performance
- Building stronger connections between global teams
- Driving deeper engagement with the brand
- Ensuring a safe working environment
- Promoting and supporting employee health and well-being

## DIVERSITY, TALENT AND REWARD

## ONE TEAM ETHOS

## HEALTH AND WELLBEING

## HUMAN RIGHTS



# **DIVERSITY, TALENT AND REWARD**

## **SUPPORTING DIVERSITY AND EQUAL OPPORTUNITIES**

- 10,613 employees in 34 countries (as at 31 March 2016)
  - 112 nationalities, with an age span of 16-74 years
  - 67% female, with women occupying 40% of senior management roles (including Board level)
- Corporate member of OUTstanding

## **IDENTIFYING, DEVELOPING AND RETAINING HIGH-POTENTIAL TALENT**

- Approximately 50 employees a year enrolled in Leadership Council
  - Internal 18 month leadership development programme
- Burberry Apprentices launched in 2015
  - First year opportunities in UK retail, internal manufacturing and distribution
- Listed by LinkedIn as 12th most sought-after employer in Europe, 29th in Europe, Middle East and Africa

## **A CULTURE OF RECOGNITION TO SUPPORT THE ATTRACTION, MOTIVATION AND RETENTION OF EMPLOYEES**

- Burberry Icon Awards
  - Celebrating exceptional employee performance
- Long Service Awards
  - Recognising the loyalty and commitment of employees who reach milestone service anniversaries
- Seasonal programmes
  - Offering enhanced employee benefits
- All employees able to participate in a bonus or incentive scheme
- All-employee share plan for employees globally

# ONE TEAM ETHOS

## A CONNECTED CULTURE, BASED ON OPEN AND TRANSPARENT COMMUNICATION

- A fully open-plan environment globally
- Monthly 'Chat Live' global video broadcasts on Burberry's internal communications platform
  - Hosted by Christopher Bailey and members of the Senior Leadership Team
  - Enabling real-time communication through an interactive question and answer format
- Weekly global retail update
- First digital annual strategic offsite in 2016
  - Replacing regional conferences
- Comprehensive on-boarding programme for all new employees





# HEALTH AND WELLBEING

## GLOBAL HEALTH & SAFETY TEAM

- Occupational health and safety compliance formally audited
  - Every five years in stores
  - Annually in Regent Street flagship store, corporate offices, internal manufacturing and distribution sites
- Improvement plans monitored by Global Health and Safety Committee
  - Chaired by Chief People and Corporate Affairs Officer

## EMPLOYEE BENEFITS

- Confidential helpline, healthcare, eye care vouchers
- Evolving schedule of initiatives including:
  - Complimentary healthy lunches and fruit
  - General health assessments
  - Group classes e.g. yoga and pilates
  - Third party discounts
  - Additional days holiday
  - Reduced summer working hours



REGENT STREET FLAGSHIP, LONDON

# HUMAN RIGHTS (I)

## HUMAN RIGHTS COMMITMENT

- Burberry recognises that as a business, it can affect the human rights of employees, workers within the supply chain, customers and host communities. These impacts may occur directly through corporate practices or indirectly through suppliers or other partners
- Burberry respects all the rights referenced in the International Bill of Human Rights, is a signatory of the UN Global Compact and is committed to all its principles, including those covering human rights and labour standards. Burberry's Human Rights Policy was developed with reference to the United Nations Guiding Principles on Business and Human Rights, and responsibility for it lies with Burberry's Chief Creative and Chief Executive Officer

## EMPLOYEES

- Promoting fair and sustainable employment practices
- UK Living Wage:
  - First luxury retailer and manufacturer to achieve accreditation (2015)
  - Became Principal Partner of the Living Wage Foundation (2016)
- At a minimum, Burberry ensures that corporate conduct complies with all applicable local laws and regulations wherever the company operates
  - There is a global set of Human Resources standards and policies which underpin all operations
  - These are aligned to the core conventions of the International Labour Organisation

# HUMAN RIGHTS (II)

## SUPPLY CHAIN

- As part of the ethical supply chain programme, Burberry communicates to suppliers its Ethical Trading Code of Conduct which is based on internationally recognised labour standards
  - Suppliers are audited against these standards
    - This is especially important in places where local labour laws are weak, absent or poorly enforced
    - Where non-compliances are identified, Burberry works with suppliers to resolve these
- Burberry's Ethical Trading Programme operates a strict sourcing approval process which currently does not authorise sourcing from certain countries including but not limited to Bangladesh, Pakistan and Cambodia
- For more information on Human Rights in our supply chain please see our [website](#)

## CUSTOMERS

- Employees trained to
  - Protect customer safety and welfare
  - Support customers with product aftercare

## COMMUNITIES

- Mechanism for local stakeholders to report incidents and for the company to address and remedy in an appropriate and timely fashion





**OUR COMMUNITIES**

# OUR COMMUNITIES - SUMMARY

## 1% OF GROUP ADJUSTED PROFIT BEFORE TAX DONATED TO CHARITABLE CAUSES

- Supporting innovative youth charities through the Burberry Foundation (UK registered charity number 1154468)
- Nurturing emerging creative talent
  - Burberry Design Scholarship at the Royal College of Art
  - Apprenticeship programme at the British Fashion Council

## LAUNCHED 'BURBERRY APPRENTICES' IN 2015

- One-year development programme
- Participants joined retail, internal manufacturing and distributions teams across the UK

## EMPLOYEE VOLUNTEERING

- 2,300 employees
- 74 cities
- Dedicated nearly 12,000 hours

## IN-KIND DONATIONS

- From one-off gifts of fabric and materials to assisting young people enrolled in creative courses, to donations of smart business clothing to support vulnerable people enrolled in employability programmes and preparing for interviews



**GOVERNANCE, POLICIES  
AND STAKEHOLDER ENGAGEMENT**

# **CORPORATE GOVERNANCE**

## **BOARD**

- Chairman is non-executive
- Three executive directors
- Seven independent non-executive directors
- Four female directors

## **ESG RISK MANAGEMENT**

- Board regularly reviews
- Accords with Turnbull Committee guidance and UK Corporate Governance Code
- Group Risk Committee oversees business specific risk committees

## **ANTI-BRIBERY AND CORRUPTION POLICY**

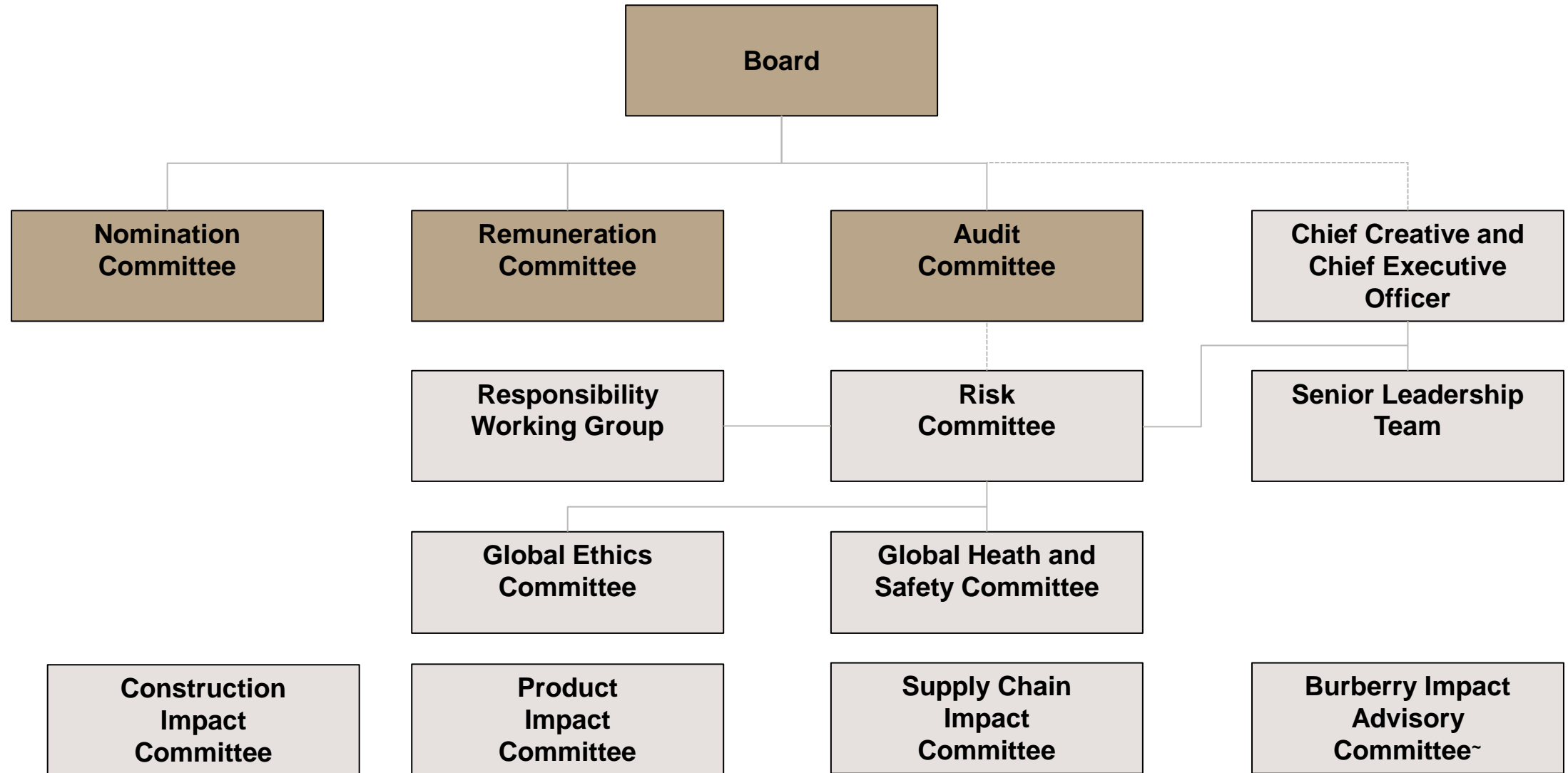
- Supported and endorsed by the Board
- Incorporated into its “Global Ways of Working”
  - Training for high risk areas of the business
  - Confidential helpline, managed by a third-party
  - Investigation function
- Online tool for all employees for reporting gifts and hospitality
- Any issues raised to Audit Committee

## **WHISTLEBLOWING**

- Confidential helpline managed by third party, in appropriate local language
- Reports to Audit Committee



# CORPORATE RESPONSIBILITY GOVERNANCE\*



\* Information correct at June 2016

~ Includes external advisors

# **CORPORATE RESPONSIBILITY GOVERNANCE**

## **CHIEF PEOPLE AND CORPORATE AFFAIRS OFFICER RESPONSIBLE FOR**

- Our people and health & safety
- Ethical trading
- Community investment
- Environmental sustainability
- Reports on these to Group Risk Committee and the Board

## **RESPONSIBILITY WORKING GROUP**

- Chaired by Chief People and Corporate Affairs Officer
  - Membership includes CFO and COO
- Input from Burberry Impact Advisory Committee
  - External expert advisors

# REMUNERATION

## REMUNERATION POLICY PRINCIPLES

- Linked to the success and strategy of business
- Aligned with shareholder value creation
- Competitive in global talent market

## ANNUAL BONUS LINKED TO ADJUSTED PROFIT

### EXECUTIVE SHARE PLAN

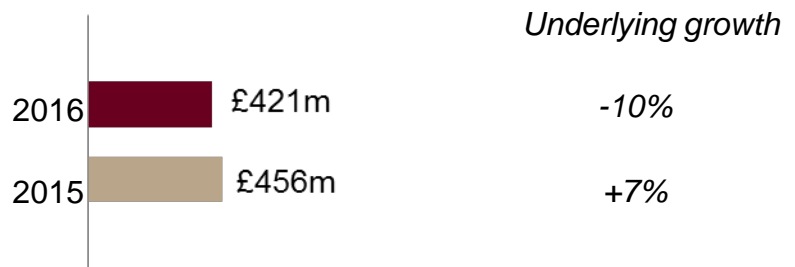
- 50-60% on adjusted profit growth
- 20-25% on revenue growth
- 20-25% on efficient use of capital
- Measured over three years
- Vest over three and four years

### ALL EMPLOYEE PLANS

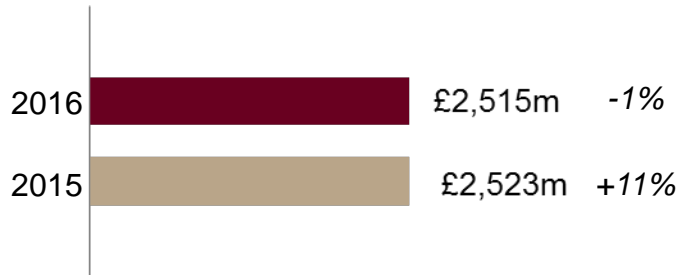
- Sharesave
- Free shares

### FY 2016

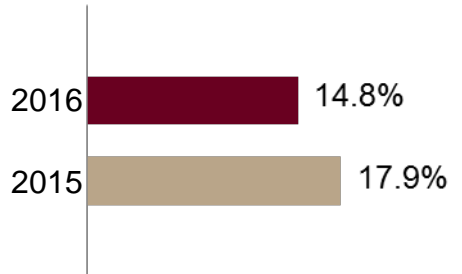
- No annual bonus
- No performance-related share awards vested



ADJUSTED PBT



REVENUE



ADJUSTED RETAIL/WHOLESALE ROIC

# **STAKEHOLDER ENGAGEMENT (I)**

## **OUR PEOPLE**

- Burberry believes employee communication is important in enhancing the company culture and connectivity and in motivating and retaining employees globally
- Robust communications programme, including innovative digital methods and channels
- Social media platform “Burberry Chat” is key internal communication platform

## **CUSTOMERS**

- Burberry is committed to focus on customer service, driving consistency and productivity by better connecting with customers and cultivating personal relationships

## **SHAREHOLDERS**

- Management presentations to investors following Interim and Preliminary results
- Management conference call with investors for trading updates
- Chairman and other non-executive directors maintain regular dialogue with major shareholders throughout the year and with all shareholders at the Annual General Meeting
- During 2015/16 the Chairman, the Chairman of the Remuneration Committee and other members of senior management participated in around 280 meetings with investors, including the Group’s 25 largest investors
- Active global investor relations programme managed by Investor Relations team (c.480 meetings in 2015/16)
- Regular updates on Investor Relations activity to the Board and independent investor audits

## **THE PRINCE’S ACCOUNTING FOR SUSTAINABILITY (A4S) PROJECT**

- Active member of A4S Chief Financial Officer Leadership Network. Focusing on the role CFOs play in integrating environmental and social issues into financial decision making. For more information see:  
<http://www.accountingforsustainability.org/cfos/network-of-chief-financial-officers/a4s-cfo-leadership-network-activities>



# STAKEHOLDER ENGAGEMENT (II)\*

## STRATEGIC COLLABORATIONS

- Better Cotton Initiative (BCI)
- Cosmetics Europe (EU)
- Cosmetic Toiletries Perfumery Association (CTPA UK)
- Ethical Trading Initiative (ETI)
  - First luxury brand to join (2010)
- Fédération des entreprises de la beauté (FEBEA FRANCE)
- Forum for the Future
- Leather Working Group
- Living Wage Foundation (LWF)
  - Principal partner (2015)
- Natural Capital Coalition
- Natural Resource Defense Council (NRDC)
- Personal Care Products Council (PCPC USA)
- Responsible Ecosystem Sourcing Platform (RESP)
  - Chair of International working group - Reptile Skins
- Sustainable Apparel Coalition (SAC)
- Sustainable Fibre Alliance (SFA)
- Textile Exchange
- The Prince's Accounting for Sustainability Project (A4S)
- Fair Factory Clearing House (FFC)
- UN Global Compact
  - Signatory
- Zero Discharge of Hazardous Chemicals (ZDHC)



\* For more information see [here](#)

## STAKEHOLDER ENGAGEMENT (III)\*

### BUSINESS PARTNERSHIPS

- Avena Environmental
- Greenline
- John Cotton Group
- HERHealth
- INNO and ICO hotline services

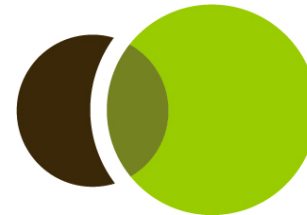
### EXTERNAL RECOGNITION

- Achieved 'Industry leader' in the 'Textiles, Apparel & Luxury Goods' sector in the 2016 Dow Jones Sustainability Index
- Awarded 'Gold Class' distinction in the 'Textiles, Apparel & Luxury Goods' sector in RobecoSAM's 2017 Sustainability Yearbook
- FTSE4Good Constituent
- Carbon Disclosure Project (CDP)~

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 



**ROBECOSAM**  
**Sustainability Award**  
**Gold Class 2017**

\* For more information see [here](#)

~ Publically available information regarding Burberry's performance can be found on respective websites

## KEY POLICY MATRIX\*

ETHICAL TRADING CODE OF CONDUCT*	GLOBAL ENVIRONMENTAL*	GLOBAL WAYS OF WORKING
RESPONSIBLE SOURCING*	GLOBAL HEALTH AND SAFETY	GLOBAL EQUAL OPPORTUNITY & ANTI-HARASSMENT
POLICY OF NO ANIMAL TESTING	LOCAL STAKEHOLDER ENGAGEMENT*	ANTI-BRIBERY AND CORRUPTION*
HUMAN RIGHTS*	DATA PROTECTION	
TRANSPARENCY IN THE SUPPLY CHAIN AND MODERN SLAVERY STATEMENTS*	TAX*	

\* For policies available online please see [here](#)





# APPENDIX

# TAX

## **TAX STRATEGY**

- The Group is committed to complying with global tax regulations in a responsible manner with due regard to governments and shareholders, and to engage in open and constructive relationships with tax authorities in the territories in which it operates. The Group's tax planning is consistent with this responsible approach, and it will not enter into arrangements for the purpose of achieving a tax advantage. The Group tax strategy is implemented through the Group's tax policy which directs and aligns the activities of the various functions within the Group in order to achieve the strategy's objectives

## **TAX GOVERNANCE FRAMEWORK**

- The Chief Financial Officer is responsible for the Group's tax policy which is implemented with the assistance of the finance leadership team. This is reviewed on an ongoing basis as part of the regular financial planning cycle. In addition, the Group's tax status is reported regularly to the Group Risk and Audit Committees. The Audit Committee is responsible for monitoring all significant tax matters including the Group's tax policy. Audit Committee meetings are attended by a number of Group officers and employees including the Chief Financial Officer, the Senior Vice President – Group Tax, the Company Secretary, the General Counsel, and the Chief People and Corporate Affairs Officer, who oversees all corporate responsibility matters

For more information on Burberry's Tax Policy and total tax contribution please see the following [link](#)

# **SOURCING**

## **ETHICAL SOURCING**

- Policy of no animal testing
- No sandblasting
- Ban on use of Uzbek cotton
- Currently do not authorise sourcing from certain countries including but not limited to Bangladesh, Pakistan and Cambodia

## **COMPLIANCE WITH**

- Truth in Fur labelling Act (2010)
- California Transparency in Supply Chains Act SB 657 (2010)
- Kimberley Process Certification Scheme

# EXTERNAL ASSURANCE

## EXTERNAL ASSURANCE

- Burberry appointed Ernst & Young LLP to provide limited external assurance over selected statements relating to the environmental targets and 2015/16 performance data. The statements and data that formed part of the review are denoted with a ^
- For full independent assurance statement and Burberry's basis of reporting see [here](#)



# INVESTOR RELATIONS CONTACTS

**Charlotte Cowley**  
Director of Investor Relations  
[charlotte.cowley@burberry.com](mailto:charlotte.cowley@burberry.com)

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Senior Investor Relations Manager  
[annabel.gleeson@burberry.com](mailto:annabel.gleeson@burberry.com)

**Bryony Dimmer**  
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[bryony.dimmer@burberry.com](mailto:bryony.dimmer@burberry.com)

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[www.twitter.com/burberry](https://www.twitter.com/burberry)  
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<http://weibo.com/burberry>  
<https://plus.google.com/+Burberry>

## **DISCLAIMER**

Certain statements made in this presentation are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Nothing in this presentation should be construed as a profit forecast. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This presentation does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

Burberry is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.

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# **CODI ÈTIC D'H&M PELS BUSINESS PARTNERS**

# Code of Ethics – Business Partner Commitment

## INTRODUCTION

*This Code of Ethics is mandatory for all business partners having a business relation with H&M by supplying goods and/or services, acting on behalf of or having other kind of collaborations with H&M such as e.g. suppliers, vendors, consultants, landlords, agents, service providers and organizations (hereafter referred to as business partner) H & M Hennes & Mauritz AB and all companies included in the Group (hereafter referred to as H&M or the Company) value the fact that all the operations of the Company are characterised by honesty, transparency, integrity and fair play. As a business partner to H&M, you should read and comprehend the content in H&M's Code of Ethics and comply with it in all business s with the Company.*

*All business carried out with or on behalf of H&M should always be conducted in accordance with the Company's Code of Ethics and applicable laws and regulations in the country of business.*

## ZERO TOLERANCE - BRIBERY AND CORRUPTION

H&M has a zero tolerance policy on bribery and corruption. This applies to all the Company's business and transactions in all the countries in which the Company and its business partners operate. The Company does not tolerate bribery in any form and commits to a strong anti-corruption program, including this Code of Ethics. The Company is determined to ensure that the objectives of this Code of Ethics are fulfilled and will therefore further instruct and educate all concerned employee as well as business partners to secure their knowledge and compliance with the principles in this Code.

Under this Code of Ethics a bribe includes financial or other advantages which are given, promised, offered, accepted, requested or received with the intention to influence the ability to make objective and fair business decisions. As a business partner to H&M, you must not carry out any actions involving bribes when you act in connection with the H&M business. This includes both domestic and international business and it should be incorporated in all deals, both with private actors and public officials.

**Facilitation payments** are not permitted when acting for or on behalf of H&M.

Whether an action constitutes a bribe is determined by the standards set forth herein. Any local practice or custom will thus be disregarded, unless explicitly permitted or required by local written law.

## ADVANTAGE – GIFTS AND HOSPITALITY

H&M does not allow its employees other representatives to request, accept, arrange, offer or give any kind of advantage in connection with Company's business. In accordance the Company has a strict no-gift policy. H&M particularly wishes to point out that employee or other representatives of the Company are not allowed to take any commission from H&M business partners. Should any of the Company's employees or representatives openly or implied, ask for a commission or advantage of any kind, you are advised to immediately inform H&M.

In the conduct of company business it is a violation of H&M's Code of Ethics if a business partner offers any kind of advantage to an employee of the Company or other H&M representatives.

The term 'advantage' may include – but is not limited to – the following: gift, loan, money (regardless currency), fees, reward, journeys, services, bonuses, lavish meals, vouchers of any kind, product samples for personal use, event tickets, discount on private purchases ,sponsoring or any kind of personal favours.

It does not matter whether the person to whom the advantage is offered, promised or given is the same person as the one who is to perform, or has performed, the relevant action. Further it does not matter whether the advantage is given directly or by a third party, the recipient is in breach of this Code regardless of the fact that he or she receives the advantage directly or through a third party or if another person is the genuine beneficent.

Be aware that H&M does not allow the offer or receipt of hospitality whenever such arrangements could affect the outcome of business transactions i.e. the purpose is to obtain or retain business with H&M.



# Code of Ethics – Business Partner Commitment

## CONFIDENTIAL INFORMATION

Confidential information represents trade secrets and other company information not generally known outside H&M.

A business partner of H&M must never disclose confidential information to any person outside or within your company except to persons to whom disclosure is necessary for the purpose of the contract with H&M or required from authorities by law or local regulation.

You must keep confidential information about H&M safeguarded in your organisation.

Confidential information includes, but is not limited to; H&M's financial or commercial relationships, trade secrets, buying, offers, strategies, all supplier related information, IT solutions, analyses and sensitive personnel data, information concerning H&M and/or the business carried on within H&M and which is not in the public domain.

Signing this document is a confirmation of your undertaking to not disclose any confidential information.

## COMPLIANCE

You should read and comprehend the content in H&M's Code of Ethics and commit to comply with the policies and procedures mentioned in the Code.

You have the responsibility to inform all your employees, involved in the H&M business, about the content in H&M's Code of Ethics to secure their compliance.

In addition you also have the responsibility to inform all related subsidiary and subcontractors about H&M's Code of Ethics to secure their awareness and possibility to comply.

A deliberate violation of H&M's Code of Ethics may lead to termination of all business connections with the Company.

Since most sections of H&M's Code of Ethics follow the law in each country where the Company operates, any deliberate violation of the Code of Ethics may be a criminal act.

If you, your employees, subsidiary, subcontractors or any other representatives of your company have questions concerning the meaning or application of H&M's Code of Ethics or have anything related to report, please contact: **coe@hm.com**

H&M is committed to continuously review and update its policies and procedures, therefore this Code of Ethics can be subject to modification. The Company will inform whenever there is any major changes or updates in the Code. The latest version of this Code is available on **www.hm.com or the Supplier Portal**

Please sign the compliance commitment on the last page of this Code of Ethics and return it to the Company, indicating that you have received, read, understood and agreed to comply with H&M's Code of Ethics.

If your company has an Anti-Corruption Policy/Code you are welcome to enclose this when you submit the signature page to H&M.

For your information, all concerned H&M employees sign H&M's Code of Ethics and thereby undertake to comply with it.

# Code of Ethics – Business Partner Commitment

## H & M HENNES & MAURITZ AB CODE OF ETHICS COMPLIANCE COMMITMENT

We hereby confirm that we have received, read and understood the content of H&M's Code of Ethics.

We commit to comply with H&M's Code of Ethics, take the responsibility to inform all our concerned employees about the content in H&M's Code of Ethics and to make sure they comply with the Code accordingly. In addition we also take the responsibility to inform all related subsidiaries and subcontractors about H&M's Code of Ethics to secure their awareness and possibility to comply.

If we, any representative of my company, subsidiary or subcontractors, have questions concerning the meaning or application of H&M's Code of Ethics, or have anything to report, we know that we should contact the Company, knowing that our questions or reports to these sources will be maintained in confidence.

☐ Yes, we have an Anti-Corruption Policy/Code and it is enclosed for your reference.

---

Place and date

---

Business Partner Company name

---

Title

---

Signature

---

Name in printed letters

---

Business partner Company stamp

**Please sign and submit only this page to H&M. Thank you.**

# **CODI ÈTIC D'H&M PELS TREBALLADORS**

# CODE OF ETHICS

**This Code of Ethics is mandatory for H&M employees, in house working consultants, in house working staff from Temporary Agencies and similar assignments.**

## INTRODUCTION

*H & M Hennes & Mauritz AB and all the companies in the Group (hereafter referred to as H&M or the Company) recognize the challenges that all the operations of H&M are characterised by honesty, transparency, integrity and fair play. It is therefore vital to ensure that no dishonesty, disloyalty or corruption harm H&M's good reputation. H&M's Code of Ethics contains guidelines on how to act in various situations when representing H&M in a business context.*

## ZERO TOLERANCE - BRIBERY AND CORRUPTION

H&M has a zero tolerance policy on bribery and corruption. This applies to all the Company's business dealings and transactions in all the countries in which the Company and its business partners operate. The Company does not tolerate bribery in any form and commits to a strong anti-corruption program, including this Code of Ethics. The Company is determined to ensure that the objectives of this Code are fulfilled and will therefore further instruct and educate all concerned to secure their knowledge and compliance with this Code.

Under this Code of Ethics a bribe includes financial or other advantages which are given, promised, offered, accepted, requested or received with the intention that a specific activity should be performed.

You are not allowed to accept bribes in any circumstances. In addition, you are not allowed to offer bribes for or on behalf of the Company to any person, whether privately employed or in the public sector, or any organisation.

Facilitation payments are not allowed when acting for or on behalf of the Company.

Whether an action constitutes a bribe is determined by the standards set forth herein or elsewhere in H&M's policies. Any local practice or custom will thus be disregarded, unless explicitly permitted or required by local written law.

## ADVANTAGE

Requesting, receiving, accepting and arranging, offering or giving any kind of advantages, financial or other, from/to supplier/business partner, contractors or any other person/organisation in connection with H&M's business is a violation of H&M's Code of Ethics. This includes both domestic and international business and should be incorporated in all business dealings.

The term 'advantage' may include – but is not limited to – the following: gift, loan, money (regardless currency), fee, travel, service, bonus, exclusive meals, all kind of vouchers, product samples for personal use, discount on private purchases, sponsoring, event tickets or any kind of personal favours.

It does not matter whether the advantage is given directly or by a third party, the recipient is in breach of this Code regardless of the fact that he/she receives the advantage directly or through a third party or if another person is the genuine beneficent.

You or your immediate family should not give, guarantee or accept loans from any person or organisation with which you have business contacts through your work for H&M.



# CODE OF ETHICS

## CORPORATE ENTERTAINMENT AND OTHER EVENTS

You should not accept invitations for business dinners or other corporate events that are exclusive, inappropriate, occur often or take place in a weekend or public holiday. If you accept an invitation there is the opportunity that H&M can either pay your share or return the hospitality on another occasion.

You must have the approval of your manager before accepting any kind of business invitation. H&M may register every kind of invitation of this kind to fulfil the Company's zero tolerance policy.

## Drugs and alcohol

Based on the risk that you can put yourself and others in dangerous and awkward situations, you must not use or be under the influence of illegal drugs, alcohol or anything similar during working hours.

## CONFLICTS OF INTEREST

Conflicts of interest may arise if your personal interests compete or conflict with the interests of the Company. You should avoid any actual or imaginable situations that could damage your integrity and/or risk putting H&M's interests and/or reputation at stake.

You must always inform the Company if you have anything other than a strictly business relation with someone that you do business with through your work at H&M. You must not carry on business on behalf of the Company with relatives and/or other persons that you have a close personal relationship with.

You must always inform the Company if you or your immediate family (wife/husband/ partner/children living at home) have any financial interests that you are aware may compete with H&M's interests or with the interests of those with whom you do business through your work at H&M.

You must never mix your personal affairs with the business you do on behalf of H&M and you must not use H&M's name or trademark in your private affairs.

While you are employed by H&M you must not take up employment or task outside the Company that could conflict with the Company's interests. If you want to take up employment and still keep working for H&M, either as an employee or as a consultant, you must have the Company's written permission before accepting such position.

# CODE OF ETHICS

## COMPANY ASSETS AND PROPERTY

H&M owns the copyright to all materials created by employees on behalf of the Company. The term 'materials' includes – but is not limited to – the following: patterns, sketches, art work, constructions, prototypes and/or other types of products, designs and product samples resulting from what the employee has created on behalf of the Company.

You are not allowed to use or sell assets or property belonging to H&M for your own use and compensation except with permission.

## THE COMPANY'S DOCUMENTS AND ACCOUNTS

Falsifying documents or submitting inaccurate accounts is illegal and not allowed under this Code.

## CONFIDENTIAL INFORMATION

You must never disclose confidential information to any person outside or within the Company, except to persons to whom disclosure is necessary for the purpose of the employment or other agreement. You must only use confidential information that is naturally associated with your duties at work.

Confidential information includes, but is not limited to; H&M's financial and commercial relationships, trade secrets, buying, offers, strategies, all supplier related information, IT solutions, analyses and sensitive personnel data, information concerning H&M and/or the business carried on within H&M and which is not in the public domain.

By signing this document you confirm that you undertake not to disclose any confidential information during your employment or assignment at H&M and for a period of five years thereafter.

# CODE OF ETHICS

## COMPLIANCE

It is your responsibility to make sure that you understand the content of H&M's Code of Ethics and that you observe these guidelines in your daily work.

In signing the last page of this document you are confirming that you have been informed about H&M's Code of Ethics, that you have read and understood the content of the Code and that you commit to comply.

You should always strive to assist the Company's efforts to prevent bribes and corruption by ensuring that all operations of the Company continues to be characterised by honesty, transparency, integrity and fair play. Any violation or suspicion of violation of this Code of Ethics should thus be reported to a relevant manager.

H&M is committed to continuously reviewing and updating its policies and procedures, therefore this Code of Ethics can be subject to modification. The Company will inform all concerned whenever there is any major changes or updates in the Code.

The latest versions of this Code are available at the H&M's website **www.hm.com** and **Intranet**.

## Consequences of non-compliance

Since most sections of H&M's Code of Ethics follow the law in each country where the Company operates, any deliberate violation of these guidelines may be a criminal act. A criminal act under the law as stated in the Code of Ethics may result in dismissal from the Company, liability to pay damages or a warning.

For your information, all the Company's supplier/business partner's sign up to H&M's Code of Ethics and thereby undertake to follow this Code.

## QUESTIONS

If you have questions concerning the meaning or application of H&M's Code of Ethics, please contact your immediate manager, HR or contact Code of Ethics Support: **coe@hm.com**

# CODE OF ETHICS

## H & M HENNES & MAURITZ AB CODE OF ETHICS COMPLIANCE COMMITMENT

**In signing this document I confirm that I have received, read and understood the content of H&M Code of Ethics and that I commit to comply.**

\_\_\_\_\_  
Place and date

\_\_\_\_\_  
Signature of employee

\_\_\_\_\_  
Signature of H&M

\_\_\_\_\_  
Name in printed letters

\_\_\_\_\_  
Name in printed letters

\_\_\_\_\_  
Social security or Employment number

**This page will be retained by the Company and a signed copy will be given to the employee.**



# **KPIs BURBERRY**

## BASIS OF REPORTING 2017/18

### Introduction

This document sets out how selected KPIs included in the Responsibility section of Burberry's 2017/18 Annual Report and Accounts have been prepared. It forms the criteria against which the selected KPIs have been assessed as part of PricewaterhouseCoopers LLP's (PwC) assurance activities.

In June 2017, Burberry launched a new, five-year responsibility strategy, setting out 2022 goals across three key pillars:

- PRODUCT – To drive positive change through all products
- COMPANY – To become carbon neutral and revalue waste
- COMMUNITIES – To positively impact 1 million people in communities sustaining the luxury industry

To ensure completeness and accuracy of the selected KPIs, this 'Basis of Reporting' and all relevant data have been subject to internal validation, review and approval at senior level within Burberry.

KPIs are based on Burberry's financial year, covering the period 1 April 2017 to 31 March 2018. The only exception is data relating to energy and water consumption in the supply chain, which is collated on a calendar basis, covering the period 1 January 2017 to 31 December 2018.

### KPIs that have been tested for accuracy and completeness:

#### PRODUCT:

**KPI: 28% of products with one positive attribute**

**KPI: 14% of products with more than one positive attribute**

- Burberry's 'Product' goal for 2022 is to drive positive change through all products. More specifically, the goal is to have 100% of Burberry products with more than one positive social and/or environmental attribute.
- Products in scope are all of the brand's products available for purchase, i.e. Burberry Ready to Wear (including Runway) and Burberry Accessories (including soft accessories, hard accessories and shoes), excluding licensee products.
- 100% of product is based on the total number of units, i.e. individual items, of "in-scope" product produced (goods receipted) during FY 2017/18.
- A product can only be considered for a positive attribute, if the supplier of the main material and the manufacturing facility involved in its production meet specific ethical trading and chemical management criteria. For example, if a facility does not meet a minimum score of 50% in Burberry's assessment of its chemical management, this will negate any other environmental or social improvements the facility may have made.
- Positive attributes are based on evidence of social and/ or environmental improvements achieved in a product's supply chain, at either the raw material sourcing or product manufacturing stage.
- For a product to be assigned a positive attribute, an improvement must relate to either its main material, the facility supplying the main material or the facility where the finished good is manufactured in. For example, a product may carry a positive attribute if its main material is cotton and this is sourced through the Better Cotton Initiative, or if it was made in a finished goods facility paying all workers a wage which meets a recognised local living wage benchmark.
- Initiatives that can lead to a positive attribute, are currently:

Related to the main material:	Related to facilities supplying the main material or where the finished good is manufactured in:
Better Cotton Initiative	Leather Tannery Certification
	Chemical Management Rating
	Energy & Water Reduction Programme
	Living Wages
	Renewable Energy

**KPI: 21% of cotton procured through the Better Cotton Initiative (BCI)**

- Scope is based on the number of cotton-rich products procured in the financial year, excluding accessories.
- A product is defined as cotton-rich, if its main material's composition is 50% or more cotton.
- In 2017/18, 71% of Burberry's product was classified as cotton-rich, of which 21% was made of cotton covered by BCI credits.
- The Better Cotton Initiative (BCI) is a non-profit organization that promotes better practices in cotton production. The BCI works directly with farmers, helping them to minimise the use of harmful pesticides, reduce water consumption and care for soil and natural habitats as well as fostering decent working conditions.
- BCI uses a chain of custody model called Mass Balance. This model does not guarantee the presence of physical BCI cotton in Burberry products. Instead, it uses a credit system which enables Burberry to create the demand for more sustainable cotton to be produced. Please refer to the BCI's "[key facts](#)" page for further information.

**KPI: 15% of product sourced from facilities reporting a 5% reduction in energy or water use**

- Facilities in scope are facilities of finished goods vendors or raw material suppliers that have been involved in Burberry's Energy and Water Reduction Programme.
- For a product to gain a positive attribute through this programme, it must have been manufactured in, or its main material sourced from, a facility that can demonstrate a 5% reduction in either absolute or normalised energy or commercial water use and show how this has been achieved through improved practices and/or processes.
- A 5% reduction is assessed against a facility's base year, which is set as the year prior to the facility entering the programme, or as the year of engagement, depending on data availability.
- Burberry's Energy and Water Reduction Programme is delivered by Burberry team members directly and is modelled on the NRDC 'Clean by Design' programme, which aims to reduce chemical pollution, water and energy use in the textiles' supply chain.
- In 2017/18, a total of 28 supply chain partners participated in the programme, including 15 facilities with wet processing. During 2017/18, nine facilities achieved a 5% reduction in their energy or water use for the year, in turn leading to 15% of product being awarded a positive attribute.

**KPI: 15% of product sourced from supply chain partners rated 'Green' on chemical management**

- As part of Burberry's commitment to eliminate from the supply chain the use of chemicals that may have a negative impact on the environment, Burberry has implemented the MRSL (Manufacturing Restricted Substances List) and PRSL (Product Restricted Substances List).
- Burberry uses a Partner Progress Tool (PPT) to monitor its supply chain partners' performance against 29 chemical management KPIs, grouped into the four implementation pillars outlined in the MRSL Implementation Guidelines: commitment, internal implementation, upstream implementation and achievement. A score of less than 50% across these KPIs results in a rating of Red, a score of 50-69% is Amber, and a score of >70% is Green. More information on the tool can be found [here](#).
- To have a positive attribute, the product's finished goods vendor and main material supplier must have both been rated 'Green' for their chemical management practices for at least 6 months of the reporting year (1 April 2017 to 31 March 2018).

**COMPANY:**

**KPI: 20,222,227 kg of CO2 equivalent market-based emissions**

- Burberry's 'Company' goal is to become carbon neutral by 2022. A zero-carbon footprint will be achieved by improving energy efficiency, reducing absolute consumption and switching to renewable energy sources, before offsetting any remaining carbon emissions.
- Burberry reports energy data and converts this into carbon dioxide equivalent (CO<sub>2</sub>e) for disclosure purposes as part of Burberry's Mandatory Greenhouse Gas Reporting Requirements.
- Burberry applies an operational control approach to defining its organisational boundaries. Data is

reported for sites where Burberry has the ability to influence energy management. This differs from the financial reporting boundaries, as some sites where Burberry has an equity interest but no control are not reported. Overall, the emissions inventory reported equates to 95% of Burberry's sq. ft.

- Where Burberry does not have visibility of a site's energy consumption (e.g. in a mall, where a store's energy use is not sub-metered), energy consumption is estimated based on the average consumption per sq. ft. of Burberry sites in that region.
- All material sources of emissions are reported, including emissions generated from the use of electricity, gas and fuel oil. Refrigerant gases and fuels consumed in company vehicles were deemed not material and are not reported.
- Data for electricity, gas and fuel oil use is based on invoices and collected by regional teams. . Data is then subject to a series of internal reviews conducted at group level.
- Burberry calculates greenhouse gas emissions data with reference to the Greenhouse Gas Protocol. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Emissions are reported using both the location- and market-based methodology.
- The most current conversion factors from DEFRA (2016), the International Energy Agency (IEA) (2017) and Reliable Disclosure (RE-DISS) European Residual Mixes (2014) are used for all CO<sub>2</sub>e calculations.
- Audited sales revenue data is used to derive the intensity metric of KgCO<sub>2</sub>e/ £1,000 sales revenue.
- Burberry has updated its Greenhouse Gas data for 2015-16 and 2016-17 to account for improvements in data availability and estimation methods and to ensure the most up-to-date conversion factors are used.
- Burberry is measuring progress towards its 'Carbon Neutral' goal by looking at its market-based emissions (as described above). For any emissions that remain after reducing energy within internal operations and purchasing renewable energy, Burberry will look to mitigate these through offsetting or in-setting.
- No offsets have been applied to Burberry emissions data for FY 2017/18.

**KPI: 48% of the company's total energy consumption sourced from renewable sources, including 56% of electricity from renewable sources**

- Burberry has set itself a target to source all energy from renewable sources by 2022. This covers all energy reported as part of Burberry's Mandatory Greenhouse Gas Reporting Requirements.
- The % of the company's energy consumption sourced from renewables is calculated using kWh data from each site. Prior to 2017/18, this % was based on sq. ft. measurements of sites globally. The change to kWh has been made to align with Burberry's new carbon neutral goal for 2022 and for improved accuracy of measurements.
- Accepted renewable energy types are:
  - Green tariffs with associated attribute certificates
  - Renewable energy certificates (Renewable Energy Certificates (REC), International Renewable Energy Certificates (I-REC), Guarantee of Origin (GO), Green Gas Certificates (GGC) and other localized certificates)
  - On-site renewable energy generation (wind, solar, biomass etc.)
  - Power Purchase Agreements (wind, solar, biomass, etc.)
- All renewable energy that contributes towards the target must be based on evidence, including:
  - A certificate from the energy supplier confirming MWh or % of renewable energy, and
  - Confirmation from the supplier that the renewable energy meets the requirements of the Greenhouse Gas Protocol Scope 2 Guidance and Burberry internal requirements regarding vintage and origin of renewable energy generation.

**KPI: 100% of operational waste from key UK sites diverted from landfill (zero waste to landfill)**

- Waste data covers key UK operations, comprising Burberry's internal manufacturing and distribution sites in Northern England and Burberry's head office and retail stores in London. Data currently excludes e.g. Burberry's office in Leeds, where waste collection is managed by third parties and there is therefore limited visibility over waste disposal routes.
- Waste data is based on annual reports provided by waste collection partners and covers office consumables, food waste, packaging, leftover materials and damaged/ defected products.



- “Diverted from landfill” is defined as diverting waste from landfill through treatments such as recycling, anaerobic digestion and incineration with energy recovery. An example includes Burberry’s partnership with Avena Environmental to recycle damaged garments into insulation materials.

**KPI: 22,835 m<sup>3</sup> of water used at UK offices and internal manufacturing sites**

**KPI: 21,052 m<sup>3</sup> of wastewater produced at UK offices and internal manufacturing sites**

- Data is based on monthly water bills received for each site and covers all UK offices (in London and Leeds) and Burberry’s two manufacturing facilities in Yorkshire.

#### COMMUNITIES:

**KPI: 23,000 people positively impacted**

- Burberry’s Communities goals is to positively impact 1 million people by 2022. This will be achieved mainly by supporting the Burberry Foundation in developing long-term partnerships that fuel innovation and transform communities that sustain the luxury industry.
- Two key community programmes contributing to the 2017/18 data are:
  - Tackling educational inequality and enhancing career advice for young people in the UK – This programme launched in August 2017 and is delivered in partnership with Teach First, the Careers & Enterprise Company (CEC) and MyKindaFuture. Since launching, over 20,000 people have benefitted from a series of activities, including in-school workshops, inspiration days and work experience opportunities, as well as teacher training and development days and new Careers & Enterprise Co-ordinators appointed by CEC to help connect schools with local employers and career opportunities.
  - Fostering community cohesion and supporting youth employability in Italy – This programme is delivered in partnership with Oxfam. Since the programme launched in October 2018, over 400 people have benefitted from educational and recreational activities.
- Whenever possible, positive impact is based on direct feedback from participants. For example, for activities involving students, the benefit is assessed by conducting surveys straight after the activity. Where student numbers are large (100+), the survey is conducted with a sample group of participants.
- Survey questions vary by activity type, but are largely focused on the impact of the activity on students’ awareness of the creative industries, their personal career aspirations, confidence and self-belief. If survey answers include a range from Strongly Disagree to Strongly Agree, on a scale of 1 to 5 (e.g. on whether a student feels the activity has positively impacted their confidence and self-belief), only responses of 3 and above are counted as positive impact.
- In cases where it is not possible to directly survey all beneficiaries, the total number of people positively impacted is based on key estimates/ assumptions. For example, if a programme has helped a school to implement new career advisory service, beneficiaries are estimated based on students in all relevant age groups with access to the new service.
- Data includes both direct and indirect beneficiaries, defined as follows:
  - Direct beneficiaries are the people for whom the project is being undertaken, who directly benefit from a product, service or an activity and are usually directly engaged in the activities of the programme.
  - Indirect beneficiaries are the people who, whilst not actively taking part in the project, derive some benefit from it indirectly. This includes, for example, family members of individuals who have been directly engaged in programme activities, or students benefitting from teachers completing Continuing Professional Development (CPD) training/ activities.

## **KPIs H&M**



# H & M Hennes & Mauritz AB

## Full-year report

### Full-year (1 December 2017 – 30 November 2018)

- The H&M group's net sales, increased by 5 percent to SEK 210,400 m (200,004) in the financial year. In local currencies, net sales increased by 3 percent. The ongoing transition work contributed to gradually improved sales development and increased market share in most markets during the second half.
- The group's online sales continued to develop very well during the year. Online sales amounted to approximately SEK 30 billion, an increase of 22 percent, thereby making up for 14.5 percent (12.5) of the group's total sales. In local currencies the increase was 21 percent.
- Gross profit amounted to SEK 110,887 m (108,090). This corresponds to a gross margin of 52.7 percent (54.0).
- Profit after financial items amounted to SEK 15,639 m (20,809).
- Profit after tax amounted to SEK 12,652 m (16,184), corresponding to SEK 7.64 (9.78) per share.

### Fourth quarter (1 September 2018 – 30 November 2018)

- The group's net sales increased by 12 percent to SEK 56,414 m (50,407) during the fourth quarter. In local currencies, net sales increased by 6 percent, driven by increased full-price sales and lower markdowns.
- The group's online sales increased by 24 percent in SEK and 20 percent in local currencies.
- Gross profit amounted to SEK 30,592 m (27,929). This corresponds to a gross margin of 54.2 percent (55.4)
- The cost of markdowns in relation to sales decreased by 0.6 percentage points.
- Profit after financial items amounted to SEK 4,352 m (4,873). The group's profit after tax amounted to SEK 3,543 m (3,993), corresponding to SEK 2.14 (2.41) per share.
- Three new fulfilment centres with a total logistics area of around 230,000 square metres were opened during the quarter, providing increased capacity – particularly for online sales.
- The result was negatively affected by costs generated in connection with the earlier replacement of logistics systems, but also by activities in preparation for upcoming transitions. Together with negative year-end effects these costs amounted to approximately SEK 560 m in the quarter.

- The board of directors proposes an unchanged dividend of SEK 9.75 (9.75) per share for the 2017/2018 financial year, to be paid out on two occasions in 2019. The board's reasoning for the dividend proposal is that the underlying business is showing gradual improvements, investments (capex) will reduce in 2019 and the company remains in a strong financial position taking into consideration the capital structure target.
- Net sales in the period 1 December 2018 to 28 January 2019 increased by 4 percent in local currencies compared to the corresponding period the previous year.
- The platform was successfully replaced in Germany in January 2019. This means that all of H&M's online markets are now on the new platform.
- Stronger collections and increased full-price sales mean that for the first quarter 2019 the company expects markdowns to be around 1 percentage point lower and a continued improvement in the inventory situation compared with the previous quarter.
- Online and physical stores are being increasingly integrated, while in parallel the rollout of H&M's online store continues. Today H&M online is represented in 47 markets and during 2019 Mexico will be added as well as Egypt that will open via franchise.
- In 2019 the H&M group plans a net addition of 175 new stores, of which almost half will consist of newer brands.

*"It has been a challenging year for H&M group and the industry but after a difficult first half, there are signs the company's transformation efforts are beginning to take effect. Improved collections generated better full-price sales and lower markdowns towards the end of the year. This gave us confidence to accelerate our transformation plans in the fourth quarter with a particular focus on the upgrade of our logistics systems. Inevitably resulting in increased costs but will lead to a range of improvements for customers."*

Karl-Johan Persson, CEO



H&M

## Comments by Karl-Johan Persson, CEO

### *Stronger collections translate to better full price sales*

Against a backdrop of rapid changes in the fashion industry, in 2018 we accelerated our transformation to future proof our business, ending a challenging year for the H&M Group and the sector with strong signals that we are on track.

We built momentum through the year with growth of 3 percent overall and 6 percent in local currencies the fourth quarter. Importantly, performance was driven by more full-price sales and lower markdowns in the fourth quarter. While inventory levels were up year-on-year, levels and composition improved sequentially from the third to the fourth quarter. With a stronger customer offering and the ongoing improvements in buying and logistics, we expect this trend to continue. Therefore, markdowns are expected to be approximately 1 percentage point lower in the first quarter 2019 compared to the corresponding quarter last year.

While this performance is still some way off the targets that we set at the beginning of 2018, these positive signals confirm we're making progress across all our strategic focus areas: to create the best customer offering; a fast, efficient and flexible product flow; a stable, scalable tech foundation; and adding new growth through store and online expansion.

We were able to outperform a number of markets in the fourth quarter. In the UK, for example, 38 percent online growth, offset against a 1 percent decline in stores, led to total growth of 8 percent. In several markets the total growth was driven by both physical stores and online. Among these were China (+24 percent), India (+43 percent) and Russia (+27 percent). However, other markets such as the USA and Norway, were more challenging. In parallel with our global online roll-out, we are intensifying our store portfolio optimisation and we continue the integration of physical stores and digital channels.

Increased full-price sales confirm that customers appreciate our initiatives to regenerate H&M by refining the assortment and investing in the best mix of price, quality, fashion and sustainability. Improvements include a more convenient shopping experience with upgrades to our mobile applications, faster deliveries, new payment options and the continued introduction of click-and-collect and online returns in stores.

### *Ramping up our transformation initiatives*

To create the best customer experience, we continue to invest in logistics and tech infrastructure. We opened three new fulfilment centres in the fourth quarter with a total of around 230,000 square metres. This means we can offer customers faster deliveries and a wider assortment while reducing the capacity constraints that slowed us down in some markets in 2018. We have also completed our online transition with investments in 2018, enabling us to successfully migrate online in Germany to the new platform earlier in January 2019. With this, all H&M online markets are now on the new platform.

Difficulties with the logistics upgrade in some of our markets earlier in 2018, led to additional costs also in the fourth quarter. Applying the lessons learned, we have now increased investments to secure upcoming transitions.

While these initiatives have a short-term impact on margin they will lead to continued improvements for our customers, driving increased profitability long-term. With the transformation now well underway, capital expenditure will reduce in 2019 compared to 2018 and we will continue to shift the balance of our investments towards digital.

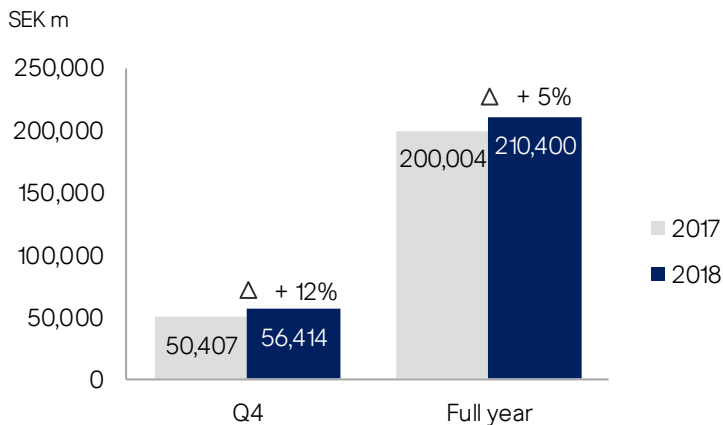
### *Capitalising on the reinvention of retail*

Changing consumer behaviour and technological innovation will continue to transform how and when people shop. We are building a business with the flexibility to respond to this constant evolution. We have further to go, and there will continue to be challenges ahead, but the progress we have made across our transformation priorities reinforces the strength of our strategy and gives us confidence to move ahead at full speed.



& Other Stories

## Net sales

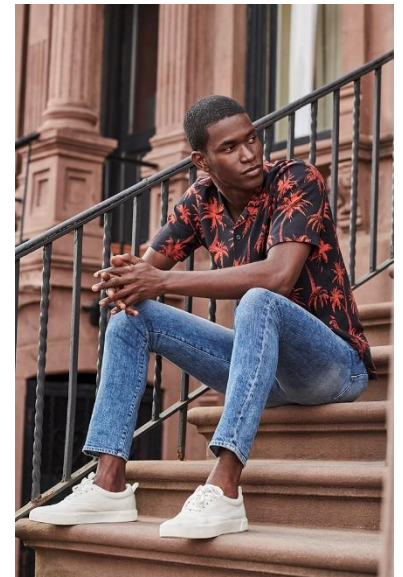


**Net sales** increased by 12 percent to SEK 56,414 m (50,407) in the fourth quarter. In local currencies sales increased by 6 percent.

Online sales increased by 24 percent in SEK compared with the fourth quarter the previous year. In local currencies the increase was 20 percent.

Net sales in the financial year 2017/2018 increased by 5 percent and amounted to SEK 210,400 m (200,004). In local currencies sales increased by 3 percent.

Online sales, which made up 14.5 percent (12.5) of the group's total sales in the full year, increased by 22 percent in SEK compared with the previous year. In local currencies the increase was 21 percent.



H&amp;M

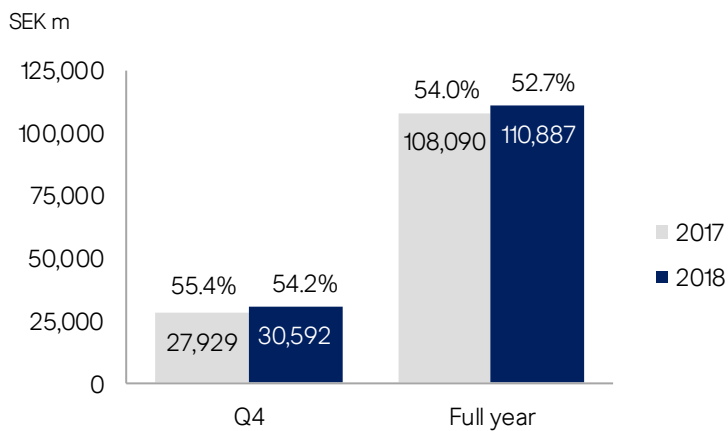
## Sales in top ten markets, fourth quarter

	Q4 - 2018	Q4 - 2017	Change in %		30 Nov - 18	Q4 - 2018
	SEK m net sales	SEK m net sales	SEK	Local currency	Number of stores	New stores (net)
Germany	8,713	7,976	9	2	468	10
USA	6,923	6,443	7	-2	578	19
UK	3,714	3,214	16	8	304	10
China	2,982	2,264	32	24	530	8
France	2,980	2,768	8	0	237	-3
Sweden	2,131	2,129	0	0	175	7
Italy	2,119	1,974	7	0	179	4
Spain	1,933	1,659	17	9	172	-1
Netherlands	1,712	1,601	7	0	144	1
Russia	1,468	1,202	22	27	139	2
Others*	21,739	19,177	13	9	2,042	70
Total	56,414	50,407	12	6	4,968	127
* Of which franchises	1,465	1,251	17	19	255	8

The difference between the sales increase in SEK and in local currencies is due to how the Swedish krona has developed against the overall basket of currencies in the group compared to the same period last year.



## Gross profit and gross margin



ARKET

**Gross profit** increased to SEK 30,592 m (27,929) in the fourth quarter, corresponding to a gross margin of 54.2 percent (55.4). For the financial year, gross profit increased to SEK 110,887 m (108,090), corresponding to a gross margin of 52.7 percent (54.0).

**Markdowns** in relation to sales decreased by 0.6 percentage points in the fourth quarter of 2018 compared with the corresponding quarter in 2017.

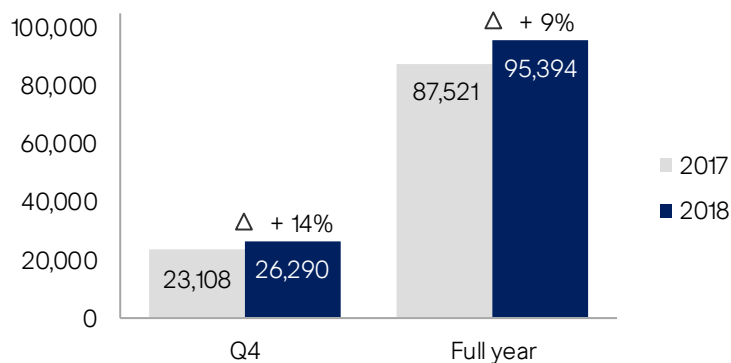
**The gross profit and gross margin** are a result of many different factors, internal as well as external, and are mostly affected by the decisions that the H&M group takes in line with its strategy to always have the best customer offering in each individual market – based on the combination of fashion, quality, price and sustainability. For the fourth quarter, the company decided to invest the positive dollar effect into an even stronger customer offering. Apart from this, gross margin in the quarter was mainly affected by:

- Continued costs of SEK 250 m to resolve the issues that arose in connection with the implementation of new logistics systems in the US, France, Italy and Belgium, of which approximately SEK 125 m were selling and administrative expenses.
- Costs of approximately SEK 200 m to secure upcoming transitions of logistics systems, particularly preparations for the change of online platform in Germany.
- Negative year-end effects of just above SEK 110 m.

**For purchases made for the first quarter 2019**, the market situation as regards external factors is considered to be slightly negative overall – mostly due to the fact that the US dollar has strengthened against the group's basket of currencies – compared with the corresponding purchasing period the previous year.

## Selling and administrative expenses

SEK m



In the fourth quarter of 2018, selling and administrative expenses increased by 14 percent in SEK and by 8 percent in local currencies compared with the corresponding period the previous year. The increase is mainly explained by store and online expansion, along with increased investments in H&M Club. In addition, selling and administrative expenses were also affected by continued costs to resolve the issues that arose in connection with the implementation of new logistics systems in the US, France, Italy and Belgium.

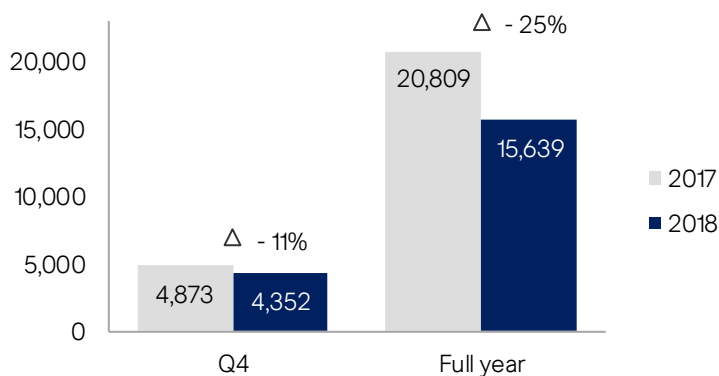
For the full-year, selling and administrative expenses increased by 9 percent in SEK and by 6 percent in local currencies compared with the corresponding period last year.



H&M

## Profit after financial items

SEK m

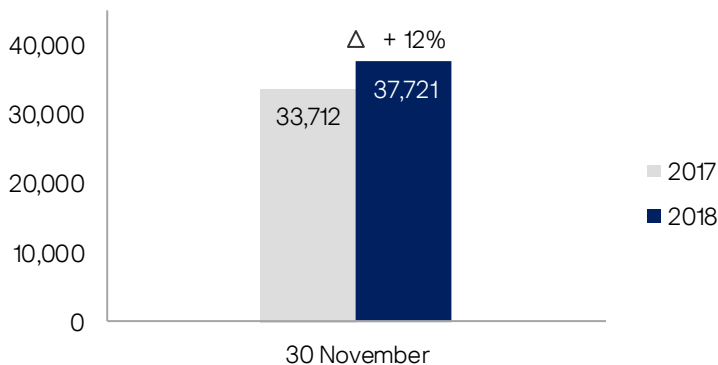


**Profit after financial items** amounted to SEK 4,352 m (4,873) in the fourth quarter. Profit after financial items in the full-year amounted to SEK 15,639 m (20,809).

It has been a challenging year for H&M group and the industry but after a difficult first half, there are signs the company's transformation efforts are beginning to take effect. Improved collections generated better full-price sales and lower markdowns towards the end of the year. Bolstered by these positive signals, the company accelerated its transformation plans in the fourth quarter with a particular focus on the replacement of logistics systems. Along with negative year-end effects, this resulted in costs of approximately SEK 560 m in the fourth quarter but will result in a range of improvements for customers.

## Stock-in-trade

SEK m



**Stock-in-trade** amounted to SEK 37,721 m (33,712), an increase of 12 percent in SEK compared with the same point in time last year. In local currencies the increase was 10 percent.

While inventory levels were up year-on-year, both the level and composition improved between the third and fourth quarters showing the Group is moving in the right direction. A stronger customer offering, and ongoing improvements in buying and logistics, will continue to lead to gradual improvements. Markdowns in relation to sales are expected to decrease by around 1 percentage point in the first quarter 2019 compared to the same period prior year.

The stock-in-trade amounted to 31.7 percent (31.6) of total assets and 17.9 percent (16.9) of net sales.

## Expansion

The global integration of stores and online continues. Work is continuing at full speed to roll out online globally to all existing H&M markets and to other markets as well. In the 2018 financial year H&M's online store opened in a further four new markets – India and, via franchise, Kuwait, Saudi Arabia and the United Arab Emirates – and also on Tmall in China. Today H&M's online store is in 47 markets. In 2019 the online expansion will continue, including into Mexico as well as into Egypt via franchise. In 2018 Afound was opened as a new brand.

Two new H&M store markets opened in 2018: Uruguay and Ukraine, where the response from customers was very positive. New H&M store markets in 2019 will be Bosnia-Herzegovina, Belarus and Tunisia via franchise.

The shift in the industry is opening up the way for improved lease terms and the H&M group has opportunity to renegotiate nearly 1,000 store leases in 2019.

For the 2019 financial year around 335 (375) new stores are planned to open, of which around 240 will be H&M stores. Around 95 of the year's store openings will be COS, & Other Stories, Monki, Weekday, ARKET and Afound stores. In 2019 three standalone H&M Home stores are planned to open. Of the new H&M stores that open in 2019, around 25 will have an H&M Home shop-in-shop. The majority of the H&M store openings will be in markets outside of Europe and the US.

In total, approximately 160 (146) store closures are planned within the group, which is part of the intensified store optimisation being carried out that also includes renegotiations, rebuilds and adjustment of store space to ensure that the store portfolio is the best fit for each market. The net addition of new stores will thus amount to approximately 175 (229) for full-year 2019. In Europe more H&M stores will be closed than opened, resulting in around 50 fewer H&M stores at the end of the 2019 financial year compared with the end of 2018.

The growth target of the H&M group to increase sales in local currencies by 10 - 15 percent per year with continued high profitability remains a long-term target.



H&M Home

### Initiatives for an improved customer experience

An important part of the H&M group's transition work is enhancing the customer experience. In 2018 various improvements were made for customers throughout the supply chain: from product development to more inspiring stores, both physical stores and online, to raise the level of customer service. Here are some examples:

- Increased automation and optimisation of the logistics network for greater flexibility, and increased integration of physical stores and online:
  - New logistics centres in Kamen, Germany and in Stryków and Bolesławiec in Poland opened in the fourth quarter 2018. Automation of the logistics centre in Poznań, Poland. Enabling increased capacity and faster deliveries to customers in several European markets.
  - New logistics centres to open outside Madrid and north of London at the end of 2019/beginning of 2020.
  - Project started to establish a high-tech logistics centre on the US West Coast in 2020.
- Continued tests to develop a better in-store shopping experience in several markets have had positive results, in the form of greater customer satisfaction and increased sales. Several tests have been running in parallel and are planned for gradual roll-out.
- Upgrading of hm.com and H&M's mobile app with improved navigation and product presentation as well as more payment options to enhance the customer offering:
  - **Image search** is now available in 29 markets and uses image recognition to help customers move directly from inspiration to purchase.
  - **Next day delivery** is offered in 11 markets including Germany, USA, UK and Sweden. **Same day delivery** is being evaluated in a number of these markets and will be launched in a further 6 or 7 markets in 2019.
  - H&M is now testing an app in Sweden that makes it easier for customers to find products with exactly the right fit and size. **Perfect fit** allows the customer to try on items virtually and shop via the mobile site or via the app.
  - In partnership with Google, H&M Home has developed a voice app: **H&M Home Gift Guide**. The first of its kind, it allows customers to make a purchase entirely through the voice app.
  - **Find in store** is now in 18 markets. This function lets customers use their mobile to find an item they have seen online in the right size and at the right store. More markets will be added in 2019.
  - **Scan & buy** is available in all 47 online markets. The customer scans the QR code on an item in store to find the size and colour they want online.
  - **In-Store Mode** is available in Sweden, Denmark, UK and Ireland. This mobile service shows customers which items are in the store they are currently in as well as online. To be launched in more markets in 2019.
  - **Click & collect** is available in 7 markets. A further 10 or so markets are planned for 2019.
  - **Online returns** in store: available in 15 markets and to be rolled out to several more markets in 2019.
- Continued global expansion of RFID, currently in 12 H&M markets. The global roll-out will continue to more markets in 2019.

- 3D technology is used in the design process for several product groups. Streamlining the process, it results in cost and time savings as well as less material being used. New technology, training and physical 3D studio have now been implemented.
- Doubling of H&M Club membership numbers from 15 to 30 million. H&M Club is now in 16 markets and the roll out continues will full speed. This year the Club will be launched in a further 7 markets.
- H&M has created Take Care – now available in stores in Germany, France, Sweden and Norway – to provide everything customers need to repair, customise and freshen up their clothes, shoes and accessories.

Brand	No. of markets 30 Nov - 2018		Expansion 2018	Expansion 2019
	Store	Online	New markets	New markets
H&M	71	47	Store: Uruguay, Ukraine Online: India, Kuwait (franchise), United Arab Emirates (franchise), Saudi Arabia (franchise)	Store: Bosnia-Herzegovina, Belarus, Tunisia (franchise) Online: Mexico, Egypt (franchise)
COS	41	21	Store: Thailand (franchise), Lebanon (franchise), Saudi Arabia (franchise), Russia Online: China	Store: Iceland, Lithuania Online: Norway
Monki	16	19	Store: Kuwait (franchise), Saudi Arabia (franchise)	Store: Iceland Online: Norway
Weekday	10	18	Store: Finland	Store: Iceland, Luxembourg Online: Norway
& Other Stories	17	15	Store: Austria, Kuwait (franchise)	Store: Luxembourg Online: Norway
Cheap Monday	1	18		
ARKET	6	18	Store: Netherlands, Sweden	Online: Norway
Afound	1	1	Store: Sweden Online: Sweden	
H&M HOME	50	40	Store: Ukraine, Morocco (franchise), Chile, Iceland Online: Kuwait (franchise), United Arab Emirates (franchise), Saudi Arabia (franchise)	



## Store count by brand

In the financial year 2017/2018, excluding franchise, the group opened 336 (446) stores and closed 143 (89) stores, i.e. a net increase of 193 (357) new stores. Via franchise partners 39 (33) stores were opened and 3 (2) stores were closed. The group had a total of 4,968 (4,739) stores as of 30 November 2018, of which 255 (219) were operated by franchise partners.

As previously communicated, Cheap Monday will be closed down in 2019. The H&M group's transition work in response to the extensive changes within the fashion industry means that the company is prioritising and focusing on its core business. Cheap Monday's business model is based on traditional wholesale, which is a model that has faced major challenges due to the shift in the industry. The H&M group has therefore decided to close down Cheap Monday.



Monki

Brand	New Stores 2018 (net)		Total No of stores	
	Q4	Full year	30 Nov - 2018	30 Nov - 2017
H&M	80	145	4,433	4,288
COS	15	39	270	231
Monki	8	8	127	119
Weekday	4	5	38	33
& Other Stories	7	10	70	60
Cheap Monday	0	-2	1	3
ARKET	4	11	16	5
Afound	2	5	5	0
H&M HOME*	7	8	8	0
<b>Total</b>	<b>127</b>	<b>229</b>	<b>4,968</b>	<b>4,739</b>

\* Concept stores, H&M HOME is included with 345 shop-in-shop in H&M stores

## Store count by region

Region	New Stores 2018 (net)		Total No of stores	
	Q4	Full year	30 Nov - 2018	30 Nov - 2017
Europe & Africa	61	61	3,069	3,008
Asia & Oceania	36	105	1,151	1,046
North & South America	30	63	748	685
<b>Total</b>	<b>127</b>	<b>229</b>	<b>4,968</b>	<b>4,739</b>

## Tax

The US tax reform (Tax Cuts & Jobs Act) was enacted in December 2017. For H&M this meant that deferred tax liabilities and deferred tax assets assignable to H&M's US subsidiary were remeasured during the first quarter 2018. Based on the decision to reduce Swedish corporate tax rate, the group has also remeasured the deferred tax liabilities and deferred tax assets of the Swedish companies. The group had one-off positive tax income of SEK 518 m in the financial year as a result of these remeasurements. Cash flow was not affected by these one-off effects.

The H&M group's tax rate for the 2017/2018 financial year was 22.4 (22.2) percent excluding the one-off effects described above. The outcome of the tax rate for the year depends on the results of the group's various companies and the corporate tax rates in each country.

The H&M group's tax rate for the 2018/2019 financial year is expected to be approximately 22.0 – 23.0 percent. In the first, second and third quarters of 2019 a tax rate of 23.0 percent will be used to calculate tax expense on the result of each quarter.

## Employees

The average number of employees in the group, converted into full-time positions, was 123,283 (120,191), of which 10,839 (10,100) are employed in Sweden.

## Current quarter

Net sales in the period 1 December 2018 to 28 January 2019 increased by 4 percent in local currencies compared to the corresponding period the previous year.

Improved collections with more full-price sales mean that markdowns in relation to sales are expected to decrease by around 1 percentage point in the first quarter compared to the same quarter the previous year.

## Financing

As of 30 November 2018, the group had SEK 9,153 m (9,745) in loans from credit institutions with a term of up to 12 months as well as SEK 10,170 m (0) in loans from credit institutions with a term of up to 36 months.

Loans from credit institutions within the Nordic countries amounted to SEK 17,886 m (9,320), with an average interest rate of 0.45 percent. Loans from credit institutions in Euro countries amounted to SEK 1,034 m (0), with an average interest rate of 0.00 percent. Loans in the rest of the world amounted to SEK 403 (425) with an average interest rate of 8.64 percent. The group's strategy is to mainly centralise funding, which is then distributed within the group via loans to subsidiaries. In some of H&M's sales markets local rules and currency restrictions make it more favourable for the group to use local funding.

In 2018 the H&M group carried out financing activities aimed at improving liquidity and increasing the average term. Cash and cash equivalents increased to SEK 11,590 m (9,718) and the average term on loans to credit institutions increased to 1.6 years (0.7). The H&M group's five-year revolving credit facility (RCF) of EUR 700 m, which was agreed in 2017, has not yet been drawn down.

The strong credit profile of the H&M group enables cost-effective financing. To increase financing flexibility and cost-effectiveness, the group continuously reviews opportunities to complement this with other sources of funding on the credit market.

## Capital Structure

The H&M group advocates a conservative leverage ratio, aiming for a strong capital structure with strong liquidity and financial flexibility. It is essential that, as in the past, expansion and investments can proceed with continued freedom of action.

The capital structure is defined as net debt in relation to EBITDA. Over time, this should not exceed 1.0 x EBITDA. Net debt / EBITDA was 0.3 (0.0) as of 30 November 2018.

## Dividend policy and dividend proposal

The board of directors' intention is to provide shareholders with a continued good dividend yield while ensuring that, as in the past, expansion and investments can proceed with a continued strong financial profile and freedom of action. Based on this, the board of directors has agreed a dividend policy stating that the total dividend should exceed 50 percent of profit after tax, yet taking into consideration the capital structure target. The dividend will be paid in two instalments – one in the spring and one in the autumn.

The board of directors has decided to propose an unchanged dividend of SEK 9.75 per share (9.75) to the annual general meeting on 7 May 2019, corresponding to 127.5 percent (99.7) of the group's profit after tax.

The record date proposed for the first payment of SEK 4.90 is 9 May 2019. This would then be paid out on 14 May 2019. The record date proposed for the second dividend payment of SEK 4.85 is 12 November 2019. This would then be paid out on 15 November 2019.

The board of directors is of the opinion that the proposed dividend is justifiable since it is based on the fact that the underlying business is showing gradual improvements, investments (capex) will reduce in 2019 and the company remains in a strong financial position. The dividend proposal takes into consideration the financial position and continued freedom of action of the group and the parent company, the capital structure target and the requirements that the nature and extent of the business, its risks and expansion and development plans impose on the group's and the parent company's equity and liquidity.

## Annual general meeting 2019

The 2019 annual general meeting will be held at 15:00 CET on Tuesday 7 May 2019 in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna.

## Annual report 2018

The annual report and the corporate governance report are expected to be published on 2 April 2019 on [about.hm.com](http://about.hm.com) and will be sent out by post to shareholders that have so requested. The documents will also be available at the company's head office.

## Accounting principles

The group applies International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared according to IAS 34 Interim Financial Reporting as well as the Swedish Annual Accounts Act.

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for 2017 which are described in Note 1 – Accounting principles.

H & M Hennes & Mauritz AB's financial instruments consist of accounts receivable, other receivables, cash and cash equivalents, accounts payable, accrued trade payables, interest-bearing securities and currency derivatives. Currency derivatives are measured at fair value based on input data corresponding to level 2 of IFRS 13. As of 30 November 2018, forward contracts with a positive market value amount to SEK 372 m (497), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 238 m (903), which is reported under other current liabilities. Other financial assets and liabilities have short terms. It is therefore judged that the fair values of these financial instruments are approximately equal to their book values.

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, which essentially involves applying IFRS. In accordance with RFR 2, the parent company does not apply IAS 39 to the measurement of financial instruments; nor does it capitalise development expenditure.

For definitions see the annual report and consolidated accounts for 2017.

Effective from this report the H&M group will no longer report sales including VAT. In future interim reports and sales development press releases, therefore, only sales excluding VAT – i.e. net sales – will be reported as a measure of sales. Net sales will be stated in absolute figures along with the percentage change in SEK and percentage change in local currencies.

## Future accounting principles

A number of new standards, revisions and interpretations of existing standards have been published but have not yet entered into force for the H&M group. Of these, only the standards below are expected to have any effect on the consolidated financial statements.

- IFRS 9 Financial Instruments. In H&M's case this standard will be applied from the financial year beginning on 1 December 2018, when it will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is divided into three parts: classification and measurement, hedge accounting and impairment.

IFRS 9 requires financial assets to be classified in three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The asset is classified upon initial recognition, based on the characteristics of the asset and the company's business model. In the case of financial liabilities, there are no significant changes compared to IAS 39.

IFRS 9 requires additional disclosures concerning risk management and the effects of hedge accounting. H&M will apply hedge accounting according to IFRS 9 from 1 December 2018. Finally, new principles have been introduced regarding impairment of financial assets using a model based on expected losses. One of the aims of the new model is that reservations for credit losses will be made at an earlier stage. For H&M, the measurement of doubtful receivables is not affected by the transition to any significant degree.

Overall, the introduction of IFRS 9 is not expected to have any significant effect on the consolidated accounts.

- IFRS 15 Revenue from Contracts with Customers. In H&M's case this standard will be applied from the financial year beginning on 1 December 2018. The standard replaces all previously issued standards and interpretations dealing with revenue (i.e. IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue: Barter Transactions Involving Advertising Services).

IFRS 15 contains an overall model for reporting revenue arising from contracts with customers. The idea is that everything starts with an agreement between two parties concerning the sale of a good or service. Initially a customer agreement is to be identified, which generates an asset (rights, a promise that compensation will be received) and a liability (commitments, a promise to deliver goods/services) for the seller. Under the model the company then reports a revenue item and thereby demonstrates that the company is meeting a commitment to deliver promised goods or services to the customer. To assess how the introduction of IFRS 15 will impact the group, a preliminary study of the company's revenue streams was conducted. The preliminary study shows that the group's income statement will not be significantly affected by the introduction of IFRS 15. The only exception is that the group will report provisions for expected returns gross. The group has elected to use a prospective method of transition and consequently comparative figures have not been restated.

- IFRS 16 Leases. In H&M's case this standard will be applied from the financial year beginning on 1 December 2019, when it will supersede IAS 17 Leases and its associated interpretations. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The group has begun its evaluation of the new standard and expects it to result in recognition of significant assets and liabilities associated with the group's leases for premises. Since the standard will be applied for the first time in the 2019/2020 financial year, the judgement has been made that it is not yet possible to assess and calculate its effects on the figures with any certainty.

## Risks and uncertainties

A number of factors may affect the H&M group's result and business. Many of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties for the H&M group related to the major shift within the industry, fashion, weather conditions, macroeconomic and geopolitical changes, sustainability issues, foreign currency, cyber-attacks, tax and different regulations but also in connection with expansion into new markets, the launch of new concepts and how the brand is managed.

For a more detailed description of risks and uncertainties, refer to the administration report and to note 2 in the annual report and consolidated accounts for 2017.

## Calendar

15 March 2019	Sales development in first quarter, 1 Dec 2018 – 28 Feb 2019
29 March 2019	Three-month report, 1 Dec 2018 – 28 Feb 2019
7 May 2019	Annual general meeting
17 June 2019	Sales development in second quarter, 1 Mar 2019 – 31 May 2019
27 June 2019	Six-month report, 1 Dec 2018 – 31 May 2019
16 September 2019	Sales development in third quarter, 1 Jun 2019 – 31 Aug 2019
3 October 2019	Nine-month report, 1 Dec 2018 – 31 Aug 2019

This full-year report has not been audited by the company's auditors.

Stockholm, 30 January 2019  
Board of Directors

## Press and telephone conference in conjunction with the full-year report

In conjunction with the release of the full-year report on 31 January a press conference will be held at 9:30 CET when CEO Karl-Johan Persson and Head of IR Nils Vinge will participate. The press conference will be held in Swedish for the financial market and media at H&M's head office in Stockholm, Ljusgården, Mäster Samuelsgatan 49, 3:rd floor.

A telephone conference for the financial market and media will be held in English at 14:00 CET hosted by CEO Karl-Johan Persson, CFO Jyrki Tervonen and Head of IR Nils Vinge. The presentation material will be available at [about.hm.com/investors](http://about.hm.com/investors).

Participants for the telephone conference are kindly asked to register at:

<http://emea.directeventreg.com/registration/3594072>

For interview requests with CEO Karl-Johan Persson and Head of IR Nils Vinge please contact: Kristina Stenvinkel, Communications Director, phone +46 8 796 39 08, e-mail: [stenvinkel@hm.com](mailto:stenvinkel@hm.com)

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Information in this interim report is that which H & M Hennes & Mauritz AB (publ) is required to disclose under the EU Market Abuse Regulation (596/2014/EU). The information was submitted for publication by the abovementioned persons at 08:00 (CET) on 31 January 2019. This full-year report and other information about H&M, is available at [about.hm.com](http://about.hm.com).

*H & M Hennes & Mauritz AB (publ) was founded in Sweden in 1947 and is quoted on Nasdaq Stockholm. H&M's business idea is to offer fashion and quality at the best price in a sustainable way. In addition to H&M, the group includes the brands COS, Monki, Weekday, Cheap Monday, & Other Stories, H&M HOME and ARKET as well as Afound. The H&M group has 47 online markets and more than 4,900 stores in 71 markets including franchise markets. In 2018, net sales were SEK 210 billion. The number of employees amounts to more than 177,000. For further information, visit [about.hm.com](http://about.hm.com).*



**GROUP INCOME STATEMENT (SEK m)**

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	56,414	50,407	210,400	200,004
Cost of goods sold	-25,822	-22,478	-99,513	-91,914
<b>GROSS PROFIT</b>	<b>30,592</b>	<b>27,929</b>	<b>110,887</b>	<b>108,090</b>
<i>Gross margin, %</i>	54.2	55.4	52.7	54.0
Selling expenses	-24,249	-21,194	-87,512	-80,427
Administrative expenses	-2,041	-1,914	-7,882	-7,094
<b>OPERATING PROFIT</b>	<b>4,302</b>	<b>4,821</b>	<b>15,493</b>	<b>20,569</b>
<i>Operating margin, %</i>	7.6	9.6	7.4	10.3
Interest income (incl finance lease)	95	75	292	281
Interest expense and similar items (incl finance lease)	-45	-23	-146	-41
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>4,352</b>	<b>4,873</b>	<b>15,639</b>	<b>20,809</b>
Tax	-809	-880	-2,987	-4,625
<b>PROFIT FOR THE PERIOD</b>	<b>3,543</b>	<b>3,993</b>	<b>12,652</b>	<b>16,184</b>

All profit for the year is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

Earnings per share, SEK*	2.14	2.41	7.64	9.78
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	2,590	2,164	9,671	8,488
of which cost of goods sold	138	185	558	736
of which selling expenses	2,323	1,828	8,566	7,175
of which administrative expenses	129	151	547	577

\* Before and after dilution.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK m)**

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
PROFIT FOR THE PERIOD	3,543	3,993	12,652	16,184
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Translation differences	-479	2,085	1,895	-1,496
<i>Change in hedging reserves</i>				
Change in the value of derivatives	522	-2,409	483	-1,341
Reclassified to profit or loss	52	1,162	52	1,162
Tax attributable to change in hedging reserves	-132	295	-123	39
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of defined benefit pension plans	14	78	14	78
Tax related to the above remeasurement	-3	-19	-3	-19
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-26</b>	<b>1,192</b>	<b>2,318</b>	<b>-1,577</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,517</b>	<b>5,185</b>	<b>14,970</b>	<b>14,607</b>

All comprehensive income is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

**GROUP BALANCE SHEET (SEK m)**

ASSETS	30 Nov - 2018	30 Nov - 2017
<b>FIXED ASSETS</b>		
<b>Intangible fixed assets</b>		
Brands	-	18
Customer relations	-	8
Leasehold and similar rights	508	592
Capitalised expenditures	9,046	6,361
Goodwill	64	64
	<b>9,618</b>	<b>7,043</b>
<b>Tangible fixed assets</b>		
Buildings and land	831	824
Equipment, tools, fixture and fittings	41,608	38,994
	<b>42,439</b>	<b>39,818</b>
<b>Financial fixed assets</b>		
Other shares and participating rights	478	233
<b>Other fixed assets</b>		
Long-term receivables	885	806
Deferred tax receivables	3,794	2,916
	<b>4,679</b>	<b>3,722</b>
<b>TOTAL FIXED ASSETS</b>	<b>57,214</b>	<b>50,816</b>
<b>CURRENT ASSETS</b>		
<b>Stock-in-trade</b>	<b>37,721</b>	<b>33,712</b>
<b>Current receivables</b>		
Accounts receivable	6,329	5,297
Tax receivables	1,448	2,375
Other receivables	1,607	1,874
Prepaid expenses	2,881	2,770
	<b>12,265</b>	<b>12,316</b>
<b>Cash and cash equivalents</b>	<b>11,590</b>	<b>9,718</b>
<b>TOTAL CURRENT ASSETS</b>	<b>61,576</b>	<b>55,746</b>
<b>TOTAL ASSETS</b>	<b>118,790</b>	<b>106,562</b>

**GROUP BALANCE SHEET (SEK m)**

<b>EQUITY AND LIABILITIES</b>	<b>30 Nov - 2018</b>	<b>30 Nov - 2017</b>
<b>EQUITY</b>		
Share capital	207	207
Reserves	3,322	1,015
Retained earnings	55,017	58,491
<b>TOTAL EQUITY</b>	<b>58,546</b>	<b>59,713</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Provisions for pensions*	445	445
Deferred tax liabilities	5,088	5,331
Liabilities to credit institutions*	10,170	-
Other interest-bearing liabilities*	322	350
	<b>16,025</b>	<b>6,126</b>
<b>Current liabilities</b>		
Accounts payable	6,800	7,215
Tax liabilities	1,163	918
Liabilities to credit institutions**	9,153	9,745
Interest-bearing liabilities**	136	125
Other liabilities	3,800	3,672
Accrued expenses and prepaid income	23,167	19,048
	<b>44,219</b>	<b>40,723</b>
<b>TOTAL LIABILITIES</b>	<b>60,244</b>	<b>46,849</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>118,790</b>	<b>106,562</b>

\* Interest-bearing long-term liabilities amounts to SEK 10,937 m (795).

\*\* Interest-bearing current liabilities amounts to SEK 9,289 m (9,870).

**GROUP CHANGES IN EQUITY (SEK m)**

All shareholders' equity is attributable to the shareholders of the parent company, H & M Hennes & Mauritz AB.

	Share capital	Translation effects	Hedging reserves	Retained earnings	Total shareholders' equity
<b>Shareholder's equity, 1 December 2017</b>	207	1,353	-338	58,491	59,713
Profit for the year	-	-	-	12,652	12,652
<b>Other comprehensive income</b>					
Translation differences	-	1,895	-	-	1,895
<b>Change in hedging reserves</b>					
Value change derivative	-	-	483	-	483
Transfer to income statement	-	-	52	-	52
Tax attributable to hedging reserves	-	-	-123	-	-123
Revaluations relating to defined benefit pension plans	-	-	-	14	14
Tax attributable to the above revaluation	-	-	-	-3	-3
<b>Other comprehensive income</b>	-	1,895	412	11	2,318
<b>Total comprehensive income</b>	-	1,895	412	12,663	14,970
Dividend	-	-	-	-16,137	-16,137
<b>Shareholder's equity, 30 November 2018</b>	207	3,248	74	55,017	58,546

	Share capital	Translation effects	Hedging reserves	Retained earnings	Total shareholders' equity
<b>Shareholder's equity, 1 December 2016</b>	207	2,849	-198	58,378	61,236
Adjustment of opening balance*	-	-	-	7	7
<b>Adjusted shareholders' equity, 1 Dec 2016</b>	207	2,849	-198	58,385	61,243
Profit for the year	-	-	-	16,184	16,184
<b>Other comprehensive income</b>					
Translation differences	-	-1,496	-	-	-1,496
<b>Change in hedging reserves</b>					
Value change derivative	-	-	-1,341	-	-1,341
Transfer to income statement	-	-	1,162	-	1,162
Tax attributable to hedging reserves	-	-	39	-	39
Revaluation of defined benefit pension plans	-	-	-	78	78
Tax attributable to the above revaluation	-	-	-	-19	-19
<b>Other comprehensive income</b>	-	-1,496	-140	59	-1,577
<b>Total comprehensive income</b>	-	-1,496	-140	16,243	14,607
Dividend	-	-	-	-16,137	-16,137
<b>Shareholder's equity, 30 November 2017</b>	207	1,353	-338	58,491	59,713

\* Effective from the 2017 financial year, the way that certain defined-contribution pension plans are recognised has changed in two of the Swedish companies.

The effect in relation to previous years is reported as an adjustment of the opening balance of equity.

**GROUP CASH FLOW STATEMENT (SEK m)**

	Full year 2018	Full year 2017
<b>Current operations</b>		
Profit after financial items*	15,639	20,809
- Provisions for pensions	0	9
- Depreciation	9,671	8,488
- Tax paid	-3,098	-6,051
- Other	39	-20
<b>Cash flow from current operations before changes in working capital</b>	<b>22,251</b>	<b>23,235</b>
<b>Cash flow from changes in working capital</b>		
Current receivables	-587	-1,115
Stock-in-trade	-3,489	-2,414
Current liabilities	3,112	1,881
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>21,287</b>	<b>21,587</b>
<b>Investing activities</b>		
Investment in leasehold and similar rights	-64	-102
Investments in other intangible assets	-3,207	-2,058
Investment in buildings and land	-5	-27
Investment in fixed assets	-9,552	-10,284
Other investments	-324	-25
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-13,152</b>	<b>-12,496</b>
<b>Financial activities</b>		
Short-term loans	-592	7,677
New loans	10,170	-
Amortisation finance lease	-126	-57
Dividend	-16,137	-16,137
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-6,685</b>	<b>-8,517</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>1,450</b>	<b>574</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>9,718</b>	<b>9,446</b>
Cash flow for the year	1,450	574
Exchange rate effect	422	-302
<b>Cash and cash equivalents at end of the financial year**</b>	<b>11,590</b>	<b>9,718</b>

\* Interest paid for the group amounts to SEK 107 m (40).

Received interest for the group amounts to SEK 292 m (260).



## NET SALES BY MARKET AND NUMBER OF STORES

Q4, 1 September - 30 November

Market	Q4 - 2018	Q4 - 2017	Change in %		30 Nov - 18	Q4 - 2018	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	2,131	2,129	0	0	175	8	1
Norway	1,205	1,186	2	-4	130	2	
Denmark	1,315	1,222	8	1	113	11	4
UK	3,714	3,214	16	8	304	14	4
Switzerland	1,348	1,254	7	-2	100	3	1
Germany	8,713	7,976	9	2	468	16	6
Netherlands	1,712	1,601	7	0	144	2	1
Belgium	970	896	8	1	96		1
Austria	1,336	1,256	6	-1	88	2	
Luxembourg	108	101	7	0	10		
Finland	579	549	5	-2	67	4	1
France	2,980	2,768	8	0	237	2	5
USA	6,923	6,443	7	-2	578	23	4
Spain	1,933	1,659	17	9	172	2	3
Poland	1,365	1,152	18	13	186	5	1
Czech Republic	452	366	23	14	52		
Portugal	306	254	20	12	32	1	
Italy	2,119	1,974	7	0	179	6	2
Canada	1,325	1,114	19	13	94	1	
Slovenia	133	120	11	4	12		
Ireland	295	251	18	10	24		
Hungary	460	382	20	16	47	1	
Slovakia	210	167	26	17	25	1	
Greece	470	416	13	5	35		
China	2,982	2,264	32	24	530	13	5
Hong Kong	368	342	8	-3	26		2
Japan	1,302	1,159	12	2	91	4	
Russia	1,468	1,202	22	27	139	2	
South Korea	514	445	16	6	46	2	
Turkey	732	773	-5	31	68	1	1
Romania	651	536	21	15	56	1	1
Croatia	208	191	9	0	16	2	1
Singapore	191	197	-3	-11	12	1	
Bulgaria	181	160	13	6	21	1	
Latvia	93	82	13	6	8		
Malaysia	279	237	18	-1	47	1	
Mexico	821	549	50	44	45	2	
Chile	396	360	10	8	13	5	
Lithuania	91	78	17	7	9		
Serbia	127	111	14	6	13		
Estonia	92	87	6	-1	12	1	
Australia	584	556	5	3	44	7	
Philippines	238	218	9	4	34		
Taiwan	151	160	-6	-13	12		
Peru	187	146	28	16	11	2	
Macau	30	29	3	-8	2		
India	389	276	41	43	39	5	
South Africa	189	180	5	2	23	4	
Puerto Rico	27	11	145	109	2		
Cyprus	22	21	5	-3	1		
New Zealand	96	71	35	36	4		
Kazakhstan	50	50	0	2	3		
Colombia	105	80	31	29	4		
Iceland	50	65	-23	-20	3	1	
Vietnam	93	63	48	45	6	2	
Georgia	30	7	329	339	2		
Ukraine	46				2	1	
Uruguay	64				1	1	
Franchise	1,465	1,251	17	19	255	11	3
<b>Total</b>	<b>56,414</b>	<b>50,407</b>	<b>12</b>	<b>6</b>	<b>4,968</b>	<b>174</b>	<b>47</b>

## NET SALES BY MARKET AND NUMBER OF STORES

Full year, 1 December - 30 November

Market	2018	2017	Change in %		30 Nov - 18	Full year	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	8,404	8,236	2	2	175	12	9
Norway	4,964	4,900	1	-1	130	2	
Denmark	5,045	4,639	9	3	113	14	11
UK	13,760	12,622	9	5	304	25	13
Switzerland	5,145	5,471	-6	-7	100	4	4
Germany	32,367	30,959	5	-1	468	22	17
Netherlands	6,465	6,191	4	-1	144	10	11
Belgium	3,815	3,726	2	-3	96	4	5
Austria	4,901	4,666	5	-1	88	2	
Luxembourg	406	408	0	-6	10		
Finland	2,412	2,295	5	0	67	6	3
France	11,311	11,383	-1	-6	237	9	12
USA	24,798	26,330	-6	-6	578	54	12
Spain	7,373	6,816	8	2	172	4	7
Poland	5,285	4,402	20	13	186	12	1
Czech Republic	1,610	1,341	20	10	52	3	1
Portugal	1,179	1,075	10	3	32	1	1
Italy	7,630	7,525	1	-4	179	10	6
Canada	4,569	4,291	6	5	94	5	2
Slovenia	488	452	8	2	12		1
Ireland	1,104	961	15	8	24		
Hungary	1,646	1,402	17	14	47	2	
Slovakia	750	616	22	15	25	3	
Greece	1,718	1,576	9	3	35		
China	10,743	9,484	13	10	530	38	14
Hong Kong	1,502	1,663	-10	-9	26	1	3
Japan	4,573	4,469	2	1	91	11	2
Russia	5,737	4,915	17	23	139	5	
South Korea	1,957	1,807	8	4	46	5	
Turkey	2,852	2,962	-4	22	68	2	4
Romania	2,299	1,979	16	12	56	1	1
Croatia	719	685	5	-1	16	2	1
Singapore	801	899	-11	-14	12	1	2
Bulgaria	635	581	9	4	21	1	
Latvia	356	326	9	3	8		
Malaysia	1,177	1,109	6	-4	47	3	
Mexico	2,854	1,988	44	45	45	8	
Chile	1,488	1,250	19	17	13	5	
Lithuania	351	324	8	2	9		
Serbia	423	363	17	7	13	1	
Estonia	381	350	9	3	12	2	
Australia	2,283	2,383	-4	-3	44	12	
Philippines	1,007	926	9	13	34	2	
Taiwan	627	742	-15	-17	12		
Peru	763	725	5	6	11	3	
Macau	120	135	-11	-9	2		
India	1,408	1,092	29	36	39	12	
South Africa	842	780	8	7	23	6	
Puerto Rico	80	91	-12	-12	2		
Cyprus	79	80	-1	-7	1		
New Zealand	284	183	55	59	4	1	
Kazakhstan	203	158	28	35	3		
Colombia	405	188	115	114	4	1	
Iceland	192	76	153	152	3	1	
Vietnam	271	63	330	335	6	4	
Georgia	102	7	1,357	1,381	2	1	
Ukraine	57				2	2	
Uruguay	64				1	1	
Franchise	5,620	4,938	14	14	255	39	3
<b>Total</b>	<b>210,400</b>	<b>200,004</b>	<b>5</b>	<b>3</b>	<b>4,968</b>	<b>375</b>	<b>146</b>

**FIVE YEAR SUMMARY****Full year, 1 December - 30 November**

	2014	2015	2016	2017	2018
Net sales, SEK m	151,419	180,861	192,267	200,004	210,400
Change net sales from previous year in SEK, %	18	19	6	4	5
Change net sales previous year in local currencies, %	14	11	7	3	3
Operating profit, SEK m	25,583	26,942	23,823	20,569	15,493
Operating margin, %	16.9	14.9	12.4	10.3	7.4
Depreciations for the year, SEK m	5,045	6,399	7,605	8,488	9,671
Profit after financial items, SEK m	25,895	27,242	24,039	20,809	15,639
Profit after tax, SEK m	19,976	20,898	18,636	16,184	12,652
Cash and cash equivalents and short-term investments, SEK m	16,693	12,950	9,446	9,718	11,590
Stock-in-trade, SEK m	19,403	24,833	31,732	33,712	37,721
Equity, SEK m	51,556	58,049	61,236	59,713	58,546
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	12.07	12.63	11.26	9.78	7.64
Equity per share, SEK*	31.15	35.07	37.00	36.08	35.37
Cash flow from current operations per share, SEK*	14.60	14.54	14.36	13.04	12.86
Dividend per share, SEK	9.75	9.75	9.75	9.75	9.75**
Return on equity, %	41.3	38.1	31.2	26.8	21.4
Return on capital employed, %	53.1	49.3	39.2	31.0	21.2
Share of risk-bearing capital, %	72.5	72.7	67.1	61.0	53.6
Equity/assets ratio, %	68.2	67.6	62.1	56.0	49.3
Total number of stores	3,511	3,924	4,351	4,739	4,968
Average number of employees	93,351	104,634	114,586	120,191	123,283

\* Before and after dilution.

\*\* Proposed by the Board of Directors.

For definitions of key figures see the annual report

**SEGMENT REPORTING (SEK m)**

	2018	2017
<b>Asia and Oceania</b>		
External net sales	31,902	29,557
Operating profit	735	1,143
Operating margin, %	2.3	3.9
Assets excluding tax receivables and internal receivables	16,102	14,490
Liabilities excluding tax liabilities and internal liabilities	2,400	1,487
Investments	1,047	1,651
Depreciation	1,667	1,455
<b>Europe and Africa*</b>		
External net sales	143,480	135,567
Operating profit	4,787	4,066
Operating margin, %	3.3	3.0
Assets excluding tax receivables and internal receivables	47,571	45,894
Liabilities excluding tax liabilities and internal liabilities	15,952	13,553
Investments	4,378	4,824
Depreciation	4,528	4,118
<b>North and South America</b>		
External net sales	35,018	34,880
Operating profit	946	794
Operating margin, %	2.7	2.3
Assets excluding tax receivables and internal receivables	19,863	18,959
Liabilities excluding tax liabilities and internal liabilities	7,909	6,785
Investments	2,915	3,258
Depreciation	2,437	2,120
<b>Group Functions</b>		
Net sales to other segments	67,795	72,901
Operating profit	9,025	14,566
Operating margin, %	13.3	20.0
Assets excluding tax receivables and internal receivables	30,012	21,928
Liabilities excluding tax liabilities and internal liabilities	27,732	18,775
Investments	4,557	3,017
Depreciation	1,039	795
<b>Eliminations</b>		
Net sales to other segments	-67,795	-72,901
<b>Total</b>		
External net sales	210,400	200,004
Operating profit	15,493	20,569
Operating margin, %	7.4	10.3
Assets excluding tax receivables and internal receivables	113,548	101,271
Liabilities excluding tax liabilities and internal liabilities	53,993	40,600
Investments	12,897	12,750
Depreciation	9,671	8,488

\*South Africa

**PARENT COMPANY INCOME STATEMENT (SEK m)**

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
External net sales	6	4	22	13
Internal net sales*	1,177	1,064	4,262	4,069
<b>GROSS PROFIT</b>	<b>1,183</b>	<b>1,068</b>	<b>4,284</b>	<b>4,082</b>
Administrative expenses	-32	-24	-156	-158
<b>OPERATING PROFIT</b>	<b>1,151</b>	<b>1,044</b>	<b>4,128</b>	<b>3,924</b>
Dividend from subsidiaries	10,076	9,945	13,793	13,004
Interest income and similar items**	-12	2	97	18
Interest expense and similar items***	-25	38	-44	-91
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>11,190</b>	<b>11,029</b>	<b>17,974</b>	<b>16,855</b>
Year-end appropriations	-1,164	-328	-1,164	-328
Tax	2	-164	-673	-773
<b>PROFIT FOR THE PERIOD</b>	<b>10,028</b>	<b>10,537</b>	<b>16,137</b>	<b>15,754</b>

\* Internal sales in the quarter consists of royalty of SEK 1,091 m (1,030) and other SEK 86 m (34) received from group companies and for the full-year of royalty of SEK 4,169 m (3,962) and other SEK 93 m (107).

\*\* Interest income and similar items in the quarter consists of SEK 14 m (2) in interest income and SEK -26 m (0) in translation effects from group companies and in the full-year of SEK 19 m (18) in interest income and SEK 78 m (0) in translation effects from group

\*\*\* Interest expense and similar items in the quarter consists of SEK -25 m (-5) in interest expense and SEK 0 m (43) in translation effects from group companies and in the full-year of SEK -44 m (-11) in interest expense and SEK 0 m (-80) in translation effects from group companies.

**PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)**

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
PROFIT FOR THE PERIOD	10,028	10,537	16,137	15,754
Other comprehensive income				
<i>Items that have not been and will not be reclassified to profit or loss</i>				
Remeasurement of defined benefit pension plans	-9	-1	-9	-1
Tax related to the above remeasurement	2	0	2	0
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-7</b>	<b>-1</b>	<b>-7</b>	<b>-1</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>10,021</b>	<b>10,536</b>	<b>16,130</b>	<b>15,753</b>



**PARENT COMPANY BALANCE SHEET (SEK m)**

	30 Nov - 2018	30 Nov - 2017
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
<b>Tangible fixed assets</b>		
Buildings and land	146	148
Equipment, tools, fixture and fittings	143	219
	<b>289</b>	<b>367</b>
<b>Other fixed assets</b>		
Shares and participation rights	588	588
Receivables from subsidiaries	842	849
Long-term receivables	115	111
Deferred tax receivables	76	79
	<b>1,621</b>	<b>1,627</b>
<b>TOTAL FIXED ASSETS</b>	<b>1,910</b>	<b>1,994</b>
<b>CURRENT ASSETS</b>		
<b>Current receivables</b>		
Accounts receivable	6	4
Receivables from subsidiaries	30,104	19,287
Other receivables	2	8
Prepaid expenses	121	13
	<b>30,233</b>	<b>19,312</b>
<b>Cash and cash equivalents</b>	<b>93</b>	<b>133</b>
<b>TOTAL CURRENT ASSETS</b>	<b>30,326</b>	<b>19,445</b>
<b>TOTAL ASSETS</b>	<b>32,236</b>	<b>21,439</b>

**PARENT COMPANY BALANCE SHEET (SEK m)**

	30 Nov - 2018	30 Nov - 2017
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
<b>Restricted equity</b>		
Share capital	207	207
Restricted reserves	88	88
	<b>295</b>	<b>295</b>
<b>Non-restricted equity</b>		
Retained earnings	46	430
Profit for the year	16,130	15,753
	<b>16,176</b>	<b>16,183</b>
<b>TOTAL EQUITY</b>	<b>16,471</b>	<b>16,478</b>
<b>UNTAXED RESERVES</b>	<b>96</b>	<b>417</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Provisions for pensions*	181	182
Liabilities to credit institutions*	9,113	-
	<b>9,294</b>	<b>182</b>
<b>Short-term liabilities</b>		
Accounts payable	1	3
Tax liabilities	21	41
Liabilities to credit institutions*	6,000	4,000
Other liabilities	200	176
Accrued expenses and prepaid income	153	142
	<b>6,375</b>	<b>4,362</b>
<b>TOTAL LIABILITIES</b>	<b>15,669</b>	<b>4,544</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32,236</b>	<b>21,439</b>

\* Only provisions for pensions and liabilities to credit institutions are interest-bearing.

# **MAPA DE PÚBLICS H&M**

# Engaging with our stakeholders

CUSTOMERS	COMMUNITIES	COLLEAGUES	SUPPLIERS	SUPPLY CHAIN EMPLOYEES AND THEIR REPRESENTATIVES	INDUSTRY PEERS	POLICYMAKERS	ACADEMIA & SCIENCE	NGOS, IGOs AND OTHER EXPERTS	INVESTORS
As a customer-focused company, understanding and meeting and exceeding the needs and demands of all our brands customers is at the core of everything we do.	Our aim is to contribute to the economic and societal development of the communities around us, be it our stores, offices or warehouses or the communities we touch in our value chain.	Our more than 171,000 colleagues are key to our success. We want all of them to feel proud of working for H&M group. Coming from all over the world, we share and work along the same corporate values.	Our suppliers are our valued business partners. Stable and long-term relations are key to mutual growth. Strengthening and enabling their ownership over their sustainability issues is important in enabling long-term sustainable development.	Our suppliers employ over 1.6 million people, most of them women in emerging markets. This provides a great opportunity to improve the livelihood of people, their families and communities. Making sure they have a voice in fair and constructive negotiations and industrial relations is a key element to our strategy.	Many challenges are best addressed collectively. We work with industry peers and even companies operating in other sectors to define industry standards and common responses to shared challenges.	H&M group, our value chain and our customers are subject to rules set by policymakers. Maintaining dialogue with them helps us to stay informed about, and sometimes to help shape, the legal and regulatory context in a responsible manner.	We follow a science-based approach as part of our sustainability strategy. Innovation is key to addressing some of our industry's greatest challenges and opportunities. Therefore, engaging with academia and science is vital to our continued strategy development and to meeting our ambitious goals.	NGOs are often expert advisers on standards and practices throughout our value chain. We rely on their expertise and independence to ensure that we meet the most up-to-date standards and to make us aware of any concerns. With many, we work in close collaboration and also implement partnerships.	H&M group is a publicly listed company. As such, we are accountable to our investors. We prioritise our most important investors in a direct dialogue wherever possible and integrate feedback we receive in our strategies and to inform our sustainability reporting, striving for the greatest possible transparency.
HOW WE ENGAGE									
<ul style="list-style-type: none"> <li>- In-store customer interactions.</li> <li>- Customer service organisation.</li> <li>- Social media (for example, the H&amp;M brand has over 24 million followers on Instagram and about 33 million on Facebook).</li> <li>- Market research (incl. surveys, focus groups, online community).</li> <li>- Consumer media.</li> </ul>	<ul style="list-style-type: none"> <li>- Through community partners.</li> <li>- Interactions with local authorities.</li> <li>- Through NGO interaction (local &amp; global).</li> <li>- Interactions with IGOs and governments.</li> <li>- Interviews with workers in supplier factories through our Full Audit Programme (FAP).</li> </ul>	<ul style="list-style-type: none"> <li>- Our values.</li> <li>- We have an open-door policy, encouraging constant feedback.</li> <li>- Our day-to-day leadership and teamwork.</li> <li>- Global employee survey.</li> <li>- Training.</li> <li>- Internal communication channels.</li> <li>- Store or union representation in many markets.</li> <li>- European Works Council (EWC).</li> <li>- Dialogue facilitated through our global framework agreement with Union Network International (UNI).</li> <li>- Regular individual performance reviews.</li> </ul>	<ul style="list-style-type: none"> <li>- Close relations and constant dialogue with our business partners through our local presence with offices in all major production locations.</li> <li>- Anonymous supplier surveys.</li> <li>- Supplier Relations Management system.</li> <li>- Individual meetings throughout partnership, performance reviews and joint capacity planning.</li> <li>- SIPP and verifications.</li> <li>- Training modules and capacity building.</li> </ul>	<ul style="list-style-type: none"> <li>- Anonymous worker surveys.</li> <li>- Global Framework Agreement with IndustriAll Global Union.</li> <li>- Regular direct dialogue with local trade unions through our local offices in our production markets, including via National Monitoring Councils.</li> <li>- Social dialogue training and projects in various markets.</li> <li>- Interviews with workers in supplier factories as part of our SIPP verification programme.</li> <li>- MoUs with the International Labour Organisation (ILO), the Swedish trade union IF Metall, IndustriALL (ACT) and the Swedish development agency Sida.</li> <li>- Active participation in and support for Global Deal (theglobaldeal.com).</li> </ul>	<ul style="list-style-type: none"> <li>- Multi-stakeholder initiatives such as the Ethical Trading Initiative (ETI), Sustainable Apparel Coalition (SAC) and Better Cotton Initiative (BCI).</li> <li>- Various regional and local initiatives such as Sector Roundtables.</li> <li>- Different forms of pre-competitive collaboration.</li> <li>- Individual meetings and dialogues.</li> <li>- External meetings or conferences.</li> </ul>	<ul style="list-style-type: none"> <li>- Individual meetings and dialogues.</li> <li>- External meetings or conferences.</li> <li>- Participation in EU consultation processes or project (individually and through membership organisations such as Sustainable Apparel Coalition).</li> <li>- Through multi-stakeholder initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>- Direct dialogue on global or local level.</li> <li>- Through multi-stakeholder initiatives.</li> <li>- Input to strategy developments.</li> <li>- Specific events such as our 2017 "Change Makers Lab" and 2018 "Capital Markets Day".</li> <li>- Yearly stakeholder survey.</li> <li>- External meetings and conferences..</li> </ul>	<ul style="list-style-type: none"> <li>- Formal partnership.</li> <li>- Implementation partnerships.</li> <li>- Yearly stakeholder survey.</li> <li>- Direct dialogue on global or local level.</li> <li>- Through multistakeholder initiatives.</li> <li>- Input to strategy developments.</li> <li>- Specific events such as our 2017 "Change Makers Lab" and 2018 "Capital Markets Day".</li> <li>- External meetings and conferences.</li> </ul>	<ul style="list-style-type: none"> <li>- Annual General Meeting</li> <li>- Annual reports (financial and sustainability), quarterly reports and related press and telephone conferences.</li> <li>- Individual meetings and calls.</li> <li>- Specific events such as our 2017 "Change Makers Lab" and 2018 "Capital Markets Day".</li> <li>- External meetings and conferences.</li> <li>- Yearly stakeholder survey.</li> </ul>

CUSTOMERS	COMMUNITIES	COLLEAGUES	SUPPLIERS	SUPPLY CHAIN EMPLOYEES AND THEIR REPRESENTATIVES	INDUSTRY PEERS	POLICYMAKERS	ACADEMIA & SCIENCE	NGOS, IGOS AND OTHER EXPERTS	INVESTORS
KEY ISSUES									
<ul style="list-style-type: none"> <li>- Product design.</li> <li>- Product quality and durability.</li> <li>- Product affordability.</li> <li>- New store locations and markets.</li> <li>- Supply chain working conditions.</li> <li>- Chemicals used in production processes.</li> <li>- Waste management.</li> <li>- Animal welfare.</li> <li>- Diversity and inclusiveness.</li> </ul>	<ul style="list-style-type: none"> <li>- Community investments.</li> <li>- Employment opportunities and impacts on growth and development.</li> <li>- Environmental impact.</li> <li>- Community support (i.e. disaster relief or garment donations).</li> </ul>	<ul style="list-style-type: none"> <li>- Job security and growth.</li> <li>- Pay and working conditions.</li> <li>- Equal opportunities.</li> <li>- Training and career progression.</li> <li>- Supply chain working conditions.</li> <li>- Sustainable materials.</li> <li>- Garment collecting and waste management.</li> <li>- Packaging.</li> </ul>	<ul style="list-style-type: none"> <li>- Long-term relationships.</li> <li>- Order/capacity planning and business development.</li> <li>- Capacity building and skills transfer.</li> <li>- Compliance with our requirements.</li> <li>- Industrial relations and worker dialogue.</li> </ul>	<ul style="list-style-type: none"> <li>- Job and development opportunities.</li> <li>- Working conditions in general, particularly wages and working hours and health and safety.</li> <li>- Skills development.</li> <li>- Freedom of associations, workplace dialogue and industrial relations.</li> </ul>	<ul style="list-style-type: none"> <li>- Industry-wide social and environmental challenges, such as supply chain working conditions and environmental impacts.</li> <li>- Best practice in pre-competitive matters.</li> <li>- Legal and regulatory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>- Regulatory and legal compliance.</li> <li>- Local labour and environmental standards (particularly sustainable wage development, industrial relations and health and safety).</li> <li>- Product safety and quality standards.</li> <li>- Consumer and supply chain transparency.</li> <li>- Climate change (particularly availability of and legal framework for renewable electricity).</li> <li>- Specific local issues and challenges in various markets (such as so-called Sumangali schemes in Tamil Nadu (India), requirements for young workers in Myanmar or forced labour in cotton production in Uzbekistan or Turkmenistan).</li> </ul>	<ul style="list-style-type: none"> <li>- Innovation for a circular economy.</li> <li>- Climate impacts and innovations.</li> <li>- Material innovations.</li> <li>- Research supporting fair living wage implementation and industrial relations.</li> <li>- Consumer behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>- Labour rights and supply chain working conditions, particularly wages for supply chain workers.</li> <li>- Social and economic development contribution.</li> <li>- Water and chemical management.</li> <li>- Environmental impacts.</li> </ul>	<ul style="list-style-type: none"> <li>- Sales development.</li> <li>- Long-term profitability.</li> <li>- Expansion.</li> <li>- Innovation.</li> <li>- Sustainability matters in general.</li> </ul>