

## **Proposals to the annual general meeting 2022**

### **Other proposals**

#### **Item 18**

Shareholder Per Häggglund proposes that the annual general meeting pass a resolution stating that the company will co-finance a pilot plant to produce textiles from forest resources and recycled materials.

Replace fossil materials such as polyester with renewable raw materials from the forest as soon as possible

In August 2021 I sent a letter to Helena Helmersson proposing measures for how fossil materials such as polyester could be replaced with viscose. I also sent a similar letter to board member Niklas Zennström. *Since I have received no reply, I now wish this matter to be discussed at the 2022 general meeting.*

I am among the group of people who are both shareholders in and customers of H&M. I began buying shares in H&M in autumn 1997 and now hold 1,300 shares. Naturally I am concerned about the poor share price development in recent years, but above all about the fact that H&M has not taken the lead and phased out fossil materials such as polyester from its production. Even the conservative and sluggish Handelsbanken and the organisation Svenskt Näringsliv (the Confederation of Swedish Enterprise) are in agreement on climate change and believe the transition is taking place too slowly. In January 2020 asset manager Blackrock stated that sustainability will impact investors' investment strategy going forward.

In Sweden we have renewable forest resources that can be used to replace fossil materials such as polyester with, for example, viscose. We are also good at working on recycling. Our country is home to big international producers of pulp from forest resources, such as Smurfit Kappa, Billerud Korsnäs, Metsä board, SCA etc.

All this puts H&M in a unique position to be far ahead of the rest of the world and transition to selling only materials made of renewable resources and recycled materials. Do what LKAB and Vattenfall and SSAB have done: they have spent a few billion building the Hybrit plant in Luleå, which is developing fossil-free steelmaking.

In other words, show by your actions that you take climate change seriously and that you intend to be at the forefront by changing the industry fundamentally!

*My proposal is that Helena Helmersson sits down with the Persson family as soon as possible to draw up guidelines for getting together with the guys who wear braces<sup>1</sup> at SCA, for example, and spending a few billion to co-finance a demo plant/pilot plant for developing and producing absolutely world-class textiles from both forest resources and recycled materials. In conjunction with this you should be able to report a bold plan for when you intend to phase out fossil materials from your production.*

As I see it, my proposal also fits in perfectly with the current ESG trend.

#### **Does the general meeting have any better proposal that could make the transformation of Hennes & Mauritz's clothing production circular and sustainable?**

The advantages of SCA in particular are that the sawmills in Norrland are continually expanding their capacity. This in turn means that they churn out large volumes of pulpwood – in other words, the input material for the pulp industry. Added to this, there will be chips etc. from the sawmills that also

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<sup>1</sup>The Swedish word used here, breijhängselpojkarna, is used in rural Skellefteå to refer to people who wear trouser braces such as bankers, landowners and factory managers.

go to the pulp industry. Around half of the volume of a log is turned into planks and boards in the sawmills, while the rest goes to pulp mills and heating plants.

SCA is northern Europe's largest forest owner and the pulp mills are 50 percent supplied from SCA's own forests. All this means that there will be plenty of pulpwood available for a reasonable price for a long time to come. It is highly likely that SCA's pulp mills, in addition to their own energy production, will also have access to a stable electricity supply going forward. SCA's website states that at the end of 2020 the company has 561 turbines (for wind power) on its land that produced 2.6 TWh in 2018, and this is expected to increase to 9 TWh in 2023.

Skellefteå, 2 February 2022

Yours sincerely,

Per Hägglund

### **Item 19**

"Ordinary Resolution Proposed by Fair Action prior to Annual General Meeting 2022

#### Resolution

The Annual General Meeting calls on the Board of Directors to:

Join negotiations with union representatives, in order to create a transparent and legally binding agreement that will:

1. Ensure all workers in H&M's supply chain are paid their legally mandated or regular wages - whichever is higher - and severance pay, which many workers did not receive during the Covid-19 pandemic.
2. Ensure, through the creation of a legally binding severance guarantee fund, that workers are never left without compensation again, in case their employer's factory faces bankruptcy or other unforeseen events that impact its workers.

#### **Brief context for the proposed resolution**

Factory employees in the global textile industry have been disproportionately hard hit by the Covid-19 pandemic. As stores and shopping malls closed due to the Covid-19 pandemic in the beginning of 2020, millions of textile workers lost their livelihoods, often overnight. Numerous employees were sent home without adequate notice and without receiving their legally mandated wages and severance pay.

Globally, 13 months into the pandemic, workers were owed USD 11,85 billion in unpaid income and legally mandated severance pay. Most of these workers have still not been compensated for their lost income. For example, [two thousand employees](#) at an H&M supplier factory, Gladpeer Garments in Cambodia, are still waiting on USD 1,4 million in unpaid severance.

Most of H&M's production takes place in countries where there are inadequate social security systems, if any, and these are usually very weakly enforced, or not enforced at all, meaning workers often do not have any source of income if they lose their jobs. Workers in Bangladesh, Cambodia and other of H&M's key countries of production have been facing [severe hunger and are accumulating debt](#) to buy food for their families.

The United Nations Guiding Principles on Business and Human Rights affirm that corporations have a responsibility to respect human rights within company-owned operations and throughout their supply chain. H&M [claims to have committed](#) to these Guiding Principles.

As the second largest fashion company in the world, H&M has a great opportunity – and obligation – to take action to live up to this commitment by joining negotiations with union representatives in order to create a legally binding agreement. Just as H&M did after the collapse of the textile factory Rana Plaza in 2013.”

## Item 20

Shareholder proposal from Fondazione Finanza Etica.

**Whereas:** as long-term shareholders, we believe that companies should incentivise the creation of sustainable, long term value. While much is being done to reduce the fashion industry’s impact on climate change, less well known and covered is the industry’s heavy footprint on biodiversity.

The apparel industry is a significant contributor to biodiversity loss. Apparel supply chains are directly linked to soil degradation, conversion of natural ecosystems, and waterway pollution. Biodiversity loss and climate change are interdependent and mutually reinforcing.

According to an analysis by McKinsey & Company<sup>2</sup>, the apparel sector’s five largest contributors to biodiversity loss are:

- Cotton agriculture (farming is insecticide, pesticide and water intensive, genetically modified cotton is largely used);
- Wood-based natural fibres/man-made cellulose fibres (MMCFs, 30% of which allegedly come from endangered and primary forests);
- Textile dyeing and treatment (which may contaminate waterways and overexploit freshwater);
- Microplastics (ca. 35% of primary micro plastics in the world’s oceans originate from the washing of synthetic textiles);
- Waste (ca. 73% of textile waste is incinerated or ends up in landfills, which release pollutants into their surroundings and contribute to habitat loss).

The environmental exposure caused by the clothing industry occurs primarily in the upstream value creation stages along the textile chain. While upstream suppliers are mainly responsible for the high emissions of greenhouse gases and air pollution, the extraction of raw materials causes a high biodiversity-, water- and eutrophication footprint. The loss of biodiversity and eutrophication come mainly from agricultural processes, especially the cultivation of cotton and other textile fibres.

In this context, H&M has decided to source 100% sustainable cotton by 2020, use 100% recycled or otherwise sustainable materials by 2030 and has committed to establish a climate-positive value chain by 2040 - “all the way from cotton farms to the customers’ washing machines and recycling baskets”.

With all these current company’s efforts concerning sustainability, it is still not clear how, in spite of a business model that is built on a “fast fashion” approach, it wants to fully address the growing biodiversity crises and climate change impacts in its supply chain.

**Be it resolved:** we request that H&M:

- Separately discloses how much of the sustainably sourced cotton is either recycled, organically produced or sourced through the “Better Cotton Initiative”;
- Fully discloses its organically sourced (GMO-Free) cotton by means of an independent organic cotton label such as the Global Organic Textile Standard (GOTS);
- sets targets for thresholds of recycled fibres in its purchasing volumes (yarns, fabrics and

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<sup>2</sup> <https://www.mckinsey.com/industries/retail/our-insights/biodiversity-the-next-frontier-in-sustainable-fashion>

garments).

- Indicates how it wants to increase the product life cycle of its clothes by promoting long-lasting quality materials and clothes which are ready to be recycled by design and how it wants to replace composite materials by mono-materials over time by means of specific targets.

**Supporting statement:** we recommend that the above mentioned sustainability targets and further details on H&M's biodiversity policy:

- are disclosed in the company's website and in the H&M group sustainability report;
- include precise targets on the improvement of its biodiversity footprint specifically for the agricultural raw material extraction.

## Item 21

Shareholder proposal from Fondazione Finanza Etica.

**Whereas:** as shareholders, we look to the companies to manage their human rights risks and address their human rights impacts as a demonstration of strong risk oversight and sound corporate governance.

H&M has disclosed that it strictly prohibits any type of forced labour in its supply chain, regardless of the country or region. Moreover, the company states that it does not work with any garment manufacturing factories located in XUAR (Xinjiang Uyghur Autonomous Region), and does not source products from this region. Cotton for H&M's production will no longer be sourced from XUAR either. In addition, H&M has conducted an inquiry at all the garment manufacturing factories it works with in China aiming to ensure that workers are employed in accordance with the company's Sustainability Commitment, and comply with its migrant worker guideline<sup>3</sup>.

Despite the company's efforts, it is not clear how H&M ensures that it is not involved in supply chain or labour rights issues elsewhere in China, that might be related to the Uyghur forced labour issue. In particular, information is missing on how the company is preventing (among suppliers based elsewhere in China, or in other countries):

- *indirect* sourcing of cotton or semi-finished products from XUAR;
- the use of forced labour from XUAR.

Although the company states that its audit and monitoring programme covers 100% of first tier manufacturing and processing units, as well as second-tier component suppliers of fabric and yarn corresponding to approximately 70% of the total production volume<sup>4</sup>, the audits' results are not disclosed. The latest publicly available results date back to the 2010 financial year<sup>5</sup>.

**Be it resolved:** we request that H&M:

- fully disclose how it is preventing *indirect* sourcing of goods and use of forced labour from XUAR;
- discloses the number of audits it conducts each year in China and other regions, including data on compliance progress at comparable factories on workers' basic rights (including the payment of a living wage), workers' rights, health & safety, environment and other relevant issues identified in the 2010 audit report;
- discloses information about cases of non-compliance and their remediation.

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<sup>3</sup> <https://hmgroupp.com/sustainability/fair-and-equal/human-rights/h-m-group-statement-on-due-diligence/>

<sup>4</sup> [https://hmgroupp.com/wp-content/uploads/2021/05/HM-Group\\_2020-Modern-Slavery-Statement.pdf](https://hmgroupp.com/wp-content/uploads/2021/05/HM-Group_2020-Modern-Slavery-Statement.pdf)

<sup>5</sup> [https://about.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/performance/download/performance\\_choose%20and%20reward%20responsible%20partners.pdf](https://about.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/performance/download/performance_choose%20and%20reward%20responsible%20partners.pdf)

**Supporting statement:** we recommend that the above mentioned information:

- is disclosed in a publicly available, ad hoc report (at reasonable cost and omitting proprietary information), including precise targets on the improvement of the company's compliance in the different domains mentioned above.