

## H&M Water Management Requirements

Water is an important component of H&M 's 100% circular and renewable ambition. Although water is a natural and abundant resource, increasingly water-intensive lifestyles and rapidly growing population is impacting on its availability & quality.

One of the major water impact in our value chain comes from supply chain, our business partner's direct operations where we have a responsibility to act. H&M also recognizes to act beyond the sphere of influence to work together to ensure improved water management on basin level due to local context of water management.

H&M emphasizes to use natural resources responsibly. Hence expect that water management system is in place for all our production, processing facilities and Tier 2 business partners.

H&M water management requirements are listed out in this document to ensure appropriate water management system is implemented in our supply chain. We also expect that our business partners will also demonstrate better performances in terms of Water Quantity reduction, Water Quality improvement and Increase use of circular water in line with H&M water strategy.

**General Requirement:**

All operation within the facility in full compliance with all applicable laws and regulation on Water quality & conservation including maintaining valid permits.

**Minimum Requirement:**

<b>Water use</b>	<p>Facility/Production Unit should have water METERS installed at all sources for incoming water.</p> <p>Facility with wet production /processing should have METRES at production inlets to track the quantity of water used in production. (Production water combines both water used in direct production and water used in Utility E.g. Boiler, Cooling Tower, Chiller etc.)</p>
	<p>Facility/Production Unit should have METERS installed at outlet of Industrial On site ETP to measure/record the volume of the treated wastewater.</p> <p>Facility /Production Unit should track the volume of wastewater discharged to Industrial Off site ETP.</p> <p>Facility /Production Unit with Industrial On site+Off site ETP should track the volume of wastewater discharged after On site treatment before it is sent to municipal or external wastewater piping network for further treatment.</p>
<b>Waste water</b> (see detailed explanation below)	<p>Facility/Production Unit wastewater quality must meet ZDHC Wastewater Guideline - Foundational Level for Textile &amp; Footwear Industry or legal water quality standards, whichever is stricter &amp; applicable.</p> <p>Non-Textile Industry (other than Textile &amp; Footwear Industry) wastewater quality must meet legal water quality standards.</p> <p>Water quality parameters will be followed on BOD, COD and TSS</p>

	Facility/Production Unit's Industrial wastewater that is produced is being treated with primary or secondary treatment or whatever is needed in Industrial On site ETP and graded "Yellow" as minimum as per H&M ETP Assessment
	If the wastewater treatment is occurring in Industrial Onsite-Offsite or Industrial Off-site alone, facility/ production unit should have an evidence of the treatment service agreement.

**Aspirational Requirement:**

H&M Business partners will take active measures to reduce water use by demonstrating continuous reduction of the facility's water withdrawals. We expect that all facility will take action to implement/maintain -

- Rain water harvesting shall be applied wherever feasible.
- Records of monthly water usage/discharge should be maintained for up to two years that may be made available upon request.

For facilities with wet processes or water intensive operation will require;

- Machine level of metering to measure water use.
- Water balance to assess and identify appropriate reduction measures taken to show continuous improvement which include track & measure all incoming sources, identify major drivers of use.
- Baseline for the performance, set normalized targets and create action plan and demonstrate reduction.
- Lead water recycling.
- For Waste water, facility will identify all sources & volume and the quality of the discharge waste water against legal /ZDHC waste water guideline whichever is applicable.
- Facility will strive for fully functional ETP with "Green" Grade according to H&M ETP assessment, applicable for all on -site ETP only.
- In the long term, act as a responsible water steward. This means that in addition to reducing water impacts from own operations, the business partner engages in collective action with local stakeholders to ensure available water resources are managed to meet long term social, environmental and economic needs. *Water stewardship and what it means for business is defined by the AWS International Water Stewardship Standard.*

For facilities using water only for domestic purposes (taps, toilets, cooling) it is sufficient to ensure implementation of water efficient equipment.

**Explanations:**

Requirements on waste water discharge and industrial on site ETP are explained in detail in the below chart:

AREAS	REQUIREMENTS								
<b>Waste water discharge</b>	<p>See below table (Table 1) for the definition of industrial on site/ off site ETP:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th>Wastewater treatment options</th> <th>Category term by H&amp;M</th> </tr> </thead> <tbody> <tr> <td>Full internal treatment; through the factory's own treatment</td> <td>Industrial on site ETP</td> </tr> <tr> <td>Partial internal treatment; through simple treatment at the factory, then discharged to an external treatment plant for further treatment</td> <td>Industrial on site + off site ETP</td> </tr> <tr> <td>Full external treatment; through an external treatment plant</td> <td>Industrial off site ETP</td> </tr> </tbody> </table> <p style="text-align: center;"><b>Table 1: Definition of ETP types</b></p>	Wastewater treatment options	Category term by H&M	Full internal treatment; through the factory's own treatment	Industrial on site ETP	Partial internal treatment; through simple treatment at the factory, then discharged to an external treatment plant for further treatment	Industrial on site + off site ETP	Full external treatment; through an external treatment plant	Industrial off site ETP
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<p>Waste water that is directly discharged to open body should comply with ZDHC conventional parameters, foundational limits (Table 2) or legal requirements, whichever is stricter. Compliance should be proven by tests, conducted at least once every year.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th>Key Parameters</th> <th>Limit Value</th> </tr> </thead> <tbody> <tr> <td>Total Suspended Solids (TSS)</td> <td>≤50 ppm</td> </tr> <tr> <td>Biological Oxygen Demand (BOD<sub>5</sub>)</td> <td>≤30 ppm</td> </tr> <tr> <td>Chemical Oxygen Demand (COD<sub>Cr</sub>)</td> <td>≤150 ppm</td> </tr> </tbody> </table> <p style="text-align: center;"><b>Table 2: ZDHC Conventional Parameters, Foundational Limits<sup>1</sup></b></p>	Key Parameters	Limit Value	Total Suspended Solids (TSS)	≤50 ppm	Biological Oxygen Demand (BOD <sub>5</sub> )	≤30 ppm	Chemical Oxygen Demand (COD <sub>Cr</sub> )	≤150 ppm	
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<p><i>Applicability for Non-Textile for the above requirement:</i> If non-textile, not ZDHC conventional parameters but national legislations -on the same three parameters only- proven to be met by third party are valid for waste water discharge criteria to meet H&amp;M Minimum Requirement.</p>									
<b>Industrial on site ETP</b>	<p>Industrial on site ETP should have sufficient capacity to treat all the production waste water produced by the unit and that the production capacity of unit is not increased unless corresponding ETP capacity has also been secured.</p>								
	<p>Industrial on site ETP should hold <i>necessary documentation &amp; appropriate design technology</i> to be graded "Yellow" as minimum as per H&amp;M ETP Assessment.</p>								

<sup>1</sup> ZDHC 2016 Wastewater Guidelines, Appendix A.

**PNS/PNU Approval :**

- Units with industrial on site ETP:
  - An industrial on site ETP must be operated and at least graded as 'yellow' by H&M ETP assessment to be approved. Besides the capacity/capability of waste water treatment, a waste water quality test report should also be submitted to H&M.
  - Facility will get maximum two-years timeline from the date of ETP Assessment to be graded as "Green" with enhancing its operational control and competence to treat the waste water up to the required quality level.
  - H&M retains the right to perform an unannounced wastewater sampling and tests with 3rd party lab at any time to verify the ETP performance.
  - H&M conducts the assessment on ETP's capacity and capability (functionality assessment) at least once in two years.
- Units with Industrial on site + off site ETP or industrial off site ETP:
  - Unit required to connect to an offsite ETP with documented evidence of compliance & usage to be approved. Those required documents should be validated by H&M.

**BUSINESS CONSEQUENCES**

If any Minimum Requirement (MR) mentioned above is identified as violation in a Production Unit, a Letter of Concern (LOC) will be issued and a Corrective Action Plan (CAP) is expected from the PU. This CAP should show the roadmap to resolve the non-compliance and be approved by Sustainability Developer/SCSMs/SUMs. After implementation of the CAP, H&M will follow up to verify if the non-compliance is resolved; in case it is not, this may be considered as a repeated violation.

**ANNEX- Applicability of H&M Water Management Requirements**

Production Type	ETP Type	ETP Functionality Assessment (ETP FA)	Wastewater Tracking Method	PNS/PNU	Water Quantity/Water Efficiency	Water Quality	Water Circularity
Apparel &Textile	Industrial On site ETP	✓	Water Meter is required	MR Compliance, including 'Yellow' graded ETP	Process Applicability should be considered	ZDHC conventional parameters, foundational limits or legal requirements, whichever is stricter	✓
	Industrial On site + Off site or Industrial Off site only	N/A	Tracking is required either by meters, invoices, engineering estimations, water balance diagrams	MR Compliance, including 'treatment service agreement'	Process Applicability should be considered	N/A	✓
Non-textile	Industrial On site ETP	✓	Water Meter is required	MR Compliance, including 'Yellow' graded ETP	Process Applicability should be considered	Legal Requirement on three parameters, follow ZDHC conventional parameters where no legal requirement available	✓
	Industrial On site + Off site or Industrial Off site only	N/A	Tracking is required either by meters, invoices, engineering estimations, water balance diagrams	MR Compliance, including 'treatment service agreement'	Process Applicability should be considered	N/A	✓