

# HEMA sustainability due diligence statement

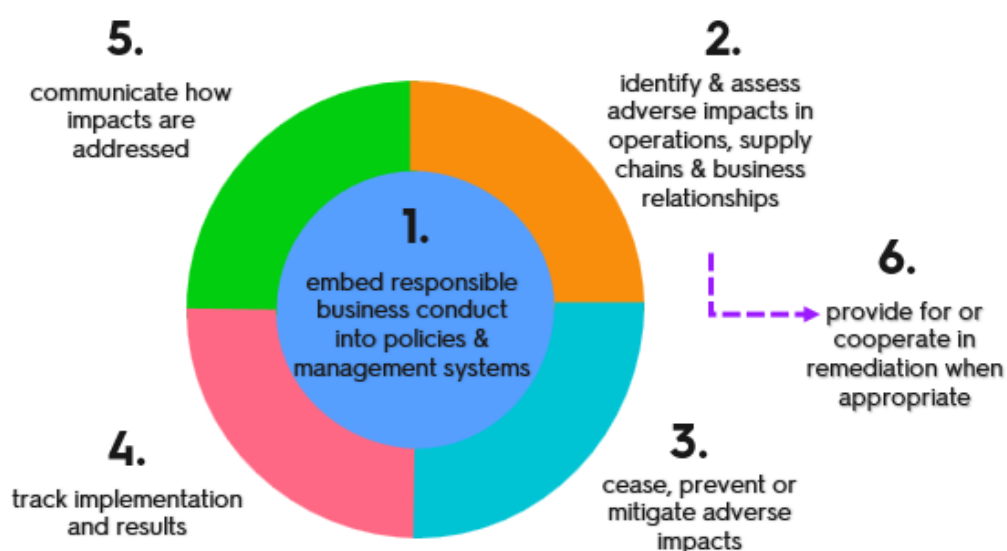
HEMA products are produced all over the world. In some parts of the world, this can lead to an increased risk for human rights and the environment. HEMA is transparent about our production locations on [our website](#), and we work continuously on improving production chains. We follow the OECD guidelines for human rights and environmental due diligence to identify adverse risks and take steps to stop, prevent or mitigate those risks. We believe we need to work together to create a positive impact. Therefore, we continuously engage with our stakeholders, suppliers and are part of international multistakeholder initiatives.

## Sustainability due diligence at the heart of our business

HEMA takes responsibility in the production chain to identify and address the most salient risks on human rights, environment and animal welfare. We follow the [OECD-guidelines for Human Rights and Environmental Due Diligence](#) and the [United Nations Guiding Principles on Business and Human Rights](#). We form our policies and protocols around the results of these steps.

We also base our policies on the [ILO-conventions](#) relating to fundamental principles and rights at work, the [International Convention on Human Rights](#), the [Convention on the Rights of the Child](#) and on the [Convention on the Elimination of All Forms of Discrimination against Women](#), furthermore we are affiliated with internationally recognized sustainability initiatives such as [Amfori BSCI/BEPI](#), the [International Accord](#) and since 2023, the [Pakistan Accord](#). In our [sustainability report](#) we have included a complete list of our collaborations.

We recognize the importance of considering vulnerable groups, such as women, children, and migrant workers. We strive to identify and address their unique challenges and take specific measures to ensure that the rights and well-being of these groups are respected. In our Child labor policy, we have defined additional policies that outline our responsibility in case (signs of) child labor are found in our supply chain.



**Source:** This visualization is based on the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

### Step 1: Integrate corporate social responsibility into policies and management systems

Sustainability is at the core of our strategy. With our employees, for the customer, and in the production chain. We are working with all employees to create a better everyday life in a more beautiful world. For us, this also means creating a sustainable corporate culture internally at HEMA and in cooperation with our suppliers and stakeholders outside HEMA.

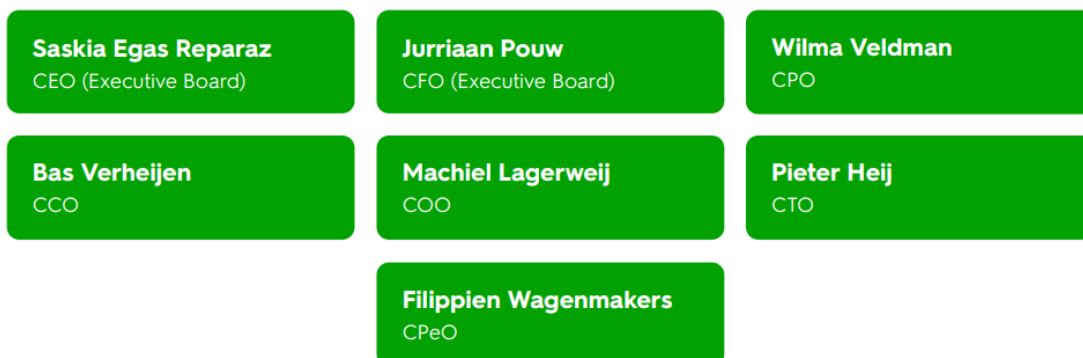
#### Responsibility

The Executive Board consists of Saskia Egas Reparaz (CEO) and Jurriaan Pouw (CFO) and is responsible for HEMA's strategy. Sustainability has a central place in this. The CEO is (ultimately) responsible for the creation and implementation of the sustainability and due diligence policy. The board is in close contact with the management team, of which they are also part. "Being a leader in sustainability" is also one of the seven KPIs of the management team.

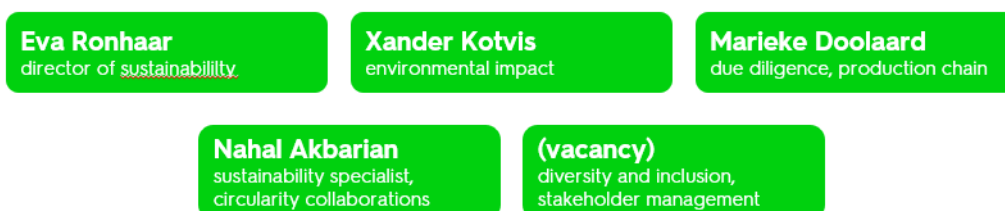
#### Sustainability department

The board has designated the sustainability department to minimize HEMA's impact on people and the environment. This department is responsible for developing the strategy on sustainability into policy. The CEO coordinates these with the management team, which approves the objectives. The sustainability director and CEO meet monthly to discuss sustainability developments. If there are risks or challenges, they are discussed immediately.

#### management team



#### sustainability team



#### departments involved

Other departments involved, such as legal, purchasing and quality, have designated sustainability specialist

### *Sustainability deliberation*

Since 2022, HEMA has had a recurring sustainability meeting where developments and goals on sustainability are discussed. Attendees are the CEO, CPO, and CFO from the management team and representatives from the communications, procurement, legal, and sustainability departments. During this meeting we share insights on specific themes once a month, which are discussed in sub-consultations. The objectives include themes such as relevant legislative and regulatory developments, reporting, stakeholder engagement, responsible sourcing strategy, CO<sub>2</sub> and, diversity & inclusion.

### *Engaging stakeholders*

We value input and feedback from our stakeholders during our due diligence process. Thus, in 2022, we mapped our stakeholders and invited them to a stakeholder meeting in January 2023. One of the most important outcomes was that HEMA can be more transparent. That also means seeking even more collaborations on complex topics. HEMA promised to organize recurring meetings in 2023, both general and on specific topics.

In June 2023, we organized a stakeholder meeting specifically about our responsibility in the production chain, and focused on two themes: 'the worker in the factory' and 'responsible sourcing strategy'. Several collaborative partners were invited, including Enact, Amfori, and the SER. Also involved were representatives of workers and vulnerable groups, such as the NGOs Arisa, UNICEF, and Solidaridad and the trade unions FNV and CNV. In addition, we involved other retail organizations and brands in this meeting, because we are convinced that the complex issues in the value chain are best solved when companies work together. Finally, we also invited a large group of colleagues working with stakeholders in the production chain on a daily basis. In one breakout session, we discussed what a worker in the factory needs to work in a safe and healthy working environment. Wages, equality and knowing your rights were named. In the other breakout session, we discussed responsible sourcing strategy and what it should consist of. Again, wages, equal partnership and including the consumer were mentioned.

Two concrete follow-up actions that came out of this are that by 2023, HEMA will:

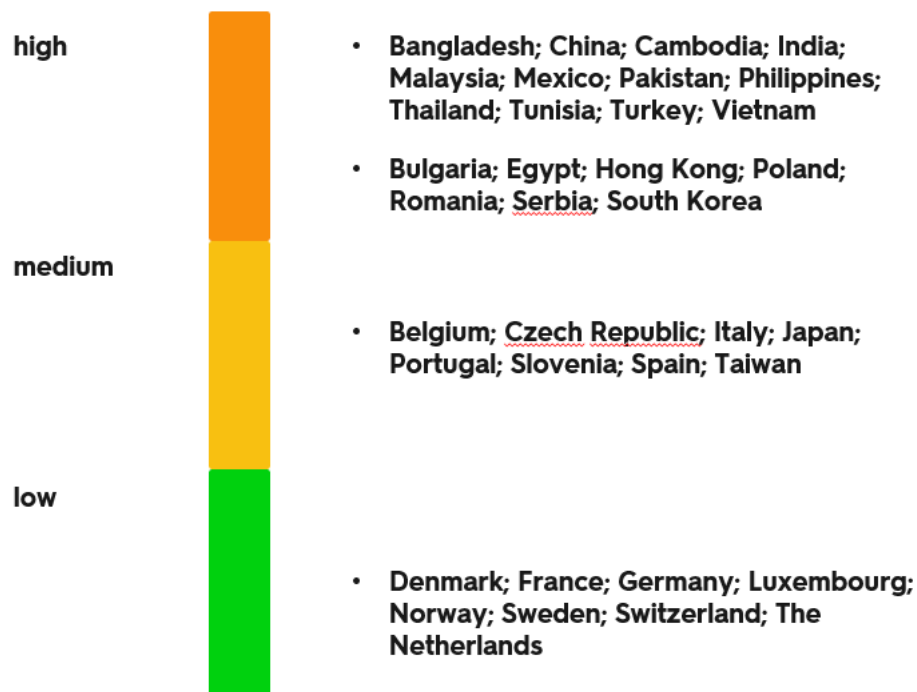
1. Set up a 2-way Code of Conduct (Supplier Code of conduct), defining the responsibilities of both HEMA and the supplier
2. Set up a Roadmap for wages in the production chain.

For a more detailed view on how we interact with our stakeholders, have a look at our [sustainability report](#).

## **Step 2: Identify & assess negative impacts**

### *HEMA risk assessment & priorities*

In 2021, we did an internal risk assessment of our production chain. In January 2023, Enact, an external consultant, verified and extended the scope of the risk assessment. Although the guidelines on due diligence require you to look at all steps in your organization's value chain, companies can start the risk assessment where the risks to humans, animals, and the environment are most significant. For this reason, we started with our assortment because it is precisely in the use of raw materials and the various production countries where there are high risks. We will eventually extend the risk assessment to other steps of our value chain as well. This risk assessment examined 18 social and environmental risks associated with our main materials and classified the various production countries we work with as low, medium and high risk.



The main risks have also been identified and explained for each risk country where the factories producing for HEMA are located:

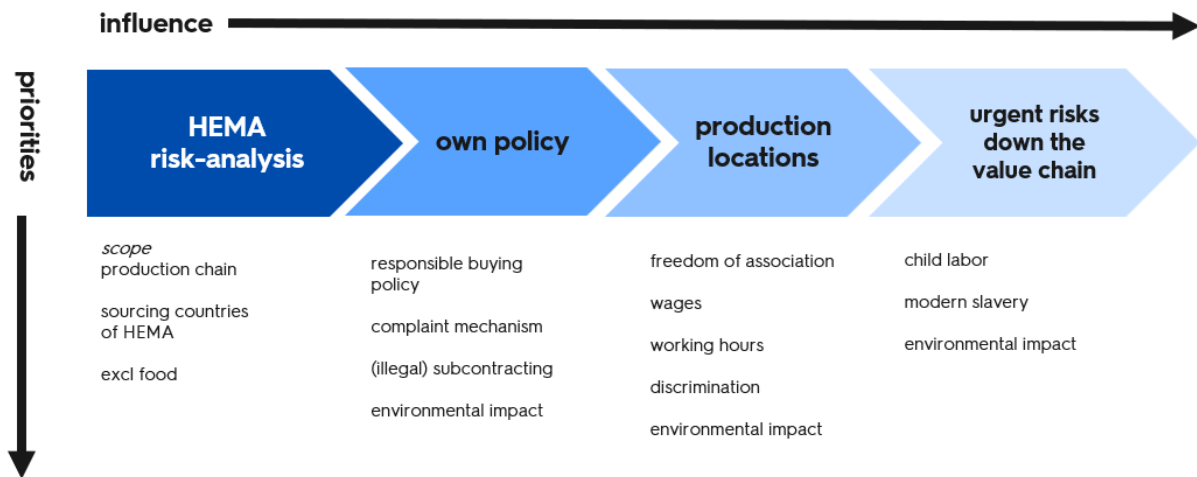
textile	hardgoods	beauty
<b>China;</b> labour rights, working hours	<b>China;</b> labour rights, working hours	<b>China;</b> labour rights, working hours
<b>Bangladesh;</b> wages, working hours	<b>Poland;</b> discrimination	<b>Egypt;</b> freedom of association, discrimination
<b>Turkey;</b> unauthorized subcontracting, freedom of association	<b>Turkey;</b> freedom of association, discrimination	<b>Germany;</b> sexual harassment
<b>Pakistan;</b> water scarcity		<b>Italy;</b> labour rights, migrant workers
<b>India;</b> forced labour, polluted soil		

The main commodities and risks were then considered:

	social risk	environmental risk	animal welfare risk
<b>wood</b>	<ul style="list-style-type: none"> <li>occupational health and safety; forced labour</li> </ul>	<ul style="list-style-type: none"> <li>water pollution; land use</li> </ul>	
<b>cotton</b>	<ul style="list-style-type: none"> <li>child labour; forced labour</li> </ul>	<ul style="list-style-type: none"> <li>water pollution; chemical use</li> </ul>	
<b>crude oil</b>	<ul style="list-style-type: none"> <li>occupational health and safety; affected communities</li> </ul>	<ul style="list-style-type: none"> <li>water pollution; land use</li> </ul>	
<b>metals</b>	<ul style="list-style-type: none"> <li>occupational health and safety; forced labour</li> </ul>	<ul style="list-style-type: none"> <li>land use; water, air and noise pollution</li> </ul>	
<b>shea</b>	<ul style="list-style-type: none"> <li>occupational health and safety; discrimination; land use</li> </ul>	<ul style="list-style-type: none"> <li>land use; water, air and noise pollution</li> </ul>	
<b>wool</b>		<ul style="list-style-type: none"> <li>water pollution; chemical use; emissions</li> </ul>	<ul style="list-style-type: none"> <li>not anesthetized removal of skin; animal treatment</li> </ul>
<b>down</b>			<ul style="list-style-type: none"> <li>picking, force feed, trimming</li> </ul>
<b>leather</b>	<ul style="list-style-type: none"> <li>occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>water use; land use; emissions</li> </ul>	<ul style="list-style-type: none"> <li>mutilation; transport; lack of shelter provided</li> </ul>

The risk assessment showed us that in our organization, we must pay more attention to developing a responsible purchasing strategy and that insight into our production chain down to the level of raw materials is necessary to take further steps toward sustainability. In addition, two themes were already included in our sustainability policy but once again emerged clearly from the risk assessment. These are employee wages and the use of subcontractors by suppliers. Based on the findings from the risk assessment, we will continue to develop our plan of action on the prioritized risks and will also communicate about them. Prioritization is based on our sphere of influence and the urgency of the risks. In doing so, we consider:

- Our own policies to prevent risks in the production chain. For example, HEMA is a participant in the Learning and Implementation Community for Responsible Purchasing Practices (LIC) and in the process of developing a responsible purchasing strategy. Also HEMA is expanding and strengthening complaint mechanism in the production chain.
- Working with our suppliers and directly with factories to empower workers. HEMA has, and still is, participant in projects on freedom of association.
- Risks deeper in the production chain, such as child labor. On this level HEMA looks for multi-stakeholder initiatives and collaboration with other companies.



In 2023, we will further improve our approach within HEMA with stakeholders. We will continue to communicate about our progress and ask stakeholders for input. Our CEO and CPO are also closely involved in this process.

### Environmental impact

About 33% of a Dutch household's annual average carbon footprint comes from buying food, drinks, clothes, and paraphernalia (Milieu Centraal, 2022). This carbon footprint also applies to products we produce and sell. With this, we and our customers significantly contribute to the carbon footprint of everyday life.

Therefore, the past year was dedicated to carry out the first carbon baseline measurement for HEMA. This involved a lot of work. We collected data our own operations and our value and production chains. With all this data, we calculated our carbon footprint for the year 2019. We worked according to the Greenhouse Gas (GHG) Protocol for the framework and method behind this baseline measurement. We mapped all scope 1, 2, and 3 emissions. In the coming years, we will reduce our CO<sub>2</sub> emissions significantly. We are joining the globally recognized CO<sub>2</sub> reduction targets of the Science Based Targets initiative (SBTi) to achieve this.

To contribute to CO<sub>2</sub> reduction, HEMA aims to reduce CO<sub>2</sub> emissions from its operations (scope 1 and 2) by 75% in 2030 compared to 2019, and to halve those from other activities in the production chain (scope 3). In addition, HEMA is committed to the long term goal of being climate neutral by 2050. Each year, we will report on our progress against the targets and developments within our carbon footprint.

We are also aware of other environmental impacts of the production processes of our product range, such as the production of textile items, which uses much water, or the land use required for our food products. Therefore, in 2023, we will start several pilots to map the environmental impact of our production chains, such as water and land use.

The results of the carbon baseline measurement can be found [here](#).

### Amfori BEPI platform

In 2021 and 2022, we asked our textile suppliers which environmental compliance standard they use. Based on this inventory, we chose to ask [BEPI](#) (Business Environmental Performance Initiative) as a standard criterium to monitor environmental performance. The main reasons are that this standard applies to all product groups and, as part of Amfori, is a recognizable working method

for our suppliers. In 2022 we shared this with all suppliers and asked them to complete the BEPI self-assessment in 2023. In 2023, we will monitor the progress and outcomes. We will also draw up a plan of action to roll this out further. If suppliers have other environmental standards, we ask suppliers to share them with us and see if they sufficiently align with our requirements.

#### *Animal Welfare*

For some of our products, we use raw materials derived from animals, such as wool. We ensure that these products are produced as animal-friendly as possible. For example, our products do not contain fur or angora wool. Merino wool may only be used if no mulesing occurs. In addition, our cosmetics are not tested on animals. More information about our animal welfare goals can be found in our [sustainability report](#).

#### **Step 3: Stop, prevent, or limit**

HEMA takes responsibility in the production chain and works on building future proof production chains with its suppliers and partners. To illustrate, we have worked with 75% of our suppliers for over 5 years and 20% for over 15 years. We purchase from suppliers directly or through the purchasing offices in Dhaka, Hong Kong, and Shanghai. We also work with two agents and several importers.

#### *Code of conduct & supplier declaration on quality and social compliance*

Our [Code of conduct](#) is part of all agreements with suppliers and business partners. This Code of conduct describes the minimum requirements we set for people and the environment. HEMA is working on a Supplier Code of Conduct, which lays out HEMA's responsibilities as well as the responsibilities of the supplier.

#### *Transparency factories*

In 2019, we signed the [Transparency Pledge](#). We also published our textile factories on the Open Apparel Registry. Since 2022, the OAR has been expanded to the Open Supply Hub and [our factories](#) in textile, hardware and beauty are published there. Food factories will be added in 2023.

For two reasons, HEMA publishes factories, to provide transparency, and also to allow external parties to report on violations of our Code of Conduct in the production chain to HEMA.

Our ambition is to have more and more transparency in the production chain.

- In 2021 and 2022, we will have mapped out the 2<sup>nd</sup> tier suppliers of our 1<sup>st</sup> tier textile suppliers.
- In 2023, we also mapped 2<sup>nd</sup> tier suppliers of our 1<sup>st</sup> tier hard goods suppliers.

#### *Our development approach to labor conditions*

The position of employees in the production chain is a priority at HEMA. An essential condition for us is that employees at production sites can work under good working conditions and feel safe. All production sites in high-risk countries must comply with our development approach based on continuous improvement. The first step is to meet HEMA's minimum requirements (basic criteria) on human rights and the environment. For this, we have an MRQ-social compliance (MRQ-sc) audit performed by an external party. We then ask suppliers to continuously improve. HEMA is a long time member of Amfori and requests all suppliers to schedule a BSCI audit after one year. A supplier fully complies with the Code of Conduct by achieving an A-score in a BSCI (Business Social Compliance Initiative) audit or obtaining an SA8000 certificate. When a production site in a high-risk country already has a valid SA8000 certificate at the start of the partnership, we appreciate the production site's efforts and they are exempted from our initial MRQ-sc audit for

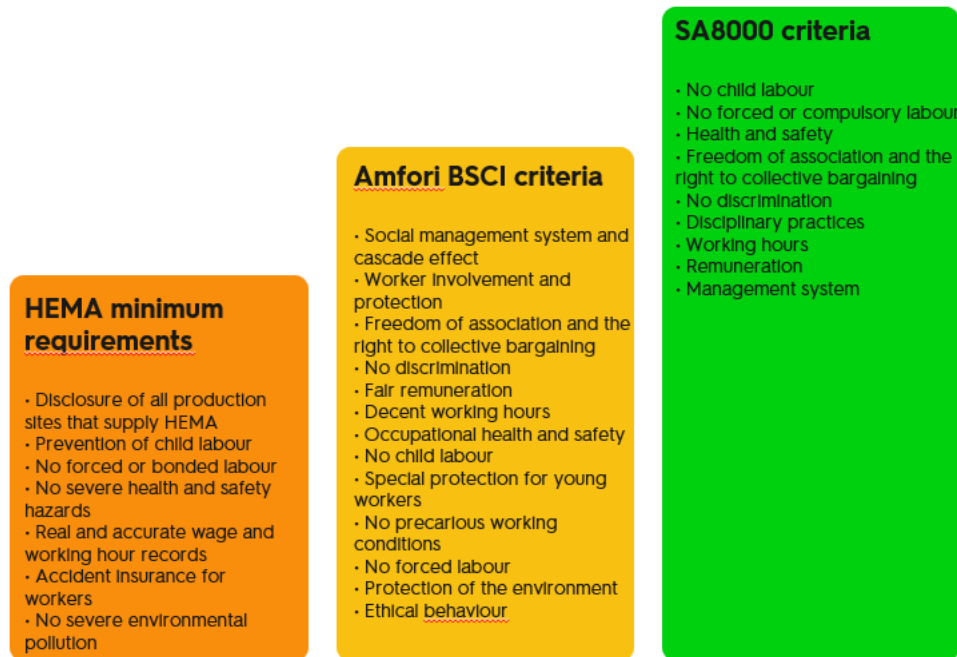


human rights and environmental impact. In addition to BSCI, we accept equivalent standards whose content and authenticity we can verify, such as Sedex/SMETA.

BSCI and SA8000 audits are monitored through the BSCI Sustainability platform.

HEMA MRQ audits (for both quality and social compliance) are tracked centrally through our supplier portal.

BSCI and SA8000 audits are monitored on the BSCI Sustainability platform.



### *a responsible purchasing strategy*

We are in constant dialogue with our suppliers and partners. In 2020 and 2021, we asked our buyers and suppliers via a survey what was going well and what we could do better. The evaluations were positive, for example, about order placement. They also revealed a need for training and better communication about sustainability goals. We are considering the outcomes in improving and making our policy more sustainable (see responsible purchasing strategy). Since 2021 there have been separate strategy days for suppliers, and since 2023, we have started newsletters for suppliers.

To improve our purchasing practices, HEMA has been part of the [Learning and Implementation Community for Responsible Purchasing Practices](#) (LIC). This multi-stakeholder initiative supports companies in improving their purchasing practices. The working group comprises about 35 textile companies and organizations such as Solidaridad, Ethical Trading Initiative, and Fair Wear Foundation. Together, we work for two years on the five principles of the Common Framework on Responsible Purchasing Practices:

- integration and reporting;
- equal partnership;
- joint production planning;
- fair payment terms;
- sustainable costing.

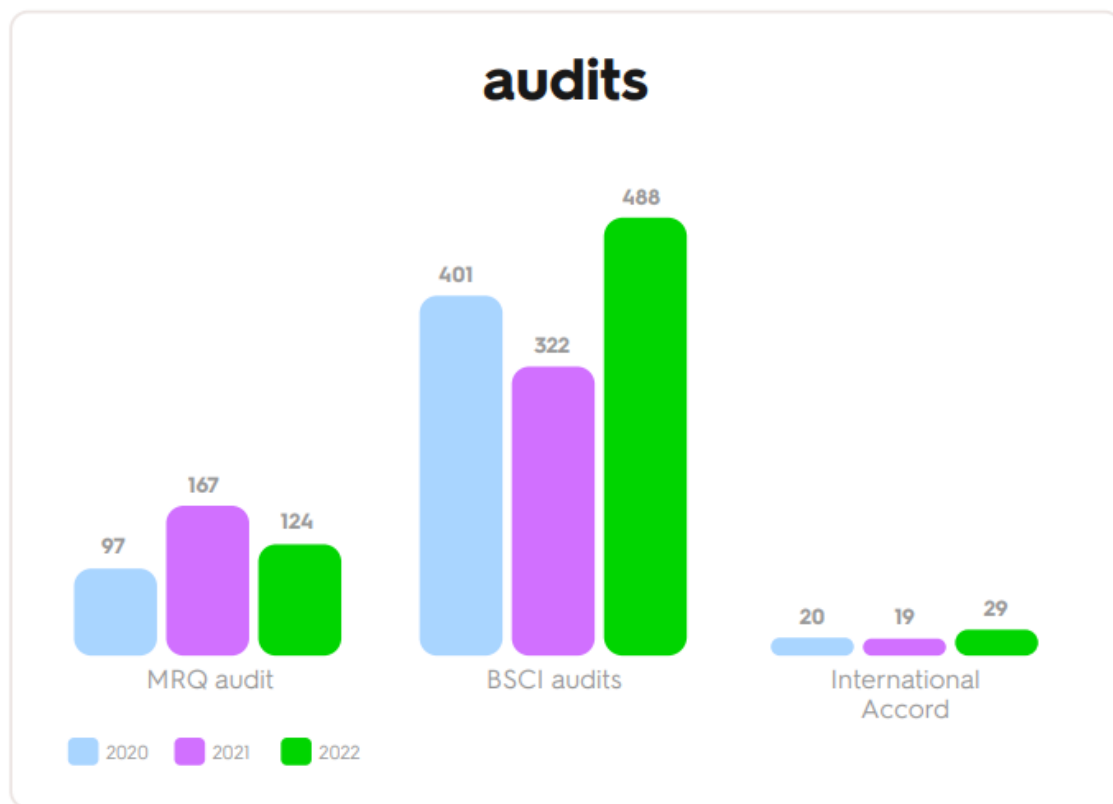


In 2023, the management team agreed on a responsible purchasing strategy. The first internal working group (with colleagues from procurement, legal, supply chain and the apparel unit) took place in July. The goal is to:

- identify new principles
- offer training to colleagues
- establish a 2-way Supplier Code of conduct
- develop KPIs for internal and external reporting

#### Step 4: Monitor practical application and results

Through audits and participation in multi-stakeholder initiatives and projects, we monitor the extent to which our measures mitigate risks in the production chain and adjust our policy where necessary.



Above image shows the amount of audits in 2020, 2021 and 2022 that took place at factories producing for HEMA.

<b>2022 scores</b>	
BSCI A-score	21
BSCI B-score	36
BSCI C-score	411
BSCI D-score	11
Suppliers with other accepted standards, such as SEDEX	30
Suppliers with SA8000 certificate	11
No audit yet, or expired audit	10%

Above image shows the BSCI scores that production locations get after an BSCI audit. The goal is to continuously improve. With the score production locations receive recommendations to improve.

We expect our suppliers to meet our social audit requirements. For example, suppose suppliers do not meet the criteria in the MRQ. In that case, they can't supply products to us. When suppliers comply with BSCI but still find areas for improvement, we encourage these suppliers to improve. The vast majority of our suppliers meet our social audit requirements. However, there are some exceptions of production sites in high-risk countries where the supplier is not currently affiliated with BSCI or another standard we accept. This can have various causes, for example, when HEMA purchases a small volume or because the production location is small. We are in contact with these locations, and together, we look for a suitable solution. In the short term, we can schedule a surveillance audit (MRQ-sc audit). In the absence of a valid social compliance audit, this will have consequences for the cooperation, taking into account our responsible exit strategy in which we consider the impact on workers before ending a partnership with a production location.

We are also aware that the use of social audits has limitations and cannot always sufficiently identify or address human rights violations. Our due diligence approach helps us identify risks that might not appear in audit reports. In addition to the use of audits and certification, we also look at other ways to protect and improve the position of workers, such as, for example, in our projects on workers' voices, which we explain further below.

### Workers' voice

Worker's voice is one of our priorities improve the working conditions of workers in de production chain. To strengthen our approach, we have been a part of the following collaborations:

- *Project Factory support program* with Arisa and SAVE. In recent years, we have been involved in several initiatives. One involved strengthening worker committees and operating an internal grievance mechanism in India with Arisa and SAVE. HEMA planned to train two suppliers. One supplier was trained, but then the project was halted due to circumstances at the local partner in Tamil Nadu. We have since decided not to continue this project, as we will use Amfori's new grievance mechanism Speak for Change. HEMA will stay involved in this project until it ends in the summer of 2023.

- *Project with Fair Wear Foundation:* We also worked with Fair Wear Foundation to implement an external grievance mechanism in India. Workers could report their complaints externally through the Fair Wear Foundation. This project came to an end in 2022. Since we are moving to Amfori's grievance mechanism, we decided not to follow up on this project either.
- *project Amplify:* Since 2022, we have joined the project Amplify together with FNV and other companies in Bangladesh, among others. The project focuses on freedom of association at production sites. This means that workers have the right to voluntarily join a group, such as a workers' committee, that promotes, pursues, and defends common interests. Since January 2023, we have officially started with support from RVO. Together with our project partners, we are looking at the impact of the employee committee at two of our suppliers. In early 2023, our social compliance officer attended a training of trainers (Training of Trainers) in Dhaka. Then, there was a training for the relevant managers of the factories to explain the project's purpose. In 2023, the factories will be visited and guided in improving worker committees in the factory. We are also analyzing our procurement policy and Code of conduct to communicate our policies on freedom of association clearly.

#### Step 5. Communicate how consequences are handled

We communicate about our progress publicly in various ways:

- *Website* | On our website, we post news and developments about sustainability at HEMA.
- *Corporate website* | Our corporate website contains information about our sustainability policies for suppliers and stakeholders.
- *Sustainability Report* | Each year we publish progress and new developments in the HEMA Sustainability Report
- *Due diligence report* | We will expand this due diligence policy every year to include the past year's progress and developments.

Internally, we communicate sustainability through::

- *Quarterly reporting* | Internally, goals are shared quarterly.
- *Intranet and training* | Colleagues are kept informed of our sustainability policy through intranet and training sessions
- *Summer trainings* | During our annual summer parade, we tell all colleagues in the office about the latest developments in sustainability at HEMA

For our suppliers, we communicate about sustainability through:

- *Strategy day* | During our annual strategy day, we inform our suppliers about the latest developments, including in the area of sustainability.
- *Annual discussions* | We hold one-on-one discussions with suppliers where we talk about sustainability, among other things
- *Newsletter* | Through our quarterly newsletter, we keep suppliers informed of the most important topics.

## Step 6: Provide and cooperate in repairs if applicable

### Complaint mechanism

The steps described above are intended to identify, stop, reduce, or prevent as many risks as possible. At the same time, we are aware that violations of our Code of conduct can still occur. Through well-functioning complaint mechanisms in the production chain, violations can be shared with HEMA. Stakeholders can reach us directly through our [website](#). A grievance mechanism should also be present at a production location through regular consultation between management and employees, a confidential advisor, or an anonymous reporting procedure. If an employee does not feel free to report a complaint or wrongdoing at the production site, or if these grievance mechanisms are not present in practice, employees can use external grievance mechanisms. In this way, complaints still come to us through an international network. Examples include the International Accord, Amfori BSCI, or through our network locally or in the Netherlands (trade unions and NGOs).

If reports come to us directly or through international networks, we will first assess the seriousness of the complaint. We discuss this with critical stakeholders, such as trade unions and social organizations, and enter into discussions with the supplier concerned. As much as possible, we look for solutions the supplier can start working on immediately. In 2023, for example, we received a complaint from a production site, after which we encouraged them to join the Amplify project.

Our ambition is to provide all employees of production sites in our top 5 high-risk countries (China, Bangladesh, India, Pakistan, and Turkey) with access to a grievance mechanism (internal and external) by 2025. Our Code of Conduct includes the expectation that our suppliers have a functioning grievance mechanism. We have also made this topic the focus of several projects in recent years.

### International Accord

The International Accord reports malpractices to the purchasing companies of the production locations involved. The Accord distinguishes between complaints that are in the scope of the Accord and involve occupational health and safety and complaints that are out of scope of the Accord.

<i>in scope*</i>	<i>out of scope</i>	<i>reason out of scope</i>
11	8	Covers reports of unpaid wages, unequal treatment or harassment in and around the plant

\* number of reports 2022

In one case, a complaint came to us directly through our colleagues. In addition to Accord protocols, we responded to the person and sent a letter to the factory management. Beforehand, we coordinated with stakeholders in our network about steps to follow. We continue to monitor the follow-up of the complaint and outcomes of Accord investigations.

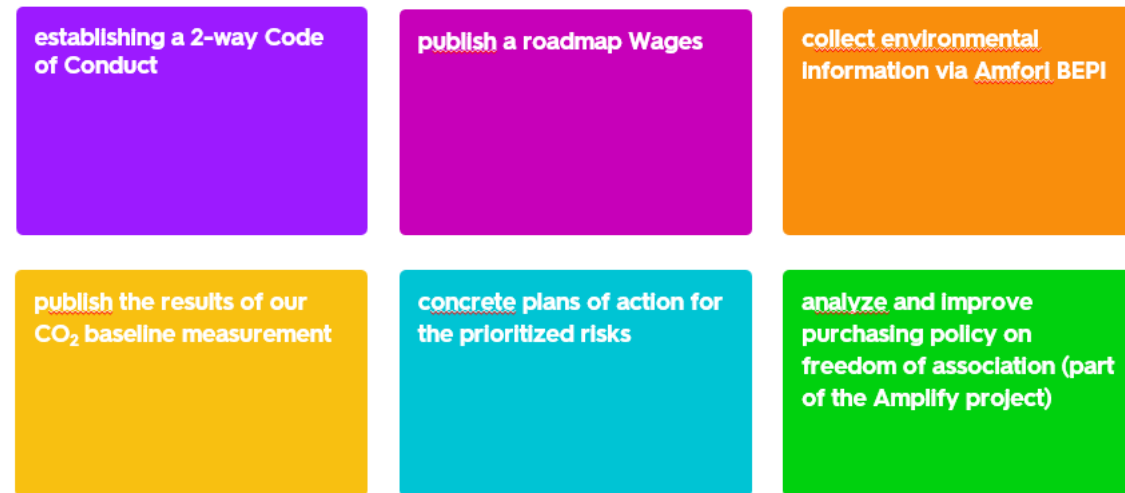
### Amfori's complaint mechanism rollout

In 2022, Amfori launched a '[Speak 4 Change](#)' pilot for internal and external grievance mechanisms. This program is designed for employees at production sites. Internal complaint mechanisms in the factory are improved and monitored during BSCI audits. In addition, an external grievance mechanism has been set up where employees can report a complaint by phone, mail, or local communication tools. All Amfori members linked to this production site are notified through a

platform when a complaint is reported. In 2023, Amfori will roll out the complaint mechanism to other countries. Our suppliers are informed and will be included in the further rollout.

#### **Next steps and ambitions for 2023 and 2024**

Due diligence is an ongoing process in which we can continuously improve. We have taken several steps recently to develop our due diligence policy and implement it in our organization. For example, we have started mapping out the human, animal, and environmental risks for the raw materials we use and the production countries where our products are made. Based on the findings from the risk analysis, we will work on developing our plan of action to mitigate the prioritized risks. Below are some of the ambitions we have set for ourselves:



#### **For more information**

We communicate online at [hema.nl](https://hema.nl) and [our corporate website](#)

For questions or comments, we can be reached at [sustainability@hema.nl](mailto:sustainability@hema.nl)